

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

In re SANCTUARY BELIZE LITIGATION

No.: 18-cv-3309-PJM

**FEDERAL TRADE COMMISSION'S PRETRIAL PROPOSED
FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Plaintiff Federal Trade Commission (“FTC” or “Commission”) submits its Proposed Findings of Fact and Conclusions of Law in accordance with Section XXIV of the Court’s Preliminary Injunction, DE 615. Any below-listed Finding of Fact that should be more properly listed as a Conclusion of Law is hereby incorporated by reference and adopted as a Conclusion of Law. Conversely, any below-listed Conclusion of Law that should be more properly listed as a Finding of Fact is hereby incorporated by reference and adopted as a Finding of Fact. The FTC reserves the right to amend these findings and conclusions to conform to the evidence as presented at trial, including to provide additional citations in support of the facts herein and to provide additional findings as necessary to address additional evidence adduced through cross-examination or offered in rebuttal.¹

¹ In its pretrial witness list, the FTC has indicated that it intends to call ten witnesses who are not defendants and have previously signed a declaration that was admitted as an exhibit to the preliminary injunction hearing. In this document, the FTC offers citations to their declarations, and will replace the citations to declarations with trial testimony, if any, at the end of trial. These witnesses are Roshni Agarwal (PX 250); Frank Balluff (PX 186); Frank Costanzo (PX 814); Nicole Christ (PX 252); Brick Kane (PX 356, PX 630); Richard Kaplan (PX 221); Aaron Kaufman (PX 297, PX 735); Violette Mathis (PX 617); Karina Pomroy (PX 183); and Paige Reneau (PX 205, PX 206, PX 207). The FTC additionally intends to call an additional eight witnesses and the three remaining defendants.

This document also includes citations to designated deposition testimony of defendants and witnesses unavailable pursuant to Fed. R. Civ. P. 32(a)(3) and Fed. R. Civ. P. 32(a)(4). It further includes citations to testimony from the preliminary injunction hearing pursuant to Fed. R. Civ. P. 65(a)(2).

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PROPOSED FINDINGS OF FACT

I. INTRODUCTION.

1. On October 31, 2018, Plaintiff Federal Trade Commission (“FTC”) filed this case, alleging that Andris Pukke, Luke Chadwick, Peter Baker, and others were perpetrating a massive land scam on predominantly U.S.-based consumers.

2. The FTC’s suit is against a group of interconnected companies and a cadre of henchmen collectively known as the Sanctuary Belize Enterprise (“SBE”). SBE includes the following entities: Global Property Alliance Inc., Eco-Futures Development Inc., Eco-Futures Belize Limited, Sittee River Wildlife Reserve, Buy International Inc., Buy Belize LLC, Foundation Development Management Inc., Newport Land Group LLC, Power Haus Marketing, Ecological Fox LLC, Belize Real Estate Affiliates LLC, Southern Belize Realty LLC, Exotic Investor LLC, Foundation Partners, BG Marketing LLC, Prodigy Management Group LLC, and the Sanctuary Belize Property Owners Association.

3. SBE duped retirees and small businesspeople into spending more than \$138 million on empty lots in a Manhattan-sized plot in remote southern Belize (“Sanctuary Belize,” “Sanctuary Bay,” or “The Reserve”) that the Court previously ordered Pukke to turn over to the Receiver to repay his victims in *FTC v. AmeriDebt* (D. Md.).

4. As explained in further detail below, Section IV.B.i-IV.B.vi, SBE makes six core misrepresentations about the Sanctuary Belize lots, each of which violate Section 5 of the FTC Act, Telemarketing Sales Rule (“TSR”), and this Court’s prior order prohibiting Pukke and his associations from deceptive telemarketing: (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.

5. In addition to the six core claims, SBE misrepresents Defendant Andris Pukke's involvement to consumers who would not purchase lots if they knew the truth.

6. As detailed below, these six core claims and statements about Pukke's involvement are false.

II. OVERVIEW OF THE PARTIES.

A. Plaintiff.

7. Plaintiff FTC is an independent agency of the United States Government, created by statute. 15 U.S.C. § 41 *et seq.* The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces the Telemarketing and Consumer Fraud and Abuse Preventions Act ("Telemarketing Act"), 15 U.S.C. § 6101 *et seq.* Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing acts or practices.

B. Individual Defendants.

8. The FTC brought suit against eight individual defendants: Andris Pukke, Peter Baker, Luke Chadwick, John Usher, Brandi Greenfield, Rod Kazazi, Frank Costanzo, and Michael Santos.²

9. Frank Costanzo, Brandi Greenfield, Rod Kazazi, and Michael Santos have agreed to proposed settlements (collectively, the "Settling Individual Defendants").³ The Clerk has entered a default against John Usher.⁴

² Amended Complaint, DE 114.

³ See DE 668 (Costanzo), DE 788 (Greenfield), DE 789 (Kazazi), DE 797 (proposed stipulated order for permanent injunction and monetary judgment against Michael Santos).

⁴ DE 799.

i. Andris Pukke.

10. Andris Pukke has significant history involving consumer fraud. Beginning in 1994, Pukke operated a loan scam under the names “Potomac Financial” and “Bancstar Capital.”⁵ After a government enforcement action, Pukke accepted a consent judgment banning him from collecting advance fees in connection with loan applications.⁶ The United States charged Pukke with mail fraud based on the same activity.⁷ Pukke pleaded guilty, and received home detention and probation.⁸

11. Three days after his Potomac/Bancstar sentencing hearing, Pukke formed a Maryland corporation, Consumer Counseling Services (“CCS”).⁹ He renamed CCS twice, eventually to AmeriDebt, Inc.¹⁰ In 2003, the FTC sued Pukke, AmeriDebt, and a related company Pukke controlled (DebtWorks) under Section 5 of the FTC Act.¹¹ That case was before this Court and has been consolidated with the current proceeding. In 2005, the Court issued a Preliminary Injunction¹² and then a day before trial, Pukke accepted a Stipulated Final Judgment and Permanent Injunction (“Final Order”).¹³

12. Notably, both the Preliminary Injunction and Final Order created a receivership over Pukke’s assets and ordered him to turn those assets over to a receiver. As detailed in Section III, Pukke controlled the Sanctuary Parcel at the time of these orders, but engaged in

⁵ PX 47 at 1-5.

⁶ See DE 5, *United States v. Pukke*, No. 2:96-cv-1172 (filed W.D. Pa. June 24, 1996). The FTC will request that the Court take judicial notice of any filing referenced herein, pursuant to Fed R. Evid. 201.

⁷ See DE 1, *United States v. Pukke*, No. 2:96-cr-137 (filed W.D. Pa. June 21, 1996).

⁸ PX 47 at 57, 65-67; *id.* at DE 11.

⁹ PX 297 (Kaufman) ¶ 53; PX 343.

¹⁰ PX 297 (Kaufman) ¶ 54; PX 344; PX 345.

¹¹ See DE 1, *FTC v. AmeriDebt*, No. 8:03-cv-3317 (filed D. Md. Nov. 19, 2003).

¹² *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).

¹³ See *AmeriDebt* DE 411 (Jan. 6, 2006); DE 408 (Dec. 30, 2005). The Court later entered the Final Order. *AmeriDebt* DE 473 (May 17, 2006).

contumacious behavior to prevent the Receiver from being able to control the Parcel.

Ultimately, for his contumacious behavior in *AmeriDebt*, Pukke pled guilty to obstruction of justice, a second felony on his record.¹⁴

13. As is detailed in Section V.A.i, Pukke has at all times managed and controlled the corporate SBE entities: he directed the other SBE principals to act on behalf of SBE; SBE employees identified Pukke as in charge of SBE; and Pukke controlled all aspects of SBE's operations.¹⁵ Pukke even maintained control of SBE while he was criminally incarcerated for obstruction of justice.¹⁶

14. Because Pukke attempted to conceal his role in SBE, he did not formally own any SBE entity.¹⁷ Pukke used aliases, including Marc Romeo and Andy Storm, to further conceal his involvement.¹⁸ Additionally, Pukke used his personal email accounts and cell phone to conduct SBE business, presumably to avoid having a corporate email address.¹⁹

15. Nonetheless, Pukke plainly controlled SBE. During the March 2019 PI hearing, the Receiver testified that Pukke had diverted at least \$15.9 million, or approximately 12.8 percent of consumer lot payments, for his own benefit.²⁰ \$3.7 million of this figure went to Pukke or his family members.²¹

¹⁴ *United States v. Andris Pukke*, No. 8:10-cr-734-PJM (D. Md.), DE 1 (Information, dated Dec. 1, 2010), DE 7 (Plea agreement, dated Jan. 20, 2011), & DE 15 (Sentencing order, dated May 20, 2011).

¹⁵ PX 205 (Reneau) ¶¶ 4-6; PX 814 (Costanzo) ¶ 43; Baker Dep. 91:23-92:17; 98:3-9, Feb. 19, 2019.

¹⁶ PX 635; PX 493; PX 1546.

¹⁷ PI Hrg Tr. 12:6-16-1, 3/15/19 pm.

¹⁸ Baker Feb. 19, 2019 Dep. Tr., 211:1-24 (whenever "Romeo" appeared as actually involved in the development, this was a reference to Pukke under an assumed name); Baker Oct. 15, 2019 Dep. Tr. 340:17-341:9 ("Q: Who's Andy Storm? A: Andris Pukke. . . Q: So he's used the name Andy Storm for years? A: Correct."); PX 207 (Reneau) ¶ 6 and Atts. 4, 5; PX 569; PX 910b; Pukke Dep. 71:4-71:21, Jan. 15, 2019.

¹⁹ PX 297 (Kaufman) ¶¶ 184-185; PX 474; PX 475; PX 476; PX 477; PX 455.

²⁰ PI Hrg Tr. 106:9-111:16, 3/20/19 pm.

²¹ PI Hrg Tr. 106:9-107:1, 3/20/19 pm.

16. Pukke controlled SBE bank accounts, including deciding how much money went into construction on the Sanctuary Belize development.²²

17. Pukke approved the claims SBE's telemarketers were making to sell lots, approved marketing material sent to consumers, and had full knowledge of consumer complaints about Sanctuary Belize.²³

18. Pukke made the employment decisions for SBE,²⁴ and met with third parties to maintain control over the operation of Sanctuary Belize.²⁵

ii. Luke Chadwick

19. For years, Chadwick was a self-described "Principal" of Sanctuary Belize,²⁶ in which role he directed marketing activities²⁷ and personally gave sales presentations to consumers.²⁸

²² Baker Dep. 91:23-94:24, Feb. 19, 2019.

²³ PX 207 (Reneau) ¶ 5 and Att. 3 at 1; PX 814 (Costanzo) ¶¶ 20, 21; Baker Dep. 95:18-96:12; 98:3-9.

²⁴ PX 205 (Reneau) ¶¶ 2-3.

²⁵ PI Hrg Tr. 58:21-60:11, 3/22/19 pm. (Pukke told Simonton that "he had acquired a stake in the Sanctuary project" during Belize meeting).

²⁶ On numerous occasions, Chadwick represented himself to be a "principal" or "owner" of the development. PX 495; PX 496; PX 186 (Balluff) ¶ 9:3; PI Hrg Tr. 69:23-70:1, 3/19/19 pm.

²⁷ See, e.g., PX 496 (identifying Chadwick as a principal "responsible for the development and implementation of many new sales and marketing initiatives"); PI Hrg Tr. 45:10-12, 3/13/19 pm (Baker testifying: "Well, [Pukke], in 2009, took over the company as CEO. He brought in Luke Chadwick in around the same time to do the sales."); PX 814 (Costanzo) ¶ 22 (Costanzo testifying: "Luke Chadwick had direct authority over a number of telemarketers in the California office, who would market both Sanctuary Belize and a development directly south of Sanctuary Belize owned by Luke Chadwick called Kanantik. Luke Chadwick also had significant authority over the marketing that was done on site in Belize during the sales tours.").

²⁸ PX 84 (Buy Belize infomercial with Luke Chadwick); PX 183 (Pomroy) ¶¶ 18-22 (Karina Pomroy declaration showing Chadwick making numerous claims); PX 186 (Balluff) ¶ 26 (Frank Balluff declaration showing Chadwick making claims); PX 260 (video webinar with Chadwick making claims); PI Hrg Tr. 57:21-23, 3/11/19 am (Doran, a consumer, testifying that the Chadwick "primarily" gave the presentations during the sales tour in Belize); *id.* at 82:2-5 (Doran identifying Chadwick as primary speaking during a webinar); PI Hrg Tr. 17:2-11, 3/12/19 am (Warren, a consumer, identifying Chadwick as the presenter during a webinar); *id.* at 42:22 to 43:7 (same); PX 814 (Costanzo) ¶ 22 (Costanzo testifying: "I understand that Luke Chadwick would host webinars to convince consumers to travel to Belize for tours and would also attend the tours where he would make sales pitches directly to consumers."); PI Hrg Tr. 69:17-19, 3/19/19 pm.

20. Chadwick was also the owner or officer of several SBE members, including: (1) SRWR;²⁹ and (2) the Coldwell Banker Southern Belize related entities, BREA (NV), SBR (NV) and EI (NV).³⁰

21. Chadwick also owned Defendant Prodigy Management Group, LLC,³¹ through which he was paid.³²

22. Chadwick's involvement in the scheme is further detailed at Section V.A.ii.

iii. Peter Baker.

23. Defendant Peter Baker is a self-described owner of and control-person over SBE. As he has testified, he was an owner of Dolphin Development LLC, the original developer and marketer of Sanctuary Belize.³³

24. Following the receivership in the *AmeriDebt* matter, Peter Baker continued his ownership through “an arrangement, an agreement . . . via handshake” with John Usher, Andris Pukke, and Stephen Choi.³⁴

²⁹ PX 603 (showing Chadwick as a Director in 2010).

³⁰ PX 553 (BREA (NV) and SBR (NV)). EI (NV) ownership is shown through internal SBE documents listing Chadwick's personal cellphone as one of its numbers, PX 558, Chadwick's California residence as its address, PX 559, and one of Chadwick's email addresses, Luke@SanctuaryBelize.com, as its email address, PX 558. Additional documents show his control over BREA (NV). PX 44 at 52 (signing agreement with Realogy for Coldwell Banker franchise on behalf of BREA (NV)); *id.* at 63 (Chadwick as 100% owner); *id.* at 74 (corporate documents confirming ownership). Additional documents show his control over SBR (NV). PX 592 (spreadsheet showing Chadwick's ownership); PX 44 at 71 (signing agreement with Realogy on behalf of SBR). Additional documents show his control over EI (NV). PX 592 (spreadsheet showing Chadwick's ownership); PX 44 at 74 (corporate documents showing Exotic Investor is the official owners of an entity that Chadwick controls).

³¹ PX 591; PX 592.

³² PX 250 (Agarwal) ¶ 8(n), SBE transferred more than \$1.1 million to Prodigy.

³³ PI Hrg Tr. 12:4 to 13:14, 3/13/19 pm. Detail regarding the history of the development and its overlap with the proceedings in *AmeriDebt* is addressed at Section III.

³⁴ PI Hrg Tr. 21:23 to 22:14, 3/13/19 pm; *id.* at 24:11-17 (Baker explaining that the ownership was in a venture known, at the time the FTC filed its complaint as “The Reserve,” which is the same venture that the FTC has referred to as “Sanctuary Belize”); *see also* PI Hrg Tr. 70:24 to 71:6, 3/20/19 pm (Receiver's representative, testifying that there was no way to “determine which employee worked for which receivership entity”).

25. Baker, was originally involved in marketing when the development was under the control of Dolphin Development LLC,³⁵ and following the 2008 settlement with the Receiver, he continued his partnership with Pukke to run the development, including the marketing.³⁶

26. Baker was at least a 29% owner of Eco-Futures (BZ).³⁷

27. Baker maintained his ownership, and control, over SBE through the date the FTC filed its Complaint.³⁸

iv. Settling Individual Defendants.

28. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against individual defendant Frank Costanzo.³⁹

29. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against individual defendant Brandi Greenfield.⁴⁰

30. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against individual defendant Rod Kazazi.⁴¹

³⁵ See, e.g., PX 611 (email from Baker describing his “zeal” in driving the marketing as of 2005); PX 623 (2005 Sanctuary Bay website listing Peter Baker as the sales contact).

³⁶ PI Hrg Tr. 26:18 to 27:6, 3/13/19 pm; *id.* at 10:14-20 (Baker testifying that Pukke was “my partner”); *id.* at 27:4-5 (Baker and Pukke entered into an “equal partnership”); *id.* at 43:21-24 (“How do I know [Pukke’s] the partner? Per our agreement in 2009 where he became my partner”); *id.* at 45:15-20 (describing Pukke as his “partner” in connection with Global Property Alliance, one of the SBE’s marketing entities); see also *id.* at 27:13-18 (“[Pukke]—per his suggestion and per his—I would say it was per his—his terms were that it would be considered as sweat equity, that his 30 percent would be considered sweat equity, and that I would hold his shares until such time that he—that the development was, call it, in profit phase.”).

³⁷ *Infra* Section II.E.ii (detailing Baker’s ownership of the “The Reserve”); PI Hrg. Tr. 30:2-5, 3/13/19 pm (“I did say that in my deposition, that I was unsure on a lot of the formations and ownership structure. And I said the only thing I’m absolutely 100 percent sure of is my 29 percent interest in the development company.”); *id.* at 31:4-8 (Baker testifying that he formed “Eco-Futures, which was supposed to be the marketing company”).

³⁸ PI Hrg. Tr. 38:7-39:17, 3/13/19 pm (Baker testifying that as of the date of the FTC’s complaint he was Chairman for Sittee River Wildlife Reserve and Managing Director of the development, with Managing Director being his “self-appointed title”).

³⁹ DE 668.

⁴⁰ DE 788.

⁴¹ DE 789.

31. Santos and the Commission have agreed to entry of a stipulated order for permanent injunction and monetary judgment, and the Court has presently stayed the case against him.⁴²

v. Defaulting Individual Defendants.

32. The Clerk has entered a default against John Usher.⁴³

C. Corporate SBE Defendants.⁴⁴

33. The FTC brought suit against seventeen corporate SBE defendants (collectively, the “SBE Defendants”).⁴⁵

34. Three corporate SBE defendants have settled the case: Foundation Partners; BG Marketing LLC; and Ecological Fox LLC.⁴⁶

35. The Clerk has entered a default against the remaining 14 corporate SBE defendants: Eco-Futures Development, Inc.; Global Property Alliance, Inc.; Buy Belize, LLC; Buy International, Inc.; Power Haus Marketing, Inc.; Foundation Development Management, Inc.; Sanctuary Belize Property Owners Association; Newport Land Group, LLC; Prodigy Management Group, LLC; Southern Belize Realty, LLC; Belize Real Estate Affiliates, LLC; Exotic Investor, LLC; Eco-Futures Belize Limited; and the Sittee River Wildlife Reserve.⁴⁷

⁴² See DE 797 and DE 751.

⁴³ DE 799.

⁴⁴ As discussed in Section V.B, the corporate defendants, with the exception of AIB, operated, from a shared office at 3333 Michelson, as a common enterprise while engaging in prohibited acts and practices that are the focus of the FTC’s action. The SBE Defendants are interrelated and have common control, leadership, employees, office location, advertising, logos and letterheads, and business functions.

⁴⁵ See DE 114 (Amended Complaint).

⁴⁶ See DEs 668, 788, and 789.

⁴⁷ DE 799.

i. Eco-Futures Development, Inc. (“Eco-Futures (US)”)

36. Defendant Kazazi incorporated Eco-Futures (US) and was its CEO.⁴⁸ Defendant Costanzo was its Secretary.⁴⁹ Greenfield signed contracts on behalf of Eco-Futures (US) (using a Belizean address).⁵⁰

37. Eco-Futures (US) used the 3333 Michelson address.⁵¹

38. SBE sent consumers marketing communications that included the Eco-Futures (US) Internet domain, eco-futures.com.⁵²

39. Consumer payments to Eco-Futures (BZ) and SRWR were made through Eco-Futures (US).⁵³ SBE employees with GPA email addresses sent invoices to consumers on behalf of SRWR and directed payments to be made to Eco-Futures (US).⁵⁴ More recently, SBE correspondence from 3333 Michelson directed consumers to make homeowner’s association payments to a Texas location,⁵⁵ where it was deposited into an account from which Eco-Futures (US) received more than \$100,000 in transfers.⁵⁶

40. A prior SBE employee did not understand the formal distinctions between various SBE entities, including Eco-Futures (US).⁵⁷

41. The CPA for SBE described Eco-Futures (US) as “the initial one, which became Global Property, which then became Buy International.”⁵⁸

⁴⁸ PX 297 (Kaufman) ¶¶ 225-226; PX 530; PX 531.

⁴⁹ PX 531.

⁵⁰ PX 409 at 63, 67, 71, 75.

⁵¹ Emails with signature blocks referring to “Eco-Futures” used the 3333 Michelson address; PX 297 (Kaufman) ¶ 223; PX 527.

⁵² PX 524; PX 525; PX 526.

⁵³ PX 297 (Kaufman) ¶ 224; PX 528; PX 529.

⁵⁴ PX 186 (Balluff) ¶ 39:38-41; PX 297 (Kaufman) ¶ 276; PX 585.

⁵⁵ PX 502; PX 503; PX 504.

⁵⁶ PX 250 (Agarwal) ¶ 15.

⁵⁷ PX 205 (Reneau) ¶ 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.”).

⁵⁸ Dixon Dep. Tr. 80:16-21.

42. In correspondence to consumers, SBE often failed to distinguish between Eco-Futures (BZ) and Eco-Futures (US).⁵⁹ GPA registered FBNs for both entities.⁶⁰ Emails to consumers about Sanctuary Belize had a signature block referring to Sanctuary Belize as an “Eco-Futures Development” without providing additional information on the different corporate entities.⁶¹

43. Eco-Futures (US), Eco-Futures (BZ), SRWR, and GPA commingled funds through intercompany transfers.⁶²

ii. Global Property Alliance, Inc. (“GPA”).

44. Defendants Baker, Greenfield, and Kazazi controlled GPA: Baker was GPA’s CEO, while Greenfield and Kazazi were officers.⁶³ Peter Baker was the registered holder of 1,000 membership interests of the company.⁶⁴

45. GPA assisted in making representations directly to consumers. For example, emails to consumers related to Sanctuary Belize came from an @GPADevelopers.com domain,⁶⁵ and emails from this domain often involved both domestic and foreign SBE entities including SRWR and Eco-Futures (BZ).⁶⁶

46. GPA operated out of the 3333 Michelson office.⁶⁷

47. GPA shared employees, such as Santos, Baker, Greenfield, and Kazazi with other SBE entities.⁶⁸

⁵⁹ PX 297 (Kaufman) ¶¶ 297; PX 606.

⁶⁰ PX 297 (Kaufman) ¶¶ 297; PX 54; PX 55; PX 56.

⁶¹ PX 607.

⁶² PX 250 (Agarwal) ¶¶ 13.

⁶³ PX 297 ¶¶ 187; PX 479.

⁶⁴ PX 1490.

⁶⁵ PX 532; PX 533; PX 534; PX 1434.

⁶⁶ PX 533; PX 534.

⁶⁷ PX 297 (Kaufman) ¶¶ 187, 215, 216; PX 479; PX 523; PX 533; PX 544; PX 405; PX 531; PX 528; PX 600; PX 546; PX 473; PX 502.

⁶⁸ PX 297 (Kaufman) ¶¶ 336, 219; PX 544; PX 586; PX 541; PX 546; PX 538; PX 531; PX 640.

48. GPA used various registered FBNs including “Eco-Futures Development,” “Eco-Futures Belize,” and “Sittee River Wildlife Reserve HOA.”⁶⁹

49. The CPA for SBE described Eco-Futures (US) as “the initial one, which became Global Property, which then became Buy International.”⁷⁰

50. 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.”⁷¹

iii. Buy Belize, LLC (“Buy Belize”).

51. Baker is the managing member and CEO of Buy Belize.⁷²

52. Greenfield is Buy Belize’s registered agent.⁷³

53. Buy Belize performs marketing functions for SBE.⁷⁴

54. An SBE employee, Zarnie Anderson, testified that she could have worked for either Buy Belize or Buy International because “[i]t was kind of all blended in together.”

iv. Buy International, Inc. (“Buy International”).

55. Baker holds two Buy International board positions, and SBE Defendant Costanzo holds the third.⁷⁵

56. Buy International performs marketing functions for SBE.⁷⁶

57. Kazazi submitted Buy International’s incorporation paperwork.⁷⁷

58. The 3333 Michelson suite, which GPA leased, displayed a “Buy International” sign for people to see when they entered the suite.⁷⁸

⁶⁹ PX 297 (Kaufman) ¶ 297; PX 54; PX 55; PX 56; PX 58.

⁷⁰ Dixon Dep. Tr. 80:16-21.

⁷¹ PX 535.

⁷² PX 538.

⁷³ PX 537.

⁷⁴ PX 297 (Kaufman) ¶ 290; PX 83; PX 84.

⁷⁵ PX 541.

⁷⁶ PX 297 (Kaufman) ¶ 232; PX 539; PX 540.

⁷⁷ PX 542.

⁷⁸ PI Hrg Tr. 62:17-63:11, 3/20/19 pm

v. **Power Haus Marketing, Inc. (“Power Haus”)**.

59. Relief Defendant Chittenden is the CEO, Secretary, CFO, and Director of Power Haus.⁷⁹

60. Power Haus is registered at 3333 Michelson and apparently performed marketing functions for SBE.⁸⁰

61. SBE has transferred millions of dollars to Power Haus.⁸¹

vi. **Foundation Development Management, Inc. (“FDM”)**.

62. Baker is the CEO, CFO, and sole director of Defendant FDM.⁸²

63. Costanzo is the Secretary of FDM.⁸³

64. SBE money flows to and from FDM,⁸⁴ and Pukke used an FDM account to pay an SBE telemarketer.⁸⁵

65. Angie Garcia, an accountant on Buy International’s payroll,⁸⁶ submitted FDM’s Statement of Information,⁸⁷ and SBE Defendant Kazazi submitted FDM’s incorporation paperwork.⁸⁸

vii. **Foundation Partners (f/k/a Red Crane Advisors, Inc.) (“FP”)**.

66. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Defendant FP.⁸⁹

⁷⁹ PX 522; PX 523.

⁸⁰ PX 522; PX 523; PX 297 (Kaufman) ¶ 329; PX 641.

⁸¹ PX 250 (Agarwal) ¶ 8(t) (\$1.4 million traced by FTC accountant pre-suit); PX 816 at 11 (Receiver has traced \$3.2 million in payments).

⁸² PX 544.

⁸³ PX 544.

⁸⁴ PX 250 (Agarwal) ¶ 8(o).

⁸⁵ PX 205 (Reneau) ¶ 24: 24-26.

⁸⁶ PX 582 at 1.

⁸⁷ PX 541.

⁸⁸ PX 543.

⁸⁹ DE 789.

viii. **Sanctuary Belize Property Owners Association (d/b/a “The Reserve Property Owners Association”) (“SBPOA”).**

67. Usher is the Director of SBPOA.⁹⁰

68. When SBE changed the development’s name from “Sanctuary Belize” to “the Reserve,” SBPOA registered the trade name “The Reserve Property Owners Association” (“RPOA”).⁹¹

69. SBE used SBPOA to collect monthly homeowners’ association dues.⁹²

70. 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.⁹³

71. SBPOA invoices initially directed consumers to make checks payable to SRWR, and instructed consumers to mail checks to “SRWR c/o Eco-Futures” at 3333 Michelson.⁹⁴

72. Later SBE correspondence from 3333 Michelson directed consumers to make homeowner’s association payments to a Texas location,⁹⁵ where it is deposited into an account from which Eco-Futures (US) has received more than \$100,000 in transfers.⁹⁶

73. SBPOA is registered in Texas but does business from 3333 Michelson; money consumers send to Texas is returned to Eco-Futures (US) at 3333 Michelson.⁹⁷

ix. **Newport Land Group, LLC (“NLG”).**

74. Defendant NLG was a Wyoming limited liability company.⁹⁸

75. NLG’s *de facto* principal place of business was 3333 Michelson.⁹⁹

⁹⁰ PX 499; PX 297 (Kaufman) ¶ 295.

⁹¹ PX 461.

⁹² PX 297 (Kaufman) ¶ 202; PX 163; PX 500; PX 501.

⁹³ PX 250 (Agarwal) ¶ 15.

⁹⁴ PX 297 (Kaufman) ¶ 228; PX 533; PX 534.

⁹⁵ PX 297 (Kaufman) ¶ 203; PX 502; PX 503; PX 504.

⁹⁶ PX 250 (Agarwal) ¶ 15.

⁹⁷ PX 297 (Kaufman) ¶ 203; PX 502; PX 503; PX 504; PX 250 (Agarwal) ¶ 15.

⁹⁸ PX 46 at 141-43.

⁹⁹ PX 735 (Kaufman) ¶ 8; PX 814 (Costanzo) ¶ 26 (showing Santos and Costanzo using 3333

76. Defendant Frank Costanzo was its CEO.¹⁰⁰

77. Brandi Greenfield was a bank signatory for Newport Land Group accounts and executed contracts on behalf of NLG.¹⁰¹

78. NLG's website identified three real estate investment projects with which it was involved, including Laguna Palms and Bamboo Springs, an area within Sanctuary Belize.¹⁰²

x. Ecological Fox, LLC ("EF").

79. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Defendant EF.¹⁰³

xi. BG Marketing, LLC ("BGM").

80. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Defendant BGM.¹⁰⁴

xii. Prodigy Management Group, LLC ("Prodigy").

81. Chadwick received his commissions through Prodigy, and that he was the sole owner and employee of the company.¹⁰⁵

82. Internal SBE documents treat Prodigy as the means through which SBE compensates Chadwick.¹⁰⁶ One such document states simply that "Luke Chadwick = Prodigy Management Inc."¹⁰⁷

83. Chadwick also executed a joint venture agreement with a third party stating that Prodigy is "an entity controlled by Luke Chadwick."¹⁰⁸

Michelson to film videos featuring Costanzo as CEO of Newport Land Group).

¹⁰⁰ PX 814 (Costanzo) ¶ 26; PX 171; PX 157.

¹⁰¹ PX 46 at 141-43.

¹⁰² PX 157 at 5, 12; PX 814 (Costanzo) ¶14.

¹⁰³ DE 668.

¹⁰⁴ DE 788.

¹⁰⁵ Chadwick Sep. 26, 2019 Dep. Tr. 90:11-93:15.

¹⁰⁶ PX 297 (Kaufman) ¶ 282; PX 589; PX 590; PX 591.

¹⁰⁷ PX 591.

¹⁰⁸ PX 642.

84. SBE transferred more than \$1 million to Prodigy.¹⁰⁹

xiii. Southern Belize Realty, LLC (“SBR (NV)”).

85. SBR (NV) is a Nevis entity previously “owned 100% by Luke Chadwick.”¹¹⁰ In June 2014, Chadwick conveyed 49% to CVM Corporation, so that Exotic Investor, LLC continued to own 51% of the company.¹¹¹

86. 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 Coldwell Banker office.”¹¹²

87. SBR (NV) does business as “Coldwell Banker Southern Belize.”¹¹³

88. SBE created Coldwell Banker Southern Belize to provide resales for SBE, in light of the known issues consumers had in selling their lots, for any price.¹¹⁴

89. In SBR (NV)’s franchise agreement with Coldwell Banker, SBR (NV) accepts that New Jersey law would govern the agreement and that New Jersey courts would have jurisdiction over any related disputes.¹¹⁵

90. Consumers have noted the association between Sanctuary Belize and the Coldwell Banker brand.¹¹⁶

91. Funds for Coldwell Banker Southern Belize come from another SBE entity through Defendant AIB, including money for its building and corporate registration in Belize.¹¹⁷

¹⁰⁹ PX 250 (Agarwal) ¶ 8(n).

¹¹⁰ PX 297 (Kaufman) ¶ 244; PX 553; PX 44.

¹¹¹ PX 1544; PX 1543 (CVM obtained a 49% ownership stake in Southern Belize Realty via a \$1,500,000 wire transfer to “Luke’s company ‘Exotic Investor’”).

¹¹² PX 297 (Kaufman) ¶ 244; PX 553; PX 44.

¹¹³ PX 593.

¹¹⁴ PX 814 (Costanzo) ¶ 16.

¹¹⁵ PX 297 (Kaufman) ¶ 244; PX 553; PX 44 at 43.

¹¹⁶ PX 550; PX 551.

¹¹⁷ PX 250 (Agarwal) ¶ 8(q).

92. Coldwell Banker Southern Belize and SBE share employees (including Chadwick and Voss).¹¹⁸

93. Voss claimed that Coldwell Banker Southern Belize and other SBE entities were “ONE TEAM.”¹¹⁹

94. To promote Sanctuary Belize, Voss also appeared on a staged HGTV “reality” real estate shopping program called *Caribbean Life*.¹²⁰ 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.”¹²¹

95. Voss did a video casting interview with the show’s producers from SBE’s offices at 3333 Michelson.¹²²

96. Chadwick wrote an email stating that a broker for Coldwell Banker Southern Belize Realty would be “paid from Global Property Alliance who will, in turn be reimbursed by Coldwell Banker Southern Belize Realty.”¹²³

97. Chadwick ran Coldwell Banker Southern Belize Realty until September 2017.¹²⁴

xiv. Belize Real Estate Affiliates, LLC (“BREA (NV)”).

98. Defendant Chadwick owns BREA (NV).¹²⁵

99. BREA (NV) is a Nevis entity that uses multiple Orange County, California addresses.¹²⁶

¹¹⁸ Chadwick and Voss use both “@ColdwellBankerBelize.com” and “@SanctuaryBelize.com” email addresses. PX 297 (Kaufman) ¶ 248; PX 553 at 37 and 47; PX 556; PX 557.

¹¹⁹ PX 597.

¹²⁰ PX 1517.

¹²¹ PX 552 at 16:10-16:14.

¹²² The FTC plans to introduce live testimony regarding this fact at trial.

¹²³ PX 991 at 1.

¹²⁴

¹²⁵ PX 44 at 52 (signing agreement with Realogy for Coldwell Banker franchise on behalf of BREA (NV)); *id.* at 63 (Chadwick as 100% owner); *id.* at 74 (corporate documents confirming ownership); Chadwick Mar. 7, 2019 Dep. Tr. 99:25-100:7 (EI (NV), of which Chadwick owns 100 percent, has an interest in BREA (NV)).

¹²⁶ PX 297 (Kaufman) ¶ 244; PX 553 at 56-58.

100. In 2015, Chadwick and Coldwell Banker restructured their relationship, and BREa (NV) became the consumer-facing franchise.¹²⁷

101. BREa (NV)'s Nevis incorporation paperwork provides that its manager is "Luke Thomas Chadwick of 3333 Michelson Drive."¹²⁸

102. BREa (NV) used both 3333 Michelson and another Orange County address in communications with Coldwell Banker.¹²⁹

103. 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.¹³⁰

104. Coldwell Banker terminated BREa (NV)'s franchise agreement.¹³¹

xv. Exotic Investor, LLC ("EI (NV)").

105. EI (NV) is a Nevis entity that Chadwick owns: internal SBE documents give Chadwick's personal cellphone as one of its numbers,¹³² a California residence where Chadwick resided as its address,¹³³ and Luke@SanctuaryBelize.com as its email address.¹³⁴

106. Chadwick owns 100 percent of EI (NV).¹³⁵

107. 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."¹³⁶

108. EI (NV) prepared infomercials promoting Sanctuary Belize to an American audience; in fact, an SBE telemarketing sales script mentions that "Luke Chadwick just finished

¹²⁷ PX 297 (Kaufman) ¶ 244; PX 553 at 76-136.

¹²⁸ PX 297 (Kaufman) ¶ 244; PX 553 at 58.

¹²⁹ BREa (NV) also uses an Orange County address for its domestic bank account. PX 297 (Kaufman) ¶ 335; PX 649.

¹³⁰ PX 297 (Kaufman) ¶ 244; PX 553.

¹³¹ PX 297 (Kaufman) ¶ 245; PX 554.

¹³² PX 297 (Kaufman) ¶¶ 250-251; PX 558; PX 559.

¹³³ PX 297 (Kaufman) ¶ 251; PX 559.

¹³⁴ PX 297 (Kaufman) ¶ 250; PX 558.

¹³⁵ Chadwick Mar. 7, 2019 Dep Tr. 87:6-15 (testifying that he owns 100% of Exotic Investor); *see also* PX 971.

¹³⁶ PX 600.

shooting the first 3 episodes of his new TV program called the Exotic Investor which highlights Sanctuary Belize.”¹³⁷

109. 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.¹³⁸

110. Cyara Pott, a Sanctuary Belize employee on the Buy Belize payroll with an “Eco-Futures Development” signature block,¹³⁹ created a Vimeo profile (a video-sharing platform) for Exotic Investor.¹⁴⁰

xvi. Eco-Futures Belize Limited (“Eco-Futures (BZ)”).

111. Eco-Futures Belize Limited (“Eco-Futures (BZ)”) is a Belizean company Baker owns.¹⁴¹

112. Usher appears as the “principal” of “Eco-Futures” in numerous marketing communications related to Sanctuary Belize and emails to consumers in the United States.¹⁴²

113. Eco-Futures (BZ) collects payments from consumers in the United States by directing them to pay Eco-Futures (US) in the United States at 3333 Michelson or a nearby address.¹⁴³

114. Eco-Futures (BZ) also maintains a domestic bank account with the address SBE used before Michelson.¹⁴⁴

¹³⁷ PX 602.

¹³⁸ PX 297 (Kaufman) ¶ 252; PX 560.

¹³⁹ PX 297 (Kaufman) ¶ 253; PX 561; PX 562.

¹⁴⁰ PX 297 (Kaufman) ¶ 253; PX 563.

¹⁴¹ PX 297 (Kaufman) ¶ 328; PX 640.

¹⁴² PX 297 (Kaufman) ¶ 254; PX 564.

¹⁴³ PX 565.

¹⁴⁴ PX 297 (Kaufman) ¶ 257; PX 567.

xvii. Sittee River Wildlife Reserve (“SRWR”).

115. SRWR is a Belizean nonprofit Pukke organized and controls.¹⁴⁵

116. SRWR has legal title to all or much of the land comprising Sanctuary Belize.¹⁴⁶

117. SRWR board members have included Pukke, Baker, Baker’s mother, Usher, Usher’s sons, Chadwick, Costanzo, and other Pukke associates.¹⁴⁷

118. SRWR has used a California address since at least 2008.¹⁴⁸ SRWR has a *de facto* office at 3333 Michelson, where current and prior officers work, and where its communications are sent and received.¹⁴⁹

D. Defendant Atlantic International Bank (“AIB”).

119. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Defendant AIB.¹⁵⁰

E. Relief Defendants.

120. The FTC brought suit against five relief defendants. Four relief defendants have agreed to settle this matter (John Vipulis, Angela Chittenden, Beach Bunny Holdings, LLC, and Deborah Connelly).¹⁵¹ The Court has directed Pukke to file with the Court a copy of the documents appointing him as the Executor of the Estate of John Pukke and a sworn statement that he is the sole beneficiary of said Estate and that the Estate has no creditors; if he does not, the Court will direct the Clerk to enter a default.¹⁵²

¹⁴⁵ PX 297 (Kaufman) ¶¶ 67-68, 70; PX 358; PX 359; PX 361; *see also* Section III, *infra*.

¹⁴⁶ *See* Section II.E.ii.

¹⁴⁷ PX 297 (Kaufman) ¶ 294; PX 603.

¹⁴⁸ PX 297 (Kaufman) ¶ 259; PX 569.

¹⁴⁹ PX 186 (Balluff) ¶ 35:27; PX 183 (Pomroy) ¶ 40.

¹⁵⁰ DE 607.

¹⁵¹ *See* DE 326 (Vipulis); DE 668 (Connelly); DE 796 (proposed stipulated order for final judgment against Chittenden and Beach Bunny).

¹⁵² DE 771 at 4, DE 772 at 2.

i. Settling Relief Defendants.

121. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Relief Defendant John Vipulis.¹⁵³

122. The Court has entered a Stipulated Order for Permanent Injunction and Monetary Judgment against Relief Defendant Deborah Connelly.¹⁵⁴

123. Relief Defendant Angela Chittenden and the Commission have agreed to entry of a stipulated order for permanent injunction and monetary judgment, and the Court has presently stayed the case against her.¹⁵⁵

124. Relief Defendant Beach Bunny Holdings, LLC and the Commission have agreed to entry of a stipulated order for permanent injunction and monetary judgment, and the Court has presently stayed the case against it.¹⁵⁶

ii. Defaulting Relief Defendant.

125. The Estate of John Pukke (the “Estate”) is the estate of Andris Pukke’s late father who died in 2010.¹⁵⁷ Andris Pukke is one of its personal representatives.¹⁵⁸ The Court has directed Pukke to file with the Court a copy of the documents appointing him as the Executor of the Estate of John Pukke and a sworn statement that he is the sole beneficiary of said Estate and that the Estate has no creditors; if he does not, the Court will direct the Clerk to enter a default.¹⁵⁹

¹⁵³ DE 326.

¹⁵⁴ DE 668.

¹⁵⁵ See DE 796 and DE 757.

¹⁵⁶ See DE 796 and DE 757.

¹⁵⁷ PX 297 (Kaufman) ¶ 274; PX 48 at 7, 37.

¹⁵⁸ PX 297 (Kaufman) ¶ 274; PX 48 at 63, 79.

¹⁵⁹ DE 771 at 4, DE 772 at 2.

III. THE HISTORY OF THE PARCEL IN BELIZE.

126. The sales at issue in this case are of plots of land and amenities located in or around a 19-square-mile parcel in remote southern Belize (the “Sanctuary Parcel” or “Parcel”). Defendants Pukke, Baker, and Usher have a history with this Court involving the Parcel.

127. In 2003, the FTC sued Pukke, AmeriDebt, and a related company Pukke controlled (DebtWorks) under Section 5 of the FTC Act.¹⁶⁰

128. The day before trial, Pukke accepted a Stipulated Final Judgment and Permanent Injunction (“Final Order”).¹⁶¹

129. The Court appointed a Receiver to marshal Pukke’s assets to enable the Commission to compensate his victims.¹⁶² Specifically, the Court defined the assets to include interests in real property.¹⁶³

130. The Court also ordered Pukke to “cooperate fully with the Receiver,” including its asset recovery efforts, and to cooperate with the FTC to “carry out the purposes of this order.”¹⁶⁴

131. 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.”¹⁶⁵

132. As detailed below, among the assets Pukke concealed and controlled was the Parcel in remote southern Belize.¹⁶⁶

133. Back in 2003, Pukke, Baker, Baker’s mother and stepfather, and other Pukke associates formed two Belizean entities: Dolphin Development LLC (“Dolphin”) and current defendant Sittee River Wildlife Reserve (“SRWR”).¹⁶⁷

¹⁶⁰ See DE 1, *FTC v. AmeriDebt*, No. 8:03-cv-3317 (D. Md. Nov. 19, 2003).

¹⁶¹ See *AmeriDebt*, DE 411 (Jan. 6, 2006); DE 408 (Dec. 30, 2005). The Court later entered the Final Order. DE 473 (May 17, 2006).

¹⁶² *AmeriDebt*, DE 122 (Apr. 20, 2005) at 9-11, and *AmeriDebt*, Final Order, DE 473 at 18.

¹⁶³ See *id.* at 4.

¹⁶⁴ *Id.* at 24.

¹⁶⁵ *AmeriDebt*, DE 479-1 (June 29, 2006) at 14.

¹⁶⁶ See FOF 133-164.

¹⁶⁷ PX 297 (Kaufman) ¶¶ 67-68, 70; PX 358; PX 359; PX 361.

134. 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%).¹⁶⁸

135. 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, this land is all or most of the relevant Parcel).¹⁶⁹

136. In May 2005, SRWR also bought a five-acre island,¹⁷⁰ which is now known as “Sanctuary Caye.”¹⁷¹

137. 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.¹⁷²

138. Dolphin sold lots in the Parcel by August 2005.¹⁷³ Peter Baker sent Paul Boskovich a letter congratulating him on his purchase of lot #S066 at Sanctuary Bay Estates on January 9, 2005.¹⁷⁴

139. In 2006, “Sanctuary Bay Estates” was marketed 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).¹⁷⁵ These efforts included a telemarketing script promising a “five star” hotel, a health club, and a “full service” marina.¹⁷⁶ Peter Baker had possession of this telemarketing script in 2005.¹⁷⁷

¹⁶⁸ PX 297 (Kaufman) ¶ 67; PX 358.

¹⁶⁹ PX 356 (Kane); PI Hrg Tr. 11:24-15:19, 3/13/19 pm (Baker testifying about the purchase of the land). Notably, although the evidence shows only these transfers and this acreage, SBE markets the development as 14,000 acres.

¹⁷⁰ PX 297 (Kaufman) ¶ 86; PX 378.

¹⁷¹ *See, e.g.*, PX 277 at 13.

¹⁷² PX 297 (Kaufman) ¶ 71; PX 362.

¹⁷³ PX 297 (Kaufman) ¶ 72; PX 363.

¹⁷⁴ PX 1400.

¹⁷⁵ PX 297 (Kaufman) ¶ 99; PX 396.

¹⁷⁶ PX 297 (Kaufman) ¶ 71; PX 362 at 4-8.

¹⁷⁷ PX 297 (Kaufman) ¶ 71; PX 362 at 4-8.

140. By 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. So, Pukke, with assistance from Peter Baker and John Usher, took at least three steps to maintain control.

141. First, Pukke lied numerous times in the *AmeriDebt* litigation. The lies included a filing denying he had any ownership stake in Dolphin (when, in reality, he owned 60%).¹⁷⁸ In July 2005, Pukke admitted an ownership interest during a deposition, but lied that he held 30%, not 60%.¹⁷⁹ He further misrepresented that Dolphin had "no assets" and "has never done business."¹⁸⁰ In July 2006, Pukke misrepresented to the Court that Dolphin "collapsed" and "went out of business."¹⁸¹

142. Second, to help keep the Parcel from the FTC and the Receiver, Pukke transferred his interests to Peter Baker. Specifically, Pukke transferred Dolphin's development rights and a portion of the Parcel to two new Nevis entities, Starfish Development Ltd. ("Starfish") and Sanctuary Bay Ltd. ("Sanctuary Bay").¹⁸² Baker formed and owned Starfish.¹⁸³ Baker worked with John Usher and Belizean law firm Barrow & Williams ("B&W") to form Starfish and Sanctuary Bay to take over for Dolphin, with Baker owning 99% of each Nevis entity.¹⁸⁴

143. Third, by 2007, Pukke had removed himself as an SRWR board member and Baker refused to respond to the Receiver's requests concerning SRWR.¹⁸⁵ Usher became SRWR's chairman,¹⁸⁶ which purported to insulate SRWR's land holdings (which belonged to Pukke) from the FTC and the Receiver.

¹⁷⁸ PX 297 (Kaufman) ¶ 79; PX 371.

¹⁷⁹ PX 297 (Kaufman) ¶ 70; PX 361.

¹⁸⁰ PX 297 (Kaufman) ¶ 80; PX 372.

¹⁸¹ *AmeriDebt* DE 493 (July 28, 2006) at 3.

¹⁸² PX 297 (Kaufman) ¶¶ 81-85; PX 373; PX 374; PX 375; PX 376; PX 377.

¹⁸³ PX 297 (Kaufman) ¶¶ 81, 316; PX 373; PX 626.

¹⁸⁴ PX 297 (Kaufman) ¶ 81; PX 373.

¹⁸⁵ PX 297 (Kaufman) ¶ 87; PX 379.

¹⁸⁶ The FTC will introduce evidence of this fact.

144. As a result, the Receiver moved to have both Pukke and Baker held in contempt for, among other things, refusing to turn over the Sanctuary Parcel and taking steps to remove it from the Receiver's control.

145. The Court held an evidentiary contempt hearing and found Pukke and Baker in contempt for their refusal to turn over receivership assets, including the development.¹⁸⁷

146. Among other things, 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[.]"¹⁸⁸

147. 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."¹⁸⁹

148. The Court concluded that both Pukke and Baker acted with "real mendacity," and that their credibility was "zero."¹⁹⁰

149. Following these findings, the Court ordered Pukke and Baker to turn over various assets including the Parcel.¹⁹¹ The Court found the attempt to transfer Pukke's interest in the Parcel to other entities was a "sham transaction" that the Court considered "null and void."¹⁹² To facilitate the Receiver's ability to control the Parcel for consumers' ultimate benefit, the Court issued a second order (the "Revesting Order"),¹⁹³ unwinding the alleged sales of Pukke's interests in Dolphin (*i.e.*, his interests in the Parcel) and ordering them re-vested in Dolphin (which the Receiver controlled).

150. But, neither Pukke nor Baker complied. On April 30, 2007, the FTC and Receiver moved the Court to incarcerate Pukke and Baker to coerce their compliance with the

¹⁸⁷ *AmeriDebt* DE 571 (Mar. 30, 2007).

¹⁸⁸ PX 385, Tr. (Mar. 14, 2007) at 25:13-20 (calling Baker's claims "incredible" and "outlandish").

¹⁸⁹ *Id.* at 25:22-24.

¹⁹⁰ *Id.* at 26:4-5, 27:4-6.

¹⁹¹ *AmeriDebt* DE 571 (Mar. 30, 2007)

¹⁹² PX 297 (Kaufman) ¶ 93; PX 385, Tr. (Mar. 14, 2007) at 20:14-24.

¹⁹³ *See AmeriDebt* DE 572 (Mar. 30, 2007).

Turnover Order.¹⁹⁴ 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.¹⁹⁵ 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.¹⁹⁶ Usher also executed a letter directing lot owners to send payments to SRWR.¹⁹⁷

151. The Receiver explained that SRWR was, "through the machination of Peter Baker[,] manipulated by Andris Pukke."¹⁹⁸

152. The Court agreed and ordered them incarcerated.¹⁹⁹ Regarding their conduct, the Court again commented that Pukke and Baker had lied "dozens" of times,²⁰⁰ including "when [they] took the stand under oath."²⁰¹ In rejecting Pukke and Baker's subsequent motion to stay the incarceration order pending an appeal, the Court emphasized that their stories about Pukke's assets were "absurd" and "ludicrous."²⁰²

153. As the Court put it, "[t]he mendacity of these two men throughout the history of this receivership is something to behold."²⁰³

154. Vipulis, Pukke, the Receiver, and the FTC entered into a stipulation for a conditional release of Pukke from incarceration.²⁰⁴ In a May 31, 2007 Order, the Court approved all of the "terms, provisions, and conditions" of the stipulation, and conditionally released Pukke.²⁰⁵ The order included, *inter alia*, the provisions that (1) Vipulis pay the Receiver \$4,500,000; (2) that payment be applied against the \$172,000,000 judgment in favor of the FTC

¹⁹⁴ See *AmeriDebt* DE 596; DE597.

¹⁹⁵ See DE 596 (Apr. 30, 2007) at 4.

¹⁹⁶ The FTC will introduce evidence of this fact at trial.

¹⁹⁷ The FTC will introduce evidence of this fact at trial.

¹⁹⁸ PX 297 (Kaufman) ¶ 94; PX 386, Tr. (May 2, 2007) at 20:2-5.

¹⁹⁹ *AmeriDebt*, DE 604 (May 2, 2007).

²⁰⁰ *AmeriDebt* DE 609 at 101:19.

²⁰¹ *AmeriDebt* DE 609 at 101:14-15.

²⁰² PX 387, Tr. (May 4, 2007) at 26:3-13.

²⁰³ See *id.* at 27:7-9.

²⁰⁴ *AmeriDebt* DE 622 at 1.

²⁰⁵ *AmeriDebt* DE 625 at 1.

pursuant to the Stipulated Final Judgment in *AmeriDebt*; (3) \$3,250,000 of the Vipulis payment shall be considered a loan from Vipulis to Pukke; and (4) Vipulis agreed to subordinate payment of this loan to satisfaction of the FTC's \$172 million judgment.²⁰⁶ The stipulation continued, "Pukke shall not repay all or any portion of the Vipulis Loan to Vipulis until such time as the FTC judgment is satisfied in full under the terms of the Stipulated Final Judgment."²⁰⁷

155. Baker was released on other certain conditions, including that he cooperate in turning over Pukke's assets, including the Parcel.²⁰⁸

156. 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."²⁰⁹ Contrary to the Turnover and Revesting Orders,²¹⁰ SRWR claimed that most of the Parcel always belonged to SRWR, not Pukke.²¹¹

157. Indeed, in April 2007, Usher sent letters to the Receiver stating that the SRWR board had met and terminated all rights held by Pukke and Baker in the Sanctuary Parcel in the "past *and future*."²¹²

158. With Usher as SRWR's Chairman, SRWR engaged B&W (Dolphin's prior firm) to contest the Receiver's claims.²¹³ 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

²⁰⁶ *AmeriDebt* DE 625-1 at 4-5.

²⁰⁷ *AmeriDebt* DE 625-1 at 5.

²⁰⁸ *AmeriDebt* DE 614 (May 15, 2007); DE 622 (May 30, 2007).

²⁰⁹ *AmeriDebt* DE 682 (Mar. 27, 2008) at 4.

²¹⁰ *AmeriDebt* DE 571-72.

²¹¹ *AmeriDebt* DE 682 at 3-4.

²¹² PX 1392 at 20-26.

²¹³ *Id.* at 4 n.1 (one of the firm's "masthead partners was recently elected Prime Minister of Belize").

Parcel to SRWR for \$2 million.²¹⁴ No party objected to the proposed sale, and the Court approved it without comment.²¹⁵

159. Unbeknownst to the Receiver, the FTC, or the Court, the Parcel immediately reverted to Pukke and Baker's control—if it ever left. SBE undertook efforts to show Pukke was not involved in The Reserve/Sanctuary Belize. For example, in 2016, SBE explained in a 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)[.]²¹⁶

160. Pukke, Baker, and Defendant Frank Costanzo consulted on drafts of this 2016 document.²¹⁷

161. In a recorded conversation with an FTC professional posing as an attorney representing prospective purchasers, Costanzo similarly explained that Baker bought the Parcel. Specifically:

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

²¹⁴ *AmeriDebt* DE 682.

²¹⁵ *AmeriDebt* DE 684 (Apr. 14, 2008); DE 686 (Apr. 15, 2008).

²¹⁶ PX 1071. 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, PX 250 (Agarwal) ¶ 8(a), presumably for their equity.

²¹⁷ *See* PX 1531 (Costanzo providing draft to Pukke and Baker); PX 1512 (Costanzo was unaware of Romeo's involvement, and included Pukke as an SRWR "full member"). Pukke was not a "full member" in the draft provided to owners. *See* PX 1071 at 2.

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—that loaned the money to Peter.²¹⁸

162. These events following the Court-approved sale in 2008 show that even if the Parcel formally moved from Pukke’s control to Baker, Pukke and Baker never relinquished their collective control.

163. After Baker obtained Pukke’s legal interest, SBE created a new entity, Defendant Eco-Futures Belize Ltd. that took over the precise role that Dolphin (and Starfish) 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.”²¹⁹

164. It is now apparent that, within weeks of the Court-approved sale in April 2008, marketing work—like that used previously by Dolphin—resumed, and within months (if not sooner), the planning of property tours on the Parcel involving Baker and Usher resumed.²²⁰ In fact, within weeks of the April 2008 sale, SBE created a new development timeline for consumers that was substantively indistinguishable from pre-sale versions.²²¹

165. The concealment by John Usher of Pukke and Baker’s role in Gordon Barienbrock’s 2012 acquisition of Long Caye further evidenced that Pukke and Baker never relinquished rights to the Parcel, and were determined to conceal their continued role from the

²¹⁸ PX 297 (Kaufman) ¶ 48; PX 338 at 15:23-16:10 (emphasis added).

²¹⁹ PX 1071.

²²⁰ PX 297 (Kaufman) ¶ 98; PX 395; Baker Depo, 2/19/19, at 123:17 to 124:1 (Baker testifying that Pukke’s ownership and involvement was reinstated “[a]s soon as we were ready to go to, call it, start marketing and sales”); PX 894 (settlement with Receiver was approved on April 15, 2008); PX 895 (emails showing Pukke was performing marketing functions no later than June 25, 2008); *see also* Catsos Dep. Tr. 96:17-99:4 (Catsos was discussing Sanctuary Bay sales in April 2009 with Pukke and Baker); PX 1178 (email Catsos was discussing).

²²¹ PX 297 (Kaufman) ¶ 99; PX 396; PX 397; PX 398 (comparing timeline “as of May 2008” with earlier pre-sale versions).

Receiver. Gordon Barienbrock purchased the property for Pukke, Baker, and Usher from the Receiver, but Pukke and Baker's role in the purchase was concealed from the Receiver.²²²

166. After Barienbrock completed the purchase of Long Caye, Usher forwarded the Receiver's email confirming the sale to Pukke. Pukke responded, "I saw that. Good news. It's taken some time buddy but we're getting everything they stole from us back!! Thanks!"²²³

167. Pukke has never paid the \$172 million judgment he owes to the FTC, but he has paid the loan Vipulis made to him.²²⁴

IV. SBE'S DECEPTIVE SALES PRACTICES AND MISREPRESENTATIONS.

A. SBE's deceptive sales process.

168. SBE targets small business owners and couples nearing retirement.²²⁵

169. SBE has sold over 1,000 lots,²²⁶ including lots sold more than once.²²⁷ However, more than 90% of sales have not led to home construction yet, and only a small percentage of lot owners have completed homes.²²⁸ Consumers have lost no less than \$138.7 million to SBE.²²⁹

170. Using commercials on Fox News and Bloomberg, infomercials, and other national advertising, SBE encouraged consumers to visit one of its several websites.²³⁰ SBE also

²²² See Barienbrock Dep. Tr. 316:4-17, 316:22-318:9, 318:13-321:1 (Barienbrock describing PX 1125 and his motivations for writing the letter, and testifying, "I was trying to emphasize to [Pukke, Baker, and Usher] that I was a good guy and trying to help them" by purchasing Long Caye); see also PX 952, PX 953; PX 954.

²²³ PX 945.

²²⁴ PX 250 ¶ 8(r) (GPA, FDM, and Eco-Futures (US) paid Vipulis approximately \$4,111,000 from July 2012 through June 2018). Pukke has paid only \$26,128,641.45 to the FTC as of August 23, 2018, and therefore has not satisfied the \$172 million judgment he owes to the FTC. PX 252 (Christ) ¶ 6.

²²⁵ PX 186 (Balluff) ¶ 48; PI Hrg. Tr. 66:9-12, 3/19/19 pm (consumer testifying that I "wanted to see for myself what we were investing [in] for our retirement"); PI Hrg Tr. 82:25-83:14, 3/11/19 pm.

²²⁶ PX 816 at 20-23 (Receiver identifying lots sold).

²²⁷ PX 297 (Kaufman) ¶ 181; PX 471; PX 636; PX 637; PX 638; PX 816 at 23 (191 lots were sold to 423 buyers).

²²⁸ The FTC will offer testimony on this point at trial.

²²⁹ The FTC will offer expert testimony as to this fact at trial.

²³⁰ PX 297 (Kaufman) ¶ 102; PX 399; PX 205 (Reneau) ¶ 13; PI Hrg Tr. 82:8-16, 3/11/19 pm.

disseminated various YouTube or other internet-based promotional videos.²³¹ Many of the videos SBE circulated in 2018 feature Costanzo and Santos.²³²

171. Consumers also locate SBE-connected websites through their own internet searches.²³³ The websites urge consumers to submit their contact information to learn more.²³⁴

i. SBE made misrepresentations in telemarketing calls.

172. Consumers who respond to SBE's marketing receive a call from California-based telemarketers.²³⁵

173. During the calls to consumers, SBE telemarketers identify themselves as "property consultants" or "investment consultants."²³⁶

174. 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.²³⁷ One former SBE employee, Paige Reneau, stated that, "Salespeople would tell customers whatever they wanted to hear to get them to visit Sanctuary Belize."²³⁸

175. Pukke and SBE coached sales employees in California to "create a sense of urgency" for prospective buyers and a "fear of loss."²³⁹ SBE's former sales manager, Jim Catsos, instructed employees to watch Jordan Belfort videos and learn his system.²⁴⁰ Another

²³¹ PX 89; PX 90; PX 91; PX 92; PX 93; PX 94; PX 95; PX 96.

²³² PX 297 (Kaufman) ¶ 105; PX 404; PX 154; PX 155.

²³³ PI Hrg Tr. 48-49, 3/11/19 am; PI Hrg Tr. 59:9-12, 3/19/19 pm.

²³⁴ PX 297 (Kaufman) ¶ 103; PX 399; PX 298.

²³⁵ PI Hrg Tr. 82:17-24, 3/11/19 pm; PI Hrg Tr. 59:17-21, 3/19/19 pm.

²³⁶ PX 297 (Kaufman) ¶ 104; PX 301; PX 400; PX 401.

²³⁷ PI Hrg Tr. 82:25-83:14, 3/11/19 pm.

²³⁸ PX 205 (Reneau) ¶ 16; PX 607.

²³⁹ PX 207 (Reneau) ¶ 5 and Att. 3 at 1; PI Hrg Tr. 60:22-61:10, 3/19/19 pm.

²⁴⁰ PX 1375; PX 1482. Jordan Belfort's life was the basis for Martin Scorsese film "The Wolf of Wall Street." Belfort pled guilty to securities fraud, money laundering, and fraud in connection with numerous public offerings. *See generally United States v. Belfort*, 2014 WL 2612508, at *1 (E.D.N.Y. June 11, 2014) (describing background in relation to public records request).

SBE employee, after instructing other sales employees to use certain “closing statements for hesitant prospects,” signed off, “Always be closing.”²⁴¹

176. In an initial call or series of calls, SBE telemarketers conveyed six Core Claims related to the value of lots in Sanctuary Belize: (1) the developer uses a “no debt” business model, which makes SBE 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 there is already a robust resale market, making it easy to resell the lots.²⁴²

ii. SBE made misrepresentations in webinars.

177. After the initial calls with consumers, SBE’s telemarketers encourage consumers to participate in at least one longer webinar.²⁴³

178. During the webinar, a higher-level sales agent speaks over the telephone while showing development photos and graphics on the consumer’s computer.²⁴⁴

179. During the webinar, telemarketers repeated the six Core Claims, made additional claims, and answered questions.²⁴⁵

²⁴¹ PX 1376. Alec Baldwin’s character stresses the mantra “ABC – Always Be Closing” in “Glengarry Glen Ross,” which depicts a boiler room “mak[ing] calls to sell real estate that no one wants to buy.” See <https://www.rogerebert.com/reviews/glengarry-glen-ross-1992>.

²⁴² PI Hrg Tr. 83:19-84:20, 3/11/19 pm (“no debt” and less risk); PI Hrg Tr. 84:21-85:6, 3/11/19 pm; PI Hrg Tr. 99:19-100:15, 3/11/19 pm; PX 396-PX 398 (time to complete); PI Hrg Tr. 101:9-102:2, 3/11/19 pm; PI Hrg Tr. 60:11-21, 3/19/19 pm (promised amenities); PI Hrg Tr. 88:21-24, 3/11/19 pm; PI Hrg Tr. 102:3-16, 3/11/19 pm; PI Hrg Tr. 61:17-25, 3/19/19 pm (lot appreciation); PI Hrg Tr. 85:7-21, 3/11/19 pm (value for resale); see also Section IV.B.

²⁴³ PX 297 (Kaufman) ¶¶ 23-24; PX 307; PX 308; PX 309; PX 310; PX 186 (Balluff) ¶ 8; PX 205 (Reneau) ¶ 14.

²⁴⁴ PX 297 (Kaufman) ¶¶ 23, 46; PX 307; PX 308; PX 309; PX 336; PX 337; PX 186 (Balluff) ¶ 9:3 (attaching webinar).

180. The webinar's hosts varied.²⁴⁶ Defendant Frank Costanzo admits giving sales presentations during the webinars.²⁴⁷ Some webinars featured Defendant Luke Chadwick making the Core Claims identified above.²⁴⁸

181. Chadwick claimed in one webinar: "We are not a fine print organization. We don't say a whole 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."²⁴⁹

182. The SBE webinars persuaded consumers to tour the development in Belize. SBE offered an all-inclusive package (usually \$999 per couple paid to SBE) that covered lodging at a resort near Sanctuary Belize, transportation within Belize, and meals.²⁵⁰

183. Consumers paid SBE for the tour of the development in Belize.²⁵¹

184. The webinars also persuaded consumers to sign a "non-binding lot reservation agreement."²⁵²

185. Pursuant to non-binding lot agreements, consumers agreed to pay \$2,000 to \$10,000 to obtain a right of first refusal on a particular lot.²⁵³

186. 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.²⁵⁴

²⁴⁵ PX 186 (Balluff) ¶ 9; PX 255; PX 297 (Kaufman) ¶ 108.

²⁴⁶ PX 297 (Kaufman) ¶ 46; PX 337 at 5:9; PX 186 (Balluff) ¶ 8-9:3.

²⁴⁷ PX 814 (Costanzo) ¶ 8.

²⁴⁸ PX 186 (Balluff) ¶ 9:3.

²⁴⁹ PX 186 (Balluff) ¶ 9:3 (webinar recording) at 1:34:25-1:34:41.

²⁵⁰ PX 186 (Balluff) ¶ 21; PI Hrg Tr. 86:3-18, 3/11/19 pm.

²⁵¹ PI Hrg Tr. 54-55, 3/11/19 am.

²⁵² PX 297 (Kaufman) ¶ 111; PX 410; PX 205 (Reneau) ¶ 14; PX 605; PX 821; PI Hrg Tr. 87:12-23, 3/11/19 pm.

²⁵³ Anderson Dep. Tr. 140:22-143:23; PX 297 (Kaufman) ¶ 111; PX 410; PX 205 (Reneau) ¶ 18:17 (same); PX 186 (Balluff) ¶ 21; PI Hrg Tr. 87:12-88:7, 3/11/19 pm.

²⁵⁴ PX 186 (Balluff) ¶ 16:11-13; PX 186 (Balluff) Att. 6; PX 183 (Pomroy) Att. 1; PX 186 (Balluff) Att. 5; PX 183 (Pomroy) Att. 2.

187. At this point, each consumer who planned to tour the property had paid approximately \$1,000 (nonrefundable), and most had sent SBE a lot deposit worth thousands more.²⁵⁵ According to a SBE employee, “[a] good amount” of consumers paid for a tour.²⁵⁶ Sanctuary Belize collected that money before the tour, and it was not refunded if they came on tour.²⁵⁷ If the consumer purchased a lot, the cost of the tour would be applied against the price of the lot.²⁵⁸

188. Additionally, some consumers purchased lots before going on a tour²⁵⁹ while others purchased without before, or without ever, going on a tour.²⁶⁰

189. Consumers purchased their own flights from the United States to Belize after the call and prior to going on tour.²⁶¹

190. After collecting the fee for the property tour and a lot deposit, SBE coordinated travel logistics with prospective purchasers and continued to send them marketing material to generate excitement about the tour.²⁶²

191. The purpose of requiring a payment for a lot reservation was because consumers would be “[m]ore likely to engage in the process,”²⁶³ and SBE had a higher conversion rate in

²⁵⁵ Catsos Dep. Tr. 196:1-197:5 (consumers had to pay with a credit card to “lock in the tour” and “go on a tour”; additionally, consumers had to pay to reserve a lot); PI Hrg Tr. 55:7-20, 3/11/19 am; PI Hrg Tr. 86:3-88:9, 3/11/19 pm; PI Hrg. Tr. 61:11-16, 3/19/19 pm.

²⁵⁶ Hogan Dep. Tr. 134:18-134:5.

²⁵⁷ Hogan Dep. Tr. 135:11-137:12

²⁵⁸ Hogan Dep. Tr. 138:7-18

²⁵⁹ Anderson Dep. Tr. 202:4-203:11 (Q: “So were there lots being sold without a tour in Belize at all? A: Yes.”); Anderson Dep. Tr. PI Hrg Tr. 61:11-16, 3/19/19 pm (in at least one case a consumer paid a \$20,000 down payment on a lot and signed a memorandum of sale before visiting the property or meeting with a telemarketer face to face); PX 818 ¶ 13 (authenticating PX 819-828); PX 819; PX 820; PX 821; PX 822; PX 823; PX 824; PX 825; PX 826; PX 827; PX 828.

²⁶⁰ Anderson Dep. Tr. 202:16-203:11; Hogan Dep Tr. 129:2-7, 131:4-17; PX 254 ¶ 14 (authenticating PX 258, attachment 4 to the Batal Declaration, a sales script from 2012); PX 258 at 11 (“You have 4 choices: . . . Purchase a home site sight unseen (23% of our owners have done this).”); PX 819-828 (showing consumer purchased prior to a tour); PX 1494; PX 1276.

²⁶¹ PX 183 (Pomroy) ¶ 9; PI Hrg Tr. 55, 3/11/19 am; PI Hrg Tr. 86:12-87:1, 3/11/19 pm; PI Hrg Tr. 62:5-10, 3/19/19 pm.

²⁶² PX 183 (Pomroy) ¶ 13:8.

²⁶³ Hogan Dep. Tr. 120:13-122:11.

making a final sale to consumers who had made such a payment.²⁶⁴ Chadwick stated that it was unusual for a consumer to get a lot reservation without making a lot reservation payment.²⁶⁵ The lot reservation agreements were not refunded if consumers purchased.²⁶⁶

iii. **SBE made misrepresentations during consumers' tours of the development.**

192. Tours proceed as follows: consumers arrive in Belize City. From there, they fly to an airstrip in remote southern Belize, where SBE employees greet them. Consumers generally stay in resorts about twenty miles from Sanctuary Belize, and tour groups typically include five to ten couples. On Friday and Saturday, they tour Sanctuary Belize, visit lots, and attend sales presentations in which SBE reiterates the six Core Claims.²⁶⁷

193. SBE promised amenities during the property tours.²⁶⁸

194. Defendant John Usher promised amenities during the tours.²⁶⁹

195. In addition to Usher, consumers often met and heard presentations from Defendants Chadwick and Costanzo directly during tours.²⁷⁰ Sales presentations also involved Coldwell Banker Southern Belize ("Coldwell Banker SB")²⁷¹ and Defendant AIB.²⁷²

196. On the tours, in addition to the Core Claims, SBE stressed the value of purchasing two lots, and that consumers could use the rapid appreciation of the first to construct their dream

²⁶⁴ Hogan Dep. Tr. 124:8-19.

²⁶⁵ Chadwick Mar. 7, 2019 Dep. Tr. 79:1-4; *see also* Hogan Dep. Tr. 123:9-124:4 (SBE obtained a lot reservation from 60 to 75 percent of consumers); Anderson Dep Tr. 69:17-70:2 (more than half).

²⁶⁶ Hogan Dep Tr. 126:4-127:6.

²⁶⁷ PX 297 (Kaufman) ¶¶ 26, 116; PX 312; PI Hrg Tr. 69:4-70:1, 3/19/19 pm; PI Hrg. Tr. 55:21-61:8, 3/11/19 am; PX 1435 (tour schedule).

²⁶⁸ PI Hrg Tr. 57:18-58:18, 3/11/2019 a.m.; PI Hrg Tr. 71:6-7, 3/19/19 pm.

²⁶⁹ PI Hrg Tr. 67:5-18, 3/19/19 pm.

²⁷⁰ PI Hrg Tr. 57-58, 3/11/19 am (testifying that Chadwick gave property tour and reiterated that the development was debt free); PX 752 ¶ 17 (Chadwick stating in a declaration that he gave presentations); PX 814 (Costanzo) ¶ 8 (testifying that he gave presentations to consumers on site).

²⁷¹ This is a trade name for Defendant Southern Belize Realty and Belize Real Estate Associates. PI Hrg Tr. 102:25-103:6, 3/11/19 pm.

²⁷² PX 752 ¶¶ 9-10; PI Hrg Tr. 89:14-22, 3/11/19 pm; PI Hrg Tr. 69:20-70:23, 3/19/19 pm.

home on the second.²⁷³ Defendant Costanzo admits that SBE sales people told this to consumers.²⁷⁴

197. Defendant Costanzo admits that he “heard consumers be told that lots in Sanctuary Belize would be great investments, including that the lots will significantly appreciate in value.”²⁷⁵

198. Defendant Rod Kazazi admitted that the tours include SBE “plants” who express enthusiasm for the development.²⁷⁶

199. SBE served substantial amounts of alcohol throughout the tour.²⁷⁷

200. Over the weekend, SBE salespeople show consumers the development.²⁷⁸

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.²⁷⁹

201. SBE also takes consumers on a forty-minute boat ride to a small private island that is part of Sanctuary Belize. The SBE boat is the only way to leave the island.²⁸⁰ Various SBE representatives attend, sometimes with representatives of Defendant AIB.²⁸¹ SBE invites couples one-by-one to wade offshore and climb a ladder into a small palapa suspended over the water.²⁸²

²⁷³ PX 186 (Balluff) ¶ 4; PI Hrg. Tr. 66:11-24, 3/11/19 am.

²⁷⁴ PX 814 (Costanzo) ¶ 41.

²⁷⁵ PX 814 (Costanzo) ¶ 41.

²⁷⁶ PI Hrg Tr. 73:24-74:3, 97:11-14, 3/22/19 pm; *see also* PX 1472 (email stating tours include “social members” who are “imbedded, friendly, harmless, good-time guys”).

²⁷⁷ PX 183 (Pomroy) ¶ 17; PI Hrg Tr. 93:3-93:21, 3/11/19 pm (consumer testifying that the consumption of alcohol during the sales presentation was “encouraged” and stating that it was an “open bar, basically, so it was pretty free flowing.”); PX 1521.

²⁷⁸ PX 183 (Pomroy) ¶ 15-24.

²⁷⁹ PI Hrg Tr. 21:5-12 (consumer was unable to stand on lot he purchased).

²⁸⁰ PX 186 (Balluff) ¶¶ 26, 30.

²⁸¹ PX 186 (Balluff) ¶ 30; PX 814 (Costanzo) ¶ 49; PX 183 (Pomroy) ¶ 9.

²⁸² PX 186 (Balluff) ¶ 30; PI Hrg Tr. 93:22-94:10, 3/11/19 pm.

202. Once inside the palapa, consumers and SBE representatives negotiate over the lots.²⁸³ 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.”²⁸⁴

203. SBE typically offers very favorable interest rates to prospective purchasers,²⁸⁵ and traditional outside lenders are not involved. SBE persuades some reluctant consumers to purchase a lot, and persuades some consumers planning to purchase one lot to purchase two.²⁸⁶ Most consumers who attended a tour purchased at least one lot.²⁸⁷

204. SBE representatives often encouraged consumers to buy two lots, promising that the consumer could use the gains realized from the second lot’s future sale to fund the construction of the consumer’s home on the first lot.²⁸⁸

205. After the one-on-one meetings, SBE returned the consumers to the separate resort’s hotel where there was a celebration for the “new owners.”²⁸⁹

206. Once consumers view the development, SBE applied the lot reservation payment to their purchase of the reserved lot, or another lot; or refunded it if the consumer decided not to complete the sale.²⁹⁰

iv. Consumers made payments on purchased lots.

207. From the beginning of the sales process, SBE represented to consumers that if they purchase a lot, they would own that lot.²⁹¹

²⁸³ PX 183 (Pomroy) ¶ 28.

²⁸⁴ PX 183 (Pomroy) ¶ 28.

²⁸⁵ PX 297 (Kaufman) ¶ 134; PX 415; PX 183 (Pomroy) ¶ 31:14;.

²⁸⁶ PI Hrg Tr. 88:2-89:2, 94:11-95:1, 3/11/19 pm; PX 883; PX 890.

²⁸⁷ PX 186 (Balluff) ¶ 30.

²⁸⁸ PX 186 (Balluff) ¶ 4; PI Hrg Tr. 54:16-22, 3/11/19 am (testifying that SBE told him that “prices would double and you’d be able to...sell a lot, put that money into the other lot, build your house.”); PI Hrg Tr. 94:11-95:1, 3/11/19 pm.

²⁸⁹ PX 205 (Reneau) ¶ 16.

²⁹⁰ PX 205 (Reneau) ¶ 18:17.

²⁹¹ PX 205 (Reneau) ¶ 16 (“We said that once a customer purchased a lot, they would own it. We also called everyone who purchased ‘owners.’”).

208. After consumers returned to the United States, they made any additional down payments or other payments as agreed with SBE.²⁹² Consumers also began receiving invoices for monthly payments, and SBE also sent homeowners association invoices for \$100 per month per lot.²⁹³ Notably, payments were purportedly subject to a 12.5% Belizean General Sales Tax (“GST”), which SBE collects on monthly payments and HOA payments.²⁹⁴ Consumers made payments to SBE in California (and to the HOA’s Texas address).²⁹⁵

209. SBE explains to owners that GST is “charged on [the sale of] goods and services.”²⁹⁶

210. In one detailed document SBE prepared called *The GST Guide: GST and the SB [Sanctuary Belize] Homeowner*, SBE emphasized that the tax applied 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.”²⁹⁷

211. SBE also sent marketing materials to new “owners.”²⁹⁸ These communications pushed additional Sanctuary Belize lots or other developments. They referred to the consumers as “owners,” and underscored the development’s progress.

²⁹² PX 183 (Pomroy) Att. 12 at 1-44; PX 186 (Balluff) ¶ 31; PI Hrg Tr. 103:14-20, 3/11/19 pm; PI Hrg Tr. 62:22-63:4, 3/19/19 pm.

²⁹³ PX 183 (Pomroy) ¶ 39:21; PX 186 (Balluff) ¶ 34:26; PI Hrg Tr. 77-78, 3/11/2019 am (testifying about invoices for HOA fees).

²⁹⁴ PX 297 (Kaufman) ¶¶ 170-171; PX 409; PX 456; PX 457; PX 458; PX 459; PX 460; PI Hrg Tr. 103:21-104:8, 3/11/19 pm.

²⁹⁵ PX 186 (Balluff) ¶¶ 36-40 and Atts. 28-45; PX 297 (Kaufman) ¶ 169; PX 183 (Pomroy) ¶ 39:21; PX 186 (Balluff) ¶ 34:26; PX 881; PX 882; PI Hrg Tr. 68:1-69:17, 3/11/19 am (testifying that he made monthly payments of approximately \$3,000 to Eco-Futures in California).

²⁹⁶ PX 297 (Kaufman) ¶ 170; PX 456; PX 458; PX 459; PX 460; see also PX 457 (representing in marketing materials that GST is “charged on [the sale of] goods and services”); PX 458 (stating, in a “Sanctuary Bulletin” marketing email, that GST “is a consumer tax (12.5%), applied to most goods and services”).

²⁹⁷ PX 297 (Kaufman) ¶ 170; PX 460.

²⁹⁸ PX 186 (Balluff) ¶ 43 and Att. 47; PX 183 (Pomroy) ¶¶ 34-35, 39; PX 186 (Balluff) ¶¶ 35, 37, 41, 49.

212. Lot purchasers consider themselves “owners.”²⁹⁹

213. The consumers often made tens of thousands of dollars in additional payments before becoming concerned about the development’s progress.³⁰⁰

v. **Consumers attempted mitigation through foreclosures, buybacks, and lawsuits.**

214. As detailed below (Findings of Fact (“FOF”) ¶¶ 215-226), disillusioned consumers tried to force SBE to buy back their lot, attempted to resell their lot to the public, simply stopped making payments, and still others pursued litigation.

215. Costanzo admits that consumers who returned to Sanctuary Belize later and expressed concern about the status of the development “would frequently state that their sales person had told them the entire development would be complete within two to five years.”³⁰¹

216. Some owners simply stopped making payments, and SBE threatened them with “foreclosure.”³⁰² What followed, however, does not resemble anything American consumers understand as foreclosure.³⁰³ Defendant Costanzo’s testimony confirms the process.³⁰⁴ SBE “foreclosure” consisted 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.³⁰⁵

²⁹⁹ PX 183 (Pomroy) ¶ 32; PX 186 (Balluff) ¶ 49; PI Hrg Tr. 108:2-7, 3/11/19 pm.

³⁰⁰ PX 183 (Pomroy) ¶¶ 29-51 (describing the experience of a Maine couple who purchased a Sanctuary Belize lot “SR81” in 2013 for \$315,000. 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); PX 186 (Balluff) ¶¶ 36-51; PI Hrg Tr. 73:1-74:23; 78:3-6, 3/19/19 pm.

³⁰¹ PX 814 (Costanzo) ¶ 39.

³⁰² PX 297 (Kaufman) ¶ 174; PX 462; PX 463; PX 464; PX 186 (Balluff) ¶¶ 72:89, 74:92, 75.

³⁰³ PX 816 at 14.

³⁰⁴ PX 814 (Costanzo) ¶ 46.

³⁰⁵ PX 297 (Kaufman) ¶ 174; PX 462; PX 463; PX 464; PX 186 (Balluff) ¶¶ 72:89, 74:92, 75.

217. In its testimony at the PI hearing, the Receiver confirmed the details of this default process.³⁰⁶

218. When consumers attempted to force SBE to take the lot back, SBE often refused. Occasionally, SBE was willing to buy back the lot, but almost always at a loss for the consumers (and never at a profit), and not via lump sum but with payments over time.³⁰⁷ SBE then remarketed the lot to new consumers.³⁰⁸

219. The Receiver testified that, although he had not seen all of the agreements, he saw some documentation where “some consumers were not paid fully back pursuant to the buy back agreement. Other consumers weren’t paid anything for the buy back agreement. Rather, they were given a credit toward a future lot purchase but no money back for whatever money they had put in.”³⁰⁹

220. Some owners sued. In Belize, dissatisfied consumers formed a 200-member Independent Owners of Sanctuary Belize (“IOSB”). American attorney Thomas Herskowitz served as its President. Under his leadership, IOSB members sued SBE in Belize.

221. The IOSB lawsuit was not the only litigation pursued against SBE. Owners have filed at least nine court actions, 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, some cases apparently settled, and others are pending.³¹⁰

³⁰⁶ PI Hrg Tr. 111:18-113:2, 3/20/19 pm (Receiver describing default process); PI Hrg Tr. 17:16-19:14, 3/21/19 am (Receiver testifying that SBE paid for 144 default letters); PX 920 (the attorney’s invoice in Belizean dollars).

³⁰⁷ PX 814 (Costanzo) ¶ 47; PX 816 at 14; *see also* PX 466 and PX 519 (copies of buyback agreements).

³⁰⁸ PX 297 (Kaufman) ¶ 181; PX 471; PX 636; PX 637; PX 638; *cf.* PX 816 ¶ 14.

³⁰⁹ PI Hrg. Tr. 113:24-114:12, 3/20/19 pm.

³¹⁰ *See* Complaint, *Fales v. Eco-Futures Development, Inc.*, No. 2018-00958588 (filed Cal. Sup. Ct. Orange Cty. Nov. 30, 2017); Complaint, *Mann v. Eco-Futures Development, Ltd.*, No. 2017-926591 (filed Cal. Sup. Ct. Orange Cty. June 16, 2017); Complaint, *Miller v. Eco-Futures*

222. The fact that consumers pursued 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.

223. SBE actively interfered with resale efforts. For instance, SBE pushed consumers looking to resell to Coldwell Banker SB, which did not sincerely attempt to resell lots.³¹¹ SBE tore down "for sale" signs from lots and prevented or severely limited prospective purchasers from entering the property to view lots owners wanted to resell independently.³¹² Consumers report being entirely unable to resell lots,³¹³ or able to do so only after years of effort (and without any meaningful profit).³¹⁴

224. Because buybacks and purported "foreclosures" are common, SBE sometimes resells the same lot multiple times.³¹⁵ In fact, an SBE insider confirms that lots are sold multiple times.³¹⁶

225. The Receiver confirmed that SBE resold the same lot multiple times.³¹⁷

Development, Inc., No. 2018-00971287 (filed Cal. Sup. Ct. Orange Cty. Feb. 5, 2018); Complaint, *Nelson v. Eco-Futures Development Ltd.*, No. 2017-00937964 (filed Cal. Sup. Ct. Orange Cty. Aug. 16, 2017); Complaint, *Parham v. Global Property Alliance, Inc.*, No. 2016-00892105 (filed Cal. Sup. Ct. Orange Cty. December 13, 2016); Complaint, *Plomaritis v. Global Property Alliance, Inc.*, No. 00816793 (filed Cal. Sup. Ct. Orange Cty. Oct. 26, 2015); Complaint, *Pomroy v. Eco-Futures Development, Inc.*, No. 2018-00973773 (filed Cal. Sup. Ct. Orange Cty. Feb. 15, 2018); Complaint, *Steele v. Eco-Futures Development, Ltd.*, No. 2018-01027531 (filed Cal. Sup. Ct. Orange Cty. Oct. 23, 2018); Complaint, *Whited v. Global Property Alliance, Inc.*, No. 2018-00979573 (filed Cal. Sup. Ct. Orange Cty. Mar. 14, 2018). The FTC intends to seek judicial notice of these materials.

³¹¹ PX 186 (Balluff) ¶ 68; PX 297 (Kaufman) ¶ 139; PX 419.

³¹² See, e.g., PX 1094 (Baker forwarding email chain to Pukke on the matter, calling it "Ridiculous").

³¹³ PX 186 (Balluff) ¶¶ 63-71; PI Hrg Tr. 4:10-18, 9:16-10:13, 3/11/19 pm.

³¹⁴ PI Hrg Tr. 78:11-81:12, 3/19/19 pm.

³¹⁵ PX 297 (Kaufman) ¶ 181; PX 471; PX 636; PX 637; PX 638 (identifying examples of lots that appear on internal SBE lists with different owners at different times).

³¹⁶ PX 205 (Reneau) ¶ 21 ("Sometimes Sanctuary Belize even sold the same lot more than once.").

³¹⁷ PI Hrg Tr. 114:18-115:2, 3/20/19 pm (191 lots were sold to 423 separate buyers); PX 816 at 14.

226. 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 two 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).³¹⁸

B. SBE’s false and material six core claims and misrepresentations regarding Pukke.

227. SBE makes misrepresentations throughout the sales process described above, Section IV.A.

228. SBE makes misrepresentations regarding six core claims: (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.³¹⁹

229. In addition to the six core claims, SBE principals misrepresent Pukke’s involvement to consumers who would not purchase lots if they knew the truth.³²⁰

i. Contrary to SBE’s claim, no debt means high risk.

a. *SBE made no debt misrepresentations to consumers.*

230. 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.³²¹

³¹⁸ PX 297 (Kaufman) ¶ 182; PX 472.

³¹⁹ See Section IV.B.i-IV.B.vi.

³²⁰ See Section IV.B.vii.

231. Defendant Frank Costanzo admits that SBE's sales representatives told consumers that Sanctuary Belize had no debt and was therefore a safe investment.³²² The sales representatives told consumers that the no debt model was a safer and more reliable way to complete the development than using lender financing.³²³

232. In one webinar slide with the heading "Mitigating Risk," SBE characterizes Sanctuary Belize as a "low-risk" project because it has "zero debt."³²⁴

233. SBE telemarketers made the "no debt" claim repeatedly.³²⁵

234. SBE sales scripts include the no debt claim³²⁶

235. In a recorded sales pitch to FTC professionals posing as consumers, SBE telemarketer Zarnie Anderson 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."³²⁷

236. In her deposition, Anderson confirmed that she made the claims that the development was debt free,³²⁸ that the development being debt free meant there was no risk of the development not being completed,³²⁹ and was not a "rogue salesperson."³³⁰

237. SBE telemarketers confirmed that SBE made the "no debt" claim.³³¹

³²¹ See PX 186 (Balluff) ¶¶ 5, 9:3 (at minute 1:07:40-1:08:00 of a webinar to consumers SBE sales representative states: "We don't have any debt...we have no construction loan; we have no liens; we have no encumbrances. And what that means to you as a consumer is that there's no risk with this project."), 26; PX 183 (Pomroy) ¶ 20; ¶ 11; PX 255; PI Hrg Tr. PI Hrg Tr. 70:24-71:14, 3/19/19 pm; PI Hrg. Tr. 83:19-83:23, 3/11/19 pm; PI Hrg. Tr. 49:10-50:21, 3/11/19 am.

³²² PX 814 (Costanzo) ¶ 27.

³²³ PX 814 (Costanzo) ¶ 27; PX 186 (Balluff) ¶ 6, 36; PX 183 (Pomroy) ¶ 20; PX 255.

³²⁴ PX 254 ¶ 14; PX 257; PX 258; PX 259; PX 295; PX 296 at 11.

³²⁵ PX 254 ¶¶ 12-14, 16; PX 207 (Reneau) ¶ 4 Att. 2; PX 205 (Reneau) ¶¶ 4:3, page 84, 16.

³²⁶ PX 254 ¶ 14; PX 257; PX 258; PX 259.

³²⁷ PX 297 (Kaufman) ¶ 24; PX 310 at 25:23-26:1 (emphasis added); *see also* PX 297 (Kaufman) ¶ 16; PX 299 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[.]").

³²⁸ Anderson Dep. Tr. 80:8-81:9.

³²⁹ Anderson Dep. Tr. 110:14-112:22 ("That [claim] was in the script.")

³³⁰ Anderson Dep. Tr. 174:21-175:21.

238. Jim Catsos also confirmed that the no-debt model “was one of the selling points.” The model was a selling point because SBE “felt that it was attractive for people to know they're dealing with a developer who doesn't owe a bank a tremendous amount of money,” meaning that the investment was “safe” and “less risky.”³³²

239. 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, Anderson made clear that “debt free” means “completely debt free.”³³³

240. One telemarketer took notes during an SBE coaching session, and in those notes, she wrote: “<WE HAVE ZERO DEBT>.”³³⁴

241. 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).³³⁵

242. In an exchange between an FTC professional posing as a buyer (Howe) and an SBE telemarketer (Morgan), SBE explained 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.

³³¹ PX 205 (Reneau) ¶ 16 (“Because Sanctuary Belize didn't owe anyone any money, it was a low-risk investment.”); Anderson Dep. Tr. 80:8-81:9 (“Q: And that's what everybody was saying? A: Yeah.”).

³³² Catsos Dep. Tr. 131:9-132:20; *see also* Catsos Dep. Tr. 211:13-212:2 (the “representation is that there is very little risk.”)

³³³ PX 297 (Kaufman) ¶ 45; PX 335 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.”).

³³⁴ PX 207 (Reneau) ¶ 5:3 at 84 (emphasis in telemarketer's notes).

³³⁵ PX 186 (Balluff) ¶ 26; PX 257; PX 258; PX 295; PI Hrg Tr. 49:10-50:21, 3/11/19 am; PI Hrg Tr. 98:1-12, 3/11/19 pm.

HOWE: So—

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

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.³³⁶

243. Luke Chadwick “emphasiz[ed] that the property was debt free” to consumers during sales presentations at Sanctuary Belize.³³⁷

244. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson claiming that the developer of Sanctuary Belize used a debt free business model and the development was accordingly low risk.³³⁸

b. SBE's no debt misrepresentations are false.

245. The FTC's expert, Professor Richard Peiser, testified that the absence of conventional financing creates substantially greater risk.³³⁹

246. Professor Peiser is a tenured professor of Real Estate Development at Harvard University; he holds an MBA from Harvard University with a concentration in finance and real estate.³⁴⁰ Professor Peiser's credentials are further detailed in Section VI.A.

247. Two factors cause a “no debt” real estate model to pose greater risk to consumers than a real estate model with conventional financing. First, as Professor Peiser testified, “whenever you're dealing with a very large scale development of this type,” it is normally hard

³³⁶ PX 297 (Kaufman) ¶ 45; PX 335 at 28:9-29:8 (emphasis added).

³³⁷ PI Hrg. Tr. 57:18-58:7, 3/11/19 am.

³³⁸ PI Hrg. Tr. 80:17-81:10, 82:8-21, 3/20/19 pm.

³³⁹ PI Hrg. Tr. 55:20-24, 3/12/19 am (Professor Peiser testified that, “developing a huge project of this scope without any debt is, in fact, quite high risk, rather than low risk as being explained or told to consumers”).

³⁴⁰ PI Hrg. Tr. 46:16-48:23, 3/12/19 am.

or impossible to have sufficient front-end and sustained cash flow to fund the “very significant front-end cost that need to be advanced in order to get things going, to pay for basic infrastructure, to pay for roads and sewers and amenities and just to get the project off the ground.” Further, “people don’t buy lots or buy commercial parcels until they see some evidence of the development. And so, you need up front cash in order to get the project off the ground.”³⁴¹

248. Professor Peiser specifies multiple problems that make using lot sale revenue rather than outside financing an untenable model to complete a large-scale development successfully. 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 pace of home construction; and (e) a “downward spiral” in which slow or stalled development further depresses cashflow, “which eventually causes the bankruptcy of the project.”³⁴²

249. Attempting a large-scale real estate development without a reasonable level of debt is “high-risk.”³⁴³ As Professor Peiser testified, “the risk[s] are much greater [] from having a no-debt business model than having an appropriate level of debt” in part because the lender “assure[s] [a] cash flow stream in the early years to get things off the ground.”³⁴⁴

250. 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.³⁴⁵

³⁴¹ PI Hrg. Tr. 56:19-58:12, 3/12/19 am.

³⁴² PI Hrg Tr. 59:21-60:25, 3/12/19 am.

³⁴³ PI Hrg Tr. 55:22-24, 3/12/19 am.

³⁴⁴ PI Hrg Tr. 107:1-9, 3/12/19 am.

³⁴⁵ PI Hrg Tr. 58:13-59:4, 61:1-63:8, 3/12/19 am (“The credit monitoring function is something most consumers may not appreciate, but it’s very important as far as [] the due diligence that any lender or outside investor would bring to the table to determine that the sponsor has a good reputation, has suitable experience, has demonstrated the ability to finish what they start and delivers high quality product.”).

251. 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.³⁴⁶

252. Significantly, a lender's due diligence includes extensive assessment of the feasibility of the project.³⁴⁷

253. 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.³⁴⁸

254. Legitimate developers rarely, if ever, employ a “no debt” real estate development model because it has such a high risk of failure.³⁴⁹ Professor Peiser testified that he was “extremely confident” that this model posed substantial risks to consumers.³⁵⁰

255. In fact, Simonton testified that he encouraged Rod Kazazi to get “commercial financing to try to make more happen in a shorter period of time and create the kind of intensity that they needed.”³⁵¹

256. Furthermore, SBE does have debt.³⁵² It borrowed \$4,635,500 from Newport Beach yacht dealer Gordon Barienbrock,³⁵³ \$2.5 million from Orange County real estate

³⁴⁶ PI Hrg Tr. 58-59, 61, 3/12/19 am.

³⁴⁷ PI Hrg Tr. 61:20-62:22, 3/12/19 am.

³⁴⁸ PI Hrg Tr. 61, 3/12/19 am (testifying that “on the monitoring function, having the bank or creditor involved, there is a regular check-up on how the lenders money is being used.”)

³⁴⁹ PI Hrg Tr. 57, 3/12/19 am (testifying that based on Professor Peiser's research, “the failure rate of very large scale developments is extremely high and probably in excess of 90 percent”), 107:10-16, 3/12/19 am (testifying that he has never seen a large scale development financed with the no-debt business model).

³⁵⁰ PI Hrg Tr. 107:20-22, 3/12/19 am.

³⁵¹ PI Hrg Tr. 73:22-75:6, 3/22/19 pm.

³⁵² PI Hrg Tr. 95:8-100:4, 3/20/19 pm; PX 1238 at 3 (identifying loans to Mathis and Barienbrock).

³⁵³ Barienbrock Dep Tr. 68:19-69:1, 259:18-260:7 (Barienbrock lent millions of dollars to Sanctuary Belize); PI Hrg Tr. 95:14-96:17, 3/20/19 pm; PX 816 at 7 (Receiver documenting loan); *see also* PX 250 (Agarwal) ¶ 8(u); PX 261; PX 262; PX 263; PX 264; PX 265.

investors Cleo and Violet Mathis (through their entity, CVM Corporation),³⁵⁴ and more than \$1 million from known Pukke associate, Patrick Callahan.³⁵⁵

c. SBE's claim that the no debt model made the development a low-risk investment was material to consumers.

257. Unsurprisingly given its emphasis in SBE's marketing, consumers often identify the "no debt" model as a reason they bought a Sanctuary Belize lot.³⁵⁶

258. Michael Doran testified that SBE marketing materials stated that the land was "debt free," which meant "less risk" to him. Doran stated that this claim was "significant," as "we obviously want to do something where it incurred the least amount of risk possible for us."³⁵⁷

259. Another consumer testified that the development's lack of debt meant that "this is a development that has money and is going to get it done."³⁵⁸

260. Michael Warren testified that he was "very pleased" to learn that the development had no debt and that he was informed by SBE representatives that "buying a lot in Sanctuary Belize [was] less risky than a Real Estate investment in which the developer must make payments to creditors like banks."³⁵⁹

261. 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."³⁶⁰

³⁵⁴ PX 1545 (check to Eco-Futures Belize for \$2,500,000 from Violette and Cleo Mathis); PI Hrg Tr. 96:18-97:4, 3/20/19 pm; PX 816 at 7 (Receiver documenting loan); *see also* PX 254 ¶¶ 70-71; PX 261; PX 266; PX 250 (Agarwal) ¶ 8(b); PX 816 at 7.

³⁵⁵ PI Hrg Tr. 97:9-100:4, 3/20/19 pm.

³⁵⁶ *See* PX 186 (Balluff) ¶ 5; PX 183 (Pomroy) ¶ 20; PI Hrg Tr. 83:19-84:20, 3/11/19 pm; PI Hrg Tr. 71:8-14, 3/19/19 pm.

³⁵⁷ PI Hrg Tr. 49:19-50:21, 3/11/2019 am.

³⁵⁸ PI Hrg. Tr. 71:8-14, 3/19/19 pm.

³⁵⁹ PI Hrg. Tr. 96:18-98:16, 3/11/19 pm.

³⁶⁰ PX 186 (Balluff) ¶ 5.

- ii. **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.**
a. SBE made misrepresentations that “every dollar” went into development.

262. SBE claims that because of the “no debt” model, every dollar the developer collects from lot sales goes back into the development.³⁶¹

263. 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.³⁶²

264. In her deposition, Zarnie Anderson confirmed that she and others told consumers that every dollar collected in sales would go back into the development.³⁶³

265. An SBE telemarketer explained, “[w]e told consumers that Sanctuary Belize already owned the land and had no debt” and 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.”³⁶⁴ In her deposition, Anderson confirmed that she was told to make the every dollar claim for precisely this reason.³⁶⁵

266. Consumers confirm that SBE regularly makes the “every dollar” claim.³⁶⁶
b. SBE’s every dollar misrepresentations were false.

267. The Receiver confirmed in his report that SBE used only 14% of consumers’ money for construction, while Pukke diverted about 12.8% for his own benefit. *See* Receiver’s

³⁶¹ See PX 186 (Balluff) ¶ 6, 26; PX 183 (Pomroy) ¶ 20; PX 205 (Reneau) ¶ 4, 16; PX 254 ¶ 23 (authenticating PX 295); PX 295 at 1; PX 310 at 27:22-28:3.

³⁶² PX 297 (Kaufman) ¶ 24; PX 310 at 27:22-28:3.

³⁶³ Anderson Dep. Tr. 81:10-19.

³⁶⁴ PX 205 (Reneau) ¶ 16.

³⁶⁵ Anderson Dep. Tr. 179:18-181:4.

³⁶⁶ PX 186 (Balluff) ¶ 6; PX 183 (Pomroy) ¶ 20.

Report (DE 219), at 9, 11 (“The amount spent for developing the Reserve was just \$1.5 million more than the amount the [] Receiver has preliminarily determined Pukke diverted from lot sales.”).³⁶⁷

268. Experts Professor Richard Peiser, PhD, and Defense Expert Eric Sussman both testified that the percentage of revenue that should go into the development should be more than 30%. Professor Peiser specifically testified that 70%-80% of the hard costs should be spent on development.³⁶⁸ Professor Sussman testified that spending 30% of costs outside of SG&A (costs being put into the development of the property) would strike him as a low percentage for this project in Belize.³⁶⁹

269. Baker admits that SBE diverted funds for expenses unrelated to the development.³⁷⁰

270. Costanzo testified that, while working for SBE, he had reason to believe Pukke was diverting funds for his own use, including the development of one of Pukke’s houses.³⁷¹

271. Costanzo admits that consumers were told that every dollar the developer collected from lot sales goes back into the development, and he testified that due to his familiarity with the development, he had reason to believe that “significant amounts of money received from lot sales were not passed on to the development.”³⁷²

272. During the March 2019 PI hearing, the Receiver testified that Pukke had diverted at least \$15.9 million, or approximately 12.8 percent of consumer lot payments, for his own benefit.³⁷³ \$3.7 million of this figure went to Pukke or his family members.³⁷⁴

³⁶⁷ PX 816 at 9, 11.

³⁶⁸ PI Hrg Tr. 77:14-79:19, 3/12/19 pm.

³⁶⁹ PI Hrg Tr. 77:7-79:22, 3/22/19 am.

³⁷⁰ See FOF 618, 580-581; see also PI Hrg Tr. 7:18-10:15, 3/15/19 am.

³⁷¹ PX 814 (Costanzo) ¶ 33.

³⁷² PX 814 (Costanzo) ¶ 32.

³⁷³ PI Hrg Tr. 106:9-111:16, 3/20/19 pm.

³⁷⁴ PI Hrg Tr. 106:9-107:1, 3/20/19 pm. See also Dixon Dep. Tr. 219:18-220:25 (describing GPA’s 2016 tax returns, which reflected distributions to Baker for Pukke’s family taking out \$151,000); PX 1252 (email Dixon is discussing); Dixon Dep. Tr. 203:4-204:4 (distributions to

273. SBE transferred more than \$4 million to Vipulis.³⁷⁵

274. SBE transferred more than \$1 million to Chittenden, Beach Bunny, and the Estate of John Pukke.³⁷⁶

275. Through Buy International, SBE paid Ryan Boyajian's paychecks for his work at Thrive Equity Partners.³⁷⁷ His monthly paychecks totaled \$427,920 over 20 months.³⁷⁸ Neither Boyajian nor his company, LionTime, Inc., performed any services for Buy International, and that Boyajian did not know why Buy International paid him.³⁷⁹

276. The Estate transferred consumers' money to 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)).³⁸⁰

277. 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).³⁸¹

278. SBE transferred money to Pukke's family through transfers to his ex-wife (Pamela Pukke).³⁸²

Pukke's family were booked as distributions to Baker); PX 1245 (email Dixon was discussing); Dixon Dep. Tr. 196:11-199:1 (same); PX 1243 (email Dixon was discussing); Dixon Dep. Tr. 183:24-184:9; Dixon Dep Tr. 187:13-25, 188:4-189:20 ("Q: But you thought Andris Pukke was receiving these distributions? A: Well, he had to have or his family did at least. Q: But it benefited Andris Pukke in some manner? A: Yes."); PX 1224 at 2 ("Only \$2,000 went to Pete in 2012. . . . \$11,500 paid to Pamela Pukke in 2012. . . . \$17,000 paid to Pamela Pukke [from different account] . . . \$10,000 paid to Kaelin Pukke.")

³⁷⁵ PX 250 (Agarwal) ¶ 8(r); PX 816 at 6.

³⁷⁶ PX 250 (Agarwal) ¶ 8(c)-(f); PX 816 at 11 (identifying more \$400,000 in transfers to Chittenden directly and nearly \$2 million in investments in her name).

³⁷⁷ Boyajian Dep. Tr. 136:8-137:21, 138:4-5, 139:19-143:7, 143:11-23, 145:15-152:8, 152:13-156:21.

³⁷⁸ Boyajian Dep. Tr. 157:24-159:10 (Boyajian earned salary of \$21,396 per month); PX 1147; PX 1148 (composite of paychecks).

³⁷⁹ Boyajian Dep. Tr. 161:8-10, 161:14-19, 161:23-24.

³⁸⁰ PX 250 (Agarwal) ¶ 8(v)-(w); PX 254 ¶ 99; PX 293; PX 353 at 23:14-16, 168:23-169:19; PX 48 at 9, 15, 39, 67.

³⁸¹ PX 250 (Agarwal) ¶ 8(e).

³⁸² PX 250 (Agarwal) ¶ 8(m), 8(z); PX 443; PX 353 at 87:1, 10:10-12, 26:17-27:21, 28:13-20.

279. SBE transferred money to a company Pamela Pukke's husband Anthony Mock controls (Wholesale Fashion Distributors LLC).³⁸³

280. SBE transferred money directly to Pukke's children.³⁸⁴

281. SBE funded renovations to Pukke's personal residence, including payments to a local contractor with a memo line referencing Pukke's address.³⁸⁵ The Receiver testified that over \$2.8 million of SBE's money went to the purchase and renovation expenses for one of Pukke's houses.³⁸⁶

282. 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.³⁸⁷

283. Baker used SBE to fund personal expenses.³⁸⁸ For example, Baker 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).³⁸⁹

284. SBE paid thousands of dollars for cosmetic dentistry.³⁹⁰

285. SBE made payments on the loans it made to Gordon Barienbrock.³⁹¹

286. SBE paid Anthony Mock for his work on the Kanantik resort.³⁹²

³⁸³ PX 250 (Agarwal) ¶ 8(m), 8(z); PX 443; PX 353 at 87:1, 10:10-12, 26:17-27:21, 28:13-20.

³⁸⁴ PX 250 (Agarwal) ¶ 8(m), 8(z); PX 443; PX 353 at 87:1, 10:10-12, 26:17-27:21, 28:13-20.

³⁸⁵ PX 250 (Agarwal) ¶ 8(dd); PX 816 at 6.

³⁸⁶ PI Hrg Tr. 7:13-9:14, 3/21/19 am; DE 219-4 at 3 (Exhibit 4 to PX 816).

³⁸⁷ PX 250 (Agarwal) ¶ 9; PX 251.

³⁸⁸ PX 250 (Agarwal) ¶ 10; PX 251; PX 254 ¶ 100; PX 288; PX 40; PX 250 (Agarwal) ¶ 8(h); PX 254 ¶ 101; PX 289.

³⁸⁹ PX 250 (Agarwal) ¶ 10; PX 251.

³⁹⁰ PX 250 (Agarwal) ¶ 8(i); PX 254 ¶ 102; PX 290; PX 291.

³⁹¹ Barienbrock Dep Tr. 259:18-260:7.

³⁹² Mock Oct. 10, 2019 Dep. Tr. 35:11-18.

c. SBE's claims that every dollar went into the development were material to consumers.

287. Consumers testified that SBE's claim that it would spend lot sale revenue to further the development was important to their decision to purchase.³⁹³

288. A consumer testified that "another big point to me" was "the fact that it was debt free so that the money that came from selling of the lots, from the sale of lots was going directly into the development."³⁹⁴ He elaborated that this money could go towards constructing items such as "utilities, the roads . . . the electricity, the water, the Marina Village."³⁹⁵

289. Another consumer stated, "[t]he 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."³⁹⁶

iii. Contrary to SBE's claim, the development was not finished within two to five years, and will not be.

a. SBE stated that the development would be finished within two to five years.

290. SBE claims the funding stream from lots means the developer will finish the development quickly—within two to five years.³⁹⁷ SBE provided timelines for completion to consumers since at least 2006, claiming the development would be completed within two to five years.³⁹⁸ The timeline claim was rarely qualified or aspirational when expressed.

291. 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."³⁹⁹

³⁹³ PX 186 (Balluff) ¶ 6; PX 183 (Pomroy) ¶ 20; PI Hrg Tr. 59:9-19, 3/11/19 am; PI Hrg Tr. 99:12-18, 3/11/19 pm; PI Hrg Tr. 70:24-71:5, 3/19/19 pm.

³⁹⁴ PI Hrg Tr. 59:9-19, 3/11/19 am.

³⁹⁵ PI Hrg Tr. 59:9-19, 3/11/19 am.

³⁹⁶ PX 186 (Balluff) ¶ 6.

³⁹⁷ See PX 183 (Pomroy) ¶¶ 18, 20, 29; PX 186 (Balluff) ¶¶ 9, 23, 29; PX 205 (Reneau) ¶ 17; PX 307 at 59:22-60:7; PI Hrg Tr. 60-61, 3/11/19 am (testifying that SBE stated that the development would be completed in five years); PI Hrg Tr. 84:21-85:4 (testifying that SBE stated that the development "would be complete in two or three years.")

³⁹⁸ PX 396; PX 397; PX 398.

³⁹⁹ PX 297 (Kaufman) ¶ 29; PX 315 at 43:9-11; Anderson Dep. Tr. 184:20-187:13 (testifying that she remembers hearing these claims in the office it was "never anything I was told not to

292. 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.”⁴⁰⁰

293. Zarnie Anderson testified that she remembered hearing the development would be completed within five years.⁴⁰¹ She told consumers the airport would be completed in a “couple years,”⁴⁰² and the marina village would be completed “in the next year or two.”⁴⁰³

294. Jim Catsos testified that it was accurate to tell consumers, in 2013, that the “lion’s share of the development” would be completed within five years, and that in 2015, consumers were told that the development would be done in three years.⁴⁰⁴

295. Costanzo testified that consumers “would be sold lots and told infrastructure would exist within a time periods, such as 1-2 years.”⁴⁰⁵

296. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson claiming that the construction of the amenities will be completed within two to five years.⁴⁰⁶

297. Consumers further underscore that SBE claims it will finish the development within five years (and the community’s commercial center in two years).⁴⁰⁷

298. The timeline claim is important to consumers and influences their decision to purchase.⁴⁰⁸

say.”)

⁴⁰⁰ PX 205 (Reneau) ¶ 17.

⁴⁰¹ Anderson Dep. Tr. 89:13-19.

⁴⁰² Anderson Dep. Tr. 146:15-147:4.

⁴⁰³ Anderson Dep. Tr. 153:19-154:20.

⁴⁰⁴ Catsos Dep. Tr. 145:5-146:10, 146:20-147:16.

⁴⁰⁵ PX 814 (Costanzo) ¶ 38.

⁴⁰⁶ PI Hrg Tr. 80:17-81:10, 3/20/19 pm.

⁴⁰⁷ PX 183 (Pomroy) ¶¶ 18, 20, 29:11; PX 186 (Balluff) ¶¶ 2, 9, 23, 29; PI Hrg Tr. 84:21-85:4, 3/11/19 pm (SBE stated that the development “would be complete in two or three years.”); PI Hrg. Tr. 69:17-70:4, 3/11/19 pm (Chadwick told consumer that it was “certain” that the development would be finished).

⁴⁰⁸ See PX 183 (Pomroy) ¶¶ 18, 29; PX 183 (Pomroy) Att. 12 at 1-44; PX 186 (Balluff) ¶¶ 9, 29; PI Hrg Tr. 84:21-85:6, 3/11/19 pm; PI Hrg Tr. 99:19-100:15, 3/11/19 pm;

b. The development was not finished within two to five years, and will not be.

299. SBE did not finish the development within two or five years.⁴⁰⁹

300. It is undisputed that the development is not currently complete.⁴¹⁰

301. Costanzo testified that, after he joined SBE in 2012, consumers complained that SBE promised the entire development would be completed within two to five years, and he admitted that such completion was “impossible.”⁴¹¹

302. The first sales of SBE lots took place more than thirteen years ago.⁴¹²

303. By mid-2013 (more than five years from November 2018, when the FTC had filed its case), SBE had made hundreds of sales, and by mid-2016 (more than two years from November 2018, when the FTC filed its case), SBE had made hundreds more.⁴¹³

304. Thus, for the hundreds of lot owners who purchased more than five years ago, SBE failed to finish the development within the promised timeframe of 2-5 years.

305. The development is nowhere near finished, with less than 10% of lot sales leading to completed homes.⁴¹⁴

306. Most promised amenities are unstarted or incomplete.⁴¹⁵

⁴⁰⁹ See FOF 305 (few homes completed); FOF 306 (incomplete amenities); Barienbrock Dep. Tr. 104:17-105:7, 105:21-106:9 (half of 81 slips in marina were functional in October 2018); Barienbrock Dep. Tr. 123:20-127:2 (there is no boat repair facility, shipyard, fitness, or workout facility in the marina in Sanctuary Belize in October 2018); Barienbrock Dep. Tr. 133:25-134:22 (marina does not have Five Gold Anchor Certification); Boyajian Dep Tr. 80:15-81:5, 81:15-18, 83:25-84:6, 84:20-85:8, 86:15-87:3 (testifying that when he visited in 2017 or 2018, he did not see a large grocery store, hospital, golf course, hotel, or air strip); Maya Baker Dep Tr. 97:15-19, 99:18-100:19, 104:6-23, 105:11-106:19 (testifying that, in November 2018, there was no hospital, airport, hotel, or large grocery store); Maya Baker Dep Tr. 158:2-159:7 (fewer than 50 slips).

⁴¹⁰ See *id.*; see also PI Hrg. Tr. 64:11-20, 3/12/19 am (Peiser testifying that it will cost \$613 million to complete the development, and the lowest possible amount to finish the development and satisfy lot purchaser expectations is \$248 million.).

⁴¹¹ PX 814 (Costanzo) ¶ 39.

⁴¹² PX 297 (Kaufman) ¶ 72; PX 363.

⁴¹³ PX 254 ¶ 75; PX 274; PX 275.

⁴¹⁴ Compare PX816 at 21 (identifying 1,314 lots sold beginning in 2009) with DE347-2 (Mar. 22, 2019) at 1 (proposed intervenors’ filing claiming there are “over 40 completed homes” and “40 in various stages of construction”); PX 925 at 5 (claiming “over 50” homes).

307. Nonetheless, SBE claims it “absolutely” has the resources to finish the development.⁴¹⁶

308. SBE does not have the resources to finish the development.⁴¹⁷

309. Professor Peiser explains that to complete the massive planned community as promised (including the promised hospital, hotel, and commercial core) would cost \$613 million.⁴¹⁸

310. Professor Peiser stated that it would cost \$248 million to complete the development with amenities at a standard below what SBE promised to consumers.⁴¹⁹

311. In his expert report, Professor Peiser included an item-by-item breakdown of what each of the amenities would cost to complete. He testified to the cost of certain amenities during the preliminary injunction hearing:

- a. \$15 million in marina completion and upgrade;⁴²⁰
- b. \$5.7 million for Marina Village;⁴²¹
- c. \$9.5 million for community facilities;
- d. \$34 million for the hotel and lodges;⁴²²
- e. \$11 million for the golf course;⁴²³
- f. \$5 million for SBE’s contribution to the construction cost of a large airport;⁴²⁴
- g. \$10 million for municipal services;⁴²⁵ and

⁴¹⁵ See Section IV.B.iv.

⁴¹⁶ PX 297 (Kaufman) ¶ 24; PX 310 at 26:18-27:3.

⁴¹⁷ See FOF 314.

⁴¹⁸ PI Hrg Tr. 64, 3/12/19 am.

⁴¹⁹ PI Hrg Tr. 64, 3/12/19 am.

⁴²⁰ PI Hrg Tr. 82:7-88:8, 3/12/19 am

⁴²¹ PI Hrg Tr. 80:18-81:1, 3/12/19 am.

⁴²² PI Hrg Tr. 88:13-90:4, 3/12/19 am.

⁴²³ PI Hrg Tr. 90:5-91:15, 3/12/19 am.

⁴²⁴ PI Hrg Tr. 78:24-79:19, 3/12/19 am.

⁴²⁵ PI Hrg Tr. 91:22-92:15, 3/12/19 am.

h. \$27 million for a small medical center.⁴²⁶

312. Erik Lioy, the head of forensic accounting at Grant Thornton LLP,⁴²⁷ used SBE bank records and certain internal SBE accounting information (including QuickBooks files) to calculate the amount SBE could afford to pay to complete the development over the next five years.⁴²⁸

313. 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.⁴²⁹

314. Even with these generous assumptions, the most SBE could 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.⁴³⁰

315. In light of the Receiver's Report, which determined what became of the \$24.9 million SBE transferred to Belize, and further determined the percentage of funds actually spent on development historically, Mr. Lioy modified his opinion to determine SBE would have between \$18.5 million to \$87.9 million, depending on whether one uses SBE's historic payments towards development to calculate the percentage of sales revenue that would be spent on development or using more generous overhead assumptions.⁴³¹

⁴²⁶ PI Hrg Tr. 81:18-82:6, 3/12/19 am.

⁴²⁷ Mr. Lioy's credentials are further detailed at Section VI.B.

⁴²⁸ PI Hrg Tr. 13, 3/14/19 am; Lioy updated these calculations using the information contained in the Receiver's Report but noted the differences were immaterial or lower than the previously projected amount SBE could afford to spend on the development. PX 875 ¶¶ 7-10.

⁴²⁹ PI Hrg. Tr. 19:12-25:16, 3/14/19 am.

⁴³⁰ PI Hrg Tr. 11:21-12:14, 3/14/19 am; PI Hrg. Tr. 64:11-20, 3/12/19 am.

⁴³¹ PI Hrg. Tr. 12:16-24, 3/14/19 am; PX 875.

c. SBE's claims regarding the development's timeline were material to consumers.

316. The development's timeline is important to consumers, many of whom have already retired, or are nearing retirement.

317. A consumer explained, "Chadwick . . . understood how important the development timeline was to me and my wife."⁴³²

318. Another consumer testified that the five-year timeline was important to his decision to purchase.⁴³³

iv. Contrary to SBE's claim, the amenities were not finished within five years, and they will not be.

a. SBE's misrepresentations regarding promised amenities are false.

319. As detailed below, SBE promises consumers various amenities.

320. After thirteen years, most of the promised amenities do not exist.⁴³⁴

321. The hospital, hotel, airports, entertainment, and "Marina Village" (the commercial core) are unfinished and, in most cases, unstarted.⁴³⁵

322. 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 pool house, and a marina less than a third of the size that it promised.⁴³⁶

⁴³² PX 186 (Balluff) ¶ 9.

⁴³³ PI Hrg. 60:17-61:8, 3/11/19 am ("I do remember thinking that, you know, five years was not too long for us.")

⁴³⁴ PI Hrg. Tr. 75:2-76:18, 3/19/19 pm; Barienbrock Dep. Tr. 104:17-105:7, 105:21-106:9 (half of 81 slips in marina were functional in October 2018); Barienbrock Dep. Tr. 123:20-127:2 (there is no boat repair facility, shipyard, fitness, or workout facility in the marina in Sanctuary Belize in October 2018); Barienbrock Dep. Tr. 133:25-134:22 (marina does not have Five Gold Anchor Certification); Boyajian Dep Tr. 80:15-81:5, 81:15-18, 83:25-84:6, 84:20-85:8, 86:15-87:3 (testifying that when he visited in 2017 or 2018, he did not see a large grocery store, hospital, golf course, hotel, or air strip); Maya Baker Dep Tr. 97:15-19, 99:18-100:19, 104:6-23, 105:11-106:19 (testifying that, in November 2018, there was no hospital, airport, hotel, or large grocery store); Maya Baker Dep Tr. 158:2-159:7 (fewer than 50 slips).

⁴³⁵ PI Hrg Tr. 62:8-64:12, 3/22/19 pm. FOF 306.

⁴³⁶ PI Hrg Tr. 45:11-25, 3/22/19 pm; Barienbrock Dep Tr. 105:21-106:9 (half of 81 slips were functional in October 2018); Maya Baker Dep Tr. 158:2-159:7 (fewer than 50 slips in November 2018). The FTC plans to introduce further testimony at trial.

323. 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.⁴³⁷

324. One consumer explained that the fact that Sanctuary Belize would finish the promised amenities "by 2014 or sooner" was important to his decision to purchase.⁴³⁸

325. SBE claims that the completed development will boast remarkable amenities comparable to a small American city.⁴³⁹

326. In addition to specific claimed amenities listed below, SBE claims Sanctuary Belize will have infrastructure roughly equivalent to what consumers expect in the United States.⁴⁴⁰

327. 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), electrical service, a stable canal system (given additional lots have waterfront access), and security.⁴⁴¹

328. The amenities are central to SBE's claim that lots' value will skyrocket.⁴⁴²

329. Costanzo testified that SBE's sales representatives and video presentations showed potential purchasers that there would be numerous amenities, including numerous shops, restaurants, condominiums, entertainment venues, and a hotel. He also testifies to other SBE representations of amenities, including that "there would be an American-style supermarket and

⁴³⁷ PX 186 (Balluff) ¶ 9.

⁴³⁸ PX 186 (Balluff) ¶ 9.

⁴³⁹ See FOF IV.B.iv.(b)-(g).

⁴⁴⁰ PX 307 at 22:6-21, 27:5-13, 27:25-28:17, 42:17-19; PX 324 at 44:13-46:23, 35:8-24; PX 183 (Pomroy) ¶ 23.

⁴⁴¹ PX 307 at 22:6-21, 27:5-13, 27:25-28:17, 42:17-19; PX 324 at 44:13-46:23, 35:8-24; PX 183 (Pomroy) ¶ 23.

⁴⁴² PX 297 (Kaufman) ¶ 23; PX 307 at 59:12-60:7.

a medical clinic on the property.”⁴⁴³ Costanzo further testified that SBE marketers told consumers “that there would be a hospital within the development” before there was any confirmation of funding or building plans for a hospital.⁴⁴⁴

330. One SBE 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-site 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] an international airport and hospital that would be completed within two years near Sanctuary Belize.⁴⁴⁵

331. Since 2008, SBE provided no caveats or disclaimers suggesting that any of the amenities might not be built.⁴⁴⁶ Indeed, as noted above, Chadwick stated that SBE was “not a fine print organization. We don’t say a whole 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.”⁴⁴⁷

332. In an exchange between an FTC professional posing as a buyer (Howe) and an SBE telemarketer (Morgan), SBE confirmed that the amenities would “go forward no matter what.”⁴⁴⁸

b. SBE promised consumers a hospital and emergency medical facility.

333. SBE promises consumers a hospital staffed with American doctors and nurses and located within or adjacent to Sanctuary Belize.⁴⁴⁹

⁴⁴³ PX 814 (Costanzo) ¶ 34.

⁴⁴⁴ PX 814 (Costanzo) ¶ 36.

⁴⁴⁵ PX 205 (Reneau) ¶ 17.

⁴⁴⁶ See, e.g., PX 254 ¶¶ 88-89; PX 277 at 12, 15-16; PX 205 (Reneau) ¶ 17 Att. 15; PX 186 (Balluff) att. 3 at 00:53:55-00:54:00, 1:23:05-1:23:30; PX 205 (Reneau) ¶ 17; PX 186 (Balluff) ¶ 9; PX 278.

⁴⁴⁷ PX 186 (Balluff) ¶ 9 Att. 3 (webinar recording) at 1:34:25-1:34:41.

⁴⁴⁸ PX 297 (Kaufman) ¶ 45; PX 335 at 28:9-29:8 (emphasis added)

⁴⁴⁹ PX 186 ¶ (Balluff) 49 Att. 50 at 12-14; PX 183 (Pomroy) ¶ 19; PX 205 (Reneau) ¶ 17; PI

334. As one consumer testified, SBE stated that the hospital would have “this doctor group from Newport Beach and Beverly Hills [] on board to staff it.”⁴⁵⁰

335. SBE held “team meetings” discussing the hospital and instructing that it was “something that should be told to people.”⁴⁵¹ This employee “didn’t make it up on [her] own” when she included it in her pitch to consumers.⁴⁵²

336. SBE describes the hospital as 30,000 square feet (and often more).⁴⁵³

337. SBE describes the hospital as “state-of-the-art” with vast capabilities including everything from “oncology” to “organ transplantation” to “cardiac surgery.”⁴⁵⁴

338. Indeed, during the hearing, Baker admitted he gave a presentation to an investor that touted a “[s]tate-of-the-art hospital providing US standard-of-care treatment.”⁴⁵⁵

339. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson claiming that there would be a 120,000 square foot hospital built “near the property” and that it was coming soon.⁴⁵⁶

340. Reflecting the development’s size, SBE also claims the downtown “Marina Village” area will have a smaller emergency medical facility.⁴⁵⁷

341. SBE did not qualify its claim that there would be a hospital. It was not expressed as indefinite, aspirational, or a mere possibility SBE would consider.⁴⁵⁸

342. There is no American-caliber hospital in or near Sanctuary Belize.⁴⁵⁹

Hrg. Tr. 85:2-17, 3/11/19 am; PI Hrg Tr. 6-8, 3/11/19 pm; PI Hrg Tr. 101:19-102:2, 3/11/19 pm; PX 257 at 8; PX 258 at 8; PX 303 at 58:13-59:11; PX 307 at 51:3-4; Anderson Dep Tr. 86:4-7 (medical clinic in the Marina Village); Anderson Dep Tr. 87:1-10 (there would be a hospital in or near Sanctuary Belize).

⁴⁵⁰ PI Hrg. Tr. 85:2-17, 3/11/19 am.

⁴⁵¹ Anderson Dep Tr. 161:21-162:6, 165:10-22.

⁴⁵² Anderson Dep Tr. 161:21-162:6, 165:10-22.

⁴⁵³ PX 186 (Balluff) ¶ 29 Att. 50; PX 205 (Reneau) ¶ 7 Att. 14, 17 Att. 15.

⁴⁵⁴ PX 297 (Kaufman) ¶ 20; PX 303 at 58:13-59:5; PX 186 (Balluff) ¶ 49 Att. 50 at 13.

⁴⁵⁵ PX 934.

⁴⁵⁶ PI Hrg Tr. 80:17-81:10, 82:22-84:25, 3/20/19 pm.

⁴⁵⁷ PX 186 (Balluff) ¶¶ 29:50, 49:50 at 13; PX 205 (Reneau) ¶¶ 7:14, 17:15.

⁴⁵⁸ PI Hrg. Tr. 6:4-7:22, 3/11/19 pm (describing newsletter with these claims).

⁴⁵⁹ Barienbrock Dep. Tr. 257:18-20, 258:2-13, 260:24-261:14; Maya Baker Dep Tr. 97:15-19.

343. There is no emergency medical facility in Sanctuary Belize's commercial core.⁴⁶⁰

344. The Receiver testified that he had not seen a schedule identifying how or when Sanctuary Belize would construct a medical clinic or hospital.⁴⁶¹

345. High-quality medical care is very important to many owners who have retired, or are nearing retirement, and the presence of medical facilities influenced purchasing decisions.⁴⁶²

c. SBE promised consumers a hotel.

346. SBE claims Sanctuary Belize will have a "full-service, high-class" hotel.⁴⁶³

347. SBE often describes it as having ninety rooms, but sometimes thirty or forty rooms.⁴⁶⁴ In describing the hotel, its telemarketers were not describing cabanas or yurts on the beach.⁴⁶⁵

348. The hotel often appears in marketing materials without caveats, disclaimers, or other indication of uncertainty.⁴⁶⁶ SBE never states or implies that it might not build a hotel.

349. SBE also promises smaller "lodges," or "eco-experience hotels" that SBE describes as boutique rentals in the jungle, riverine, or other areas of the development.⁴⁶⁷

350. There is no hotel at Sanctuary Belize.⁴⁶⁸

351. The Receiver testified that he had not seen a schedule identifying how or when Sanctuary Belize would build a hotel.⁴⁶⁹

⁴⁶⁰ Barienbrock Dep. Tr. 257:18-20, 258:2-13, 260:24-261:14; Maya Baker Dep Tr. 97:15-19.

⁴⁶¹ PI Hrg. Tr. 35:5-7, 3/21/19 am.

⁴⁶² See, e.g., PX 1056; PX 186 (Balluff) ¶ 29.

⁴⁶³ PX 186 (Balluff) ¶ 9 Att. 3; PX 183 (Pomroy) ¶ 19; PX 254 ¶¶ 36, 38 (authenticating PX 277 and PX 292); PX 277 at 15-16; PX 292; PX 205 (Reneau) ¶ 17 Att. 15 at 1; PX 891 at 8.

⁴⁶⁴ PX 254 ¶ 36; PX 277 at 15-16; PX 205 (Reneau) ¶ 17 Att. 15; Anderson Dep Tr. 84:22-85:6.

⁴⁶⁵ Anderson Dep Tr. 84:22-85:6.

⁴⁶⁶ PX 254 ¶¶ 35-38; PX 277 (Sanctuary Belize Investment Guide, stating that "There will be a 40-room hotel at Marina Village that will form the largest component of the 5 eco-experience hotel,"); PX 891 at 8 (advertising that "[t]here will be a boutique hotel"); PX 186 (Balluff) ¶ 9:3; PX 183 (Pomroy) ¶ 19; PX 254 ¶¶ 36, 38; PX 277 at 15-16; PX 292; PX 205 (Reneau) ¶ 17 Att. 15 at 1; PX 891 at 8.

⁴⁶⁷ PX 254 ¶ 36; PX 277 at 15-16; PX 205 (Reneau) ¶ 17 Att. 15.

⁴⁶⁸ Maya Baker Dep Tr. 104:6-23 (testifying that no hotel existed as of November 2018, but there were six cabanas that were "similar to yurts."); Boyajian Dep Tr. 81:15-18, 85:19-20 (no hotel in 2017).

352. The hotel is important to consumers (in theory, it could bring tourists to Sanctuary Belize and spur development).⁴⁷⁰

d. SBE promised consumers entertainment (golf course and casino).

353. SBE promises Sanctuary Belize will have a championship-caliber golf course, and a “casual elegant” casino and multiple entertainment venues.⁴⁷¹

354. SBE told consumers that the golf course “would be the first championship golf course in Belize.”⁴⁷²

355. 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.”⁴⁷³

356. Jim Catsos confirmed that SBE told consumers that there would be a casino.⁴⁷⁴

357. There is no “casually elegant” casino or championship-caliber golf course at Sanctuary Belize.⁴⁷⁵ SBE represented to consumers that it planned to provide these amenities, not that they might be available, but might not.⁴⁷⁶ SBE never claimed these amenities to be “goals” or “aspirations.”

358. Early SBE marketing materials claimed Sanctuary Belize (then “Sanctuary Bay”) would have a golf course by 2008.⁴⁷⁷

359. Consumers testified that they were “very interested in a golf course.”⁴⁷⁸

⁴⁶⁹ PI Hrg Tr. 34:21-23, 3/21/19 am.

⁴⁷⁰ PX 183 (Pomroy) ¶ 19.

⁴⁷¹ PI Hrg Tr. 63:1 to 64:7, 3/11/19 am (testifying that SBE promised an 18-hole championship golf course); PI Hrg Tr. 83:15-84:7, 3/11/19 pm (consumer testifying that he was interested in the golf course); PX 891 at 3; PX 817 at 58 (variety of entertainment venues); Catsos Dep. Tr. 142:19-22 (casino).

⁴⁷² Anderson Dep Tr. 88:17-24.

⁴⁷³ PX 297 (Kaufman) ¶ 23; PX 307 at 34:15-21; *see also* PX 925 at 7 n.13 (claiming the casino “is completed,” but is in Placencia, which is about an hour away).

⁴⁷⁴ Catsos Dep. Tr. 142:19-22.

⁴⁷⁵ Boyajian Dep. Tr. 81:15-18, 85:15-20 (no golf course).

⁴⁷⁶ PI Hrg Tr. 63:1-64:7, 3/11/19 am (testifying that SBE promised an 18-hole championship golf course).

⁴⁷⁷ PX 396; PX 624.

360. Furthermore, as noted above, there are no “entertainment venues.”

e. SBE promised consumers an international airport and on-site airstrip.

361. SBE’s marketing prominently claimed that a new international airport was being built near Sanctuary Belize.⁴⁷⁹ Consumers testified that SBE employees told them that the airport would be finished “within two years.”⁴⁸⁰

362. SBE stated that the international airport would offer direct flights to major U.S. cities and would boost economic activity in southern Belize generally.⁴⁸¹

363. The allegedly imminent opening of a nearby international airport with direct flights to the United States is central to SBE’s marketing.⁴⁸²

364. SBE marketed that Sanctuary Belize also will have an airstrip where owners can land private planes.⁴⁸³

365. SBE markets the airport and on-site airstrip without caveats, disclaimers, or other indication of uncertainty.⁴⁸⁴ SBE’s marketing does not state or imply that the airport or on-site airstrip might never be finished.

⁴⁷⁸ PI Hrg Tr. 83:15-84:7, 3/11/19 pm (Warren); *see also* PI Hrg Tr. 42:15-43:4, 3/11/19 pm (Doran testifying that while the golf course was “not a big draw for me,” a “lot of other people were” “really focused on it.”)

⁴⁷⁹ PI Hrg. Tr. 53:21-54:12, 3/11/19 am (consumer testifying that the airport was “a very big part of it”); PX 186 (Balluff) ¶ 9; PX 254 ¶ 36; PX 277 at 12; PX 205 (Reneau) ¶¶ 17:14 at 4, 17:15 at 2; PX 307 at 59:21-23; Anderson Dep Tr. 85:16-85:22, 146:15-146:23; Catsos Dep Tr. 139:17-23, 140:19-141:20.

⁴⁸⁰ PI Hrg. Tr. 70:7-15, 3/11/19 pm.

⁴⁸¹ PX 277 at 12; PX 186 (Balluff) att. 3 at 1:23:05-1:23:30; PI Hrg Tr. 53-54, 3/11/19 am (testifying that SBE claimed that an international airport with direct flights to Europe was being built, and that property value would increase dramatically once the airport was done).

⁴⁸² PI Hrg. Tr. 53:21-54:12, 3/11/19 am; PI Hrg. Tr. 80:11-81:10, 84:7-25, 3/20/19 pm (SBE made claims about construction of international airport, and SBE linked this claim to lot value appreciation claims).

⁴⁸³ PX 186 (Balluff) ¶ 9; PX 254 ¶ 36; PX 277 at 12; PX 205 (Reneau) ¶¶ 17:14 at 4, 17:15 at 2; PX 310 at 19:9-14 (has a private airstrip); PI Hrg Tr. 53-54, 3/11/19 am (testifying that SBE claimed that a private airstrip was being built).

⁴⁸⁴ PX 186 (Balluff) ¶ 9; PX 205 (Reneau) ¶¶ 17:14 at 4, 17:15 at 2; PX 307 at 59:21-23; PX 254 ¶ 36; PX 277 at 12 (describing “The New Placencia International Airport” which was “[s]et to open in 2011”).

366. Luke Chadwick made “a big point” about the significance of the airport during in-person presentations at Sanctuary Belize.⁴⁸⁵

367. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson claiming that amenities at Sanctuary Belize include an “international airport” that is “currently under construction,” and emphasized the importance of investing prior to the airport’s completion.⁴⁸⁶

368. There is no international airport near Sanctuary Belize.⁴⁸⁷

369. There is no airstrip for private aviation within the development.⁴⁸⁸

370. Maya Baker described the airport construction site as “overgrown,” did not see any construction in 2018, and last saw any activity at the site in 2017.⁴⁸⁹ She was last at Sanctuary Belize in November 2018.⁴⁹⁰ SBE was not building this airport and accordingly had no way to say when it would be completed.⁴⁹¹

f. SBE promised consumers a shopping, dining & commercial center.

371. SBE promotes the Sanctuary Belize “Marina Village” as the development’s “nucleus” or commercial center.⁴⁹²

372. Consumers were told that the marina would be “the crown jewel of the development” because “it was supposed to be the hub of the project where people can

⁴⁸⁵ PI Hrg Tr. 57:18-58:7, 3/11/19 am.

⁴⁸⁶ PI Hrg Tr. 80:17-81:10, 82:22-84:25, 3/20/19 pm.

⁴⁸⁷ Maya Baker Dep. Tr. 99:18-100:19.

⁴⁸⁸ Boyajian Dep Tr. 80:15-81:5, 86:23-25.

⁴⁸⁹ Maya Baker Dep. Tr. 99:18-100:19.

⁴⁹⁰ Maya Baker Dep. Tr. 97:15-17.

⁴⁹¹ Maya Baker Dep. Tr. 95:6-11.

⁴⁹² PX 186 (Balluff) ¶ 9; PX 186.3 (Balluff) (webinar with Luke Chadwick, at minute mark 00:53:55-00:54:00, Chadwick claims that the Marina Village is “really going to set us apart” as it will boast “restaurants, cafes, specialty shops...a boutique hotel...and bars...really it’s the epicenter. It’s the nucleus of the development at Sanctuary Belize”); PI Hrg Tr. 51, 3/11/19 am (stating that marketing communications promised a Marina Village); PX 891 at 3 (advertising that “there will be...[a] bustling Marina Village”), 8 (advertising that (“[t]he festive Marina Village will bustle with everything a Belizean coastal town should...restaurants, cafes, barefoot beach bars, a diversity of shops, fresh fish and produce stands, entertainment venues and cultural activities”); PX 183 (Pomroy) at 62; PX 817 at 58.

congregate, eat, shop” and that they would “have everything [they] need at [their] fingertips in the marina village.”⁴⁹³

373. An artist’s rendering of the Marina Village appears in glossy brochures SBE gives to prospective purchasers.⁴⁹⁴ Jim Catsos described the Marina Village as “very big.”⁴⁹⁵

374. As the downtown heart of the community, SBE claims the Marina Village will have high-end boutiques, restaurants, cafes, and American-style grocery store.⁴⁹⁶

375. SBE claims that the Marina Village will also have other features important to consumers looking to live in small resort community, including a church, a school, and a post office.⁴⁹⁷

376. Zarnie Anderson confirmed that she told consumers that there would be a marina village in Sanctuary Belize with a grocery store, restaurants, and multiple shops, and that the marina village would have everything a consumer would need for daily living.⁴⁹⁸ She further confirmed that the scripts contained representations that the marina village would have shops, restaurants, bars, and live entertainment.⁴⁹⁹

377. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson touting that Sanctuary Belize will have “restaurants, cafes, live entertainment, grocery stores, a farmer’s market, medical clinic, a spa and fitness center, a first response team, and a property management company all at your fingertips.” These documents emphasized that the existence of these items meant that, unlike other developments, consumers would not

⁴⁹³ Catsos Dep. Tr. 168:16-169:11.

⁴⁹⁴ PX 817 at 58-61, PX 891 at 9.

⁴⁹⁵ Catsos Dep. Tr. 139:4-6.

⁴⁹⁶ PX 183 (Pomroy) ¶¶ 3, 4 Atts. 1, 2; PX 186 (Balluff) ¶¶ 11, 12 and Atts. 5, 6.

⁴⁹⁷ PX 205 (Reneau) ¶ 17.

⁴⁹⁸ Anderson Dep. Tr. 82:17-25, 84:7-10, 85:7-11.

⁴⁹⁹ Anderson Dep. Tr. 153:4-18.

need to travel 45 minutes outside of the development to obtain these items.⁵⁰⁰ Jim Catsos confirmed that sales representatives were supposed to tell consumers about these features.⁵⁰¹

378. SBE markets the “Marina Village” without caveats, disclaimers, or other indication of uncertainty.⁵⁰² SBE never states or implies that it might not complete the Marina Village, or that it is a mere “aspiration.”

379. 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.⁵⁰³

380. One consumer testified that the marina village was “very appealing to what we were looking for,”⁵⁰⁴ and that it was a “big, big piece of . . . our decision to go forward.”⁵⁰⁵

g. SBE promised consumers a 250-slip world-class marina.

381. SBE marketing prominently touts a 250-slip world-class marina.⁵⁰⁶

382. Sometimes SBE claims the marina will have 200 slips.⁵⁰⁷

383. An SBE telemarketer told SBE professionals posing as consumers, “[e]verything is centered around our 250-slip marina.”⁵⁰⁸ Zarnie Anderson also confirmed that she told consumers there would be a world-class, 250-slip marina.⁵⁰⁹

384. SBE often describes the marina as “world class.”⁵¹⁰

⁵⁰⁰ PI Hrg Tr. 85:22-87:18, 3/20/19 pm.

⁵⁰¹ Catsos Dep. Tr. 187:20-188:9.

⁵⁰² PX 891 at 3, 8.

⁵⁰³ PI Hrg. Tr. 70:16-71:4, 3/11/19 pm; PX 277.

⁵⁰⁴ PI Hrg. Tr. 51:3-24, 3/11/19 am.

⁵⁰⁵ PI Hrg. Tr. 70:24-71:4, 3/11/19 pm.

⁵⁰⁶ PX 205 (Reneau) ¶¶ 17:14 at 6, 17:15 at 1-2; Catsos Dep Tr. 136:12-18; PX 257 at 9-10; PX 299 at 14:4-21; PX 307 at 13:2-7, 59:22-60:7; PX 186 (Balluff) ¶ 9; PX 653; PX 752; PI Hrg Tr. 51, 3/11/19 am (testifying that marketing communications advertised a deep water marina); PX 183 (Pomroy) at 60; PX 817 at 54; PI Hrg. Tr. 83:15-84:7, 3/11/19 pm.

⁵⁰⁷ PX 891 at 3, 8.

⁵⁰⁸ PX 297 (Kaufman) ¶ 23; PX 307 at 13:5-6.

⁵⁰⁹ Anderson Dep. Tr. 81:20-82:13.

⁵¹⁰ PX 205 (Reneau) ¶ 17; PX 186 (Balluff) ¶ 9.

385. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson touting the 250-slip, 40-acre deep water marina.⁵¹¹

386. SBE markets the marina without caveats, disclaimers, or other indication of uncertainty.⁵¹² SBE never states or implies that building a 250-slip, world-class marina is only aspirational and something it might choose not to do.

387. 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.”⁵¹³

388. The marina had 81 slips in 2017, but some of the dock trees “certainly couldn’t provide any electrical services to [boats].”⁵¹⁴

389. Simonton testified that it would cost \$4 million to make the marina a 250-slip marina.⁵¹⁵

390. Simonton testified that the marina was not world-class, but an expeditionary outpost destination.⁵¹⁶ Gordon Barienbrock testified to the same effect.⁵¹⁷

391. The marina did not have “trained maritime service providers that can provision the vessels, service the vessels, help make repairs” and also lacked “water, fuel, [and] boat repair facilities.”⁵¹⁸

392. 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.⁵¹⁹

393. Simonton testified that the Sanctuary Belize marina was not “world-class,” and that it lacked the services and facilities that professional captains and crews would need.⁵²⁰

⁵¹¹ PI Hrg Tr. 82:22-84:25, 3/20/19 pm.

⁵¹² PX 891 at 3 (advertising that “[t]here will be [] a modern 200-slip Marina), 8 (stating that “Sanctuary Belize Marina will offer over 200 state-of-the-art slips”).

⁵¹³ PI Hrg Tr. 60-23-61:10, 3/22/19 pm; PI Hrg Tr. 62:16-64:12, 3/22/19 pm.

⁵¹⁴ PI Hrg Tr. 60-23-61:10, 3/22/19 pm.

⁵¹⁵ PI Hrg Tr. 61:17-62:1, 3/22/19 pm.

⁵¹⁶ PI Hrg Tr. 62:8-16, 3/22/19 pm.

⁵¹⁷ Barienbrock Dep. Tr. 136:16-138:23.

⁵¹⁸ PI Hrg Tr. 63:1-64:12, 3/22/19 pm.

⁵¹⁹ PI Hrg Tr. 56:5-18, 3/22/19 pm.

394. Simonton elaborated that the Sanctuary Belize marina is not world class because “it’s lacking amenities and attractions that would attract charter guests or owners, and is also lacking in the types of services and facilities that professional captains and crew would want to—would need in order to spend large amounts of time there.”⁵²¹ Simonton further noted that this would require “[r]estaurants, hotels, a lot of action,” “maritime service providers that can provision the vessels, service the vessels, help make repairs,” and “an air lift or population centers where they can order materials and supplies and get them quickly.”⁵²² He emphasized that the marina would need boat repair and servicing facilities.⁵²³ Simonton also confirmed that Sanctuary Belize has none of these required amenities.⁵²⁴

395. A boat repair facility is important in a “remote destination and a fairly remote country” because, as Simonton noted, “captains don’t like going to places where if they get into trouble, there is no way out. And not having the ability to lift out a boat and fix it anywhere nearby is an issue.”⁵²⁵

396. Because 96 percent of the slips are 39 feet or smaller in length, the majority of the boats hosted would be “recreational boats, small sailboats,” rather than megayachts or superyachts.⁵²⁶

397. Simonton testified that boaters who travel to Belize are “in for an adventure.”⁵²⁷

398. Gordon Barienbrock testified, “Obviously it’s incomplete. It’s an incomplete marina. You couldn’t call it a world class marina.”⁵²⁸ As of the date of his deposition, Barienbrock had last visited Sanctuary Belize in June 2019.⁵²⁹

⁵²⁰ PI Hrg Tr. 62-64, 3/22/19 pm.

⁵²¹ PI Hrg Tr. 62:17-25, 3/22/19 pm.

⁵²² PI Hrg Tr. 63:7-22, 3/22/19 pm.

⁵²³ PI Hrg Tr. 64:1-8, 3/22/19 pm.

⁵²⁴ PI Hrg Tr. 64:9-12, 3/22/19 pm.

⁵²⁵ PI Hrg Tr. 63:23-64:8, 3/22/19 pm.

⁵²⁶ PI Hrg Tr. 61:11-16, 3/22/19 pm.

⁵²⁷ PI Hrg Tr. 66:23-25.

⁵²⁸ Barienbrock Dep Tr. 150:7-18, 150:21-23.

⁵²⁹ Barienbrock Dep. Tr. 258:2-7.

399. The Receiver testified that he had not seen a schedule identifying how or when Sanctuary Belize would expand the marina to 250 slips.⁵³⁰ Both Gordon Barienbrock and Maya Baker testified that there were not 250 slips in October 2018.⁵³¹

400. The claims about the marina were important to consumers.⁵³²

v. **Contrary to SBE's claim, the lots do not appreciate 200%-300% in two to three years.**

a. *SBE makes misrepresentations regarding lot appreciation.*

401. SBE claims that the impressive amenities detailed above mean the lots will appreciate from 200% to 300% within two to three years.⁵³³

402. 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.”⁵³⁴

403. Another SBE telemarketer told FTC undercover professionals “they’re [projecting] 250 to 300 percent [appreciation] in the next couple of years.”⁵³⁵

404. In June 2018, SBE posted marketing material online claiming 400% returns.⁵³⁶

405. In November 2018, the Receiver found documents in the telemarketing area of 3333 Michelson claiming that return on investment at Sanctuary Belize could range between 250 and 400%.⁵³⁷ Some documents emphasized that it was important for consumers to invest prior to

⁵³⁰ PI Hrg Tr. 35:2-4, 3/21/19 am.

⁵³¹ Barienbrock Dep Tr. 105:21-106:9 (half of 81 slips were functional in October 2018); Maya Baker Dep Tr. 158:2-159:7 (fewer than 50 slips in November 2018).

⁵³² PI Hrg. Tr. 51:3-24, 3/11/19 am.

⁵³³ PX 183 (Pomroy) ¶ 22; PX 186 (Balluff) ¶¶ 4, 22, 31; PX 205 (Reneau) ¶ 16; PX 207 (Reneau) ¶ 4:2 at 39; Anderson Dep. Tr. 90:11-15, 90:19-21 (lot appreciation was part of the script and lots increasing in value by 300 percent was also part of the script); Anderson Dep. Tr. 99:18-100:15 (Anderson made lot appreciation claims “with approval”); PX 155; PX 307 at 59:15-21; PX 303 at 13:8-23; PI Hrg. Tr. 54:16-22, 3/11/19 am.

⁵³⁴ PX 297 (Kaufman) ¶ 23; PX 307 at 59:12-18.

⁵³⁵ PX 297 (Kaufman) ¶ 20; PX 303 at 54:21-55:1.

⁵³⁶ PX 3 ¶¶ 67-68; PX 155 at 1.

⁵³⁷ PI Hrg Tr. 80:17-81:10, 3/20/19 pm.

construction of the airport to see these returns.⁵³⁸ Zarnie Anderson confirmed that she was told to make such claims relating to lot appreciation and the airport.⁵³⁹

406. One prior SBE telemarketer explains that SBE claims to potential customers “the investment they make in their lot [will] increase 200%-500%.”⁵⁴⁰

407. Jim Catsos testified that the lot appreciation claims were a “sexy selling point.”⁵⁴¹

408. Defendant Chadwick told one set of consumers “that our property’s value would ‘double or triple’ within a few years,”⁵⁴² and emphasized its importance to others.⁵⁴³

409. SBE told a consumer that he “could expect lots to double or triple in value within only a few years.”⁵⁴⁴

410. Another consumer testified that a SBE representative told him that lot prices “would double” and that “you’d be able to sell a lot, put that money into the other lot, build your house. That was eventually our plan.”⁵⁴⁵

b. Lots did not appreciate as promised.

411. 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 (usually at a loss), or selling them for less than what they paid years ago.⁵⁴⁶

412. Consumers who purchased lot S029 for \$119,900 nearly a decade ago (and then paid an additional \$22,000 in various taxes and HOA fees) agreed to an offer from a buyer willing to pay approximately \$130,000 over ten years.⁵⁴⁷

⁵³⁸ PI Hrg Tr. 82:22-84:25, 3/20/19 pm.

⁵³⁹ Anderson Dep. Tr. 85:23-86:3 (testifying that she would tell consumers that property values in Sanctuary Belize would increase once the airport was completed); Anderson Dep. Tr. 102:4-103:22.

⁵⁴⁰ PX 205 (Reneau) ¶ 16.

⁵⁴¹ Catsos Dep. Tr. 179:11-180:6.

⁵⁴² PX 183 (Pomroy) ¶ 22.

⁵⁴³ PI Hrg. Tr. 58:23-59:7, 3/11/19 am.

⁵⁴⁴ PX 186 (Balluff) ¶ 23.

⁵⁴⁵ PI Hrg. Tr. 54:16-22, 3/11/19 a.m.

⁵⁴⁶ PX 297 (Kaufman) ¶ 178; PX 466 (most buybacks do not even provide full refunds); PI Hrg Tr. 78-81, 3/19/19 pm.

413. The terms of this sale are \$24,000 down, then approximately \$373 a month borrowed from the consumers at 2% interest, followed by \$60,000 payment in ten years.⁵⁴⁸

414. The consumer testified that they agreed to finance the resale of her own lot because “[w]e wanted to sell our lot, and lots were not selling at Sanctuary Belize. We were competing with the tours, so in order to compete with the tours, we had to come to an agreement like this.”⁵⁴⁹ She further testified that her lot did not appreciate in value.⁵⁵⁰

415. SBE knows its claim that purported amenities will drive rapid appreciation are false: in a 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.”⁵⁵¹

416. Buybacks, defaults, and lawsuits are inconsistent with appreciation.

c. SBE’s claims regarding appreciation were material to consumers.

417. The appreciation claim is important to consumers.⁵⁵²

418. One consumer stated that 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.”⁵⁵³

419. Another consumer testified that the appreciation claims made a “[h]uge, huge difference” in his decision to buy two lots, elaborating that his “investment was all about” that claim.⁵⁵⁴

⁵⁴⁷ PI Hrg Tr. 78-81, 3/19/19 pm; PI Hrg Tr. 111:18-113:2, 3/20/19 pm (Receiver describing default process).

⁵⁴⁸ PX 907.1.

⁵⁴⁹ PI Hrg Tr. 80:18-22, 3/19/19 pm.

⁵⁵⁰ PI Hrg. Tr. 80:23-81:12.

⁵⁵¹ The FTC intends to introduce this testimony through Charmaine Voss.

⁵⁵² PX 183 (Pomroy) ¶ 22; PX 186 (Balluff) ¶¶ 3-4; PI Hrg Tr. 88:21-24, 3/11/19 pm; PI Hrg Tr. 102:3-16, 3/11/19 pm; PI Hrg Tr. 61:17-25, 3/19/19 pm.

⁵⁵³ PX 186 (Balluff) ¶ 23.

⁵⁵⁴ PI Hrg Tr. 102:11-16, 3/11/19 pm.

vi. **Contrary to SBE's claim, there is no robust resale market.**

420. SBE 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.⁵⁵⁵

421. Some consumers were told that they could “buy multiple lots and then sell one for a profit and use the cash from that sale to build on another lot.”⁵⁵⁶ Anderson confirmed that this was a claim she could make without reprimand.⁵⁵⁷

422. 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.⁵⁵⁸

423. An SBE telemarketer explained to FTC staff posing as prospective buyers 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.”⁵⁵⁹

424. Owners report hearing that Sanctuary Belize lots were in high demand; 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.”⁵⁶⁰ Another testified that a SBE representative told him in “two to three years, you will definitely make money if you choose to sell.”⁵⁶¹

425. Michael Warren testified that there were “two driving factors for deciding to purchase the two lots. One was the -- the -- even though the retirement for myself and my wife

⁵⁵⁵ PX 186 (Balluff) ¶¶ 4, 23; PX 205 (Reneau) ¶ 16; PX 307 59:12-21; PX 310 at 17:17-18:4; PX 303 at 14:14-16; PI Hrg. Tr. 9:16-10:13, 3/11/19 pm (Doran testifying that Chadwick created the expectation that it would be easy to resell lots and that the properties would “at least double in value.”); PI Hrg Tr. 85:7-21, 3/11/19 pm.

⁵⁵⁶ Anderson Dep. Tr. 91:8-11.

⁵⁵⁷ Anderson Dep. Tr. 91:8-21.

⁵⁵⁸ PX 297 (Kaufman) ¶ 24; PX 310 at 17:17-18:2.

⁵⁵⁹ PX 297 (Kaufman) ¶ 20; PX 303 at 14:14-16.

⁵⁶⁰ PX 186 (Balluff) ¶ 23.

⁵⁶¹ PI Hrg Tr. 85:7-21, 3/11/19 pm.

was ten years away, we wanted to have an option, if we changed our mind, that if we purchased lots, we would be able to sell one, again, to finance the second one, to either pay it off or pay it off and build on it because we -- there was no way we would have the resources to pay off the two lots.”⁵⁶²

426. The resale market claim is important to consumers and influences their decision to purchase—they cannot realize purported appreciation if they cannot resell their lots.⁵⁶³

427. 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 FOF ¶¶ 214-226.

428. Also, as explained in ¶ 223 above, 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 does not sincerely attempt to resell lots, and SBE tears down “for sale” signs from lots, and prevents or severely limits prospective purchasers from entering the property to view lots owners want to resell independently.

429. Indeed, Costanzo testified that Coldwell Banker Southern Belize was created to solve known issues with resales.⁵⁶⁴

430. Competition against the developer, which has a large inventory of unsold lots, further impairs whatever resale market might otherwise exist. Nonetheless, sales representatives told consumers that Sanctuary Belize lots were “selling out fast.”⁵⁶⁵ Jim Catsos testified that the resale market would not be robust until the developer was done selling lots itself, and that until this occurred, it would not “be easy” for a lot purchaser to resell his or her lot privately.⁵⁶⁶

⁵⁶² PI Hrg Tr. 100:20-101:6, 3/11/19 pm.

⁵⁶³ PX 186 (Balluff) ¶¶ 4, 23; PI Hrg Tr. 85:7-21, 3/11/19 pm.

⁵⁶⁴ PX 814 (Costanzo) ¶ 16.

⁵⁶⁵ Anderson Dep. 168:14-17.

⁵⁶⁶ Catsos Dep. Tr. 152:24-153:8.

431. Michael Doran testified that, to address owner dissatisfaction with their inability to resell lots in competition with SBE, SBE promised during a webinar that it would stop selling lots entirely for a period of years to permit owners to sell their lots and obtain the promised profits. Of course, SBE did not follow through.⁵⁶⁷

432. One consumer stated that “a healthy resale market” was “important to our decision to buy a lot.”⁵⁶⁸

433. Because consumers’ investments are worthless without a healthy resale market, SBE’s claims are important to consumers. *Cf.* FOF ¶¶ 417-418.

vii. **Contrary to SBE’s claims, Pukke was a principal in the development with broad authority.**

a. SBE makes misrepresentations regarding Pukke’s involvement.

434. Consumers sometimes asked about Pukke during the sales process, and when they did, SBE lied about his involvement.⁵⁶⁹ For instance, Chadwick would deny Pukke’s ongoing role in SBE despite having been hired by Pukke himself.⁵⁷⁰

435. Additionally, Pukke personally took part in sales and marketing activities but used aliases to hide his involvement. For instance, he signed contracts and participated in SBE tours of Sanctuary Belize using the alias Marc Romeo.⁵⁷¹ He also answered questions on Facebook as Zarnie Anderson, and would assist Anderson in figuring out how to respond to other questions.⁵⁷² In fact, on at least one occasion, Pukke posted comments on Facebook denying his

⁵⁶⁷ PI Hrg Tr. 82:6 to 84:14, 3/11/19 am.

⁵⁶⁸ PX 186 (Balluff) ¶ 23.

⁵⁶⁹ PI Hrg Tr. 65:15-25, 3/19/19 pm (Brandi Greenfield “assured me that Mr. Pukke was not part of the community. In fact, she said that he’s not even welcome in Belize, and I believed her.”); PX 186 (Balluff) ¶ 28; PX 627; PX 628; PX 629; PX 640. SBE has denied or falsely minimized Pukke’s involvement in Belizean litigation against a group of consumers, PX 420.

⁵⁷⁰ PX 186 (Balluff) ¶ 28.

⁵⁷¹ PX 207 (Reneau) ¶ 6 and Atts. 4, 5; PX 569; PX 910b; Pukke Dep. 71:4-71:21.

⁵⁷² Anderson Dep. Tr. 262:8-266:19; *see also* PX 1382; PX 1386.

involvement in Sanctuary Belize under Anderson's name.⁵⁷³ This was possible because Anderson gave Pukke her password so that "he could log in and post on Facebook as [her]."⁵⁷⁴

436. In marketing materials and statements, SBE falsely stated that a Marc Romeo was a principal or marketing director, and denied that Pukke was using the name Marc Romeo as an alias.⁵⁷⁵

437. On a recorded call, 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.⁵⁷⁶

438. On the recorded call with the FTC professional, Costanzo, citing the results of litigation in Belize, claimed "**Pukke has no relationship or ownership or control of this development or the property.**"⁵⁷⁷

b. SBE's misrepresentations were false.

439. Testimony from former SBE employees and principals, as well as documents found on SBE computers and on their premises, make plain that the claims denying Pukke's central role were false.

440. Paige Reneau has known Pukke since the early 2000s, and Pukke offered her a sales job at Sanctuary Belize in 2012.⁵⁷⁸

441. Reneau testified that Pukke, "who goes by 'Andi,' controls Sanctuary Belize." "[I]f Pukke wanted a person fired, they'd be gone; if he wanted someone hired, they would have a job."⁵⁷⁹

⁵⁷³ Anderson Dep. Tr. 269:16-274:2 ("Well, I know he wrote the response.")

⁵⁷⁴ Anderson Dep. Tr. 277:9-13; *see also* PX 1034 (email where Anderson provides password to Pukke).

⁵⁷⁵ PX 296 at 38 (slide presentation given to consumers identifying "Marc Romeo" as "Director of Operations-USA" and "Sales and Marketing"); PX 1071; PX 420; PX 427; PX 428.

⁵⁷⁶ PX 297 (Kaufman) ¶ 48; PX 338 at 8:22-9:7.

⁵⁷⁷ PX 297 (Kaufman) ¶ 48; PX 338 at 8:8-12 (emphasis added).

⁵⁷⁸ PX 205 (Reneau) ¶ 2.

442. Pukke also “controlled all of the money coming in and out of Sanctuary Belize.”⁵⁸⁰

443. Greenfield, the SBE Director of Marketing, “went to Pukke for approval on everything from sales and marketing questions, to questions about the tours, to contract negotiation questions.”⁵⁸¹

444. Costanzo has also testified that Pukke was a principal. For instance, Costanzo explains that “Pukke and Baker” controlled all SBE companies.⁵⁸² He elaborated: “Based on my observations, everyone, whether in the United States or in Belize, ultimately reported to Andris Pukke.”⁵⁸³

445. Baker himself has testified that Pukke was an owner in the operation and was his partner, with Pukke’s primary responsibilities being in sales and marketing.⁵⁸⁴

446. 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” to refer to himself, would not provide his last name, and invoked his Fifth Amendment privilege against self-incrimination when asked about his use of the alias.⁵⁸⁵

⁵⁷⁹ PX 205 (Reneau) ¶ 3.

⁵⁸⁰ PX 205 (Reneau) ¶ 6.

⁵⁸¹ PX 205 (Reneau) ¶ 9.

⁵⁸² PX 814 (Costanzo) ¶ 15.

⁵⁸³ PX 814 (Costanzo) ¶ 18.

⁵⁸⁴ PI Hrg Tr. 26:18 to 27:6, 3/13/19 pm; *id.* at 10:14-20 (Baker testifying that Pukke was “my partner”); *id.* at 27:4-5 (Baker and Pukke entered into an “equal partnership”); *id.* at 43:21-24 (“How do I know [Pukke’s] the partner? Per our agreement in 2009 where he became my partner”); *id.* at 45:15-20 (describing Pukke as his “partner” in connection with Global Property Alliance, one of the SBE’s marketing entities); *see also id.* at 27:13-18 (“[Pukke]—per his suggestion and per his—I would say it was per his—his terms were that it would be considered as sweat equity, that his 30 percent would be considered sweat equity, and that I would hold his shares until such time that he—that the development was, call it, in profit phase.”).

⁵⁸⁵ *See* PI Hrg. Tr. 72:6-73:7, 75:12-16, 3/22/19 pm (Pukke would only refer to himself as “Andy” or “Andi” and would not use his last name) *see also* PI Hrg. Tr. 84:2-5, 3/22/19 pm (Pukke invoking his Fifth Amendment privilege when asked if he used the alias).

447. Although Pukke only used the name Andy, Simonton identified Pukke in a photograph taken of a meal they had with him in Belize.⁵⁸⁶

448. After five years, in 2017, Simonton and Fowles visited Sanctuary Belize to tour the partly-completed marina.⁵⁸⁷

449. Pukke participated in the meeting, and as Simonton testified, although he did not give his last name or title, he drew the impression that “he was a main actor in th[e] enterprise” and was “a primary decision maker.”⁵⁸⁸

450. 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.⁵⁸⁹

451. Documents confirm these witnesses’ testimony.

452. Internal emails establish Pukke remained in control even during his criminal incarceration, when he appointed Chadwick to manage SBE.⁵⁹⁰

453. 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.”⁵⁹¹

454. 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

⁵⁸⁶ PI Hrg Tr. 58-59, 3/22/19 pm (testimony of Eric Simonton); Maya Baker Dep Tr. 75:25-77:20, 77:25-78:24, 79:3-17 (Maya Baker, who was also present, corroborating Simonton’s testimony and testifying that Pukke was at this meeting with IGY).

⁵⁸⁷ PI Hrg Tr. 72:23-73:2, 3/22/19 pm.

⁵⁸⁸ PI Hrg Tr. 72:6-73:16, 3/22/19 pm.

⁵⁸⁹ PI Hrg. Tr. 58:6-60:4, 73:8-10, 3/22/19 pm.

⁵⁹⁰ PX 635 (“[Andi] asked me to lead”).

⁵⁹¹ PX 493.

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.⁵⁹²

455. Two days later, Chadwick reiterated his point: “I have asked Andi to write to you confirming his wishes. He [Pukke] asked me to lead[.]”⁵⁹³

456. Pukke has authority over legal affairs.⁵⁹⁴

457. Pukke has authority over lot ownership structure.⁵⁹⁵

458. Pukke has authority over dissolution of SBE-related entities.⁵⁹⁶

459. Pukke has authority over payments for equipment shipped to Belize.⁵⁹⁷

460. Pukke has authority over reviewing lot sale contracts.⁵⁹⁸

461. Pukke has authority over authorizing commissions for telemarketers.⁵⁹⁹

462. Pukke has authority over dealing with consumers who want to sell their lots.⁶⁰⁰

463. Pukke has authority over dealing with SBE entities’ taxes.⁶⁰¹

⁵⁹² PX 297 (Kaufman) ¶ 326; PX 635.

⁵⁹³ PX 297 (Kaufman) ¶ 326; PX 635.

⁵⁹⁴ Pukke directed Greenfield to wire \$20,000 to Belizean attorney Fred Lumor. PX 297 (Kaufman) ¶ 151; PX 429.

⁵⁹⁵ 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. PX 297 (Kaufman) ¶ 152; PX 431; PX 432.

⁵⁹⁶ In a 2014 email, Kaelin explains to Diane Allen, an SBE-paid HOA representative, that “in discussion with Andi [Pukke] and Luke [Chadwick], it was determined that the SBHOA [Sanctuary Belize HOA] would be terminated,” PX 297 (Kaufman) ¶ 154; PX 435.

⁵⁹⁷ 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.” PX 297 (Kaufman) ¶ 155; PX 438; PX 439; PX 440.

⁵⁹⁸ With respect to a lot sale contract, Greenfield told a subordinate to “get a copy for Andi to review.” PX 297 (Kaufman) ¶ 156; PX 441.

⁵⁹⁹ 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). PX 297 (Kaufman) ¶ 157; PX 442, PX 443. 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.

⁶⁰⁰ 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. PX 297 (Kaufman) ¶ 158; PX 445.

⁶⁰¹ In 2011, Pukke and Greenfield arranged to meet with an outside accountant to discuss Eco-Futures’ taxes, PX 297 (Kaufman) ¶ 159; PX 446, while Baker owns Eco-Futures (BZ), PX 297

464. Pukke has authority over addressing HOA fee disputes.⁶⁰²

465. Other areas of Pukke's involvement include: making design decisions, choosing office space, rent payments, deciding raises for SBE employees, and architectural review.⁶⁰³

466. SBE's internal phone directory lists everyone alphabetically **except** two people appear separately on top—Pukke and Baker (with Pukke first).⁶⁰⁴

c. SBE's claims regarding Pukke's involvement were material to consumers.

467. SBE's misrepresentations about Pukke's alleged lack of involvement in Sanctuary Belize was important to consumers.⁶⁰⁵

468. Consumers sometimes perform internet research and locate information about Pukke's history with *AmeriDebt* and the development.⁶⁰⁶ 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."⁶⁰⁷

(Kaufman) ¶ 328; and Kazazi is the CEO of Eco-Futures (US), PX 297 (Kaufman) ¶ 226; PX 531. 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." PX 297 (Kaufman) ¶ 160; PX 447. 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. *Id.* 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." *Id.* Pukke later directed Chadwick to take down the reference. PX 297 (Kaufman) ¶ 160; PX 448.

⁶⁰² 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. PX 297 (Kaufman) ¶ 161; PX 449.

⁶⁰³ PX 297 (Kaufman) ¶¶ 163-167; PX 451; PX 452; PX 453; PX 454; PX 455.

⁶⁰⁴ PX 297 (Kaufman) ¶ 167; PX 455.

⁶⁰⁵ PI Hrg Tr. 65:15-25, 3/19/19 pm (defendant Brandi Greenfield assured consumer that Andris Pukke "was not part of the community" and that he was "not even welcome in Belize"); PX 485.

⁶⁰⁶ PX 186 (Balluff) ¶ 20.

⁶⁰⁷ PX 186 (Balluff) ¶ 20.

469. 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.”⁶⁰⁸ This representation “was critically important” to the consumer, who then made a \$10,000 deposit on a lot he later purchased.⁶⁰⁹

470. 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. 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 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.⁶¹⁰

V. MULTIPLE PARTIES CONTROL SBE, ASSIST IT, MAKE MISREPRESENTATIONS DIRECTLY, AND HAVE KNOWLEDGE OF SBE’S MISREPRESENTATIONS.

A. Individuals who control SBE Entities.

i. Andris Pukke

a. Pukke controlled SBE’s operations.

471. As detailed above in Section IV.B.vii and Section V.A.i.a., Pukke had ultimate authority for activities of SBE.

472. Although he attempted to hide his role, Pukke controlled SBE.⁶¹¹ It was known among SBE’s management that Pukke has an ownership role within SBE, and “every member of the SBE staff knew that Andris Pukke’s role was significant.”⁶¹²

⁶⁰⁸ PX 186 (Balluff) ¶ 21.

⁶⁰⁹ PX 186 (Balluff) ¶ 21.

⁶¹⁰ PX 186 (Balluff) ¶¶ 26, 28.

⁶¹¹ PX 814 (Costanzo) ¶ 42 (Costanzo admits that Pukke’s involvement was hidden from potential purchasers and lot owners); PX 816 Receiver’s Report DE219 p.5 of 74 (Baker told the

473. Pukke “plainly directed all aspects of the activities” in SBE’s offices.⁶¹³ The Receiver explained that at the time the Receiver took control of SBE’s offices, Pukke claimed, “I’m just the marketing guy,” but he in fact directed all operations and financial matters for the Receivership Entities and, according to the Receiver’s interviews, owned at least 29% of the development.⁶¹⁴

474. As Baker has testified, he and Pukke were the original partners in the development⁶¹⁵ when the developer was Dolphin Development, and continued this partnership after the settlement with the receiver in the *AmeriDebt* matter.⁶¹⁶

475. Pukke directed the other principals to act on behalf of SBE: Brandi Greenfield looked to Pukke for approval,⁶¹⁷ Chadwick referenced Pukke’s instructions during his incarceration,⁶¹⁸ and Pukke countermanded Usher’s attempt to seize control over SBE in 2016.⁶¹⁹

Receiver that Pukke was CEO of the Receivership Entities that control cash receipts, sales, and development); PX 1528 (Pukke directing Baker to dismiss a consumer’s concerns about the “Tarnished Dreams” article by stating that “we’ve already litigated and won all of those issues both in BZ and the US.”)

⁶¹² PX 814 (Costanzo) ¶ 43; *see also* PX 205 (Reneau) ¶ 3.

⁶¹³ PX 814 (Costanzo) ¶ 43.

⁶¹⁴ PX 816 Receiver’s Report DE219, Exhibit A at pp. 3-5.

⁶¹⁵ PI Hrg Tr. 12:4 to 13:14, 3/13/19 pm; *see also* PX 358 (identifying original directors and owners of Dolphin); PX 370 (collecting early board of directors minutes for Dolphin, showing Pukke’s control and presence).

⁶¹⁶ PI Hrg Tr. 26:18-27:6, 3/13/19 pm; *id.* at 10:14-20 (Baker testifying that Pukke was “my partner”); *id.* at 27:4-5 (Baker and Pukke entered into an “equal partnership”); *id.* at 43:21-24 (“How do I know [Pukke’s] the partner? Per our agreement in 2009 where he became my partner”); *id.* at 45:15-20 (describing Pukke as his “partner” in connection with Global Property Alliance, one of the SBE’s marketing entities); *see also id.* at 27:13-18 (“[Pukke]—per his suggestion and per his—I would say it was per his—his terms were that it would be considered as sweat equity, that his 30 percent would be considered sweat equity, and that I would hold his shares until such time that he—that the development was, call it, in profit phase.”).

⁶¹⁷ PX 205 (Reneau) ¶ 9.

⁶¹⁸ PX 297 (Kaufman) ¶ 157; PX 442; PX 443; PX 297 (Kaufman) ¶ 326; PX 635.

⁶¹⁹ PI Hrg Tr. 83:17 to 84:19, 3/13/19 pm (describing meeting in 2016 in which Usher accused Pukke of taking \$24 million out of the development); PI Hrg Tr. 85:4-12, 3/13/19 pm (Baker, on his and Pukke’s behalf, travelled to Belize to confront Usher when Usher attempted to wrest total control); PX 836 (email in which Baker recounts his confrontation with Usher, calling Usher a “thief,” and prior email from Usher indicating that Pukke and Baker can run things in Belize directly moving forward); PI Hrg Tr. 90:13 to 91:7, 3/13/19 pm (Baker testifying that following the dispute with Usher he took a hands-on role in Belize); PX 935 (email exchange among

476. SBE employees identified Pukke as in charge of SBE.⁶²⁰ Extensive deposition testimony confirmed his role.⁶²¹

Pukke, Usher, and Baker following the 2016 meeting regarding the plan moving forward, with Pukke and Baker directly controlling activities in Belize).

⁶²⁰ PX 205 (Reneau) ¶ 3; PI Hrg. Tr. 72:19-73:14, 3/20/19 pm (Receiver testifying that every person with whom it spoke, including Baker and Kazazi, placed Pukke in control of the 3333 Michelson suite).

⁶²¹ Catsos Dep. Tr. 197:19-198:4 (“Q. [] If Andris Pukke wanted something changed in a sales pitch, it would get changed; right? A. Yes. Q. So his word was the rule; correct? A. That’s fair to say.”); *id.* 94:18-96:9 (Pukke hired SBE sales manager who was not sure if he worked for GPA or Buy Belize); *id.* 114:9-11 (when asked who he reported to, sales manager responded: “I talked to Andi quite often”); *id.* 115:19-116:14 (sales manager would show scripts to Pukke for approval); *id.* 117:1-16 (“Andi had no formal role at the company. But if he wanted me gone, I would be gone.”); *id.* 217:16-219:11 (Pukke approved timeline claims); *id.* 293:10-12 (sales manager testifying that Pukke was his “boss”); Chadwick 3/7/19 Dep. Tr. 148:3-6 (“Andris Pukke” is to whom Chadwick would “report when . . . involved with the sale of lots in Sanctuary Belize”); *id.* 172:19-173:8 (Chadwick managed the SBE during Pukke’s incarceration at Pukke’s direction); Chadwick 9/26/19 Dep. Tr. 115:10-116:1 (Pukke had the authority to fire employees); Andy Dixon Dep. Tr. 58:13-58:24 (Pukke was in charge of Global Property Alliance and superior to Rod Kazazi); *id.* 66:22-68:3 (Pukke was Brandi Greenfield’s superior); *id.* 72:19-74:15 (Pukke took ownership distributions that were attributed to Baker for tax purposes); *id.* 112:3-17 (understood Pukke “was kind of the decision maker”); *id.* 113:2-21 (SBE’s accountant explaining that Pukke’s use of Baker as the official owner was Pukke “hiding” his control: “You know, I knew he had an FTC issue. I just presumed, again, that his friends would run all these businesses for him or he’d be involved, but his friends would basically report all the entities. That’s it.”); Mock 10/10/19 Dep. Tr. 353:22-25 (Pukke provided approval to Mock to build model homes for Sanctuary Belize); Mock 10/11/19 Dep. Tr. 24:7-25:1, 26:11-17 (Pukke maintained an office at the SBE’s Dove Street offices, from which he “was providing instructions and otherwise [was] involved with the Belize operations”); *id.* 31:12-21 (builder provided Pukke with updates on the completion of the Coldwell Banker Southern Belize offices); *id.* 229:5-13 (“I mean, look, [Pukke] handled the marketing, you know. He definitely had his finger on the designs, you know. He wanted things to look a certain way down there. Maybe it was better for the marketing. He was interested in the budgets, what things were going to cost.”); *id.* 232:1-13 (builder testifying that he was unaware of anybody that could be Pukke’s boss on any issues); Hogan Dep. Tr. 37:22-38-17, 39:9-17 (SBE sales person was hired at Pukke’s direction); *id.* 53:3-11 (SBE sales person would seek Pukke’s help on sales issues if unable to reach Brandi Greenfield); *id.* 182:24-184:6 (SBE sales person would seek Pukke’s approval on issues when negotiating sales); *id.* 246:1-24 (Pukke “controlled the leads, to some degree, through the marketing”); *id.* 258:3-259:1 (SBE sales person testifying that “Mr. Pukke and Mr. Baker were among the people who ran the company”); *id.* 294:1-12, 295:14-296:14 (Pukke promoting the sales manager in Belize and directing Brand Greenfield to send an email to the sales team regarding the promotion); Smith 12/9/19 Dep. Tr. 17:2-9 (Pukke ran the marketing for Buy Belize); *id.* 65:1-66:11 (testifying that “Ultimately, Andris Pukke” determined who got paid what and that he has “no doubt” that Kazazi was subordinate to Pukke); *id.* 73:19-74:18 (Pukke was in the “C Suite”); *id.* 78:2-19 (“[I]t appeared evident that Andris gave a lot of direction.”); *id.* 132:3-133-10 (even as to accounts that Chadwick or others were signers on, withdrawals “would have been in consultation with Mr. Pukke”); Barienbrock 8/21/19 Dep. Tr. 71:10-16 (“And I understood that the marketing operation, which I did not loan money to, was

477. Pukke controlled all aspects of SBE's operations, including communications with lot owners about corporate structure, legal affairs, lot ownership structure, dissolution of SBE-related entities, payments for equipment shipped to Belize, reviewing lot sale contracts, authorizing commissions for telemarketers, dealing with consumers who want to sell their lots, dealing with SBE entities' taxes, and addressing HOA fee disputes. Other areas of Pukke's involvement included: making design decisions, choosing office space, rent payments, deciding raises for SBE employees, and architectural review. Still other internal documents show Pukke's controlling role as well.⁶²²

478. Pukke maintained control of SBE even while criminally incarcerated, when he appointed Chadwick to manage SBE.⁶²³

479. Pukke controlled SBE's finances,⁶²⁴ and he diverted SBE funds for his own personal use.⁶²⁵ For example, SBE funded renovations to Pukke's personal residence, including payments to a local contractor with a memo line referencing Pukke's address.⁶²⁶ The Receiver

being involved. That Pukke was involved with that in sales and marketing."); Maya Baker Dep. Tr. 85:25-86:8 (Pukke "was still the boss when he was in prison"); *id.* 139:18-140:20 (identifying "upper management" as "Brandi and Rod, and Andi"); Santos Dep. Tr. 44:10-11 (Santos testifying that "Andris Pukke was in charge of the suite," meaning 3333 Michelson Drive, Suite 500); Baker 2/19/19 Dep. Tr. 55:19-56:4 (sales employees would report "ultimately [to] Andris Pukke and Rod Kazazi"); *id.* 56:12-57:14 (Bill Bannon, the ostensible owner of Buy Belize, "report[ed] to" Pukke); *id.* 68:20-69:7 ("Mr. Pukke has had an interest since its inception."); *id.* 91:25-92:1 ("Andris Pukke, to me, is the CEO of the sales and marketing companies."); *id.* 229:21-230:19 (Pukke had an ownership interest and "it was knowledge among the partners that he had an ownership stake"); *id.* 241:21-243:5 (Pukke had control over money that flowed to Belize); Peter Baker 10/15/19 Dep. Tr. 34:14-35:12 ("[Pukke] said he would become the C.E.O. of the company in California, the sales and marketing wing."); Anderson Dep. Tr. 221:23-222:22 (draft script being provided to Pukke for his review).

⁶²² PX 429; PX 435; PX 438; PX 439; PX 440; PX 441; PX 451; PX 452; PX 453; PX 454; PX 1471; PX 1501; PX 1502; PX 1503; PX 1504; PX 1505; PX 1532 at 46, 92 (design); PX 1341 (the Mariah); PX 1300 (directing employees not to spend any more time on a consumer); PX 1273 (Pukke drafted email promoting Eric Hogan to Director of Sales).

⁶²³ PX 297 (Kaufman) ¶ 326; PX 635.

⁶²⁴ PI Hrg Tr. 73:15-75:17, 3/20/19 pm; PI Hrg Tr. 125:24-126:21, 3/21/19 am; PX 1373 (employee asking Pukke whether to credit money towards purchase to cover cost of trip); PX 1475; PX 1347.

⁶²⁵ PI Hrg Tr. 62:10-13, 3/20/19 pm (Baker felt Pukke had "diverted substantial assets from the development that should have been invested in the development.")

⁶²⁶ PX 250 (Agarwal) ¶ 8(dd); PX 254 ¶ 74; PX 270; PX 271; PX 272; PX 273; PX 816 at 6.

testified that over \$2.8 million of SBE's money went to the purchase and renovation expenses for one of Pukke's houses.⁶²⁷

480. During the March 2019 PI hearing, the Receiver testified that Pukke had diverted at least \$15.9 million, or approximately 12.8 percent of consumer lot payments, for his own benefit.⁶²⁸ \$3.7 million of this figure went to Pukke or his family members.⁶²⁹ SBE sometimes categorized funds Pukke took from the company as distributions to Baker in financial documents.⁶³⁰

481. The CPA for SBE, Andrew Dixon, testified that both Baker and Pukke possessed draw accounts, despite Pukke purportedly not owning the company. Dixon characterized Pukke's draw account as "not typical" because only owners have such accounts. When asked if he thought Pukke was hiding assets, Dixon answered, "You know, I knew he had an FTC issue. I just presumed, again, that his friends would run all these businesses for him or he'd be involved, but his friends would basically report all the entities. That's it."⁶³¹

482. SBE's books would categorize draws Pukke made from the company's as Baker's:

⁶²⁷ PI Hrg Tr. 7:13-9:14, 3/21/19 am; DE 219-4 at 3 (Exhibit 4 to PX 816).

⁶²⁸ PI Hrg Tr. 106:9-111:16, 3/20/19 pm.

⁶²⁹ PI Hrg Tr. 106:9-107:1, 3/20/19 pm. *See also* Dixon Dep. Tr. 219:18-220:25 (describing GPA's 2016 tax returns, which reflected distributions to Baker for Pukke's family taking out \$151,000); PX 1252 (email Dixon is discussing); Dixon Dep. Tr. 203:4-204:4 (distributions to Pukke's family were booked as distributions to Baker); PX 1245 (email Dixon was discussing); Dixon Dep. Tr. 196:11-199:1 (same); PX 1243 (email Dixon was discussing); Dixon Dep. Tr. 183:24-184:9; Dixon Dep Tr. 187:13-25, 188:4-189:20 ("Q: But you thought Andris Pukke was receiving these distributions? A: Well, he had to have or his family did at least. Q: But it benefited Andris Pukke in some manner? A: Yes."); PX 1224 at 2 ("Only \$2,000 went to Pete in 2012. . . . \$11,500 paid to Pamela Pukke in 2012. . . . \$17,000 paid to Pamela Pukke [from different account] . . . \$10,000 paid to Kaelin Pukke.")

⁶³⁰ *See id.*

⁶³¹ Dixon Dep. Tr. 112:3-113:21.

Q. Again, these are not draws that Peter Baker made?

A. Correct. . . . If you're going to pay a friend, just pay him through your own draw account.⁶³²

483. Further, the Receiver testified that it was “every entity that you identified that had anything to do with that suite, which is Suite 500 of 3333 Michelson, had some connection to Andris Pukke.”⁶³³ Michael Santos and Ryan Boyajian confirmed this testimony during their depositions.⁶³⁴ Boyajian also confirmed that a credit application listing Pukke as the “Director” of Buy Belize LLC was sent to the Hard Rock Hotel & Casino in Punta Cana so Pukke and Kazazi could gamble.⁶³⁵

484. In August 2019, Pukke confirmed his control in a WhatsApp message he sent to Baker: “You were my best friend and trusted partner for a very long time.”⁶³⁶

485. In response to all questions regarding his control over SBE, including its various corporate members, and activities of SBE, Pukke has concluded that such testimony might incriminate him and, therefore, refused to testify based on his Fifth Amendment rights.⁶³⁷

b. Pukke directly participated in the deceptive conduct.

486. Pukke’s control over marketing, identified above, shows his participation in the deceptive marketing scheme.

487. Additionally, numerous documents show that Pukke was directly involved in the marketing, providing input on sales presentations to be given by SBE telemarketers.⁶³⁸ He also

⁶³² Dixon Dep Tr. 114:16-116:4; *see also* Dixon Dep Tr. 221:13-222:9 (Pukke received 2013 distributions for Global Property Alliance despite Baker owning 100 percent of the company); PX 1253.

⁶³³ PI Hrg. Tr. 65:24-66:2, 3/20/19 pm.

⁶³⁴ Santos Dep. Tr. 44:10-11 (“As far as I know, Andris Pukke was in charge of the suite.”); Boyajian Dep. Tr. 291:20-292:16 (everything at 3333 Michelson “ultimately flowed back to Andris.”)

⁶³⁵ Boyajian Dep. Tr. 124:5-126:2; PX 1377.

⁶³⁶ PX 1532 at 163.

⁶³⁷ PI Hrg Tr. 77-114, 3/22/19 pm.

⁶³⁸ PX 931 (email from Pukke to a sales manager attaching a sales script, with Pukke writing in the email: “Here it is with a few more tweaks.”); PX 1366 (attaching prospecting pitch and

drafted the “Investment Prospectus” while in prison, which prospective purchasers received.⁶³⁹ He also received scripts to review from SBE employees that contained the core claims.⁶⁴⁰

488. In his deposition, SBE’s sales manager confirmed that Pukke’s “word was rule” regarding sales pitches and if he “wanted something changed in a sales pitch, it would get changed.”⁶⁴¹ Another former SBE employee stated that Pukke “had a daily presence on the sales floor,” “worked the room,” and “was on a first-name basis with everyone there.”⁶⁴²

489. As detailed elsewhere in the Findings of Fact, SBE telemarketers and sales personnel repeatedly made the six core claims at issue in this case, and extensive testimony shows that Pukke oversaw all marketing activities.⁶⁴³

stating, “Here’s a better version with some cleaned up typos and a few edits.”); PX 1349 (“Here’s the pitch I wrote.”); PX 207 (Reneau) ¶ 5 and Att. 3 at 1; PX 205 (Reneau) ¶ 5 Atts. 5-8; PX 814 (Costanzo) ¶ 43.

⁶³⁹ PX 1546.

⁶⁴⁰ PX 1372 (script sent to Chadwick and Pukke); PX 1369 (“Kanantik Reload Pitch” for “existing clients of Sanctuary and Kanantik”); PX 1387; PX 1348; *see also* PX 1077.

⁶⁴¹ Catsos Dep. Tr. 197:19-198:4 (“Q. [] If Andris Pukke wanted something changed in a sales pitch, it would get changed; right? A. Yes. Q. So his word was the rule; correct? A. That’s fair to say.”).

⁶⁴² Smith 12/9/19 Dep. Tr. 80:17-81:11.

⁶⁴³ PI Hrg Tr. 26:18 to 27:6, 3/13/19 pm (Pukke’s partnership was based on him being in charge of the marketing); *id.* at 44:12 to 45:2 (Pukke was “CEO” of entities that performed marketing); *id.* at 51:12-23; PX 207 (Reneau) ¶ 5; PX 814 (Costanzo) ¶¶ 21, 43; Catsos Dep. Tr. 114:9-11 (Pukke provided sales guidance to sales manager); *id.* 115:19-116:14 (sales manager would show scripts to Pukke for approval); *id.* 217:16-219:11 (Pukke approved timeline claims); Mock 10/10/19 Dep. Tr. 212:23-213:3 (Pukke was involved in the sales for Bamboo Springs); *id.* 223:1-19 (worked with Pukke on design for Bamboo Springs and Laguna Palms); *id.* 229:1-230:19 (Pukke marketed Bamboo Springs and Laguna Palms); Mock 10/11/19 Dep. Tr. 24:7-25:1, 26:11-17 (Pukke maintained an office at the SBE’s Dove Street offices, from which he “was providing instructions and otherwise [was] involved with the Belize operations”); Hogan Dep. Tr. 53:3-11 (SBE sales person would seek Pukke’s help on sales issues if unable to reach Brandi Greenfield); *id.* 182:24-184:6 (SBE sales person would seek Pukke’s approval on issues when negotiating sales); *id.* 246:1-24 (Pukke “controlled the leads, to some degree, through the marketing”); *id.* 270:19-271:14 (Pukke’s role included “respond[ing] to questions the prospective lot purchasers have”); *id.* 289:4-9 (Pukke was at least partially responsible for “determining what [sales] reps should and should not know”); *id.* 294:1-12, 295:14-296:14 (Pukke promoting the sales manager in Belize and directing Brand Greenfield to send an email to the sales team regarding the promotion); Smith 12/9/19 Dep. Tr. 17:2-9 (Pukke ran the marketing for Buy Belize); *id.* 78:2-19 (“[I]t appeared evident that Andris gave a lot of direction.”); Barienbrock 8/22/19 Dep. Tr. 469:5-471:2 (Pukke was involved in the marina design and development); Peter Baker 2/19/19 Dep. Tr. 55:19-56:4 (sales employees would report “ultimately [to] Andris Pukke and Rod Kazazi”); *id.* 56:12-57:14 (Bill Bannon, the ostensible

490. Maya Baker testified that she would have emailed Pukke with marketing questions while he was in prison, and that Pukke was still the boss when he was in prison.

Q: Would you have sent an email to Andris Pukke when he was in prison?

A: Yes.

Q: And why would you have sent an email to him when he was in prison?

A: Because he was the marketing guy. He was the boss.

Q: And he was still the boss when he was in prison?

A: Yes.⁶⁴⁴

491. Pukke would actively supervise sales, including listening to recorded sales conversations.⁶⁴⁵

492. At times, Pukke took part in the sales tours, including negotiating the terms of sales contracts.⁶⁴⁶

493. When facing the public, Pukke directly participated by using aliases, including Marc Romeo and Andy Storm.⁶⁴⁷

494. Pukke personally instructed SBE staff to not disclose his involvement, or to minimize his involvement.⁶⁴⁸

owner of Buy Belize, “report[ed] to” Pukke); *id.* 68:20-69:7 (“Mr. Pukke has had an interest since its inception.”); *id.* 91:25-92:1 (“Andris Pukke, to me, is the CEO of the sales and marketing companies.”); Peter Baker 10/15/19 Dep. Tr. 34:14-35:12 (“[Pukke] said he would become the C.E.O. of the company in California, the sales and marketing wing.”); *id.* 340:11-341-9 (identifying “Andy Storm” on list of sales reps as being Pukke under an alias Pukke had used “for years”); Anderson Dep. Tr. 221:23-222:22 (draft script being provided to Pukke for his review); *id.* 262:8-266:19, 269:16-274:2 (Pukke interacting with consumers while posing as SBE employee Zarnie Anderson, with Anderson testifying that this was desirable because Pukke “hears everything that’s going on with all the team”).

⁶⁴⁴ Maya Baker Dep. Tr. 80:13-85:3, 85:9-86:8; PX 1055 (exhibit being discussed).

⁶⁴⁵ PX 814 (Costanzo) ¶ 21; PI Hrg Tr. 94:4-11, 3/22/19 pm.

⁶⁴⁶ PX 427 at 155-156 (testifying that “Marc Romeo was the person who was making the decision on what would be acceptable and what’s not.”).

⁶⁴⁷ PX 207 (Reneau) ¶ 6 Att. 4, 5; PI Hrg. Tr. 72:6-73:7, 75:12-16, 3/22/19 pm (Pukke would only refer to himself as “Andy” or “Andi” and would not use his last name) *see also* PX 1289 (Pukke receiving a contract as “Andy Storm”); PX 1291 (Pukke sending a contract as “Andy Storm”); PI Hrg. Tr. 84:2-5, 3/22/19 pm (Pukke invoking his Fifth Amendment privilege when asked if he used the alias).

495. In October 2016, Frank Costanzo asked Pukke about the members of SRWR. Therein, he included Pukke as a “full member,” and asked if “Romeo” was a member “along the way.”⁶⁴⁹ In November 2016, Costanzo sent Pukke, Baker, and Kazazi a draft of the meeting minutes.⁶⁵⁰ The final version sent to consumers included “Mark Romeo” as a full member represented by proxy, and did not include Andris Pukke.⁶⁵¹

496. Pukke used another alias, Andy Storm, during marina negotiations with IGY, 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, with Pukke using the alias “Andy Storm” when dealing with an IGY affiliate.⁶⁵²

497. For his part, Pukke invoked his Fifth Amendment privilege against self-incrimination when questioned as to whether he directed telemarketers and sales personnel to make the relevant claims, or made claims himself.⁶⁵³

498. Pukke also invoked his Fifth Amendment privilege against self-incrimination as to all questions concerning an email and script that he marked as an exhibit for use during the hearing.⁶⁵⁴ Among other things, the script claims: lots will double in value in less than three years;⁶⁵⁵ there will be an international airport that will create additional appreciation in value;⁶⁵⁶ there will be a “250-slip, 40-acre, deep water marina – the **ONLY** one in all of Belize;”⁶⁵⁷ there

⁶⁴⁸ PX 485; PX 1384 (discussion between Pukke and Costanzo after another employee copied Pukke on an email. Pukke writes, “I only responded back to GM. I doubt Lord noticed that I was CC’d on it. Likely only my email show up, not my name. He does need to be more careful about that. Please let him know when you talk to him next. Thanks!”); PX 1385.

⁶⁴⁹ PX 1512 at 1.

⁶⁵⁰ PX 1531.

⁶⁵¹ PX 1071 at 2.

⁶⁵² See PI Hrg Tr. 72-73, 3/22/19 pm (testimony of Eric Simonton) (Simonton only knew Pukke as “Andy.”)

⁶⁵³ PI Hrg Tr. 77-114, 3/22/19 pm.

⁶⁵⁴ PX 931; PI Hrg Tr. 90:15 to 94:3, 3/22/19 pm.

⁶⁵⁵ PX 931 at 5.

⁶⁵⁶ PX 931 at 7.

⁶⁵⁷ PX 931 at 9 (emphasis in original).

will be a “Marina Village” that will be “the crown jewel of Sanctuary Belize” that will prevent anyone from having to travel to get the “basic necessities” and will feature “restaurants, cafes, live entertainment, grocery stores, a farmers market, medical clinic, spa and fitness center, a first response team and a property management company,” “like nothing else in all of Belize;”⁶⁵⁸ lots “will quickly be million dollar lots;”⁶⁵⁹ and the development is “DEBT FREE,” which “is a HUGE advantage for you because it basically eliminates the biggest risk when buying property in a pre-construction development” and, as a result “Sanctuary Belize has created a real estate investment opportunity with huge upside appreciation and very little risk.”⁶⁶⁰

c. Pukke had knowledge.

499. Pukke has knowledge of SBE’s deception. Pukke controlled SBE for thirteen years, including all of its sales and marketing, and thus knew of SBE’s deceptive conduct.

500. Because Pukke directed the sales activities, he plainly knew that SBE was making the six core claims. He was also intimately involved in activities to hide his own involvement, stating in an email that SBE “take[s] exhaustive measures to create distance and careless error [in disclosing Pukke’s involvement] could be [a] major setback,” thus showing his knowledge of this particular deceptive claim.⁶⁶¹

501. Having operated SBE for thirteen years, he was also aware that SBE failed to meet any of its timeline claims, or build most of the promised amenities (yet SBE continued to make roughly the same claim for more than a decade).

502. Regardless, Pukke’s “[m]ajor successes/milestones” include Eco-Futures Development, Global Property Alliance, Kanantik Reef and Jungle Resort, and Buybelize.com.⁶⁶²

⁶⁵⁸ PX 931 at 10.

⁶⁵⁹ PX 931 at 12.

⁶⁶⁰ PX 931 at 13.

⁶⁶¹ PX 833.

⁶⁶² PX 1368 at 1 (identifying successes), 3 (identifying Pukke); *see also* PX 1547 (in Pukke’s opening appellate brief, he refers to the IOSB as “26 individuals [who] attempted to steal Mr.

503. Pukke used a number of aliases, strong evidence that he knew he was either engaged in illegal conduct or, at best, that disclosing his involvement would deter buyers. Specifically, he participated in SBE tours and executed contracts under the alias “Marc Romeo.”⁶⁶³

504. SBE used “plants” on sales tours. These took the form of SBE employees posing as enthusiastic buyers during the tours.⁶⁶⁴ As noted above, Pukke oversaw all marketing and sales, including in Belize. For his part, Pukke invoked his Fifth Amendment privilege against self-incrimination when asked specifically whether he knew of the use of plants or instructed that they be used.⁶⁶⁵

505. Additionally, Pukke was aware of consumer complaints⁶⁶⁶ as well as lawsuits filed by consumers,⁶⁶⁷ and potential lot purchasers were concerned with his role in the development.⁶⁶⁸

506. Pukke knew that there were unhappy consumers who demanded buy backs.⁶⁶⁹

507. Pukke also knew that some consumers who were unhappy simply chose to walk away, both unable to resell their lot and without having obtained a refund or buy back from SBE.⁶⁷⁰ He was also aware of owner “for sale” signs being taken down. In October 2017, Baker

Pukke’s life’s work, everything that he had put his blood sweat and tears into for the past decade”).

⁶⁶³ PX 207 (Reneau) ¶ 6 Atts. 4, 5.

⁶⁶⁴ PI Hrg Tr. 73:22-74:14, 3/22/19 pm.

⁶⁶⁵ PI Hrg Tr. 97:11-14, 3/22/19 pm.

⁶⁶⁶ PX 814 (Costanzo) ¶ 20; PI Hrg. Tr. 94:20 to 95:4, 3/22/19 pm (Pukke taking the Fifth).

⁶⁶⁷ PX 205 (Reneau) ¶ 19 (SBE telemarketer testifying that “Pukke never worried about customer complaints. Even if someone threatened to sue Sanctuary Belize (which happened periodically), Pukke didn’t care.”).

⁶⁶⁸ PX 1269 at 2.

⁶⁶⁹ As detailed above, consumers in fact demanded buy backs, and, if provided, they were always for less than the consumer paid. As detailed herein, Pukke was in charge of all activities at SBE.

⁶⁷⁰ As detailed above, consumers in fact did have difficulty selling lots and Pukke was in charge of all activities at SBE. *See also* PX 445 (email from Greenfield explaining that “Andi would like to verbally follow up with all emails or requests” relating to resales of lots); PX 1518; PX 1498 at 2 (Costanzo informing Pukke about the people “down here threatening lawsuits”); PI Hrg Tr. 110:15 to 111:11, 3/22/19 pm (Pukke invoking his Fifth Amendment privilege against self-incrimination as to claims about resale and consumers’ inability to resell lots).

forwarded an email thread to Pukke about “for sale” signs being taken down by the development.⁶⁷¹

508. Pukke also had knowledge of consumer complaints that Rod Kazazi would pass on to him.⁶⁷² In January 2014, he wrote an email to Chadwick, Baker, and others, linking an update to the “Tarnished Dreams” article.⁶⁷³ Almost four years later, in December 2017, he directed Peter Baker’s response to continued inquiries regarding the “Tarnished Dreams” article: “Email him back and let him know that all of that is nonsense and that we’ve already litigated and won all of those issues both in BZ and the US.”⁶⁷⁴

509. One document states that Pukke never wanted “Sanctuary Bay” associated with his name.⁶⁷⁵

510. Extensive deposition testimony further indicates Pukke’s knowledge of the deceptive claims.⁶⁷⁶

⁶⁷¹PX 1094.

⁶⁷² PX 814 (Costanzo) ¶ 20.

⁶⁷³ PX 1047.

⁶⁷⁴ PX 1528; *see also* PX 1529 (Baker providing Pukke’s response).

⁶⁷⁵ PX 1368 at 1, 3.

⁶⁷⁶ Catsos Dep. Tr. 58:7-59:8, 60:12-62:18, 64:2-68:11 (Pukke hired sales manager who had previously lost his license for, allegedly, deceptively selling securities while working with broker who was prior business associate with Jordan Belfort, the “Wolf of Wall Street”); *id.* 70:12-71:8 (Pukke also used straw men to serve as “directors” of AmeriDebt); *id.* 81:23-83:2 (Pukke hired sales manager previously associated with AmeriDebt sales); *id.* 197:19-198:10, 198:19-201:19, 202:2-22, 205:9-206:20, 206:25-207:22, 208:1-18, 210:1-212:8 (Pukke approved a script making many of the Six Core Claims); *id.* 217:16-219:11 (Pukke approved timeline claims); *id.* 267:12-268:16 (“Tarnished Dreams” article was one of the top web search hits for Sanctuary Belize and cost Sanctuary Belize lot sales); *id.* 277:1-19, 278:17-279:1, 279:14-281:20 (identifying multiple convicted felons who worked sales for SBE and, when commenting on the sales staff, stating that “half have been in rehab, and the other half had some sort of legal issue”); Chadwick 3/7/19 Dep. Tr. 185:22-186:8, 188:8-10, 188:16-189:1 (consumers would complain or threaten lawsuits, threaten regulatory actions, and complain about missing amenities, and Chadwick would discuss these issues with Pukke); Chadwick 9/26/19 Dep. Tr. 139:3-11 (Pukke was involved in responding to the “Tarnished Dreams” article); Andy Dixon Dep. Tr. 113:2-21 (SBE’s accountant explaining that Pukke’s use of Baker as the official owner was Pukke “hiding” his control: “You know, I knew he had an FTC issue. I just presumed, again, that his friends would run all these businesses for him or he’d be involved, but his friends would basically report all the entities. That’s it.”); Peter Baker 2/19/19 Dep. Tr. 31:20-34:14 (describing allegations made to Pukke that Pukke had been stealing money from the business); Peter Baker 10/15/19 Dep. Tr. 103:23-107:2 (identifying Pukke’s friends with criminal histories who worked for the SBE); *id.*

511. Again, Pukke invoked his Fifth Amendment privilege against self-incrimination in response to numerous questions regarding his knowledge of the deceptive conduct, thus indicating that his truthful answer would tend to incriminate him.⁶⁷⁷

ii. Luke Chadwick

a. Chadwick was a principal and had control of the development.

512. Pukke brought in Chadwick to run SBE during his incarceration and to help hide Pukke's involvement.⁶⁷⁸ As detailed in Section V.A(ii)(b), Chadwick frequently presented himself as a "principal" or "owner" of the development with significant authority over the sales and marketing activities. As detailed in Section V.B below, regarding the common enterprise, Chadwick has been a director of SRWR, and was the owner or officer of Prodigy Management, BREA (NV), SBR, and EI (NV). His control, therefore, is undeniable.⁶⁷⁹

513. Furthermore, Chadwick actively took part in the deceptive advertising. He was SBE's public face in many marketing materials, including infomercials.⁶⁸⁰ As detailed earlier, he

345:6-18, 346:11-347:15 (Baker testifying that he worked with Pukke to respond to a negative Wall Street Journal, including denying Pukke's involvement); Anderson Dep. Tr. 244:16-243:5 (sales rep testifying to seeking Pukke's help in dealing with unhappy clients); *id.* 262:8-266:19, 269:16-274:2 (Pukke interacting with consumers while posing as SBE employee Zarnie Anderson, with Anderson testifying that this was desirable because Pukke "hears everything that's going on with all the team").

⁶⁷⁷ PI Hrg. Tr. 100:3 to 112:6, 3/22/19 pm (Pukke invoking his Fifth Amendment privilege against self-incrimination as to whether (1) marketers made the claims alleged herein, (2) marketers made those claims at Pukke's direction, and (3) Pukke knew the claims were false at the times they were made).

⁶⁷⁸ PX 493 (email regarding Chadwick setting up email communications with Pukke during Pukke's incarceration); PX 635 (Chadwick writing email stating that "Andi" "asked me to lead" and "I am very clear on what Andi told me and what his expectations are of me. . . . I asked him to confirm my understanding of what was to happen here in his absence and he did"); PI Hrg Tr. 60:11-16, 3/13/19 pm (Baker testifying: "[T]here was a period of a year that Mr. Pukke spent away from the company and he—in that time he put—or directed to be put Luke Chadwick and Brandi Greenfield and I believe Rod Kazazi in charge of the company during that time of his absence.").

⁶⁷⁹ In addition to the previously cited evidence, Chadwick "negotiated lot sale agreements with prospective lot purchasers," "could determine whether to lower a price to close a deal," and "could determine whether to credit the cost of the lot purchaser's trip toward the purchase price to help close the deal." Chadwick Sep. 26, 2019 Dep. Tr. 124:3-22. Further, he signed contracts on behalf of entities such as Eco Futures (BZ), PX 498.

⁶⁸⁰ PX 84 (Buy Belize infomercial with Luke Chadwick); PX 183 (Pomroy) ¶¶ 18-22 (Karina Pomroy declaration showing Chadwick making numerous claims); PX 186 (Balluff) ¶ 26 (Frank

took part in both telemarketing, oversaw telemarketing, took part in the sales in Belize, and oversaw sales activities in Belize.⁶⁸¹

514. Chadwick “exclusively” negotiated a loan with Vi Mathis.⁶⁸²

515. Consumers testified that Chadwick seemed to be “in charge of the development,”⁶⁸³ and that he personally identified himself as one of the “lead developers.”⁶⁸⁴

516. SBE employees confirmed Chadwick’s control of SBE in depositions.⁶⁸⁵

517. Further, Peter Baker testified that Chadwick was “in charge of the sales” for SBE.⁶⁸⁶

518. Luke Chadwick, along with Pukke and Baker, had a reserved GPA parking spot in January 2016.⁶⁸⁷

519. Chadwick acknowledged that “[p]eople would report to me” regarding the sale of lots in Sanctuary Belize,⁶⁸⁸ and that he “manag[ed] the sales and marketing of Sanctuary Belize”

Balluff declaration showing Chadwick making claims, including webinar, with video, that is attached to his declaration); PX 260 (video webinar with Chadwick making claims); PI Hrg Tr. 58:21-23, 3/11/19 am (Doran, a consumer, testifying that Chadwick “primarily” gave the presentations during the sales tour in Belize); *id.* at 82:2-5 (Doran identifying Chadwick as primary speaker during a webinar); PI Hrg. Tr. 17:2-11, 3/12/19 am (Warren, a consumer, identifying Chadwick as the presenter during a webinar); *id.* at 42:22 to 43:7 (same); PX 814 (Costanzo) ¶ 22 (Costanzo testifying: “I understand that Luke Chadwick would host webinars to convince consumers to travel to Belize for tours and would also attend the tours where he would make sales pitches directly to consumers.”).

⁶⁸¹ See, e.g., PX 814 (Costanzo) ¶ 22 (Costanzo testifying regarding Luke’s “broad” role).

⁶⁸² Violette Mathis Dep Tr. 137:21-25.

⁶⁸³ PI Hrg. Tr. 69:23-70:1, 3/19/19 pm.

⁶⁸⁴ PI Hrg. Tr. 42:22-43:10, 3/12/19 am.

⁶⁸⁵ See, e.g., Maya Baker Dep. Tr. 33:20-34:6 (testifying that “Luke was very much who I answered to in ’12 and ’13 when I was in the office” and that “he was the boss.”); Hogan Dep. Tr. 65:9-66:10, 66:14-24 (Chadwick told Hogan that “[h]e ran everything” and that Chadwick was on top of a SBE organization chart Hogan saw); Anthony Mock Oct. 11, 2019 Dep. Tr. 11:4-12:2 (Chadwick directed the layout of the Coldwell Banker construction project); Catsos Dep. Tr. 106:6-107:4 (testifying that “Luke was the boss of the office” and that “everyone, even myself, you know, would answer to him.”); Zarnie Anderson Dep. Tr. 53:16-54:13, 55:24-56:2 (Anderson testifying that Chadwick may have been an owner of SBE and that, at one point, she was the “executive assistant to Luke Chadwick”).

⁶⁸⁶ Baker Feb.19, 2019 Dep. Tr. 94:25-95:6, 95:18-96:12.

⁶⁸⁷ PX 1485.

⁶⁸⁸ Chadwick Mar. 7, 2019 Dep Tr. 148:7-8, 148:10-12.

during Pukke's incarceration.⁶⁸⁹ He also acknowledged that he "told prospective lot purchasers that [he was] a principal of Sanctuary Belize" and that he "did make decisions with respect to sales and development."⁶⁹⁰ He confirmed that he told lot purchasers these facts because he intended to convey that he "had a significant role within the organization."⁶⁹¹

520. Chadwick confirmed that he had the ability to hire and fire telemarketers.⁶⁹²

b. Chadwick directly participated in the deceptive conduct.

521. Additionally, consumer testimony confirms that he, personally: (1) touted that the development was debt-free and, therefore, less risky;⁶⁹³ (2) claimed that all sales revenue went back into the construction of lots in Sanctuary Belize;⁶⁹⁴ (3) promised that there would be numerous luxury amenities, such as a hospital and hotel, and, generally, that Sanctuary Belize would be an "entire city";⁶⁹⁵ (4) made timeline claims, asserting Sanctuary Belize would be complete within 2 to 5 years,⁶⁹⁶ (5) touted the investment opportunities that the lots presented,⁶⁹⁷ and (6) that it would be easy to resell lots.⁶⁹⁸ As one consumer recounts: "Chadwick represented that the 'no debt' model meant that all sales revenue went back into the development, which helped ensure that the development would be completed on time. The developer would make its

⁶⁸⁹ Chadwick Mar. 7, 2019 Dep. Tr. 172:9-173:8.

⁶⁹⁰ Chadwick Sep. 26, 2019 Dep. Tr. 77:16-19, 78:1-3.

⁶⁹¹ Chadwick Sep. 26, 2019 Dep. Tr. 78:17-19.

⁶⁹² Chadwick Sep. 26, 2019 Dep. Tr. 110:9-17.

⁶⁹³ PX 183 (Pomroy) ¶ 20; PI Hrg. Tr. 69:20-70:3, 3/11/19 pm (no risk that the development would not be completed).

⁶⁹⁴ PX 183 (Pomroy) ¶ 20.

⁶⁹⁵ PX 183 (Pomroy) ¶ 19; PX 186 (Balluff) & PX 186.1 (Balluff) (webinar presented by Luke touting a hotel, luxurious beach club, private island, golf course, world-class marina, and a "marina village" with high-end shops, restaurants, and cafes); PI Hrg. Tr. 57:18-58:18, 3/11/19 am.

⁶⁹⁶ PX 183 (Pomroy) ¶¶ 18-19, 29-30 (Karina Pomroy testifying that Chadwick promised, in 2013, that the development would be complete within 2 years, and agreed to a contract provision requiring that the development would be completed within 5 years); PX 186 (Balluff) ¶ 29.

⁶⁹⁷ PX 183 (Pomroy) ¶¶ 18, 22 ("Chadwick also stated that our property's value would 'double or triple' within a few years"); PI Hrg. Tr. 58:23 to 59:7, 3/11/19 am.

⁶⁹⁸ PX 183 (Pomroy) ¶ 22; PI Hrg. Tr. 9:16-10:13, 3/11/19 pm (Doran testifying that Chadwick created the expectation that it would be easy to resell lots and that the properties would "at least double in value.")

profit on the back end because it would own the commercial core of the Sanctuary Belize development.”⁶⁹⁹ Indeed, Chadwick has submitted a declaration confirming that SBE made these claims.⁷⁰⁰ He also drafted the script for the webinars he conducted.⁷⁰¹

522. Additionally, Chadwick has testified that his duties at SBE “included designing sales strategy,”⁷⁰² and managing the sales and marketing of SBE.⁷⁰³

523. In fact, he has stated in a prior sworn declaration that he “[i]n my time working for Sanctuary Belize, I blueprinted the entire sales strategy for Global Property Alliance (“GPA”), and my efforts produced at least \$150 million in sales.”⁷⁰⁴

524. Further, Chadwick testified that he “coached telemarketers on how to pitch the lots in a manner consistent with [his] sales strategy.”⁷⁰⁵ He also “answered questions from telemarketers about how to deliver pitches” and “coached sales representatives participating in sales tours about how to sell the lots in a manner consistent with [his] sales strategy.”⁷⁰⁶ Expectedly, Chadwick also received draft scripts to review from SBE employees.⁷⁰⁷

525. Indeed, when asked who trained telemarketers at Sanctuary Belize from 2009 through 2014, Chadwick testified, “Myself.”⁷⁰⁸

526. Chadwick also gave sales presentations at the development in Belize where he repeated the core claims.⁷⁰⁹

⁶⁹⁹ PX 186 (Balluff) ¶ 26.

⁷⁰⁰ PX 752.

⁷⁰¹ PX 1367 (“no debt”).

⁷⁰² Chadwick Sep. 26, 2019 Dep. Tr. 100:3-5, 101:6-23.

⁷⁰³ Chadwick Mar. 7, 2019 Dep. Tr. 172:19-173:8.

⁷⁰⁴ PX 1201 at 2 (lines 14-16).

⁷⁰⁵ Chadwick Sep. 26, 2019 Dep. Tr. 103:15-18.

⁷⁰⁶ Chadwick Sep. 26, 2019 Dep. Tr. 104:6-7, 104:9, 105:13-22; *see also* PX 1198.

⁷⁰⁷ PX 1372 (script sent to Chadwick and Pukke); PX 1369 (“Kanantik Reload Pitch” for “existing clients of Sanctuary and Kanantik”).

⁷⁰⁸ Chadwick Sep. 26, 2019 Dep. Tr. 106:14-16.

⁷⁰⁹ PI Hrg. Tr. 70:24-71:7, 3/19/19 p.m. (no debt and amenities).

527. According to Peter Baker, Luke Chadwick was the “face of the project” because he “led the tours” and “did the webinars.”⁷¹⁰ Baker further confirmed that he was “sure” that Chadwick had control over what he said in the webinars and tours.⁷¹¹

528. Chadwick directed employees to send a due diligence package to consumers, which made no-debt and amenities claims.⁷¹²

529. Chadwick confirmed that he appeared in the infomercials for Sanctuary Belize.⁷¹³

530. Additionally, Chadwick told consumers that Pukke had nothing to do with the development. One consumer asked him and “Chadwick looked me in the eyes and replied: ‘Absolutely not! He is long gone. Anything you see on the internet or hear from people that says otherwise is old news and not true.’”⁷¹⁴

531. During his September 2019 deposition, Chadwick invoked his Fifth Amendment privilege against self-incrimination 127 times. He did so in response to substantively all questions regarding two topic areas: (1) his concealment of Andris Pukke’s role in Sanctuary Belize through various means including aliases and (2) communications between Pukke and Chadwick during Pukke’s incarceration, including directions from Pukke concerning the operation of Sanctuary Belize and representations to prospective lot purchasers.⁷¹⁵

532. Numerous documents establish Chadwick concealing Pukke and Baker’s role in the development.⁷¹⁶ Chadwick previously submitted an affidavit stating that he was “not aware

⁷¹⁰ Peter Baker Feb. 19, 2019 Dep. Tr. 97:18-98:2; *see also* PX 1197 (Chadwick is in center of picture taking of SBE at International Property Awards).

⁷¹¹ Peter Baker Feb. 19, 2019 Dep. Tr. 97:18-98:2.

⁷¹² Maya Baker Dep. Tr. 101:1-104:5; PX 1057 (document being discussed).

⁷¹³ Chadwick Mar. 7, 2019 Dep. Tr. 100:11-23.

⁷¹⁴ PX 186 (Balluff) ¶ 28.

⁷¹⁵ *See, e.g.*, Chadwick Sep. 26, 2019 Dep. Tr. 120:18-121:6, 242:6-243:1, 255:19-258:19, 263:1-279:15, 401:13-405:23; Chadwick Sep. 26, 2019 Dep. Tr. 168:25-169:16, 169:18-170:1, 179:8-25, 184:2:185:15, 186:23-187:16.

⁷¹⁶ PX 1204 (Pukke and Baker “have no ownership or official involvement with . . . Sittee River Wildlife Reserve or Eco-Futures Belize); PX 1205 (alerting Pukke that email “went from Zapel to ekkup”); PX 1206 (“My partner Marc Romeo however will be in the office and is willing to meet you”); PX 1208 (copied on email to “Marc Romeo Sanctuary Belize” that was addressed to ekkup@msn.com); .

of Andris Pukke using the name Marc Romeo at anytime between 2012 and the present.”⁷¹⁷ In December 2012, Chadwick received an email stating, “Luke Chadwick and Marc Romeo, our two main developers here in California would like to speak with you.”⁷¹⁸ Pukke was copied on the email, too, but his email displayed the name “Marc Romeo.”⁷¹⁹

533. In 2010, Chadwick sent Pukke an email telling him that he did not want to give an individual who was looking for “Marc Romeo” Pukke’s contact information unless Pukke was comfortable with it.⁷²⁰

534. Further, Luke Chadwick’s involvement in SBE continued after his purported departure to run Kanantik. Chadwick obtained sales leads for Kanantik from SBE throughout 2018, including within weeks of the FTC’s complaint in this case.⁷²¹ Additionally, he coordinated with SBE on a Kanantik sales tour one day prior to when the FTC served the temporary restraining order on the defendants.⁷²²

535. Furthermore, banking records show millions of dollars transferring between SBE and Kanantik related entities, even after 2014, when Chadwick purportedly severed ties.⁷²³

536. Moreover, SBE continued to receive lot payments from consumers after Chadwick’s purported departure. These consumers personally interacted with Chadwick and Chadwick personally signed many of these contracts.⁷²⁴ These payments continued up until the time of the FTC filing its complaint in October 2018.⁷²⁵

⁷¹⁷ PX 1207.

⁷¹⁸ PX 985.

⁷¹⁹ PX 985.

⁷²⁰ PX 986.

⁷²¹ *See, e.g.*, PX 973, PX 974, PX 975.

⁷²² PX 979.

⁷²³ The FTC anticipates that Roshni Agarwal will testify on this point at trial. *See* DE 490-2 ¶¶ 9(b) (more than \$5 million in financial transfers since 2015), 9(c) (GPA had a d/b/a account related to Kanantik that had more than \$5 million flow through it through 2016).

⁷²⁴ *See* PX 1549, PX 1563, PX 1553, PX 1561, PX 1558, PX 1567.

⁷²⁵ PX 1558 and PX 1560. The FTC also anticipates that Robert Hofman will testify that he (1) met with Luke Chadwick and (2) made monthly payments for his SBE lot through October 2018.

537. Luke Chadwick signed the memorandum of sale for lot purchasers Joe and Denise Galbraith.⁷²⁶ An Eco-Futures delinquency report dated January 26, 2016 identified them as paying through November 2015,⁷²⁷ and a default letter Eco-Futures Development sent and a History Report indicated that they paid through April 2016.⁷²⁸

538. Luke Chadwick signed the memorandum of sale for Scott and Jennifer Murphy.⁷²⁹ In November 2016, Eco-Futures Development sent a notice of default indicating that they had paid through April 2016, and their account went past due in May 2016.⁷³⁰

539. Luke Chadwick signed the memorandum of sale for Don and Laurie Schneck.⁷³¹ Furthermore, he personally emailed them, thanking them for “mov[ing] forward with Lot 46 (my original recommendation).”⁷³² An SBE history report for the Schnecks indicates that they paid through May 2017.⁷³³ SBE identified them as consumers who wanted a buyback in July 2018.⁷³⁴

540. Luke Chadwick signed the memorandum of sale for John and Wendy Venezia.⁷³⁵ Eco-Futures Development’s February 2018 history report for her indicates that she was current on her payments through January 2018.⁷³⁶

541. Luke Chadwick signed the memorandum of sale for Jacqueline Healy.⁷³⁷ SBE sent her a billing statement in October 2018 indicating that she was current on her lot through September 2018.⁷³⁸ SBE emails indicate that she provided them with a new credit card for her monthly payment in October 2018.⁷³⁹

⁷²⁶ PX 1549 at 4.

⁷²⁷ PX 1548 at 2.

⁷²⁸ PX 1551; PX 1552 at 3.

⁷²⁹ PX 1563.

⁷³⁰ PX 1566.

⁷³¹ PX 1553 at 4.

⁷³² PX 1554 at 1.

⁷³³ PX 1557 at 2.

⁷³⁴ PX 1556 at 2.

⁷³⁵ PX 1561.

⁷³⁶ PX 1562.

⁷³⁷ PX 1558.

⁷³⁸ PX 1560.

⁷³⁹ PX 1559.

542. Luke Chadwick signed the memorandum of sale for Lindsay Hall.⁷⁴⁰ Eco-Futures (BZ) sent an email attaching her August 2018 lot payment on September 17, 2018,⁷⁴¹ and sent her an October 2018 invoice indicating that she was current on her lot payments through September 2018.⁷⁴²

c. Chadwick had knowledge.

543. Chadwick has knowledge of the deceptive practices. As an initial matter, his direct involvement in the practices, detailed above, is evidence of his knowledge.

544. Separately, Chadwick knew that he was working with unsavory and untrustworthy people. As noted above, he was brought in to run the operation while the operation's kingpin, Pukke, was serving a stint in prison. Additionally, Chadwick referred to one of the sales managers, Bill Bannon, as someone who "is not being honest" with consumers.⁷⁴³

545. In 2011, Chadwick wrote an email confirming his knowledge of the deceptive activities, stating: "If we are ever to be a first class, successful organization rather than a shady second rate development that is full of empty promises that falls short of people's expectations then we need to start conducting ourselves in such a manner."⁷⁴⁴

546. Chadwick also knows that SBE was seeking financing in order to complete the development, showing he knew the claim that the development's "no debt" model was neither viable nor true.⁷⁴⁵

547. Chadwick worked with SBE since 2009 and, therefore has actual knowledge that its timeline and amenity claims (that he often made himself) are false. As noted above, he

⁷⁴⁰ PX 1567.

⁷⁴¹ PX 1568.

⁷⁴² PX 1569.

⁷⁴³ PX 635 at 2.

⁷⁴⁴ PX 608.

⁷⁴⁵ PX 719, PX 720, PX 1488 (emails showing Chadwick was aware of efforts to obtain financing); Baker Feb. 19, 2019 Dep. Tr. 178:17-182:18.

promised consumers that the development would be completed within 2 years, including having a hotel within the year. Given his role at SBE, he knows that those claims were false.

548. Chadwick also knew that the appreciation and resale claims were false. His knowledge is shown by him creating Coldwell Banker Southern Belize for the express purpose of attempting to deal with ongoing consumer complaints that they could not sell the lots at all, for any price.⁷⁴⁶ Indeed, he ran Coldwell through September 2017.⁷⁴⁷ Additionally, Costanzo has testified that specific claims made by Chadwick, that consumers should purchase two lots, sell one, and then build on the other with the profits, were false. For instance, Costanzo states: “Those within SBE were unaware of any consumer doing this, but would continue to make the claim.”⁷⁴⁸ Furthermore, Chadwick led a webinar addressing complaints from consumers who had been “promised that their lots would appreciate” and believed that the “lots were not appreciating.”⁷⁴⁹

549. Furthermore, Chadwick plainly knew that claims, such as his own, that Pukke was not involved with Sanctuary Belize, or that Pukke had little involvement, were false. As noted above, Chadwick was brought in by Pukke and continued to defer to Pukke’s authority even while and after Pukke was incarcerated.⁷⁵⁰

550. Further, Chadwick knew that “one of his roles at Sanctuary Belize was to be a reputable face for the organization” and he “understood that Pukke couldn’t be a reputable face because of his prior litigation with the FTC.”⁷⁵¹ In fact, he was aware that Pukke had

⁷⁴⁶ PX 814 (Costanzo) ¶¶ 16, 40-41; *see also* PX 297 ¶ 244; PX 553 at 39 (Chadwick operated SBR (NV) in part “to assign the secondary market derived from SB (land and/or homes) to the Coldwell Banker office.”)

⁷⁴⁷ PX 554. The FTC will also offer proof of this fact at trial.

⁷⁴⁸ PX 814 (Costanzo) ¶ 41.

⁷⁴⁹ PI Hrg. Tr. 81:17 to 82:22, 3/11/19 am.

⁷⁵⁰ *See also* PX 635 (in dispute with Greenfield who was also asserting authority, Chadwick stated that both he and Greenfield should seek Pukke’s guidance on who would have control during Pukke’s incarceration); PX 814 (Costanzo) ¶¶ 22, 44-43 (Costanzo testifying that Pukke was Chadwick’s “business partner” and that while SBE employees attempted to outwardly minimize Pukke’s role, all internally “knew that Andris Pukke’s role was significant”).

⁷⁵¹ Chadwick Sep. 26, 2019 Dep. Tr. 215:19-216-4; *see also* PX 1202.

reputational issues “because of his prior litigation with the FTC.”⁷⁵² Chadwick testified that he was aware of Pukke’s criminal incarceration and prior litigation with the FTC in 2013.⁷⁵³ In fact, he emailed Greenfield and Bannon to set up accounts so that they could email Pukke in prison two days after Pukke’s incarceration.⁷⁵⁴

551. Chadwick had full knowledge of consumer complaints about Sanctuary Belize.⁷⁵⁵ Indeed, he has testified about his knowledge of lot purchasers complaining to Global Property Alliance.⁷⁵⁶ In a January 10, 2014 email, Chadwick emailed his response to numerous consumer complaints in the *Tarnished Dreams* article, including lot appreciation claims.⁷⁵⁷

552. Chadwick was also aware that one sales person “just told people anything that they wanted to hear” and “embellished things.”⁷⁵⁸ Indeed, he was aware that a sales representative was making misrepresentations to consumers “from time to time.”⁷⁵⁹

553. As described above, FOF 531, Chadwick invoked his Fifth Amendment privilege against self-incrimination so in response to substantively all questions regarding two topic areas: (1) his concealment of Andris Pukke’s role in Sanctuary Belize through various means including aliases and (2) communications between Pukke and Chadwick during Pukke’s incarceration, including directions from Pukke concerning the operation of Sanctuary Belize and representations to prospective lot purchasers.

⁷⁵² Chadwick Sep. 26, 2019 Dep. Tr. 215:19-216-4.

⁷⁵³ Chadwick Sep. 26, 2019 Dep. Tr. 219:24-220:7.

⁷⁵⁴ PX 988.

⁷⁵⁵ PX 814 (Costanzo) ¶ 20 (consumer complaints were passed on to Chadwick); *see also* PX 702 (the *Tarnished Dreams* article stating: “Sanctuary Belize is selling securities masquerading as deeds to property whose value is based on promises that increasingly appear to be false”); PX 1297 (email from Vi Mathis about IOSB soliciting Kanantik lot purchasers); PX 1200 (Chadwick responding to *Tarnished Dreams*); PX 1199.

⁷⁵⁶ Chadwick Sep. 26, 2019 Dep. Tr. 128:12-15, 128:18-129:3.

⁷⁵⁷ PX 1200.

⁷⁵⁸ Chadwick Sep. 26, 2019 Dep. Tr. 222:19-223:2, 223:21-24, 224:12-225:1.

⁷⁵⁹ Chadwick Sep. 26, 2019 Dep. Tr. 413:2-12.

554. Numerous documents establish Chadwick concealing Pukke and Baker's role in the development.⁷⁶⁰ Chadwick previously submitted an affidavit stating that he was "not aware of Andris Pukke using the name Marc Romeo at anytime between 2012 and the present."⁷⁶¹

iii. Peter Baker

a. Peter Baker controlled SBE's operations.

555. As the Court is aware, Pukke and Baker are childhood friends,⁷⁶² whom Pukke relied on to manage the operations of SBE in Belize.⁷⁶³ Baker's direct testimony regarding his ownership and control is detailed above in Section II.B.iii.

556. Baker owned Dolphin Development LLC, the original Sanctuary Belize developer.⁷⁶⁴

557. Following the receivership in the *AmeriDebt* matter, Peter Baker continued his ownership through "an arrangement, an agreement . . . via handshake" with John Usher, Andris Pukke, and Stephen Choi.⁷⁶⁵

558. Additionally, as Baker has declared under oath to the Court, he owned Defendants GPA and Eco-Futures (BZ).⁷⁶⁶ He also testified that he owns Eco-Futures (BZ).⁷⁶⁷

559. Peter Baker owned 100% of GPA.⁷⁶⁸

560. Baker was the CEO and managing member of Buy Belize.⁷⁶⁹

⁷⁶⁰ PX 1204 (Pukke and Baker "have no ownership or official involvement with . . . Sittee River Wildlife Reserve or Eco-Futures Belize); PX 1205 (alerting Pukke that email "went from Zapel to ekkup"); PX 1206 ("My partner Marc Romeo however will be in the office and is willing to meet you"); PX 1208 (copied on email to "Marc Romeo Sanctuary Belize" that was addressed to ekkup@msn.com); .

⁷⁶¹ PX 1207.

⁷⁶² PI Hrg Tr. 77:4-9, 3/13/19 pm.

⁷⁶³ PI Hrg Tr. 85:4-12, 3/13/19 pm (Baker, on his and Pukke's behalf, travelled to Belize to confront Usher when Usher attempted to wrest total control); PX 836 (email in which Baker recounts his confrontation with Usher, calling Usher a "thief"); PI Hrg Tr. 90:13 to 91:7, 3/13/19 pm (Baker testifying that following the dispute with Usher he took a hands-on role in Belize).

⁷⁶⁴ PI Hrg Tr. 12:4 to 13:14, 3/13/19 pm.

⁷⁶⁵ PI Hrg Tr. 21:23 to 22:14, 3/13/19 pm.

⁷⁶⁶ DE 216-1 ¶ 2.

⁷⁶⁷ PI Hrg Tr. 8:15-17, 3/13/19 pm.

⁷⁶⁸ Dixon Dep. Tr. 93:1-12; *see also* PX 1490.

561. Baker held board positions for FDM and Buy International.⁷⁷⁰

562. At various times, Baker was either on the board of or was the Chairman for SRWR.⁷⁷¹

563. Baker individually, or through the companies that he owned, registered FBNs related to SBE, including “Eco-Futures,” “Eco-Futures Belize,” “Eco-Futures Development,” and “Sittee River Wildlife Reserve HOA.”⁷⁷²

564. Baker received bank statements for Eco-Futures (US).⁷⁷³

565. Baker was a bank signatory for Defendants GPA and SRWR.⁷⁷⁴

566. Indeed, as Baker himself wrote in an email in 2016, the “Companies were in his name.”⁷⁷⁵

567. Baker previously stated, and swore to the accuracy of the statement, that he was the “Sales Manager of Global Property Alliance Inc. (GPA)” as of 2014.⁷⁷⁶

568. Furthermore, Baker, as SRWR Chairman, attached a history of Sanctuary Belize to the 2016 SRWR Board Meeting Minutes, in which he writes: “Peter Baker formed Global Property Alliance (GPA) in the US and hired Rod Kazazi, the former Vice President of Finance

⁷⁶⁹ PX 538.

⁷⁷⁰ PX 541; PX 544.

⁷⁷¹ PX 358 (Baker as one of the original Directors of Dolphin Development in 2003); PX 370 at 21 (Baker as Director in 2003 seconding Pukke to be SRWR Chairman); PX 568 (Baker as Director in 2004); PX 370 at 24 (Baker as Director in 2005); PX 1071 (Baker as Chairman in 2016); PI Hrg Tr. 8:10-14, 3/13/19 pm; Baker Oct. 15, 2019 Dep. Tr. 30:14 (“I was the chairman of SRWR”).

⁷⁷² The Orange County FBN “Eco-Futures” is registered to Baker individually, PX 54. GPA registered three additional SBE-related FBNs: “Eco-Futures Belize,” “Eco-Futures Development,” “Palmaya Development,” and “Sittee River Wildlife Reserve HOA.” PX 55; PX 56; PX 57; PX 58.

⁷⁷³ PX 1478, PX 1479, PX 1480, PX 1481.

⁷⁷⁴ PX 46 at 83 (GPA 5098 account); *id.* at 85 (GPA 5111 account); *id.* at 46 (GPA 5021 account); *id.* at 89 (GPA 5026 account, d/b/a Palmaya Development); *id.* at 101 (GPA 5846 “commissions” account); *id.* at 103 (GPA 6859 account, d/b/a Sittee River Wildlife Reserve);

⁷⁷⁵ PX 935; PI Hrg Tr. 22:5-7, 3/15/19 pm (Baker testifying that he wrote this email, which was previously marked as DX-AP-366).

⁷⁷⁶ PX 896 at 5; PI Hrg Tr. 36:13-37:4, 3/15/19 pm (Baker testifying that he signed the document); *id.* at 38:10 (“I am not denying that I signed it, no.”).

at American Apparel to head accounting, collections and client concierge. Sales and marketing was lead [sic] by Brandi Greenfield and Luke Chadwick.”⁷⁷⁷

569. Pukke and Baker could control who the board members were for SRWR.⁷⁷⁸

570. In May 2011, Baker signed a lease for office space in Orange County, CA, in his own name, doing business as Eco Futures. Notably, the letter from Baker’s broker to the landlord confirmed the lease was for “my client, *Sanctuary Belize*.”⁷⁷⁹ He also signed an amendment to that lease in April 2012.⁷⁸⁰

571. In November 2012, Baker signed a lease for an office suite leased in the name of GPA, asserting that he was the “President” of GPA.⁷⁸¹

572. In January 2014, Baker solicited input from Frank Costanzo regarding the title for him to list in a letter to the U.S. Embassy in Belize so that he could obtain a visa for his wife to work at Sanctuary Belize.⁷⁸² After Costanzo suggested “Director of Sale[s] and Marketing,”⁷⁸³ Baker thanked him for his help.⁷⁸⁴ In the letter, Baker listed himself as a “principle of Global Property Alliance, Inc., a U.S. corporation, under contract to globally market the Sanctuary Belize.”⁷⁸⁵ He signed as “Director of Sales and Marketing.”⁷⁸⁶

573. In 2018, Baker caused a letter to be sent to AIB to substantiate a wire transfer he had received from SBE. This letter, sent by an employee of Buy International, asserted that Baker was the “Owner and Managing Director of Eco-Futures Development,” and provided an

⁷⁷⁷ PX 1071

⁷⁷⁸ PX 831 (discussion of who to place on SRWR board, including discussion that Marc Romeo should be removed); PX 935 at 2 (discussion of choosing new board members).

⁷⁷⁹ PX 161 (emphasis in original).

⁷⁸⁰ PX 1524 at 6.

⁷⁸¹ PX 160.

⁷⁸² PX 1378.

⁷⁸³ PX 1378.

⁷⁸⁴ PX 1379.

⁷⁸⁵ PX 1380.

⁷⁸⁶ PX 1380.

Orange County, CA, address for Eco-Futures Development.⁷⁸⁷ As otherwise noted in these Findings of Fact, Eco-Futures Development was part of the marketing arm for SBE.

574. It was known within SBE that Baker was an owner.⁷⁸⁸

575. Tellingly, on a SBE corporate phone directory, Baker and Pukke are listed at the top, together, and then the rest of the employees are listed below in alphabetical order.⁷⁸⁹

576. Similarly, Baker had an official parking spot at SBE's California offices.⁷⁹⁰

577. Baker has at least a 29% share in SBE, having testified that he is owner of the development in general, without regard to a specific company.⁷⁹¹

578. Baker has also testified that in November 2018, he was “the person in charge of calling management shots in Belize.”⁷⁹² His sister, Maya Baker, worked for the Belizean component of SBE at that time and confirmed this testimony.⁷⁹³ Anderson testified that Baker “ran the development,”⁷⁹⁴ and Eric Hogan testified that “[a]ll 200-plus” members of the Belizean staff were reporting to Peter, that Baker’s role was “significant” in Belize, and confirmed that the “Belize aspect is an important part of the overall operation.”⁷⁹⁵

⁷⁸⁷ PX 892.

⁷⁸⁸ PX 814 (Costanzo) ¶ 24 (Costanzo testifying that “Peter baker was a partner in the business.”); Hogan Dep Tr. 305:25-306:15 (testifying that Baker is the owner); Maya Baker Dep. Tr. 14:22-15:12 (Peter “was the owner, so you had a sense of him being the [] boss.”); Anderson Dep. Tr. 245:10 (“To me the – Pete is the – the owner.”); PX 297 (Kaufman) ¶ 48; PX 338 at 12:15-22 (in a recorded undercover call, SBE Defendant Costanzo confirmed, “Peter Baker owns [the] development and he is the developer.”).

⁷⁸⁹ PX 455.

⁷⁹⁰ PX 612.

⁷⁹¹ PI Hrg Tr. 21:23 to 22:14, 3/13/19 pm; *id.* at 24:11-17 (Baker explaining that the ownership was in a venture known, at the time the FTC filed its complaint as “The Reserve,” which is the same venture that the FTC has referred to as “Sanctuary Belize”); *see also* PI Hrg Tr. 70:24 to 71:6, 3/20/19 (Receiver’s representative, testifying that there was no way to “determine which employee worked for which receivership entity”); PX 814 (Costanzo) ¶ 24 (Costanzo testifying that “Peter Baker was a partner in the business.”).

⁷⁹² PI Hrg Tr. 39:12-24, 3/13/19 pm; *see also* PX 1500 (Baker referring to his “authority” and referencing himself terminating an employee); PX 1095 (Baker had authority to approve time off).

⁷⁹³ Maya Baker Dep. Tr. 169:19-170:11 (Peter was the “big boss” and “had the reins in Belize.”)

⁷⁹⁴ Anderson Dep. Tr. 295:9-17.

⁷⁹⁵ Hogan Dep. Tr. 263:25-264:10.

579. To the extent his equity ownership is documented, documents and Baker's own testimony show that he owned shares in Eco Futures (BZ) through a Panamanian shell company called Eco Futures Development Inc.⁷⁹⁶ Although these documents show Baker owns approximately 70% of Eco Futures (BZ), Baker has testified that he only had a 29% interest, and was holding the remaining shares for the benefit of Pukke and a mutual friend of his and Pukke's, Stephen Choi.⁷⁹⁷

580. Baker also had access to money held by SBE. For example, Baker has testified that SBE paid for his rent and living expenses.⁷⁹⁸

581. Baker could also access SBE funds through a debit card. He used the debit card for, among other things, personal expenses in the form of Amazon.com purchases for himself and his wife.⁷⁹⁹

582. Additionally, Baker had access to a credit card and checking account at AIB, which was funded through wires from SBE.⁸⁰⁰ As he testified, he used these accounts for both business and personal expenses.⁸⁰¹

⁷⁹⁶ PI Hrg Tr. 89:1 to 90:9, 3/13/19 pm (Baker describing transfer of shares); PX 830 (Chloris Holdings option agreement); PX 837 (shows Baker's control over Eco Futures Development Inc., Panama); PX 838 (Eco Futures Development Inc., Panama, shares reissued in Baker's name in 2016); PX 839 (showing transfer of Eco Futures (BZ) shares to Baker in 2016).

⁷⁹⁷ PI Hrg Tr. 21:19 to 22:9, 26:7 to 27:6, 3/13/19 pm (describing ownership in 2008, including Usher, Baker, Pukke, and Choi); *id.* at 89:1 to 90:10 (showing same ownership structure following 2016 transfers of shares); *id.* at 20:15 to 21:2.

⁷⁹⁸ PI Hrg Tr. 10:14 to 11:4, 3/13/19 pm (describing how he was compensated, including rent for a \$3,000/month townhouse in Newport Beach, utilities, food and other personal expenses); Baker Depo., 2/19/19, 173:5 to 174:3 (explaining that any statement that he made only \$50,000 per year is not accurate and "seems low" because of "things that weren't included in [that estimate] obviously").

⁷⁹⁹ PX 40 (Amazon.com purchase history for Peter Baker); PI Hrg Tr. 11:8-23, 3/13/19 pm (had use of credit card for Amazon.com purchases); Baker Depo., 2/19/19, at 248:24-250:13 (confirming that the Amazon.com purchases included personal purchases paid for by the SBE, stating that "99 percent" "[w]ent to Belize for us to use in Belize for our personal needs"); PX 250 (Agarwal) ¶ 10 (FTC accountant analysis of Amazon.com purchases combined with bank statements, summarizing evidence to show that Baker used SBE funds to purchase, for example, \$429 of "Nu Face Trinity Facial Trainer Kit with Wrinkle Reducer," \$222 of "Drunk Elephant" serums, and \$282.21 on "Revitalash Advanced Eyelash Conditioner").

⁸⁰⁰ PI Hrg Tr. 119:9 to 120:5, 3/13/19 pm (Baker testifying to an account at AIB that was funded "from California"); PX 892 (email correspondence showing Baker's account was funded with

583. Beginning in 2016, Baker took on an active management role for the operations in Belize. As Baker has testified, there was a dispute in 2016 between Usher on the one hand and Pukke and Baker on the other regarding the management and operation of the development.⁸⁰²

584. Recognizing that Usher was seeking to claim Sanctuary Belize for himself, Baker visited Belize, referred to Usher as a thief, and asserted his and Pukke's control over the development.⁸⁰³

585. The end result of the dispute was Baker replacing Usher as both Chairman of SRWR and as Managing Director of Eco Futures (BZ).⁸⁰⁴

586. Usher negotiated a new relationship with SBE at the end of the dispute, and Baker and Pukke jointly decided what Usher's new, diminished role within SBE would be.⁸⁰⁵

587. Baker stated that he was the "top guy" in Belize during his deposition: "Let's make it easy for you guys. Was I around when tours were being done? Yes. Was I – was I, call it, talking to people? Did they want to speak to a person in charge? Yes. Was that person in charge of me, of the development, the managing director? People wanted to meet the top guy at the place. I am him. So sure. People wanted to talk to me. I love to talk to them."⁸⁰⁶

wire transfers from the SBE); PI Hrg Tr. 120:14 to 121:23, 3/13/19 pm (Baker confirming substance of email exchange in which "Eco Futures Development" with a California address, asserted Baker was an owner to substantiate wires to his AIB bank account).

⁸⁰¹ PI Hrg Tr. 109:14 to 110:3, 3/14/19 pm (Baker testifying that he used the AIB account in his name for SBE business).

⁸⁰² PI Hrg Tr. 83:17 to 84:19, 3/13/19 pm (describing meeting in 2016 in which Usher accused Pukke of taking \$24 million out of the development).

⁸⁰³ PI Hrg Tr. 85:4-12, 3/13/19 pm (Baker, on his and Pukke's behalf, travelled to Belize to confront Usher when Usher attempted to wrest total control); PX 836 (email in which Baker recounts his confrontation with Usher, calling Usher a "thief," and prior email from Usher indicating that Pukke and Baker can run things in Belize directly moving forward); PI Hrg Tr. 90:13 to 91:7, 3/13/19 pm (Baker testifying that following the dispute with Usher he took a hands-on role in Belize); PX 935 (email exchange among Pukke, Usher, and Baker following the 2016 meeting regarding the plan moving forward, with Pukke and Baker directly controlling activities in Belize).

⁸⁰⁴ PI Hrg Tr. 90:13-16, 3/13/19 pm (became SRWR Chairman in 2016); *id.* at 39:1-11 (took on "Managing Director" role in 2017); PX 1071 (2016 SRWR meeting minutes).

⁸⁰⁵ PX 935 (email exchange among Pukke and Baker regarding Usher's new, diminished role).

⁸⁰⁶ Baker Oct. 15, 2019 Dep. Tr. 335:10-17.

588. Baker then confirmed that he had the authority to agree on a price for lots.⁸⁰⁷ He could approve such prices because “[i]t’s in my interest[.]”⁸⁰⁸

589. SBE’s CPA, Andy Dixon, confirmed that he believed that Baker authorized the filing of tax returns Dixon’s firm filed on his behalf.⁸⁰⁹

b. Peter Baker directly participated in the deceptive conduct.

590. As detailed above regarding control, Baker partnered with Pukke to operate SBE. One of Pukke’s tasks was marketing, but Pukke conferred with Baker daily regarding SBE’s operations, including its marketing.⁸¹⁰

591. Baker was one of the original marketers of the Sanctuary Belize development, prior to the *AmeriDebt* receivership. He directed marketing activities⁸¹¹ and was the sales contact on marketing materials.⁸¹²

592. Indeed, Baker was a party to email communications including sales scripts as early as 2005 showing sales people claiming Sanctuary Belize would have a hotel, marina, health center, and equestrian center.⁸¹³ In his role as “Director of Sales and Marketing,” Peter Baker sent Paul Boskovich a letter congratulating him on his purchase of lot #S066 at Sanctuary Bay Estates on January 9, 2005.⁸¹⁴

⁸⁰⁷ Baker Oct. 15, 2019 Dep. Tr. 335:19-336:6.

⁸⁰⁸ Baker Oct. 15, 2019 Dep. Tr. 336:24-337:4.

⁸⁰⁹ Dixon Dep. Tr. 189:21-190:25; *see also* PX 1223 (email where Baker inquires about his taxes).

⁸¹⁰ PI Hrg Tr. 66:2-20, 3/13/19 pm (Baker testifying to regular phone calls with Pukke regarding “sales and marketing”); PI Hrg Tr. 63:8-13, 3/13/19 pm (“Because I was in contact with Mr. Pukke via phone on a daily basis. Q: And you were talking about the business of GPA? A: Yes, sir.”).

⁸¹¹ PX 611 (email from Baker describing his “zeal” in driving the marketing).

⁸¹² PX 623 (2005 Sanctuary Bay website listing Peter Baker as the sales contact).

⁸¹³ PX 362; *see also* PX 634 (Baker email showing there were already lot sales in 2005).

⁸¹⁴ PX 1400.

593. Baker testified that he was involved in the marketing, at least until Luke Chadwick became involved in the development.⁸¹⁵ Even after that point, Baker was present during sales tours and heard claims being made.⁸¹⁶

594. Even after 2009, Baker continued to have an active role in SBE. He himself stated he was an “active participant.”⁸¹⁷

595. Baker spent years working for SBE from Europe, spending time making presentations to potential investors and attempting to set up a marketing operation.⁸¹⁸

596. Even during that time, as Baker has testified: “I was aware of the concept of sales. I wasn’t just, you know, call it, gone in Europe the whole time. I was in Belize. I would go to Belize often for updates and see progress. I was a, call it, big picture person, you know. I wanted to know the progress. I wanted to see how we were doing. I was familiar with the concept of the tours.”⁸¹⁹

597. Indeed, Baker was physically present on tours during that time. In December 2014, he sent WhatsApp messages to Pukke indicating that he had “[t]oured the property” with Latvians and Usher.⁸²⁰

⁸¹⁵ PX 611 (email from Baker describing his “zeal” in driving the marketing as of 2005); PX 623 (2005 Sanctuary Bay website listing Peter Baker as the sales contact); DE 216-1 ¶ 2 (was involved in marketing until 2009); PI Hrg Tr. 45:7-14, 3/13/19 pm (did sales until Chadwick came on board); PX 395 (email showing Baker was involved in sales as of 2009); Chadwick Mar. 7, 2019 Dep. 200:18-24 (Baker stating “Well, if it’s 2009 and ’10, Luke has a point. I was involved in the project in 2009 and 2010. I’m saying after 2010 I had no involvement in tours.”); Baker Oct. 15, 2019 Dep. Tr. 251:18-252:7.

⁸¹⁶ Chadwick Mar. 7, 2019 Dep. 198:21-199:3, 199:17-200:15.

⁸¹⁷ PX 935.

⁸¹⁸ PI Hrg Tr. 124:1-13, 3/14/19 pm (stating that from 2010 to 2016, “I thought to try and get sales and marketing or get a company in Europe to—I felt we were missing out on a whole slew of other customers in Europe and I tried, but never materialized getting something going on over there”).

⁸¹⁹ PI Hrg Tr. 9:25-10:12, 3/13/19 pm.

⁸²⁰ PX 1532 at 1-2.

598. Regarding his attempts to market and sell in Europe, Baker gave one such presentation in 2015 to a potential investor, providing a detailed presentation on Sanctuary Belize, including providing copies of the website and TV campaign.⁸²¹

599. The presentation made many claims, including promising amenities such as: (1) “250 slip marina managed by IGY”; (2) “Marina Village containing commercial and retail elements, including hotel, yacht club, promenade, etc.”; and (3) “State-of-the-art hospital providing US standard-of-care treatment.”⁸²²

600. The presentation also repeated the claim that the development would be completed quickly, touting an “expected development timeline of 3-5 years.”⁸²³

601. Additionally, Peter Baker took part in efforts in 2015 to eliminate negative online articles from search results related to Sanctuary Belize.⁸²⁴

602. As part of these efforts, Baker received and was relied on for approval for claims that the contractor could spread online regarding Sanctuary Belize. These claims included: “Sanctuary Belize is located along the southeastern coast of Belize. Developers say their master plan includes completion of a 250-slip yacht harbor with restaurants and seaside townhomes and condominiums, along with plans for a world-class hospital, modern roads, community meeting houses, pools, a spa, resort hotels, and even a casino.”⁸²⁵

603. Baker has also taken part in the Sanctuary Belize sales tours, at least since 2017 by which time he was both the SRWR Chairman and Managing Director of Eco Futures (BZ).⁸²⁶

⁸²¹ PX 934; *see also* Baker Oct. 15, 2019 Dep. Tr. 149:21-151:19 (“I was out trying to raise money, trying to finish the development by raising capital and met with the largest cell phone provider in Russia who was interested in finishing the development.”)

⁸²² PX 934 at 9.

⁸²³ PX 934 at 21.

⁸²⁴ PI Hrg Tr. 90:8-92:9, 3/15/19 am (describing relationship with Lark Gould, a woman hired to eliminate negative online articles from search results); PX 933 (email correspondence regarding efforts); PX 955; PX 956; PX 957; PX 958; PX 959.

⁸²⁵ PX 933 at 3.

⁸²⁶ Baker Depo., 2/19/19, 134:18-135:22.

604. Prior to tours, Baker would coordinate the sales staff and help determine which sales personnel would work with which consumers.⁸²⁷

605. During the tours, Baker directly interacted with consumers during the sales process, including during meals attended by the potential purchasers.⁸²⁸ Baker also testified that he “attended dinners with some of the people who came on tours” and “would talk with [] potential buyers.”⁸²⁹

606. Indeed, Baker would work to close sales, including addressing consumers who had particular issues with the development preventing them from buying.⁸³⁰

607. At times, Baker himself closed sales with consumers, as documented in a post-sales tour spreadsheet that Baker authenticated as accurate.⁸³¹

608. Throughout the tour, Baker would receive regular updates on the status of the sales process, and then would receive post-tour summaries, documenting the sales that were made and identifying issues sales people had in closing deals.⁸³²

⁸²⁷ PX 814 (Costanzo) ¶ 24 (Costanzo testifying: “Peter Baker would take part in the pre-tour meeting, covering who was coming on tour, what lots they were interested [in], and how much people were willing to pay. Peter Baker would help decide which sales people would be assigned to which potential purchaser.”).

⁸²⁸ PI Hrg Tr.101:8-13, 3/13/19 pm; PX 814 (Costanzo) ¶ 24 (Costanzo testifying: “Peter Baker would take part in the dinners and cocktails during the sales tours. For instance, Peter Baker would typically attend the ‘Marina Night’ part of the sales tour, which was dinner and cocktails along the Marina. He would be introduced as Managing Director and would mingle with owners and potential purchasers.”).

⁸²⁹ Baker Feb. 19, 2019 Dep. Tr. 136:17-137:8; *see also* Baker Oct. 15, 2019 Dep. Tr. 328:21-329:10 (he “clicked” with prospective purchasers at dinner).

⁸³⁰ PX 814 (Costanzo) ¶ 24 (Costanzo testifying: “If potential purchasers were on the fence, Peter Baker would be called-in to talk with them, to inspire confidence that the development would be delivered and completed in a timely manner.”); PX 928 (sales tour spreadsheet identifying “Pete” as one of the closers on a sale and that he address concerns the consumer had regarding the development).

⁸³¹ PX 928 (Baker closed sale for Brian and Kari Southard); PI Hrg Tr. 101:23 to 103:2, 3/13/19 pm.

⁸³² PX 814 (Costanzo) ¶ 24 (Costanzo testifying: “Every night there were status reports on the sales, and Peter Baker would be included as a recipient of these reports. . . . Following sales tours there were email reports regarding the outcome of the tours, including reviews of the sales staff and details regarding how many sales had been made. Peter Baker, as well as Andris Pukke, Rod Kazazi, Luke Chadwick (when he was with the SBE, and Brandi Greenfield were all included on these email reports.”); PI Hrg Tr. 101:14-20, 3/13/19 pm; PX 927 & PX 928 (post

609. Additionally, Baker was also included on emails regarding sales strategies and tour reports.⁸³³

610. Peter Baker has sent emails to news organizations claiming that Andris Pukke did not have involvement in Sanctuary Belize.⁸³⁴ He also sent an email in December 2017 instructing, “And take out all references of And[i]” in a resume Gordon Barienbrock sent for use on the Reserve Property Owners Association’s website.⁸³⁵ The version of Barienbrock’s resume on the website did not reference Pukke.⁸³⁶

c. Peter Baker had knowledge.

611. Baker’s control and participation, as shown above, is strong evidence of his knowledge of SBE’s deceptive practices.

612. Baker had knowledge of the marketing and sales process. For instance, he regularly spoke with his business partner, Pukke, regarding sales and marketing.⁸³⁷

613. Additionally, he received marketing materials, including “[w]hat they were presenting on tour,” “[w]hat they were telling people the vision was,” and what Baker “believed was being told to the owners, to the buyers.”⁸³⁸

tour email and status report); PI Hrg Tr. 101:23 to 103:2, 3/13/19 pm (Baker authenticating PX 927 and PX 928, previously marked as DX-AP-88 and DX-AP-89).

⁸³³ Baker Oct. 15, 2019 Dep Tr. 165:5-22 (Baker “like[d] to be included in things that were going on” and was “still informed on things.”); Anderson Dep. Tr. 324:13-325:18 (tour report); PX 1365 (tour report); PX 1381 (lot tour reservation report); PX 1525 (tour report); PX 1526 (tour report).

⁸³⁴ Peter Baker Oct. 15, 2019 Dep Tr. 41:14-42:13, 345:6-18; 346:11-347:15; PX 948 (Pukke directing Baker to send response drafted by Costanzo); PX 949 (Pukke’s initial draft to Baker); PX 1102 (article).

⁸³⁵ PX 1135.

⁸³⁶ Compare PX 1136 (website version of resume) with PX 1133 at 2; Barienbrock Dep. Tr. 467:4-468:9, 468:17-474:1.

⁸³⁷ PI Hrg Tr. 66:2-20, 3/13/19 pm (Baker testifying to regular phone calls with Pukke regarding “sales and marketing”).

⁸³⁸ Baker Feb. 19, 2019 Dep. Tr. 146:15-147:21; see also PI Hrg Tr. 100:8-17, 3/13/19 pm (Baker testifying that he received marketing materials “[b]ecause I was a partner of the business, and I was concerned about what are you guys doing. So I received the information.”).

614. As Baker has testified, he also regularly received email marketing communications and monitored SBE's social media accounts, which also included marketing.⁸³⁹

615. As a result of the marketing materials he was either provided with, or otherwise saw online, Baker knew SBE was making the six core claims: (1) the operation had no debt;⁸⁴⁰ (2) every dollar collected would go back into the development;⁸⁴¹ (3) that Sanctuary Belize would have numerous luxury amenities;⁸⁴² (4) that Sanctuary Belize would be complete within two to five years;⁸⁴³ (5) Sanctuary Belize lots would rapidly appreciate;⁸⁴⁴ and (6) there was a robust resale market.⁸⁴⁵ Baker also knew that consumers had significant concerns about Andris Pukke's involvement.⁸⁴⁶

⁸³⁹ Baker Depo., 2/19/19, 148:16 to 148:23 (“Q. But you also received other smaller pieces of marketing is what your just said; right? A. Yes. Yes. Like if they sent out an e-mail that was something related to something, I would get it. Q. So you would be given copies of e-mail marketing that would be sent to consumers; right? A. Yes.”); PI Hrg Tr. 103:22 to 104:7, 3/13/19 pm (Baker stating he received the Discovery Belize tour book, followed the Sanctuary Belize Facebook posts, and received newsletters).

⁸⁴⁰ Baker Depo., 2/19/19, 300:12-301:25 (confirming he knew that consumers were told that the development had no debt and that this made the development less risky).

⁸⁴¹ As noted above, Baker received marketing sent out on behalf of the SBE. As consumers testified, they received marketing asserting every dollar would be spent on the development. *See also* Baker Depo., 2/19/19, 305:2-19 (testifying to being aware that “every penny sold from the development was put back into the business. So if a lot was sold, the proceeds would go towards business expenses. Yes, that was my belief.”).

⁸⁴² PI Hrg Tr. 113:13 to 114:4, 3/13/19 pm (Baker testifying to contents of “Vision Book,” which was marketing that he had received, in which SBE claimed the Marina Village would have restaurants and bars and a hotel, among either items); PX 933 at 3 (email seeking Baker's approval of claims that Sanctuary Belize would include “a 250-slip yacht harbor with restaurants and seaside townhomes and condominiums, along with plans for a world class hospital, modern roads, community meeting houses, pools, a spa, resort hotels, and even a casino”); PX 934 at 9 (presentation Baker gave claiming there would numerous amenities, including luxury amenities in the Marina Village, and further stating there would be a “State-of-the-art hospital providing US standard-of-care treatment”).

⁸⁴³ PX 934 at 21 (presentation Baker gave stating “current development timeline of 3-5 years”). Furthermore, as noted above, Baker was on site in Sanctuary Belize and interacted with consumers. Costanzo testifies that consumers who were on sight would frequently state they had been told the development would be complete within 2 to 5 years. PX 814 (Costanzo) ¶ 39.

⁸⁴⁴ SBE made this claim, among other places, in emails to consumers. Baker testified that he received email marketing materials sent to consumers. Baker Feb. 19, 2019 Dep. 148:16-23.

⁸⁴⁵ The same documents showing rapid appreciation necessarily imply a resale market.

⁸⁴⁶ PX 928 (Baker responding to consumer who was concerned about the history of the development); PI Hrg Tr. 107:9-108:9, 3/13/19 pm (Baker admitting he was aware that Pukke

616. Baker's knowledge of these claims is also necessary given his admitted frequent discussions with Pukke regarding Sanctuary Belize marketing.⁸⁴⁷

617. Baker has admitted that the "no debt" model will not provide sufficient funds to complete the development with the promised amenities within a reasonable amount of time.⁸⁴⁸

618. Importantly, Baker has admitted that the "every dollar" claim is false,⁸⁴⁹ and that he had reason to believe it was false prior to the FTC's lawsuit.⁸⁵⁰

619. Regarding the amenities, Baker not only knew that claims were being made that, for instance, the Marina Village would have numerous amenities, but that the building plans, such as they were, did not include these amenities.⁸⁵¹

used aliases); PX 1071 (in document Baker attached to 2016 SRWR meeting minutes, it describes Pukke's lack of involvement as of 2016: "Andris' equity shares were conveyed to Peter Baker and the original core development investors (this should be noted to show he has no involvement)."); PI Hrg Tr. 90:3-10, 3/13/19 pm (Baker held Pukke's shares rather than have shares officially in Pukke's name).

⁸⁴⁷ PI Hrg Tr. 66:2-20, 3/13/19 pm (Baker testifying to regular phone calls with Pukke regarding "sales and marketing"); PI Hrg Tr. 63:8-13, 3/13/19 pm ("Because I was in contact with Mr. Pukke via phone on a daily basis. Q: And you were talking about the business of GPA? A: Yes, sir.").

⁸⁴⁸ PI Hrg Tr. 114:5-115:25, 3/13/19 pm (Baker testifying that the many promised amenities do not exist right now, and that there is *no current plan* to build many of them, including the hotel, grocery store, condos, and lodges); PX 934 (presentation provided by Baker stating that financing would be necessary to be able to finish Sanctuary Belize in a timely manner); PX 814 (Costanzo) ¶ 34 (Costanzo testifying: "But, the most recent plan for development in the Marina Village represented a slimmed down version from previous versions. Despite the previous claims over the years, the current plans only included six to seven shops, a restaurant, a bar, a utility yard, and a security/medical kiosk.").

⁸⁴⁹ DE 216 at 2 (Baker's pleading admitting that Pukke's siphoning of money rendered the "every dollar" claim false).

⁸⁵⁰ PI Hrg Tr. 83:1 to 84:20, 3/13/19 pm (recounting 2016 allegations he was aware of that Pukke was siphoning money); *id.* at 86:5-21 (Pukke claiming he would address the allegations through an audit, but then never completed the audit); Baker Depo., 2/19/19, 149:21 to 151:17 (still not having seen an audit, addressed concerns his wife had that money was being diverted by talking with SBE's accountant in 2018).

⁸⁵¹ PI Hrg Tr. 114:5-115:25, 3/13/19 pm (Baker testifying that the many promised amenities do not exist right now, and that there is *no current plan* to build many of them, including the hotel, grocery store, condos, and lodges); PX 814 (Costanzo) ¶ 34 (Costanzo testifying: "But, the most recent plan for development in the Marina Village represented a slimmed down version from previous versions. Despite the previous claims over the years, the current plans only included six to seven shops, a restaurant, a bar, a utility yard, and a security/medical kiosk.").

620. Baker also characterized the amenities discussed in the Vision Book and in other marketing materials as only their “aspiration” or “vision,” rather than an actual plan, knowing they would not be completed within a short period of time.⁸⁵²

621. Regarding rapid appreciation and resale, Baker has testified that he was aware that owners had difficulty selling lots and that few people had resold properties for a significant profit.⁸⁵³ In October 2017, Baker wrote to Pukke, stating “Ridiculous” in response to an email thread about “for sale” signs being taken down by the development.⁸⁵⁴

622. Baker was aware of Luke Chadwick’s 2011 email stating that “[i]f we are ever to be a first class, successful organization rather than a shady, second rate development that is full of empty promises that falls short of people’s expectations then we need to start conducting ourselves in such a manner.”⁸⁵⁵

623. Furthermore, Baker testified that he knew Pukke had used the Marc Romeo alias and that documents referring to Marc Romeo as a sales manager or SBE officer necessarily were referring to Pukke.⁸⁵⁶ He also knew that Pukke used the alias Andy Storm.⁸⁵⁷

624. In general, Baker was aware that there were unsavory individuals at SBE, including Pukke. Baker plainly knew that Pukke had been pursued by the FTC previously for deceptive marketing⁸⁵⁸ and that Pukke was a felon.⁸⁵⁹

⁸⁵² PI Hrg Tr. 45:4-11, 3/15/19 am (amenities, such as those in vision book, were just an “aspiration”); PX 934 (presentation provided by Baker stating that financing would be necessary to be able finish Sanctuary Belize in a timely manner).

⁸⁵³ Baker Depo, 2/19/19, 344:22-24 (“Oh, it was—there wasn’t a lot of people who originally first bought who then flipped for a profit like her.”); *see also* PX 1469 (Baker aware of resale program where “[n]o individual signage [was] allowed on the property”); PX 1470 (Baker involved in resale program).

⁸⁵⁴ PX 1094.

⁸⁵⁵ PX 1477.

⁸⁵⁶ PI Hrg Tr. 107:9-108:9, 3/13/19 pm (Baker admitting he was aware that Pukke used aliases); *id.* at 109:7-13 (the real “Mark Romeo was not working with the development. At that time he had switched over from an initial investor to a lot owner only. So he was not involved in the project at all”); Baker Depo., 2/19/19, 211:1-24 (whenever “Romeo” appeared as actually involved in the development, this was a reference to Pukke under an assumed name).

⁸⁵⁷ Baker Oct. 15, 2019 Dep. Tr. 340:17-341:9 (“Q: Who’s Andy Storm? A: Andris Pukke. . . . Q: So he’s used the name Andy Storm for years? A: Correct.”)

625. As recounted in Section II.E.ii., Baker took part in contumacious conduct, including false testimony to this Court, to hide Sanctuary Belize from this Court and ensure Pukke's continued control and ownership notwithstanding this Court's orders.

626. Baker continued to work with Pukke, including giving Pukke a position of authority, even though Pukke had convinced Baker to lie, under oath, to this Court, regarding Pukke's assets during the *AmeriDebt* litigation. For instance, Baker has admitted that he lied about this ownership of Sportingbet stock at Pukke's behest, as part of Pukke's attempts to hide assets from the *AmeriDebt* receiver.⁸⁶⁰

627. Baker knew that there were complaints that sales people were making claims that could not be fulfilled in order to sell lots.⁸⁶¹ In fact, Baker knew that the longtime sales manager for SBE, Bill Bannon, was himself making claims that could not be fulfilled.⁸⁶² Nonetheless, Bill Bannon was employed as a sales manager from at least 2009 until around 2016.⁸⁶³

628. Frank Costanzo testified that Baker had full knowledge of consumer complaints about Sanctuary Belize.⁸⁶⁴

629. Baker's participation in a search-engine-optimization effort in 2015, which was attempting to eliminate negative online search results for Sanctuary Belize,⁸⁶⁵ is further evidence of his knowledge of consumer complaints.

⁸⁵⁸ As noted in the section on the history of the Sanctuary Parcel, Baker was contempt defendant in the prior *AmeriDebt* proceeding, having been held in contempt of Pukke's final order in that matter.

⁸⁵⁹ See, e.g., PI Hrg Tr. 50:15-16, 3/13/19 pm ("Later on, in 2011 or '12, when Mr. Pukke was found for his problems, he went to prison. . .").

⁸⁶⁰ PI Hrg Tr. 78:20 to 81:14, 3/13/19 pm (admitting Pukke and associates had convinced him to lie to this Court).

⁸⁶¹ PI Hrg Tr. 97:18 to 98:1, 3/13/19 pm; Baker Depo., 2/19/19, at 161:18 to 162:5 (issues with Bill Bannon as sales person who "stretched the truth" and made "grandiose claims").

⁸⁶² Baker Feb. 19, 2019 Dep. Tr. 158:21-162:15 ("Q: As to the concerns related to Bill Bannon, do you remember what those concerns were? A: That he stretched the truth.")

⁸⁶³ PI Hrg. Tr. 98:2-21, 3/13/19 pm (Bannon "was a salesman for a long period of time").

⁸⁶⁴ PX 814 (Costanzo) ¶ 20.

⁸⁶⁵ PI Hrg Tr. 90:8-92:9, 3/15/19 am (describing relationship with Lark Gould, a woman hired to eliminate negative online articles from search results); PX 933 (email correspondence regarding

630. In December 2017, Baker responded to a potential investor regarding various stories regarding problems with Sanctuary Belize, including “Tarnished Dreams,” by calling them “nonsense” and stating that “[w]e litigated all of it and won a defamation suit against them.”⁸⁶⁶ Baker consulted with Pukke in sending this response, and Pukke instructed him to say that “we’ve already litigated and won all of those issues both in BZ and the US.”⁸⁶⁷

631. Furthermore, throughout the preliminary injunction hearing, Baker referenced an organized group of consumers, known as the Independent Owners of Sanctuary Belize, who leveled complaints against the development, and which Baker knew about before the FTC filed its lawsuit.⁸⁶⁸ Indeed, Baker was physically present in the courtroom during the IOSB proceeding, as he sent WhatsApp messages updating Andris Pukke on the courtroom proceedings in real time.⁸⁶⁹ A defamation claim about Pukke’s purported lack of involvement in Sanctuary Belize was included in this litigation. However, in these messages, Pukke uses “we” to describe SBE’s efforts,⁸⁷⁰ and writes, “Wish I was there to see it.”⁸⁷¹

632. Baker forwarded an SBE press release celebrating the result of the IOSB lawsuit. Notably, the press release states that “Judge finds that one of IOSB’s ‘centerpiece’ claims against the Developer – and core element to the wind-up case – was determined to be a lie: Court finds

efforts).

⁸⁶⁶ PX 1529.

⁸⁶⁷ PX 1528.

⁸⁶⁸ *See, e.g.*, PI Hrg. Tr. 90:19-23, 3/13/19 pm (“I was the lucky recipient of getting to deal with the IOSB lawsuit.”). Part of the lawsuit was alleging the company was being defamed by claims that Pukke was still associated with the development, which Baker plainly knew to be true. PX 467 at 3, 25-27; PX 1532 at 10-20. Baker also contemporaneously confirmed his role in the various pieces of litigation against the development, instructing Frank Costanzo to “send me my Babjak witness statement again please,” PX 1537 at 1, and by instructing Brandi Greenfield that “[w]e can’t sell Babjaks lot or anybody currently involved in a lawsuit that predates our termination till lawsuits resolved.” PX 1534 at 1.

⁸⁶⁹ *See* PX 1532 at 10-20.

⁸⁷⁰ PX 1532 at 13-14.

⁸⁷¹ PX 1532 at 15.

no relationship between Development and Andris Pukke.”⁸⁷² Baker received this press release from Andris Pukke with Pukke’s instruction to “make sure all of the reps get this.”⁸⁷³

B. SBE operated as a common enterprise, with no practical distinction between entities while sharing owners, officers, employees, and commingling money.

633. SBE does not maintain corporate formalities or practical distinctions between the seventeen entities that constitute the Sanctuary Belize Enterprise (“SBE”): Eco-Futures (US); GPA; Buy Belize; Buy International; Power Haus; FDM; FP; SBPOA; NLG; EF; BGM; Prodigy; SBR (NV); BREA (NV); EI (NV); Eco-Futures (BZ); and SRWR.⁸⁷⁴

634. These seventeen companies “worked closely, sharing owners, officers, and employees to market and develop properties, including Sanctuary Belize.”⁸⁷⁵

635. The Belizean entities had the same management and employees, no relevant distinctions in their activities, and were answerable to the operations in California.⁸⁷⁶

⁸⁷² PX 1462 at 1, 5.

⁸⁷³ PX 1462 at 1.

⁸⁷⁴ *Infra* FOF Section II.C. (showing that these companies shared owners, officers, locations, employees, and at times were mere shells); PI Hrg. Tr. 4:22 to 5:7, 3/11/19 pm (consumer testimony regarding an email showing multiple SBE entities operating from the same address); PI Hrg. Tr. 105:4-20, 3/11/19 pm (consumer testimony regarding PX 881, an invoice for SRWR payable to Eco Futures at an Irvine, CA address); PX 814 (Costanzo) ¶ 5 (Costanzo testifying: “[T]he SBE commingled their operations, including duties, priorities, employees, projects, and budgets.”); *id.* ¶¶ 12-15 (Costanzo explaining how the entities overlapped, shared owners, officers, and employees); PX 205 (Reneau) ¶ 3 (Paige Reneau, former SBE employee, explaining: “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. Everyone who worked for those entities took orders from and reported to Pukke. Pukke used each of these interrelated entities to market lots in Sanctuary Belize.”); PI Hrg Tr. 69:8 to 72:13, 3/20/19 pm (Receiver, having taken over the 3333 Michelson Drive suite, determined that “[a]ll of the receivership entities” operated from that suite, with the exception of the two Belizean entities, which had operations in Belize but were answerable to the SBE in California and further testifying that there was no way to “determine which employee worked for which receivership entity”); PI Hrg Tr. 110:15-19, 3/21/19 am (Receiver testifying: “It depends on how you define control. I define control by control of the purse strings, therefore by definition, Mr. Pukke controlled things in Belize.”); PI Hrg Tr. 28:17-25, 3/13/19 pm (Baker testifying that he cannot distinguish the various entities known as Eco Futures: “This is a problem for me without seeing the documents, because we have so many different Eco-Futures at this point over the course of 10 years.”); PX 816 at 6 (Pukke has “ownership in the Reserve at Sanctuary Bay in Belize (the Reserve) and exercises total control over the Reserve and its cash receipts”).

⁸⁷⁵ PX 814 (Costanzo) ¶ 12.

⁸⁷⁶ PI Hrg Tr. 71:12 to 72:6, 3/20/19 pm (SRWR and Eco-Futures (BZ) has the “[s]ame employees”); PX 816 at 6 (Pukke has “ownership in the Reserve at Sanctuary Bay in Belize (the

636. All SBE entities operated or were managed from 3333 Michelson.⁸⁷⁷ At least seven SBE entities are legally registered at 3333 Michelson.⁸⁷⁸

637. Sixteen SBE entities shared at least one official owner, officer or director with at least one other SBE entity.⁸⁷⁹

- a. Baker was an owner or officer of FDM,⁸⁸⁰ Buy International,⁸⁸¹ Buy Belize LLC,⁸⁸² Eco Futures (BZ),⁸⁸³ founder of GPA,⁸⁸⁴ and has at various times been a Director or Chairman for SRWR,⁸⁸⁵

Reserve) and exercises total control over the Reserve and its cash receipts”).

⁸⁷⁷ PX 297 (Kaufman) ¶ 215; PX 479 (GPA); PX 523 (Power Haus); PX 544 (FDM); PX 533 (SRWR receiving payments “c/o Eco Futures” at 3333 Michelson); PX 405 (GPA and Buy Belize joint email signature block); PX 541 (Buy International); PX 531 (Eco Futures (US)); PX 528 (Eco Futures (BZ) received checks at 3333 Michelson); PX 529 (SRWR received checks at 3333 Michelson); PX 3, 165-70 (documenting how a Coldwell Banker Southern Belize employee worked from 3333 Michelson); PX 1436 (3333 Michelson signature block); Maya Baker Dep Tr. 59:17-23 (testifying that Eco Futures (US) paid her while she worked in Belize); PX 600 (email from Chadwick claiming that EI (NV) can be billed at 3333 Michelson); PX 546 (FP); PX 591 (email identifying BG Marketing with Greenfield, who worked at 3333 Michelson, and Chadwick with Prodigy Management, while he also worked at 3333 Michelson); PI Hrg Tr. 62:17-63:11, 3/20/19 pm (GPA leased 3333 Michelson, which had a “Buy International” sign as you entered); PI Hrg Tr. 69:8 to 72:13, 3/20/19 pm (Receiver, having taken over the 3333 Michelson Drive suite, determined that “[a]ll of the receivership entities” operated from that suite, with the exception of the two Belizean entities, which had operations in Belize but were answerable to the SBE in California and further testifying that there was no way to “determine which employee worked for which receivership entity”); PX 814 (Costanzo) ¶¶ 13,18; PX 816 at 6 (Receiver confirming all operations were managed from the Irvine location, by Pukke). Additionally, the SBE’s in-house builder, Anthony Mock, maintained an office at 3333 Michelson, free of charge. PI Hrg. Tr. 124:3 to 125:23, 3/15/19 pm. Costanzo will testify as to Ecological Fox.

⁸⁷⁸ PX 297 (Kaufman) ¶ 216; PX 479 (GPA); PX 538 (Buy Belize); PX 523 (Power Haus); PX 544 (FDM); PX 541 (Buy International); PX 531 (Eco Futures (US)); PX 546 (FP); PX 814 (Costanzo) ¶ 13.

⁸⁷⁹ PX 814 (Costanzo) ¶ 13 (“no real distinction between” the U.S.-based entities which Peter Baker owned); ¶ 15 (the Belizean entities were owned directly or held for the benefit of Baker and Pukke); ¶ 17 (SBPOA was set up by Pukke, Chadwick, and Usher and has board seats for the SBE).

⁸⁸⁰ PX 544.

⁸⁸¹ PX 541.

⁸⁸² PX 538.

⁸⁸³ This is documented in the earlier section regarding Peter Baker’s control. *See also* PX 640 at 216-18 (Usher testifying that Baker was the majority shareholder for Eco Futures (BZ)).

⁸⁸⁴ PX 1071.

⁸⁸⁵ PX 1071. (Baker as Chairman in 2016); PX 568 (Baker as member of board in 2004).

- b. Costanzo was the de facto owner of Ecological Fox,⁸⁸⁶ and was an officer of FDM,⁸⁸⁷ Eco Futures (US),⁸⁸⁸ Buy International,⁸⁸⁹ and NLG.⁸⁹⁰
- c. Kazazi was an owner or officer of Foundation Partners,⁸⁹¹ Eco Futures (US),⁸⁹² and GPA;⁸⁹³
- d. Chadwick was the self-described “Principal” of Sanctuary Belize,⁸⁹⁴ has been a director of SRWR,⁸⁹⁵ and was the owner or officer of Prodigy,⁸⁹⁶ EI (NV),⁸⁹⁷ BREA (NV),⁸⁹⁸ and SBR (NV),⁸⁹⁹
- e. Greenfield was an officer and director of GPA,⁹⁰⁰ Buy Belize,⁹⁰¹ and is the owner or officer of BG Marketing;⁹⁰² and

⁸⁸⁶ The FTC anticipates testimony from Frank Costanzo on this point.

⁸⁸⁷ PX 544.

⁸⁸⁸ PX 531.

⁸⁸⁹ PX 541.

⁸⁹⁰ PX 814 (Costanzo) ¶ 26.

⁸⁹¹ PX 546.

⁸⁹² PX 531.

⁸⁹³ PX 479.

⁸⁹⁴ This is detailed in the section regarding Luke Chadwick’s personal involvement in the scheme. *See also* PX 496 (identifying Luke Chadwick as a “Principal”).

⁸⁹⁵ PX 603 (2010 list of SRWR Directors); PX 989 (company resolution).

⁸⁹⁶ Chadwick Sep. 26, 2019 Dep. Tr. 90:11-93:15 (Chadwick received his commissions through Prodigy, and he was the sole owner and employee of the company); PX 591 (internal SBE email identifying Prodigy as Chadwick’s shell company); *see also* PX 589, 590, 592.

⁸⁹⁷ PX 592 (spreadsheet showing Chadwick’s ownership); PX 44 at 74 (corporate documents showing Exotic Investor is the official owners of an entity that Chadwick controls); Chadwick Mar. 7, 2019 Dep Tr. 87:6-15 (testifying that he owns 100% of Exotic Investor).

⁸⁹⁸ PX 44 at 52 (signing agreement with Realogy for Coldwell Banker franchise on behalf of BREA (NV)); *id.* at 63 (Chadwick as 100% owner); *id.* at 74 (corporate documents confirming ownership); Chadwick Mar. 7, 2019 Dep. Tr. 99:25-100:7 (EI (NV) has an interest in BREA (NV)).

⁸⁹⁹ PX 1544 (EI(NV) owns 51%); PX 1543 (CVM obtained a 49% ownership stake in Southern Belize Realty via a \$1,500,000 wire transfer to “Luke’s company ‘Exotic Investor’”); PX 592 (spreadsheet showing Chadwick’s ownership); PX 44 at 71 (signing agreement with Realogy on behalf of SBR); Chadwick Mar. 7, 2019 Dep. Tr. 99:25-100:7 (EI (NV) has an interest in SBR (NV)).

⁹⁰⁰ PX 479.

⁹⁰¹ PX 537.

⁹⁰² PX 547 (email in which Greenfield is purchasing the BG Marketing license); PX 548 (BG Marketing registration).

f. Usher was a Director and Chairman for SRWR,⁹⁰³ Managing Director for Eco Futures (BZ),⁹⁰⁴ and Director of the SBPOA.⁹⁰⁵

638. The only entity not sharing an owner or officer is Power Haus, which was registered in the name of Pukke's wife, Chittenden, and located at 3333 Michelson.⁹⁰⁶

639. As documented above, Pukke controlled all operations, even though he does not appear as an owner or officer of any entity.⁹⁰⁷

640. Regarding SBE's relationship with Coldwell Banker Southern Belize, one SBE employee wrote an email from her Coldwell Banker Southern Belize email address to other SBE employees, proclaiming them all "ONE TEAM."⁹⁰⁸

641. Frank Costanzo affirmed that the companies comprising the SBE "worked closely, sharing officers, owners and employees to market and develop projects, including Sanctuary Belize."⁹⁰⁹

642. Maya Baker testified that employees of the Californian and Belizean entities "communicated regularly" and it was "part of one effort to sell a lot to a potential lot purchaser."⁹¹⁰ Luke Chadwick confirmed this testimony, testifying that when he negotiated lot sale agreements, he did so on behalf of both the seller, Sittee River Wildlife Reserve, and the developer, Eco Futures Developments.⁹¹¹

⁹⁰³ PX 568 (2004 SRWR Board of Directors, showing Usher as a Director and Pukke as Chairman); PX 603 (2010 SRWR Board of Directors); PX 1071.

⁹⁰⁴ PX 640 at 51; Usher appears as the "principal" of "Eco-Futures" in numerous marketing communications related to Sanctuary Belize and emailed to consumers in the United States. PX 297 (Kaufman) ¶ 254; PX 564; PX 46 at 128.

⁹⁰⁵ PX 499; PX 297 (Kaufman) ¶ 295. The SBPOA also received payments at 3333 Michelson and 1401 Dove Street. PX 297 (Kaufman) ¶ 228; PX 533; PX 534.

⁹⁰⁶ PX 522; PX 523; PX 297 (Kaufman) ¶ 329; PX 641.

⁹⁰⁷ *See, e.g.*, PX 814 (Costanzo) ¶ 18.

⁹⁰⁸ PX 597 ("Competition? Hardly. Just remember. . . ONE TEAM ONE DREAM!"); *see also* PX 1516 ("I am looking forward to a very prosperous year between CB and SB."). Pukke also commented on the building of the Coldwell Banker project. *See* PX 1328.

⁹⁰⁹ PX 814 (Costanzo) ¶ 12.

⁹¹⁰ Maya Baker Dep Tr. 24:15-19.

⁹¹¹ Chadwick Sep. 26, 2019 Dep. Tr. 126:2-17.

643. Likewise, Andrew Dixon testified that Buy International provided marketing for the Belizean entities, just like Eco-Futures (US) and GPA before it:

Q: And Buy International is providing marketing for some of the companies in Belize?

A: Correct. It's, I think, the third one in order; right? We have Eco-Futures the initial one, which became Global Property, which then became Buy International.⁹¹²

644. Dixon later explained the relation between Buy International, Eco-Futures, Bamboo Spring, and Foundation Development Management as such:

Q: Are all these companies associated with each other?

A: They are.

Q: How are they associated with each other?

A: Because two are marketing companies, and the money comes from one to cover the costs of the other.⁹¹³

645. The SBE entities share employees with one another.⁹¹⁴ As a former employee confirms, it was unclear for which company one worked.⁹¹⁵ Likewise, Zarnie Anderson testified that she could have worked for either Buy Belize or Buy International because “[i]t was kind of all blended in together.”⁹¹⁶ When asked if one could determine which of the SBE a given

⁹¹² Dixon Dep. Tr. 80:16-21.

⁹¹³ Dixon Dep. Tr. 81:25-82:18; *see also* PX 1216, PX 1217, PX 1218, PX 1219; Dixon Dep. 79:20-80:10, 80:16-81:9, 81:13-85:12 (authenticating and discussing PX 1216-PX 1219).

⁹¹⁴ PX 297 (Kaufman) ¶ 336 (directing to authentication paragraphs); PX 582 (Angie Garcia as Buy International employee); PX 544 (Angie Garcia signing FDM corporate papers as “Accounting”); PX 428 (an email to a consumer from an SBE employee on behalf of both “Eco Futures, Inc.” and SRWR); PX 814 (Costanzo) ¶13 (sales and planning of the development were handled by the same employees who worked out of the same offices for U.S.-based entities).

⁹¹⁵ PX 205 (Reneau) ¶ 3 (Paige Reneau, former SBE employee, explaining: “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. Everyone who worked for those entities took orders from and reported to Pukke. Pukke used each of these interrelated entities to market lots in Sanctuary Belize.”).

⁹¹⁶ Anderson Dep. Tr. 58:13-19.

employee worked for, the Receiver answered: “No. It was very difficult. There was paperwork for various entities on the same desk or desks. So it was pretty hard to tell who worked for whom. And all of the records were interspersed.”⁹¹⁷

646. SBE entities commingle funds with one another. SBE bank account records show funds transferring freely among the various members of SBE.⁹¹⁸ Additionally, GPA maintained bank accounts in the name of Eco Futures (BZ) and SRWR.⁹¹⁹ Similarly, the property owners association fees were ostensibly paid to SRWR, but were deposited into a bank account held by GPA.⁹²⁰ From 2011 to 2016, GPA’s balance sheet listed the assets of other companies as its own.⁹²¹

647. The CPA for SBE, Andrew Dixon, testified in his deposition that “inside the GPA [balance sheet] there’s just one humongous account that is just kind of the catchall for everything.”⁹²²

648. Likewise, Dixon also testified that bank accounts for Belizean entities were listed as assets on GPA tax returns, and GPA’s tax returns would also reflect “money flowing through Global Property Alliance’s account for these various Belizean obligations.”⁹²³

⁹¹⁷ PI Hrg Tr. 71:3-6, 3/20/19 pm.

⁹¹⁸ PX 250 (Agarwal) ¶ 13 (documenting examples of transfers among the SBE accounts).

⁹¹⁹ PX 250 (Agarwal); PX 251 (account inventory showing the GPA “DBA” accounts).

⁹²⁰ PX 250 (Agarwal) ¶ 15.

⁹²¹ See PX 1225 (in 2011, Eco-Futures account was an asset of GPA); PX 1228 (in 2012, “Due From Buy Belize,” “Inter-Company Receivable,” and various construction items were assets of GPA; “Owner’s Draw A” was a liability); PX 1230 (2013 GPA assets included Eco-Futures Belize account, “due to/from Exotic Investors,” “due from Coldwell Banker,” “due from Buy Belize,” lot deposits, various construction items, and the “intercompany due to / due from”); PX 1232 (2014 GPA balance sheet showed an Eco-Futures Belize account, “Due to/from Exotic Investors,” “Due From Coldwell Banker,” “Due From Buy Belize,” various construction items, and lot payments as assets; “Due to SRWR” and “Owner’s Draw A” as liabilities); PX 1234 (in 2015, Eco-Futures Belize, “Due to/from Exotic Investors,” “Due From Coldwell Banker,” “Due From Buy Belize,” various construction items, lot deposits, and tour payments were assets of GPA; “Owner’s Draw A” was a liability of GPA); PX 1238 (Eco-Futures bank account, “Due to/from Exotic Investors,” “Due from Buy Int’l,” “Due From Coldwell Banker,” and “Due From Buy Belize” were assets of GPA in 2016; “Due to / from Eco Futures Belize,” “Due to/from Eco Futures Dev.,” “Due to Foundation Develop Mgmt.,” and “Due to SRWR” were liabilities).

⁹²² Dixon Dep. Tr. 77:5-77:20 (also testifying that only GPA’s books reflected any income).

⁹²³ Dixon Dep. Tr. 127:6-128:10, 146:2-15.

649. The Receiver explained that the lot payments were collected by various California based members of SBE,⁹²⁴ but recorded on the books of the Belizean members. Additionally, most of the expenses were paid by the California entities. The Receiver also found that the expenses were frequently double booked on both the California entities and Belizean entities' records. Furthermore, the Receiver found that "many inter-company transactions were not properly reconciled, which resulted in misstatements of various balance sheet and income statement account balances."⁹²⁵

650. Pukke has underscored that the Californian and Belizean companies are the same, writing on September 20, 2016 that "WE ARE ALL ONE COMPANY!!! The funds needed to run BOTH operations must come from the lot sale revenue (both down payments and monthly payments)."⁹²⁶

651. He continued, "The obvious understanding is that GPA, EF and SRWR's expenses, regards [sic] of what they are, are paid through that same pool of revenue."⁹²⁷

652. Pukke concludes, "Again, for this business to work, we must remember that WE ARE ALL ONE TEAM and must support each others [sic] staff and operations."⁹²⁸

VI. THE FTC'S EXPERTS ARE CREDIBLE WHILE PUKKE'S ARE NOT.

A. Professor Richard Peiser is highly qualified on real estate development, and is the foremost expert on large-scale developments, like Sanctuary Belize.

653. Professor Peiser holds the Michael D. Spear Professorship in Real Estate Development at Harvard University and holds a doctorate in land economy from Cambridge University, as well as other degrees in economics, finance, and real estate.⁹²⁹

⁹²⁴ PI Hrg Tr. 100:22-101:5, 3/20/19 pm.

⁹²⁵ PX 816 at 26-27.

⁹²⁶ PX 1383 at 2.

⁹²⁷ PX 1383 at 2.

⁹²⁸ PX 1383 at 3.

⁹²⁹ PI Hrg Tr. 46:22 to 48:6, 3/12/19 am.

654. Professor Peiser is a fully-tenured professor in the area of real estate development, and has been at Harvard in that capacity since 1998.⁹³⁰

655. Professor Peiser's experience has focused on so-called "new town" developments and otherwise on large scale real estate development.⁹³¹

656. Professor Peiser's experience is global in scope, covering large-scale developments in the United States, developing countries, Africa, and China.⁹³²

657. Over the course of his career, Professor Peiser has published more than 100 peer-reviewed articles on real estate development and has an upcoming book that will cover "new towns" around the world.⁹³³

658. As a result, Professor Peiser is eminently qualified to provide expert opinions on developments such as Sanctuary Belize, and the Court, therefore, incorporates his conclusions in its prior discussions of the facts.

B. Erik Lioy is a highly qualified and preeminent forensic accountant.

659. Erik Lioy is a partner at Dixon Hughes Goodman LLP.⁹³⁴ Dixon Hughes Goodman LLP is a large public accountancy firm. Previously, Mr. Lioy served as national managing partner of Grant Thornton's Forensic Advisory Services Practice, where he managed more than 150 people.⁹³⁵ Grant Thornton is a large public accountancy firm.⁹³⁶

⁹³⁰ PI Hrg Tr. 48:7-14, 3/12/19 am.

⁹³¹ PI Hrg Tr. 49:22-50:4, 3/12/19 am.

⁹³² PI Hrg Tr. 49:1-6, 3/12/19 pm ("I also teach a field studies class which focuses on large scale master plan communities and redevelopment projects in many parts of the world."); *id.* at 49:23 to 50:4 (testifying that "increasingly, I'm doing work in developing countries, notably in Africa. And beforehand, I spent a long time in China both doing research and running an investment company"); *id.* at 64:22 to 65:10 (testifying to cost estimates used for different parts of the world, including South America and developing countries).

⁹³³ PI Hrg Tr. 51:2-20, 3/12/19 am.

⁹³⁴ The FTC will offer this testimony at trial.

⁹³⁵ PI Hrg Tr. 5:14-20, 9:1-5, 3/14/19 am.

⁹³⁶ PI Hrg Tr. 8:17-22, 3/14/19 am.

660. As Mr. Lioy testified, he is a certified public accountant as well as “a certified fraud examiner,” “certified global management accountant, and certified construction auditor.” Additionally, he is “certified in financial forensics.”⁹³⁷

661. As Mr. Lioy testified, he has significant experience in forecasting or predicting future revenue for businesses.⁹³⁸

662. His specific expertise in forensic accounting involves the ability to evaluate accounting and financial data that may be incomplete, combine that information with other evidence or information, and draw reliable conclusions such as budgeting and revenue forecasts.⁹³⁹

663. As a result, Mr. Lioy is very qualified to provide expert opinions on the budget and revenue forecasts for Sanctuary Belize, as well as determine the amount of revenue the SBE has received and the limited number of refunds they have issued. The Court, therefore, incorporates his conclusions in its prior discussions of the facts.

C. Pukke’s “expert” lacks the qualifications to credibly challenge any of Professor Peiser’s or Erik Lioy’s opinions.

664. Pukke’s Expert, Eric Sussman, is an adjunct professor⁹⁴⁰ who lacks a doctorate degree in any field.⁹⁴¹

665. Mr. Sussman has not published a single peer-reviewed article on any topic, let alone on “new towns” or other large scale developments.⁹⁴²

666. Mr. Sussman teaches at UCLA, but someone else teaches the course entitled “Real Estate Development,”⁹⁴³ and he has never taught a course on “new town” or “large-scale mixed use planned communities.”⁹⁴⁴

⁹³⁷ PI Hrg Tr. 6:15-18, 3/14/19 am.

⁹³⁸ PI Hrg Tr. 6:2-10:22, 3/14/19 am.

⁹³⁹ PI Hrg Tr. 9:16-10:22, 3/14/19 am.

⁹⁴⁰ PI Hrg Tr. 53:11-15, 3/21/19 pm.

⁹⁴¹ PI Hrg Tr. 54:1-3, 3/21/19 pm (highest degree is an M.B.A.).

⁹⁴² PI Hrg Tr. 59:10-12, 3/21/19 pm (“I have not.”); *id.* at 60:8-12.

⁹⁴³ PI Hrg Tr. 59:13-15, 3/21/19 pm.

667. Mr. Sussman has never taught a course or published any peer-reviewed articles on construction.⁹⁴⁵

668. Mr. Sussman lacks certification in forensic accounting and fraud examination.⁹⁴⁶

669. Mr. Sussman has no expertise in marketing or claim interpretation, having never taught courses or otherwise published peer-reviewed articles on these topics.⁹⁴⁷

670. Mr. Sussman has no expertise in surveying or interviewing consumers to determine how they interpret marketing claims, having never published any peer-reviewed articles on the topic and disclaiming any knowledge on how to conduct a valid survey.⁹⁴⁸

671. Mr. Sussman is not a licensed real estate appraiser and otherwise did not present any evidence of any particular knowledge on this topic.⁹⁴⁹

672. As the Court explained following *voir dire*, Mr. Sussman has expertise sufficient to allow testimony concerning “[r]eal estate in general and [] real estate finance,” but not other aspects of real estate development, how consumers would or should interpret claims,⁹⁵⁰ or whether FTC experts could or should have visited Sanctuary Belize.⁹⁵¹ The Court also explained it was unclear if Mr. Sussman had any expertise on other topics.⁹⁵²

673. Furthermore, during questioning on his purported valuation of the land in Sanctuary Belize, Mr. Sussman admitted that he did not follow standard real estate appraisal practices,⁹⁵³ relied on the hearsay of an unknown Belizean real estate agent,⁹⁵⁴ and further relied

⁹⁴⁴ PI Hrg Tr. 59:20 to 60:3, 3/21/19 pm.

⁹⁴⁵ PI Hrg Tr. 60:22 to 61:7, 3/21/19 pm.

⁹⁴⁶ PI Hrg. Tr. 54:4-8, 3/21/19 pm (“That’s my only license.”); *id.* at 72:2-6 (not a certified fraud examiner).

⁹⁴⁷ PI Hrg. Tr. 61:23 to 64:21, 66:24 to 68:14, 3/21/19 pm.

⁹⁴⁸ PI Hrg Tr. 68:15 to 69:11, 3/21/19 pm; PI Hrg Tr. 68:15 to 69:11, 3/21/19 pm.

⁹⁴⁹ PI Hrg Tr. 69:25 to 70:2, 3/21/19 pm.

⁹⁵⁰ PI Hrg Tr. 58:16-59:3, 82:1-6, 3/21/19 pm.

⁹⁵¹ PI Hrg Tr. 89:20 to 90:18, 3/21/19 pm.

⁹⁵² PI Hrg Tr. 80:7-12 3/21/19 pm.

⁹⁵³ PI Hrg Tr. 84:22 to 86:17, 3/22/19 am; *id.* at 87:13 to 88:24 (admitting that one should look at comparable properties but that he did not do so and, furthermore, was unaware of any particular consumer who had sold a lot for a profit).

on charts listing prices for lots without regard to whether the lots sold for the listed prices.⁹⁵⁵ Mr. Sussman also seriously undermined his own testimony and credibility on this point when he testified that consumers could not have, prior to the FTC's lawsuit, sold lots and recovered value in line with his purported valuation of the lots.⁹⁵⁶

674. As a result of his limited expertise, in the face of the much more compelling testimony from Professor Peiser and Mr. Liroy, Mr. Sussman's opinions, such as they are, are not credible to the extent they appear to contradict those of Professor Peiser and Mr. Liroy.

D. Although not an expert, Pukke's close associate, Anthony Mock, also did not provide credible evidence regarding construction progress and the costs of completion.

675. Pukke also offered Anthony Mock, a family associate and friend of his, as a witness to opine on the status of the Sanctuary Belize development and the costs to complete the development. Mock served as the in-house builder for SBE,⁹⁵⁷ and is the owner or officer of ABM Equity Group LLC and ABM Development and Design LLC, entities that perform construction services for SBE.⁹⁵⁸

676. For a variety of reasons, Mock's testimony is neither credible nor probative.

677. Although Mock attempted to opine on the cost to complete Sanctuary Belize, his cost estimates introduced during the hearing had no supporting documentation such as bids,

⁹⁵⁴ PI Hrg. Tr. 88:25 to 90:12, 3/22/19 am (testifying that he spoke with a local real estate agent but kept no records of what he was shown, how the properties were valued, or what the properties were); *id.* at 90:13-21 (testifying that the local real estate agent had no "experience with lot sales" in Sanctuary Belize); *id.* at 90:22 to 92:7 (testifying that he suggested to the realtor that Sanctuary Belize land would be worth \$800,000 per acre before getting any valuation information from the local realtor, and further testifying that because the realtor was unfamiliar with Sanctuary Belize, the figure was based on the realtor's idea of what "an acre of, you know, resort property would be").

⁹⁵⁵ PI Hrg Tr. 82:11 to 84:17, 3/22/19 am.

⁹⁵⁶ PI Hrg Tr. 102:5-18, 3/22/19 am.

⁹⁵⁷ PI Hrg Tr. 119:21 to 120:5, 3/15/19 pm (testifying that he worked "directly with the developer"); *id.* at 123:16 to 125:22 (testifying that he worked out of SBE's Irvine office); PI Hrg Tr. 19:19 to 22:5, 3/20/19 am (showing that SBE paid ABM's payroll); PX 909; PX 910a.

⁹⁵⁸ PX 297 (Kaufman) ¶ 138; PX 417-418; PI Hrg Tr. 84:10-12, 3/15/19 pm; PI Hrg Tr. 40:20-41:3, 3/13/19 am; DE 309-2 ¶ 4.

contracts, or other indicia of reliability.⁹⁵⁹ Indeed, the Receiver's representative testified that he has not identified any such documents within SBE's possession.⁹⁶⁰

678. Mock admitted in his testimony that his budget costs and estimates were based on work done by a former SBE employee, Erwin Contreres. As Mock testified, the budget was "based off of Erwin Contreres'" projections and that Contreres "had all the final numbers."⁹⁶¹ Indeed, when asked about specifics, for instance how much it cost to build a portion of the yet to be completed marina, Mock deferred: "That's a question for Erwin Contreres."⁹⁶² Notably, Pukke did not submit any evidence showing how or when Mr. Contreres may have created any budgetary figures, what he relied on when creating such a budget, or even testimony from Mr. Contreres that he in fact had completed the budget.

679. Further, Mock's estimates include construction costs only, and do not include operations costs.⁹⁶³

680. As to specifics, Mock did not know how much it would cost to build a dock tree, which would house more slips in the marina, deferring to Mr. Contreres.⁹⁶⁴ As the Court noted during the hearing upon questioning, "I think it's clear, he doesn't have the numbers."⁹⁶⁵

681. Additionally, when probed on cost estimates, Mock testified that he has never built a hospital, nor does he know how much it would cost to build one.⁹⁶⁶

⁹⁵⁹ PI Hrg Tr. 41:25-42:5; 45:25-46:3; 52:22-57:15, 3/20/19 am (Mock testifying that he either did not create the budget or has not done work previously to allow him to comment on the reasonableness of any budget).

⁹⁶⁰ PI Hrg Tr. 33:4-15, 3/21/19 am (Receiver's representative testifying that the Receiver did not identify a plan to complete the development, including no identification of any bids from contractors that would support a budget for completion).

⁹⁶¹ PI Hrg Tr. 40:1-2, 41:25 to 42:5, 3/20/19 am.

⁹⁶² PI Hrg Tr. 45:25 to 46:3, 3/20/19 am.

⁹⁶³ Mock Oct. 10, 2019 Dep. Tr. 79:9-80:5 ("Q: So it's the case that for whatever amenity I might ask about, the answer to whether or not the 37 to \$40 million includes – estimate includes operations cost will always be no? A: Yes, sir.").

⁹⁶⁴ PI Hrg Tr. 45:25-46:3, 47:10-11, 3/20/29 am.

⁹⁶⁵ PI Hrg Tr. 47:5-11, 3/20/19 am.

⁹⁶⁶ PI Hrg Tr. 54:25-55:9, 3/20/2019 am.

682. Mock has never built an airstrip, nor does he know how much it would cost to build one.⁹⁶⁷

683. Mock has never built a hotel and could not provide cost estimates for how much the hotel promised to consumers at SBE would cost to construct.⁹⁶⁸

684. Mock also did not know how much it would cost to expand the size of the marina, to increase security or fencing around the marina, or otherwise how much it would cost or what would need to be done to make the marina world class.⁹⁶⁹

685. When questioned on why certain amenities were included in his budget, and the standard to which they would be built, Mock would refer to a “master plan.” But he did not provide the Court with any such master plan, at most providing excerpts of a general plan that, as he testified, had been “modified.”⁹⁷⁰ The Receiver testified that he has not located any plan for completing the development in SBE’s records.⁹⁷¹

686. Furthermore, Mock’s estimates do not cover all of the amenities promised to consumers and identified at length above.⁹⁷² His estimates do not include: (1) an American-style hotel;⁹⁷³ (2) a hospital or medical facility, and maintenance for it;⁹⁷⁴ (3) a yacht club or the cost to operate one;⁹⁷⁵ (4) a casino;⁹⁷⁶ (5) the cost to maintain an airstrip;⁹⁷⁷ (6) airplane hangars;⁹⁷⁸ (7) a church;⁹⁷⁹ (8) a school;⁹⁸⁰ (9) a larger supermarket;⁹⁸¹ (10) the cost of twelve of

⁹⁶⁷ PI Hrg Tr. 53:10-54:4, 3/20/2019 am.

⁹⁶⁸ PI Hrg Tr. 50:6 to 51:10, 3/20/19 am.

⁹⁶⁹ PI Hrg Tr. 48:18 to 49:8, 3/20/19 am.

⁹⁷⁰ PI Hrg Tr. 40:10-24, 46:15-21, 55:22-24, 124:14-24, 3/20/19 am. Indeed, Mock testified that the unsubmitted master plan is subject to change, stating that he was most recently working on a “modified version” of this plan, which has not been submitted. *Id.* at 130:3-5.

⁹⁷¹ PX 816 at 11; PI Hrg Tr. 129:17-130:5, 3/21/19 am.

⁹⁷² PI Hrg Tr. 130:18-23, 3/20/19 am (no golf course or hospital); *id.* 67:13 to 68:5 (condominiums are not part of his estimate).

⁹⁷³ Mock Oct. 10, 2019 Dep. Tr. 97:5-11. 98:7-14.

⁹⁷⁴ Mock Oct. 10, 2019 Dep. Tr. 106:25-107:3, 107:11-17.

⁹⁷⁵ Mock Oct. 10, 2019 Dep. Tr. 73:7-12, 79:1-79:13.

⁹⁷⁶ Mock Oct. 10, 2019 Dep. Tr. 99:11-15, 99:18-19.

⁹⁷⁷ Mock Oct. 10, 2019 Dep. Tr. 101:6-102:1.

⁹⁷⁸ Mock Oct. 10, 2019 Dep. Tr. 102:25-103:2.

⁹⁷⁹ Mock Oct. 10, 2019 Dep. Tr. 76:19-77:5.

twenty planned cabanas;⁹⁸² (11) lodges;⁹⁸³ (12) a neighborhood club or community center and the cost to run one;⁹⁸⁴ (13) the cost to operate a beach club;⁹⁸⁵ (14) the cost of maintaining parks;⁹⁸⁶ (15) any plan to enhance the size of the workforce village;⁹⁸⁷ (16) a spa;⁹⁸⁸ (17) a post office;⁹⁸⁹ (18) building, facilities, or equipment for a police department or private security;⁹⁹⁰ (19) shoreline reinforcement;⁹⁹¹ (20) the cost of maintaining electrical infrastructure;⁹⁹² (21) roadway maintenance;⁹⁹³ (22) canal maintenance;⁹⁹⁴ (23) water infrastructure improvements;⁹⁹⁵ (24) sewer hookup maintenance;⁹⁹⁶ and (25) wastewater treatment maintenance.⁹⁹⁷

687. There are also other reasons to doubt the veracity of Mock's largely hearsay testimony, particularly absent any supporting documents or other corroboration.

688. Documents show that he was a part of SBE's sales practices detailed above. For instance, Mock was regularly included on internal SBE emails to sales staff, despite his testimony that he was not involved with sales.⁹⁹⁸

689. Mock is a close family associate to Pukke. For instance, he is married to Pamela Pukke, Pukke's ex-wife.⁹⁹⁹

⁹⁸⁰ Mock Oct. 10, 2019 Dep. Tr. 77:23-78:13, 78:16-17.

⁹⁸¹ Mock Oct. 10, 2019 Dep. Tr. 87:8-10, 88:4-11, 88:13.

⁹⁸² Mock Oct. 10, 2019 Dep. Tr. 95:22-96:3, 98:12-25.

⁹⁸³ Mock Oct. 10, 2019 Dep. Tr. 98:25-99:10

⁹⁸⁴ Mock Oct. 10, 2019 Dep. Tr. 75:18-24, 79:14-17.

⁹⁸⁵ Mock Oct. 10, 2019 Dep. Tr. 79:18-22.

⁹⁸⁶ Mock Oct. 10, 2019 Dep. Tr. 85:13-85:17.

⁹⁸⁷ Mock Oct. 10, 2019 Dep. Tr. 85:11-14.

⁹⁸⁸ Mock Oct. 10, 2019 Dep. Tr. 92:9-19.

⁹⁸⁹ Mock Oct. 10, 2019 Dep. Tr. 108:3-5.

⁹⁹⁰ Mock Oct. 10, 2019 Dep. Tr. 108:15-18, 109:12-22, 110:7-12.

⁹⁹¹ Mock Oct. 10, 2019 Dep. Tr. 116:23-117:4.

⁹⁹² Mock Oct. 10, 2019 Dep. Tr. 119:3-15.

⁹⁹³ Mock Oct. 10, 2019 Dep. Tr. 122:15-25, 123:7-9.

⁹⁹⁴ Mock Oct. 10, 2019 Dep. Tr. 126:2-4.

⁹⁹⁵ Mock Oct. 10, 2019 Dep. Tr. 129:10-16, 129:23-25.

⁹⁹⁶ Mock Oct. 10, 2019 Dep. Tr. 134:13-18.

⁹⁹⁷ Mock Oct. 10, 2019 Dep. Tr. 137:18-20

⁹⁹⁸ PI Hrg Tr. 15:20 to 19:18, 22:12 to 28:11 3/20/19 am (on page 19:12, "I'm in a lot of email chains"); PX 910b.

⁹⁹⁹ Mock Oct. 10, 2019 Dep. Tr. 20:15-18; PI Hrg Tr. 74:4-12, 3/13/19 pm; PI Hrg Tr. 86:3-15, 3/15/19 pm; PX 297 (Kaufman) ¶ 157; PX 442; PX 443; PX 444; PX 353 at 87:1, 10:10-12,

690. SBE also transferred money to Wholesale Fashion Distributors LLC, a company Mock controls and which appears unrelated to any legitimate work he may have been performing for SBE.¹⁰⁰⁰

691. When Mock opened a bank account in Belize, he submitted a letter of recommendation from Defendant Usher, who asserted in the letter that he had known Mock for four years and that Mock “has been involved with the sales and marketing of my real estate project, Sanctuary Belize.”¹⁰⁰¹ Mock testified that this letter was false.¹⁰⁰² This testimony raises questions about either Mock’s truthfulness when opening a bank account or his truthfulness when answering questions before this Court.

VII. PUKKE, CHADWICK, AND BAKER’S DISRESPECT FOR LEGAL PROCEEDINGS.

692. As detailed, at length, in Section III. regarding Pukke and Baker’s contumacious activities in *AmeriDebt*, neither is likely to comply with legal process voluntarily. Both took steps to remove assets from the Receiver’s control, in violation of this Court’s orders.

693. Of particular interest, at one point during the *AmeriDebt* receivership, Baker had appeared to be cooperating with the Receiver while he was in the United States.¹⁰⁰³ But the Receiver needed Baker’s support in directing certain Belizeans to provide the Receiver with certain documents and materials, and rights to the Sanctuary Parcel. Baker then became uncooperative and the Belizeans who were, apparently, acting at Baker’s direction, took steps to further remove the Sanctuary Parcel from the Court’s and the Receiver’s control. As a result, there is a significant possibility that Baker, if permitted to travel to Belize and be beyond the contempt power of this Court, may take steps to thwart this Court’s lawful orders.

26:17-27:21, 28:13-20; PI Hrg Tr. 11:7-23, 3/20/19 am; DE 309-2 ¶ 3.

¹⁰⁰⁰ PX 250 (Agarwal) ¶ 8(m); PX 251. PX 267; PX 268.

¹⁰⁰¹ PX 902 at 43.

¹⁰⁰² PI Hrg Tr. 30:3-33:24, 3/20/19 am.

¹⁰⁰³ PX 630 (declaration of Brick Kane, one of the Receiver’s representatives, relaying that Peter Baker had been somewhat cooperative until April 2007).

694. Pukke has also shown an inclination to seek foreign travel during litigation, including making misrepresentations to this Court in the context of his criminal proceedings so that he could travel to Belize to further the fraud at the heart of this litigation. For instance, although Pukke was an owner and control person, as detailed above, he submitted filings to this Court stating he was a mere employee and that if the Court did not authorize the travel his employment would be terminated.¹⁰⁰⁴ Indeed, he represented to this court that he had been provided a termination notice from Bill Bannon, whose testimony and documents discussed above establishes that he was in fact Pukke's subordinate.¹⁰⁰⁵

695. Most recently, Baker testified that Pukke asked him to lie to the Receiver in this matter, after this Court issued the TRO, in an attempt to thwart the Receiver's efforts to marshal Pukke's assets.¹⁰⁰⁶

696. Additionally, Baker has asserted in this litigation that he would like his passport returned so that he can move to Belize, thus removing himself from this Court's jurisdiction.¹⁰⁰⁷

697. Chadwick has stated in a sworn statement, in support of Pukke's defense in the supervised release proceedings. In the statement, Chadwick claimed he was "not aware of Andris Pukke using the name Marc Romeo at anytime between 2012 and the present,"¹⁰⁰⁸ despite him writing emails stating that "My partner Marc Romeo however will be in the office and is willing to meet with you" in October 2012.¹⁰⁰⁹ Chadwick has invoked his Fifth Amendment privilege against self-incrimination to deposition questions regarding his role in assisting Pukke conceal his role in the Sanctuary Belize Development. *See* FOF 531.

¹⁰⁰⁴ *United States v. Andris Pukke*, 8:10-CR-734-PJM-1, DE 22 (motion seeking the return of his passport so that he could travel to Belize, based on false statements that he was an employee and failure to travel could threaten his employment).

¹⁰⁰⁵ *Id.*, DE 33-3 (purported termination letter submitted to this Court).

¹⁰⁰⁶ PI Hrg Tr. 77:13 to 78:12, 3/13/19 PM.

¹⁰⁰⁷ DE 436 (Baker filing stating he wants his passport so that he can move, full time, to Belize, immediately); PI Hrg Tr. 57:1 to 57:21, 3/15/19 am (Baker testifying that he would like his passport returned so that he can move to Belize, beyond the jurisdiction of this Court).

¹⁰⁰⁸ PX 1207.

¹⁰⁰⁹ PX 1206.

698. Chadwick was recently party to a lawsuit with Realogy, the Coldwell Banker parent company, regarding Chadwick's Coldwell Banker Southern Belize franchise. Chadwick refused to take part in the proceeding, including failing to appear at a show cause hearing.¹⁰¹⁰

699. In response to other litigation in the United States, Chadwick, who is an Australian, has threatened to move back to Australia.¹⁰¹¹

700. Furthermore, there is reason to believe Chadwick has foreign assets that he may flee the United States to access.¹⁰¹²

701. Neither Violette Mathis nor Charmaine Voss knows what happened to the \$1.5 million that Violette Mathis invested in Southern Belize Realty, LLC through Exotic Investor. It was not invested in the company.¹⁰¹³

702. Finally, Luke Chadwick did not appear at the preliminary injunction hearing in this case,¹⁰¹⁴ in contravention of this Court's order.¹⁰¹⁵

¹⁰¹⁰ PX 509 (showing Chadwick and BREA (NV) failing to appear for litigation); PX 613 (Order to Show Cause).

¹⁰¹¹ PX 617 (Mathis) ¶ 11.

¹⁰¹² PX 865 (2014 Chadwick financial statement identifying \$346,000 on deposit at an Australian bank); PX 186 (Balluff) ¶ 27 (consumer testifying about interactions with Chadwick, including: "Chadwick showed me a personal check deposit slip from a Belize bank for about \$2 million. Chadwick talked about how I could bring money into Belize to avoid paying taxes. Sanctuary Belize presenters had alluded to this during the various presentations, but Chadwick was much more direct in person.").

¹⁰¹³ The FTC plans to offer proof of this paragraph through evidence at trial.

¹⁰¹⁴ *See, e.g.*, PI Hrg Tr. 4:2-24, 3/11/19 am.

¹⁰¹⁵ *See* DE 34-1 at 46 ("**IT IS FURTHER ORDERED** that, unless the Court orders otherwise, all Individual Defendants shall physically appear at all hearings in the District of Maryland.") (emphasis in original).

PROPOSED CONCLUSIONS OF LAW

I. THE COURT HAS SUBJECT MATTER AND PERSONAL JURISDICTION OVER THE PARTIES IN THIS CASE AND VENUE IS PROPER.

A. The Court has subject matter jurisdiction.

703. This Court has subject matter jurisdiction over the FTC's claims pursuant to 15 U.S.C. §§ 45(a), 53(b), 57(b), 6102(c), and 6105(b), and 28 U.S.C. §§ 1331, 1337(a) and 1345.

B. The Court has personal jurisdiction.

704. As covered in more detail below, personal jurisdiction in an FTC case is determined based on a defendant's contacts with the United States. Each of the resident defendants, including Pukke and Baker, are, therefore, subject to this Court's general jurisdiction and, moreover, are subject to this Court's specific jurisdiction because a significant portion of the alleged conduct occurred in the United States while targeting and creating long-term relationships with United States residents. Furthermore, these defendants would have the burden of showing jurisdiction in this forum is constitutionally unreasonable and none have even attempted to make such a showing.

C. Venue is proper in the District of Maryland.

705. Venue in the District of Maryland is proper under 15 U.S.C. § 53(b) and 28 U.S.C. § 1391(b) and (c).

II. IT IS APPROPRIATE TO DRAW ADVERSE INFERENCES FROM DEFENDANTS PUKKE AND CHADWICK'S FIFTH AMENDMENT INVOCATIONS.

706. Parties in civil proceedings may assert their Fifth Amendment privilege against self-incrimination, which "protects against any disclosures which the witness reasonably believes could be used in a criminal prosecution or could lead to other evidence that might be so used."¹⁰¹⁶

¹⁰¹⁶ *Kastigar v. United States*, 406 U.S. 441, 444-45 (1972)

707. The invocation of the Fifth Amendment privilege “stands in stark opposition to the otherwise liberal discovery rules, and undermines to some degree the trial system's capacity to ascertain the truth.”¹⁰¹⁷

708. For that reason, when the parties to a civil action invoke the Fifth Amendment, “a fact-finder is entitled to draw adverse inferences from a defendant's invocation of the privilege against self-incrimination.”¹⁰¹⁸

709. When a party remains silent in the face of accusation, his silence is indicative of the reliability of the adverse inference drawn against him “if it would have been natural under the circumstances to object to the assertion in question.”¹⁰¹⁹

710. Although “an adverse inference can only be drawn when independent evidence exists of the fact to which the party refuses to answer,”¹⁰²⁰ “[s]ilence is often evidence of the most persuasive character.”¹⁰²¹

711. “[C]ourts routinely exercise their discretion to permit the drawing of adverse inferences where a party or non-party has invoked the privilege.”¹⁰²²

712. At his deposition, Defendant Andris Pukke invoked his Fifth Amendment privilege against self-incrimination in response to effectively all questions asked of him. *See, e.g.*, FOF 485, 497, 498, 511. Defendant Luke Chadwick invoked his Fifth Amendment privilege against self-incrimination in response to all questions about his knowledge of Defendant Pukke’s involvement in the Sanctuary Belize enterprise and Pukke’s usage of the alias “Marc Romeo.” *See e.g.*, FOF 531.

¹⁰¹⁷ *U.S. ex rel. DRC, Inc. v. Custer Battles, LLC*, 415 F. Supp. 2d 628, 632 (E.D. Va. 2006)

¹⁰¹⁸ *ePlus Tech., Inc. v. Aboud*, 313 F.3d 166, 179 (4th Cir. 2002); *FTC v. AmeriDebt, Inc.*, 373 F. Supp. 2d 558, 561 n.2 (D. Md. 2005) (adverse inferences appropriate where defendant invoked the Fifth Amendment at deposition).

¹⁰¹⁹ *Baxter v. Palmigiano*, 425 U.S. 308, 319 (1976) (alteration in original).

¹⁰²⁰ *Custer Battles, LLC*, 415 F. Supp. 2d. 628 (quoting *Doe v. Glanzer*, 232 F.3d 1258, 1264 (9th Cir. 2000))

¹⁰²¹ *Baxter*, 425 U.S. at 319 (quoting *United States ex rel. Bilokumsky v. Tod*, 263 U.S. 149, 153-54 (1923)).

¹⁰²² *SEC v. Monterosso*, 746 F. Supp. 2d 1253, 1263 (S.D. Fla. 2010).

713. The FTC has offered overwhelming evidence corroborating that the answers to the questions that Defendants Pukke and Chadwick refused to answer would have been unfavorable to them.

714. It is therefore appropriate for the Court to infer that the answers to these questions, and any other questions that Defendants refuse to answer at trial, would have been unfavorable to them.

III. THE FTC HAS PROVEN BY A PREPONDERANCE OF THE EVIDENCE THAT THE SBE DEFENDANTS VIOLATED THE FTC ACT AND THE TELEMARKETING SALES RULE.

A. The SBE Defendants operated as a common enterprise.

715. The evidence unequivocally shows each SBE entity Defendant forms part of a common enterprise. “[W]here corporate entities operate together as a common enterprise, each may be held liable for the deceptive acts and practices of the others.”¹⁰²³

716. In the common enterprise inquiry, “the pattern and frame-work of the whole enterprise must be taken into consideration.”¹⁰²⁴

717. In determining whether a common enterprise exists, 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.”¹⁰²⁵ However, “[w]hile courts are expected to weigh these factors, they are primarily tasked with evaluating the pattern and frame-work of the whole enterprise.”¹⁰²⁶

¹⁰²³ *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).

¹⁰²⁴ *Delaware Watch Co. v. FTC*, 332 F.2d 745, 746 (2d Cir. 1964) (internal quotation omitted).

¹⁰²⁵ *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)).

¹⁰²⁶ *FTC v. Pointbreak Media*, 376 F. Supp. 3d 1257, 1269 (S.D. Fla. 2019) (internal quotation

718. Here, SBE entity Defendants share locations (3333 Michelson or its two predecessor locations on Dove Street), have common control, commingle funds, engage in joint communications and marketing, and share employees. *See supra* at FOF Section V.B. Furthermore, several former SBE employees, including Defendant Frank Costanzo, saw no distinction between the Corporate Defendants. *See supra* at FOF 641, 642, 645. One SBE employee confirmed that the Californian and Belizean companies worked in tandem as “part of one effort to sell a lot to a potential lot purchaser.” FOF 642. Finally, Pukke acknowledged that “WE ARE ALL ONE COMPANY” and “WE ARE ALL ONE TEAM,” FOF 650, 651, 652.

719. FTC Act liability for members of a common enterprise is joint and several.¹⁰²⁷

B. The SBE Defendants Are Liable for Injunctive Relief.

720. The evidence demonstrates SBE Defendants violated Section 5 of the FTC Act.

721. All of the SBE Entity defendants have either settled or defaulted.

722. 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.¹⁰²⁸

723. As demonstrated in the Proposed Findings of Fact, SBE represented to hundreds of consumers six false Core Claims: (1) the Sanctuary Belize development is risk free; (2) every dollar consumers pay goes into the development; (3) the development will be complete within a short period of time; (4) the promised amenities (which include a hotel, restaurants, shops, hospital, and airport) will be completed within a short period of time; (5) the lots will rapidly

omitted).

¹⁰²⁷ *See, e.g., Pointbreak Media, LLC*, 376 F. Supp. 3d at 1272 (“Under the FTC Act, ‘courts have justly imposed joint and several liability where a common enterprise exists.’”) (quoting *FTC v. WV Univ. Mgmt., LLC*, 877 F.3d 1234, 1240 (11th Cir. 2017)).

¹⁰²⁸ *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).

appreciate; and (6) there is a robust resale market for the lots. *See supra* at FOF Sections IV.A & IV.B.

724. SBE also claims that Pukke has little or no involvement. *See supra* at FOF Section IV.B.vii.

725. Each Core Claim is a representation, as is the claim that Pukke has little or no involvement.

726. Each Core Claim is “likely to mislead” because it is false. *See supra* at FOF Sections IV.B.i to IV.B.vi. Likewise, the claim that Pukke has little or no involvement is “likely to mislead” because it is false. *See supra* at FOF Section IV.B.vii.

727. All Core Claims are presumptively material because SBE makes them expressly.¹⁰²⁹ SBE also made the misrepresentation to consumers about Pukke’s involvement expressly.

728. “[C]laims pertaining to the central characteristics of a product or service, such as those relating to its purpose, safety, efficacy, or cost . . . [are] presume[d] . . . material.”¹⁰³⁰

729. In addition to being express, each Core Claim relates to one of the lots’ central characteristics, including whether they are a good investment, the risk involved, when the development containing the lots will be finished, and what amenities it will have.¹⁰³¹ The developer’s management (and, thus, Pukke’s involvement) is also a central characteristic.¹⁰³²

¹⁰²⁹ *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), *cert. denied*, 479 U.S. 1086 (1987).

¹⁰³⁰ *Thompson Med. Co.*, 104 F.T.C. 648, 816 (1984), *aff’d*, 791 F.2d 189 (D.C. Cir. 1986), *cert. denied*, 479 U.S. 1086 (1987); *see also 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).

¹⁰³¹ *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”); *see also FTC v. Micom Corp.*, No. CIV. 96-0472, 1997 WL 226232, *1 (S.D.N.Y. Mar. 12, 1997) (Sotomayor, J.) (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

730. The FTC need only establish liability for one misrepresentation, not all seven at issue. However, because each of the Core Claims is a material misrepresentation that consumers reasonably relied on, SBE is liable under Section 5.¹⁰³³ Likewise, because the misrepresentation about Pukke’s involvement is a claim upon which consumers reasonably relied upon, SBE is liable under Section 5 for this claim as well.

C. The SBE Defendants are liable for monetary relief under the FTC Act.

731. The corporate SBE Defendants are liable for monetary relief.

732. Once Section 5 liability for misrepresentations is established, SBE is liable for restitution if the FTC shows consumer reliance.

733. “[C]onsumer reliance on express misrepresentations” is “presumptively reasonable.”¹⁰³⁴

734. Furthermore, 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.”¹⁰³⁵

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).

¹⁰³² Cf. *United States v. Stitsky*, 536 F. App’x 98, 106 (2d Cir. 2013) (convictions are facts investors “would have considered material” in making investment decisions).

¹⁰³³ See, e.g., *Southwest Sunsites*, 785 F.2d at 1437 (affirming finding of liability based on misrepresentation that parcels were a “low risk investment”).

¹⁰³⁴ *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).

¹⁰³⁵ *Loma Int’l Bus. Grp. Inc.*, 2013 WL 2455986, at *7 (quotation omitted); see also *FTC v. BlueHippo Funding, LLC*, 762 F.3d 238, 244 (2d Cir. 2014); *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).

735. The FTC need not prove actual reliance by any particular consumers because requiring such proof “would thwart effective prosecutions of large consumer redress actions and frustrate the statutory goals of the” FTC Act.¹⁰³⁶

736. The first element (a material misrepresentation likely to deceive) is established above.

737. Regarding the second element, SBE widely disseminated the six Core Claims: most appear in multiple telemarketing scripts and webinars, SBE employees and principals confirm they made these claims, SBE made all six in recorded undercover calls, and consumer testimony further establish that SBE routinely makes all six. *See supra* at FOF Section IV.B. With respect to SBE’s misrepresentation concerning Pukke’s role, SBE made the claim to consumers, to FTC professionals posing as consumers, online, and in litigation in Belize. *See supra* at FOF Section IV.B.vii.

738. SBE made these claims to sell more than 1,000 lots, some of which were sold multiple times. *See supra* at FOF 169.

D. The SBE Defendants violated the Telemarketing Sales Rule.

i. The SBE Defendants are jointly and severally liable for the TSR Violations.

739. The FTC promulgated the Telemarketing Sales Rule (“TSR”) pursuant to the Telemarketing Act, 15 U.S.C. § 6102(b). The Telemarketing Act provides that a violation of rules promulgated thereunder (the TSR) is a violation of Section 45(a) of the FTC Act.¹⁰³⁷

¹⁰³⁶ *FTC v. Figgie Intern., Inc.*, 994 F.2d 595, 605 (9th Cir. 1993) (quoting *FTC v. Kitco of Nevada, Inc.*, 612 F. Supp. 1282, 1293 (D. Minn. 1985)) *see also* *BlueHippo Funding, LLC*, 762 F.3d at 244 (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).

¹⁰³⁷ *See* 15 U.S.C. § 6102(c)(1); 15 U.S.C. 57a(d)(3); *FTC v. Washington Data Res.*, 856 F. Supp. 2d 1247, 1273 (M.D. Fla. 2012) (“[A] violation of the TSR amounts to both a deceptive act or practice and a violation of the FTC Act.”), *aff’d sub nom. FTC v. Washington Data Res., Inc.*, 704 F.3d 1323 (11th Cir. 2013).

740. The FTC proved SBE violated 16 C.F.R. §§ 310.3(a)(2)(iii) and 310.3(a)(2)(vi) of the TSR by making misrepresentations about goods or services, including misrepresentations about their central characteristics, and falsely telemarketing material aspects of investment opportunities.

741. 16 C.F.R. § 310.3(a)(2)(iii) provides that it is “a deceptive telemarketing act or practice and a violation of this Rule for any seller or telemarketer to . . . misrepresent[], directly or by implication . . . [a]ny material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer[.]”

742. 16 C.F.R. § 310.3(a)(2)(vi) provides that it is “a deceptive telemarketing act or practice and a violation of this Rule for any seller or telemarketer to . . . misrepresent[], directly or by implication . . . [a]ny material aspect of an investment opportunity including, but not limited to, risk . . . [or] earnings potential[.]”

743. 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.¹⁰³⁸ SBE is a “seller” because it offers to provide goods and services through telemarketing.¹⁰³⁹

744. Lot sales in a planned community are covered under the TSR because they are sales of goods or services. The TCPA Senate Report intended “the phrase ‘goods or services’ . . . to be broadly construed so as not to exclude activities currently addressed by the FTC.”¹⁰⁴⁰ Before Congress enacted the TCPA, the FTC had long addressed real estate sales.¹⁰⁴¹ Further, SBE itself characterizes its lot sales as the sale of “goods and services.” As noted above, SBE

¹⁰³⁸ 16 C.F.R. § 310.2(ff).

¹⁰³⁹ *Id.* § 310.2(dd).

¹⁰⁴⁰ S.R. No. 103-80, 103RD CONG., 1ST SESS. (June 29, 1993 at 8 (emphasis added)).

¹⁰⁴¹ *See, e.g., Southwest Sunsites*, 785 F.2d at 1437-39 (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 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).

collects a 12.5% Belizean sales tax that applies to “goods and services” on consumers’ lot sale payments. *See supra* at ¶¶ 208 to 210.

745. 16 C.F.R. § 310.6(b)(3) exempts certain telemarketing transactions also involving face-to-face sales presentations, but only if the telemarketing satisfies two separate requirements: (i) “payment or authorization of payment is not required[] until after a face to face sales . . . presentation”; and (ii) the sale “is not completed . . . until after a face-to-face sales . . . presentation.”¹⁰⁴²

746. But, TSR exemptions should be narrowly construed. The FTC Act “is a remedial statute [that] . . . should be construed broadly to effectuate its purposes.”¹⁰⁴³ Likewise, because the TCPA (pursuant to which the FTC promulgated the TSR) is itself a consumer protection statute, the TCPA is “[l]iberally construed in favor of consumer protection[.]”¹⁰⁴⁴ “[R]emedial legislation of a regulatory nature is to be given a liberal construction. And, correspondingly, exceptions to a remedial statute must be narrowly construed.”¹⁰⁴⁵

747. It is undisputed that consumers pay SBE for trips and lot reservation agreements before any face-to-face presentation occurs. *See supra* at ¶¶ 182 to 190.

748. In fact, paying for the lot reservation agreement entitles the consumer to a “right of first refusal” on a lot and serves as part of the consumer’s down payment. *See supra* at ¶¶ 184 to 190.

749. It is immaterial that the lot reservation payment is refundable.¹⁰⁴⁶ The possibility that consumers can eventually obtain refunds does not exempt the otherwise unlawful telemarketing transactions from consumer protection provisions.¹⁰⁴⁷

¹⁰⁴² 16 C.F.R. § 310.6(b)(3).

¹⁰⁴³ *FTC v. AT&T Mobility LLC*, 883 F.3d 848, 854 (9th Cir. 2018) (quoting *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967)).

¹⁰⁴⁴ *Garrison v. Caliber Home Loans, Inc.*, 233 F. Supp. 3d 1282, 1286 (M.D. Fla. 2017).

¹⁰⁴⁵ *Jordan v. Acacia Mut. Life Ins. Co.*, 409 F.2d 1141, 1145 (D.C. Cir. 1969); *see also A. H. Phillips, Inc. v. Walling*, 324 U.S. 490, 493 (1945) (explaining that “exemptions” from “humanitarian and remedial legislation must . . . be narrowly construed”).

¹⁰⁴⁶ *See, e.g., FTC v. Pantron I Corp.*, 33 F.3d 1088, 1103 (9th Cir. 1994) (“[T]he existence of a

750. Accordingly, the § 310.6(b)(3) exemption does not apply. If a substantial part of an integrated transaction is completed and paid for before a face-to-face presentation occurs, the logical reading of the exemption in the context of the TSR is that the TSR covers the whole transaction.

E. Pukke, Chadwick, and Baker are jointly and severally liable for injunctive and monetary relief.

751. If the SBE entities are liable under Section 5, then the non-settling individual defendants are liable for individual 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.”¹⁰⁴⁸ As other circuits cited by *Ross* have explained,¹⁰⁴⁹ for a court to hold an individual liable for **injunctive** relief under the FTC Act, the FTC need only establish the first prong of the *Ross* test. A court may further hold an individual liable for **monetary** relief (in addition to the injunctive relief) under the FTC Act if the FTC also establishes *Ross*’s second prong.¹⁰⁵⁰ Individual monetary liability under the FTC Act is joint and several.¹⁰⁵¹

money-back guarantee is insufficient reason as a matter of law to preclude a monetary remedy.”)

¹⁰⁴⁷ See, e.g., *Pantron I Corp.*, 33 F.3d at 1103 (allowing a seller to avoid liability by offering refunds “would make the false advertising prohibitions of [the FTC] Act a nullity” because “[a]nything might then be falsely advertised as long as unsatisfied customers were returned their money”) (citation omitted); *FTC v. SlimAmerica, Inc.*, 77 F. Supp. 2d 1263, 1272 (S.D. Fla. 1999) (rejecting argument that misrepresentations are not unlawful when purchases are refundable) (citations omitted); *FTC v. Vocational Guides, Inc.*, No. 01-cv-0170, 2006 WL 3254517, at *14 (M.D. Tenn. Nov. 9, 2006) (explaining, in a telemarketing case, that “the argument that offering a money-back guarantee somehow makes the falsity of an advertisement irrelevant has been repeatedly rejected and the Court rejects it here”) (citations omitted).

¹⁰⁴⁸ *FTC v. Ross*, 743 F.3d 886, 892 (4th Cir. 2014) (Fourth Circuit’s emphasis); see *FTC v. Neovi, Inc.*, 598 F. Supp. 2d 1104, 1117 (S.D. Cal. 2008) *FTC v. Nat’l Urological Group, Inc.*, 645 F. Supp. 2d 1167, 1207–08 (N.D. Ga. 2008); *FTC v. Wilcox*, 926 F. Supp. 1091, 1104 (S.D. Fla. 1995) see also *Innovative Mktg.*, 654 F. Supp. 2d at 385-86 (explaining that “[a]uthority to control the company can be evidenced by active involvement in business affairs and the making of corporate policy, including assuming the duties of a corporate officer.”) (quotation omitted).

¹⁰⁴⁹ See, e.g., *FTC v. Publ’g Clearing House, Inc.*, 104 F.3d 1168, 1170-71 (9th Cir. 1997); *FTC v. Freecom Commn’s, Inc.*, 401 F.3d 1192, 1202-03 (10th Cir. 2005).

¹⁰⁵⁰ See, e.g., *Publ’g Clearing House, Inc.*, 104 F.3d at 1171; *Freecom Commn’s, Inc.*, 401 F.3d at 1203.

¹⁰⁵¹ See, e.g., *Commerce Planet, Inc.*, 815 F.3d at 600 (“[I]n actions brought by the FTC, we have

752. Participation or authority to control can be shown many ways including, among others: (1) assumption of duties as a corporate officer; (2) involvement in business affairs; (3) role in the development of corporate policies; (4) the ability to review and approve marketing material; (5) issuance of checks; (6) making of hiring decisions; (7) personally pay for corporate expenses; and (8) actively supervising employees involved with the fraud.¹⁰⁵²

753. Further, FTC Act case law establishes that multiple individuals can have the relevant level of control.¹⁰⁵³ For instance, a control person can include someone who was not a manager and who did not have ultimate authority on the sales and marketing.¹⁰⁵⁴

754. “The second prong of the analysis,” knowledge, “may be established by showing 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.”¹⁰⁵⁵

755. “The degree of participation in business affairs is probative of knowledge.”¹⁰⁵⁶ Further, an individual defendant’s “pervasive role and authority” for a defendant creates a “strong inference” that the individual defendant had knowledge.¹⁰⁵⁷

repeatedly held individuals jointly and severally liable for a corporation’s restitution obligations[.]”).

¹⁰⁵² *FTC v. Ross*, 897 F. Supp. 2d 369, 383 (D. Md. 2012), *aff’d*, 743 F.3d 886 (4th Cir. 2014) (collecting cases, including *FTC v. Publish’g Clearing House, Inc.*, 104 F.3d 1168, 1171 (9th Cir. 1997), *FTC v. Neovi, Inc.*, 598 F. Supp. 2d 1104, 1117 (S.D. Cal. 2008), *FTC v. Nat’l Urological Group, Inc.*, 645 F. Supp. 2d 1167, 1207-08 (N.D. Ga. 2008), *Kitco of Nevada, Inc.*, 612 F. Supp. at 1293, *FTC v. USA Financial*, 415 Fed. Appx. 970, 974–75 (11th Cir. 2011), *FTC v. Stefanchik*, No. C04–1852RSM, 2007 WL 1058579, at *6–7 (W.D. Wash. Apr. 3, 2007), and *FTC v. J.K. Publ’ns, Inc.*, 99 F. Supp. 2d 1176 (C.D. Cal. 2000)).

¹⁰⁵³ *See, e.g., FTC v. Medicor LLC*, 217 F. Supp. 2d 1048, 1055-56 (C.D. Cal. 2002).

¹⁰⁵⁴ *Id.* (“consultant” who reviewed financial materials for the firm, had input on staffing decisions, and assisted in marketing activities and management of sales people, had control, notwithstanding testimony that he was not a manager, others had control, and the consultant did not have ultimate authority).

¹⁰⁵⁵ *Ross*, 743 F.3d at 892.

¹⁰⁵⁶ *Ross*, 897 F. Supp. 2d at 385, *aff’d*, 743 F.3d 886 (4th Cir. 2014).

¹⁰⁵⁷ *See FTC v. Commerce Planet, Inc.*, 878 F. Supp. 2d 1048, 1082 (C.D. Cal. 2012), *aff’d in part and vacated in part on other grounds*, 815 F.3d 593 (9th Cir. 2016).

756. “[E]vidence that [a defendant] edited and reviewed the content of multiple advertisements . . . is sufficient to demonstrate knowledge.”¹⁰⁵⁸ The FTC may also establish knowledge by demonstrating that the individual is “on notice of multiple complaints about [the company’s] advertisements,” even if that individual “acted in a manner suggesting that [one] personally did not perceive (or believe) that the advertisements were deceptive.”¹⁰⁵⁹

757. The FTC can demonstrate reckless indifference with regard to the truth or falsity of representations made by the company by demonstrating an individual’s (1) knowledge of another principal’s previous criminal activity,¹⁰⁶⁰ or (2) awareness of consumer complaints.¹⁰⁶¹ Likewise, the FTC can demonstrate reckless indifference by demonstrating that an individual signed corporate documents while knowing both the nature of a company’s business and the legal significance of signing documents and making representations on behalf of a company, even if this individual did not actually read the documents.¹⁰⁶²

758. Once a defendant is found to be individually liable for a corporate defendant’s deceptive acts, that defendant is jointly and severally liable for the total amount of consumer redress, in this case, \$138.7 Million.¹⁰⁶³

¹⁰⁵⁸ *Ross*, 743 F.3d at 895.

¹⁰⁵⁹ *Ross*, 743 F.3d at 895.

¹⁰⁶⁰ See *FTC v. Publ’g Clearing House, Inc.*, 104 F.3d 1168, 1171 (9th Cir. 1997) (an individual was found to be monetarily liable under the FTC Act where she filed the company’s “business license at the direction of someone she knew was facing criminal charges concerning his telemarketing activities” and where she “had worked as a telephone solicitor for [the company’s] predecessor, which had been closed down due to a criminal fraud.”). As noted above, the *Ross* court cited the *Publishing Clearing House* decision as laying out the standard for individual liability under the FTC Act, 743 F.3d at 893.

¹⁰⁶¹ *FTC v. Network Servs. Depot, Inc.*, 617 F.3d 1127, 1141 (9th Cir. 2010).

¹⁰⁶² *J.K. Publ’ns, Inc.*, 99 F. Supp. 2d at 1206-07.

¹⁰⁶³ *Ross*, 897 F. Supp. 2d at 388 (citing *J.K. Publ’ns*, 99 F. Supp.2d 1176 (C.D. Cal. 2000), and *Kitco of Nevada*, 612 F. Supp. 1282 (D. Minn. 1985)).

i. Andris Pukke is liable for injunctive relief and is jointly and severally liable for individual monetary relief.

759. Pukke is liable for individual injunctive relief because he participated directly in the deceptive practices and had authority to control those practices. He is further liable for individual monetary relief because he also knew or should have known about them.

760. Pukke runs the entire enterprise. Subordinates take instructions from Pukke or look to him for approval on every aspect of SBE's operations, and Pukke also gives instructions to other SBE principals. *See supra* at FOF Section V.A.i.a. Pukke also participated directly in the deceptive practices by directing SBE's marketing to consumers, supervising the lot sales process, and managing other aspects of SBE's legal and financial affairs. *See supra* at FOF Section V.A.i.b.

761. Pukke knew or should have known about SBE's deceptive practices because he designed its marketing, he knew about lawsuits consumers filed, he knew how many consumers demanded buybacks, and he knew many consumers chose to default or walk away rather than continue paying SBE. *See supra* at FOF Section V.A.i.c.

762. Additionally, Pukke asserted the Fifth Amendment in response to dozens of questions concerning involvement and knowledge. *See supra* at FOF Sections V.A.i.a & V.A.i.c. Just as in *AmeriDebt*, "Andris Pukke refused to respond to virtually every question asked of him with respect to issues relevant to whether the FTC is likely to prevail on the merits, and as a result [] the Court may, in this civil proceeding, draw negative inferences about what he did or did not do."¹⁰⁶⁴

763. The Court should negative inferences from Pukke's refusal to testify and the FTC's corroborating evidence, and the FTC should prevail against Pukke for this reason as well.

¹⁰⁶⁴ *Ameridebt*, 373 F. Supp. 2d at 564.

ii. Luke Chadwick is liable for injunctive relief and is jointly and severally liable for individual monetary relief.

764. Chadwick is liable for individual injunctive relief because he participated directly in the deceptive practices and had authority to control those practices. He is further liable for individual monetary relief because he also knew or should have known about them.

765. Chadwick had authority to control because he was a self-described “Principal” of SBE’s marketing and development, and legally owns four SBE entities: Belize Real Estate Affiliates LLC; Southern Belize Realty LLC; Prodigy Management Group, LLC; and Exotic Investor LLC. *See supra* at ¶¶ 5125 & 637. Among other things, Chadwick also actively participated in the deception by making misrepresentations directly to consumers during property tours and webinars. *See supra* at Section V.A.ii.b.

766. Chadwick knew or should have known about the deceptive practices at issue. Chadwick knew that Pukke ran SBE, but Chadwick helped hide Pukke’s role. Chadwick also knew that Pukke had a history of criminal conduct, and he admitted the development was “full of empty promises.” *See supra* at ¶¶ 512 & Section V.A.ii.c. At minimum, this shows Chadwick should have known about SBE’s deception.

iii. Peter Baker is liable for injunctive relief and is jointly and severally liable for individual monetary relief.

767. Peter Baker is liable for individual injunctive relief because he participated directly in the deceptive practices and had authority to control those practices. He is further liable for individual monetary relief because he also knew or should have known about them.

768. Baker had authority to control because he, in partnership with Pukke, controlled SBE. *See FOF* Section II.B.iii. Additionally, Baker legally owns SBE entities GPA and Eco-Futures (BZ), and is either an owner or officer of SBE entities FDM, Buy Belize, and Buy International, and he is a bank signatory for GPA and SBE entity SRWR. *See supra* at ¶¶ 558 to 568. Among other things, Baker also actively participated in the deception by aiding Pukke’s effort to maintain control of the development during the *AmeriDebt* receivership, interacting with

consumers on property tours, and helping promote the development to potential investors. *See* FOF Sections III and V.A.iii.b.

769. Baker knew or should have known about the deceptive practices at issue. Baker chose to partner with Pukke to run SBE and knew that Pukke had a history of deceptive practices, contempt, and criminal conduct. Indeed, Baker admitted to learning of likely deceptive practices by marketers who reported to Pukke and to Pukke's misappropriation of consumer funds while the scheme was ongoing. *See* FOF Section V.A.iii.c. At minimum, this shows Baker should have known about SBE's deception.

F. The FTC Act and TSR apply extraterritorially.

770. Furthermore, there are no concerns in applying the FTC Act or TSR to conduct occurring, in part, in Belize. The FTC Act and the TSR, violations of which are violations of the FTC Act,¹⁰⁶⁵ apply extraterritorially. In the 2006 SAFE WEB Act, Congress decreed that the FTC Act applies to acts or practices in foreign commerce that "(i) cause or are likely to cause reasonably foreseeable injury within the United States; or (ii) involve material conduct occurring in the United States."¹⁰⁶⁶ Deceptive marketing to U.S. residents causes or is likely to cause reasonably foreseeable injury here. Additionally, because SBE operated from a California, material conduct occurred within the United States.

G. The FTC has proved by clear and convincing evidence that Andris Pukke and Peter Baker are in contempt of the Court's prior orders.

771. Civil contempt has four elements: (1) a valid order of which the alleged contemnor had actual or constructive knowledge; (2) the order must be the movant's "favor"; (3) the alleged contemnor violated the order; and (4) the movant suffered harm.¹⁰⁶⁷

¹⁰⁶⁵ *See* 15 U.S.C. § 6102(c)(1); *FTC v. Washington Data Res.*, 856 F. Supp. 2d 1247, 1273 (M.D. Fla. 2012) ("[A] violation of the TSR amounts to both a deceptive act or practice and a violation of the FTC Act."), *aff'd sub nom. FTC v. Washington Data Res., Inc.*, 704 F.3d 1323 (11th Cir. 2013).

¹⁰⁶⁶ 15 U.S.C. § 45(a)(4)(A).

¹⁰⁶⁷ *See, e.g., Schwartz v. Rent-A-Wreck of Am.*, 261 F. Supp. 3d 607, 612 (D. Md. 2017) (Messitte, J.) (citing *Ashcraft v. Conoco, Inc.*, 218 F.3d 288, 301 (4th Cir. 2000) and *United v.*

772. Although the FTC must prove “knowledge,” “[w]illfulness is not an element of civil contempt.”¹⁰⁶⁸

773. Rule 65(d) specifies that all individuals, including non parties, with notice of the order “in active concert or participation” with a party or a party’s agent are bound by the relevant injunction. This is true because otherwise parties could “nullify a decree by carrying out prohibited acts through aiders and abettors.”¹⁰⁶⁹ Indeed, the FTC is frequently required to pursue nonparties who take steps to violate court orders entered in the Commission’s favor.¹⁰⁷⁰

i. **Pukke and Baker are Liable for the Telemarketing Contempt.**

774. Pukke and Baker each had knowledge of the Final Order, *Ameridebt* DE 473. Pukke signed and stipulated to the Final Order, and both Pukke and Baker have been held in contempt of this order, *AmeriDebt* DE 571 & 604.

775. The *AmeriDebt* final order was issued in the FTC’s favor, to enjoin Pukke and his cohorts from harming consumers and simultaneously creating a mechanism (contempt proceedings) for the FTC to stop such behavior and compensate victims.

776. As described above, Pukke and Baker created the entities comprising the SBE and they are therefore bound by the Final Order in *AmeriDebt* prohibiting deceptive telemarketing practices. As described above, the SBE engaged in deceptive telemarketing practices in violation of this order.

777. As a result, the FTC was harmed because Pukke and Baker did not comply with an order entered in its favor. As the FTC exists, in part, to protect the public from unfair,

Ali, 874 F.3d 825, 831 (4th Cir. 2017)).

¹⁰⁶⁸ *Schwartz*, 261 F. Supp. 3d at 612-13 (quoting *Redner’s Markets, Inc. v. Joppatown G.P. Ltd. P’ship*, 608 Fed. Appx. 130, 131 (4th Cir. 2015)).

¹⁰⁶⁹ *Regal Knitwear Co. v. N.L.R.B.*, 324 U.S. 9, 14 (1945); *K.C. ex rel. Africa H. v. Shipman*, 716 F.3d 107, 115 (4th Cir. 2013) (same).

¹⁰⁷⁰ *See, e.g., FTC v. Leshin*, 618 F.3d 1221, 1236 (11th Cir. 2010) (holding nonparty businesses controlled by a party in contempt); *FTC v. Neiswonger*, 494 F. Supp. 2d 1067, 1078-79 (D. Mo. 2007), *aff’d*, 500 F.3d 769 (8th Cir. 2009) (nonparty business partner with knowledge of the order subject to contempt sanctions); *FTC v. Gill*, 183 F. Supp. 2d 1171, 1184 (C.D. Cal. 2001) (holding nonparty nonprofit in contempt).

deceptive, and fraudulent business practices, Pukke and Baker injured both the FTC and the public by violating the order, which the Commission requested.

ii. **Pukke and Baker are Liable for the Parcel Contempt.**

778. Pukke and Baker each had knowledge of the *Ameridebt* orders requiring them to turn over the Sanctuary Belize Parcel to the Receiver, *Ameridebt* DE 571 and 572. Both are specifically named in the order, and both have been held in contempt of this order, *AmeriDebt* DE 571 & 604.

779. These orders were issued in the FTC's favor to assist it in the collection of proceeds to redress Pukke's fraud.

780. As described above, both Pukke and Baker maintained control of the parcel at all times, despite a purported settlement agreement.

781. As a result of Pukke and Baker's contumacious conduct, the Federal Trade Commission suffered harm because Pukke and Baker regained control of the development from which they were supposed to be separated. According to the SRWR, Pukke and Baker would not have any "future" rights in the parcel. Instead, their control never ceased.

782. Furthermore, Pukke and Baker's contumacious conduct frustrated the object of the Receivership intended to benefit the FTC. Resistance by the SRWR frustrated the Receiver's efforts to sell the parcel for a fair price, which effectively left it with no choice but to sell the Parcel to SRWR for \$2 million. Accordingly, the Federal Trade Commission suffered harm because Pukke and Baker's continued control diminished the value of the Parcel through frustration of the Receiver's efforts, and but for this resistance, the FTC could have provided consumers with additional funds to redress Pukke's fraud in *AmeriDebt*.

iii. **Pukke is Liable for the Vipulis Loan Contempt.**

783. Pukke also stipulated to and, therefore, has knowledge of the order prohibiting him from repaying the loan to Vipulis. *AmeriDebt* DE 625.

784. This order was issued in the FTC's favor to assist it in the collection of proceeds to redress Pukke's fraud.

785. As described above, Pukke paid back the Vipulis loan prior to satisfying the \$172 million judgment against him in *AmeriDebt*, see DE 625.

786. As a result, the Federal Trade Commission suffered harm because it did not receive funds it could have used to redress consumers for Pukke's fraud in *AmeriDebt*.

IV. THE FTC'S PROPOSED ORDER PROVIDES APPROPRIATE INJUNCTIVE AND EQUITABLE MONETARY RELIEF.

A. The FTC's Proposed Injunctive Relief is Necessary to Protect Consumers.

787. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes the FTC to obtain permanent injunctions for violations of "any provision of law enforced by the FTC."

788. Specifically, [p]ermanent injunctive relief is appropriate when there is 'some cognizable danger of recurring violation.'"¹⁰⁷¹ "Permanent injunctive relief is appropriate when the defendant's past conduct indicates that there is a reasonable likelihood of further violations in the future."¹⁰⁷²

789. When deciding whether to issue a permanent injunction, courts should consider the following factors: "the defendants' scienter, whether the conduct was isolated or recurrent, whether defendants are positioned to commit future violations, the degree of consumer harm caused by defendants, defendants' recognition of their culpability, and the sincerity of defendants' assurances (if any) against future violations."¹⁰⁷³

¹⁰⁷¹ *Ross*, 897 F. Supp. 2d at 387, *aff'd*, 743 F.3d 886 (4th Cir. 2014) (quoting *FTC v. Medical Billers Network, Inc.*, 543 F. Supp. 2d 283, 323 (S.D.N.Y. 2008)); see also *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (to issue a permanent injunction, Court must only determine that there is "some cognizable danger of a recurrent violation, something more than the mere possibility which serves to keep the case alive").

¹⁰⁷² *FTC v. Partners in Health Care Ass'n, Inc.*, 189 F. Supp. 3d 1356, 1369 (S.D. Fla. 2016).

¹⁰⁷³ *Ross*, 897 F. Supp. 2d at 387, *aff'd*, 743 F.3d 886 (4th Cir. 2014) (quoting *FTC v. Medical Billers Network, Inc.*, 543 F. Supp. 2d 283, 323 (S.D.N.Y. 2008) and citing *FTC v. Minuteman Press*, 53 F. Supp. 2d 248, 260–61 (E.D.N.Y. 1998)).

790. Where, as here, Defendants' violations were "predicated upon systematic wrongdoing, rather than isolated occurrences, a court should be more willing to enjoin future conduct."¹⁰⁷⁴

791. Not only does Pukke, Chadwick, and Baker's egregious and systematic misconduct in this case necessitate the injunctive relief requested by the FTC, but their history of disregarding court orders (Section VII) heightens the risk of recurrent violations and, therefore, the need for bans of telemarketing, search engine optimization, remotely created payment orders, and misrepresentations.¹⁰⁷⁵

792. The FTC's Proposed Order also includes the provisions necessary to monitor Pukke, Chadwick, and Baker's activities to ensure their compliance.¹⁰⁷⁶ Nearly identical orders have been entered following litigated judgments in similar cases, including in this district.¹⁰⁷⁷

B. Defendants Pukke, Chadwick, and Baker Are Jointly and Severally Liable for the Full Amount Paid by Consumers.

793. Section 13(b) of the FTC Act gives courts "sufficient statutory power to award 'complete relief,' including monetary consumer redress, which is a form of equitable relief."¹⁰⁷⁸

794. This Court has held that "if the FTC prevails on the matter of liability, it will be entitled to a restitution judgment equal to the amount consumers paid for real estate lots at Sanctuary Belize, notwithstanding the purported present value, if any, of the lots purchased."¹⁰⁷⁹

¹⁰⁷⁴ *FTC v. Gill*, 71 F. Supp. 2d 1030, 1047 (C.D. Cal. 1999).

¹⁰⁷⁵ *See Pointbreak Media, LLC*, 376 F. Supp. 3d at 1273 ("Given Defendants' history of unlawful marketing, the telemarketing ban in the Proposed Final Order is not overbroad.") (citation omitted).

¹⁰⁷⁶ *See FTC v. John Beck Amazing Profits LLC*, 888 F. Supp. 2d 1006, 1016 (C.D. Cal. 2012) (permitting compliance reporting and recordkeeping provisions "because of [defendants'] long history of prior violations").

¹⁰⁷⁷ *See, e.g.*, DE 473, Section XVII, *FTC v. Ameridebt*, Case No. 8:03-cv-03317-PJM (May 17, 2006); DE 206, Section VIII, *FTC v. Loma Int'l Bus. Grp., et al.*, Case No. 1:11-cv-01483-MJG (Mar. 24, 2014).

¹⁰⁷⁸ *Ross*, 743 F.3d at 891.

¹⁰⁷⁹ DE 631 at 1.

795. The Court elaborated that it will be the “FTC’s burden to prove, by a preponderance of the evidence, the amounts paid for the lots.” *Id.*

796. The Court further held that the proper measure of equitable monetary relief is “the amount consumers paid for lots, less any refunds already made to the consumers.” *Id.* at 3-4.

797. The FTC has proven that the amount consumers paid for the lots, less any refunds made to the consumers, is \$138.7 million.

798. Therefore, Pukke, Chadwick, and Baker are jointly and severally liable for the full amount of gross revenues, less refunds, chargebacks, and returns, in the amount of \$138.7 million.

Dated: January 10, 2020

Respectfully Submitted,

/s/ Christopher J. Erickson

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Certificate of Service

I, Christopher J. Erickson, hereby certify that on January 10, 2020, I served the foregoing FEDERAL TRADE COMMISSION'S PRETRIAL PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW, and all related documents, through ECF and otherwise by email on the following people and entities by email at the email addresses provided:

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