

March 24, 2009

## Federal lawsuit claims fraud in Dominican deals

By CURT ANDERSON  
AP Legal Affairs Writer

A Canadian father-and-son team that operates real estate businesses in the Dominican Republic defrauded hundreds of people in the U.S. and Canada who invested some \$170 million in luxury vacation properties, according to a lawsuit filed in federal court.

The lawsuit contends that Frederick and Derek Elliott, through a web of offshore companies and other entities, improperly used investor cash for such things as a yacht, a private plane and investments in movies and to pay off gambling debts. One project was an annual Dominican film festival.

"Some people are very greedy. They will stop at nothing to scam someone out of their money," says the lawsuit, filed on behalf of investor Klaus Hofmann of Palm Harbor by attorneys Michael Diaz and Hilda Piloto. About 700 other investors are seeking to join the lawsuit.

The lawsuit mainly involves two developments in the Dominican Republic: the Sun Village Resort in Puerto Plata and a former Sheraton Hotel in Juan Dolio. It seeks unspecified damages likely in the tens of millions of dollars.

The Sun Village property, according to the lawsuit, "remains significantly incomplete" and is losing money and the Juan Dolio development is about 60 percent complete. Much of the investors' money intended to finish these projects was allegedly diverted by the Elliotts for personal expenses or other ventures, the lawsuit claims.

U.S. District Judge Alan S. Gold has scheduled hearings next week on whether to impose an injunction that would effectively halt much of the Elliotts' business. At a brief status hearing Tuesday, Gold said the lawsuit contained "serious allegations" and denied a request for a delay.

"We're going to go forward," Gold said.

Attorneys for the Elliotts and their affiliates have not addressed the claims directly, contending that the Miami federal court has no jurisdiction to hear the lawsuit. They say contracts signed by the investors give that power solely to courts in the Turks and Caicos Islands — where Hofmann has also filed suit.

A court in the Turks and Caicos has frozen assets of many Elliott companies and ordered financial records turned over to a court-appointed receiver, according to documents filed in the Miami court.

There was no immediate response Tuesday to an e-mail from The Associated Press seeking comment from Frederick Elliott on the lawsuit's allegations. No criminal charges have been filed.

© 2009 Associated Press. Permission granted for up to 5 copies. All rights reserved.

You may forward this article or get additional permissions by typing

[http://license.icopyright.net/3.5721?icx\\_id=D974KN903](http://license.icopyright.net/3.5721?icx_id=D974KN903) into any web browser. Press Association and Associated Press logos are registered trademarks of Press Association. The iCopyright logo is a registered trademark of iCopyright, Inc.

