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VICTIMIZED INVESTORS SUE FATHER-SON SCAM ARTISTS IN \$170 MILLION TIMESHARE REAL ESTATE SCHEME

MIAMI (March XX) – Canadian expatriates Frederick Elliott and his son Derek Elliott bilked hundreds of U.S. and international investors in a \$170 million timeshare real estate scam, according to a lawsuit unsealed today in U.S. District Court in Miami. While the lawsuit was only filed on behalf of one Florida plaintiff, two documents filed with the Court also revealed that over 700 additional individuals residing throughout the United States, from Florida to California and in parts in between, including, Idaho, Utah and several other states seek to intervene. One group, representing 399 members of a Nevada-based sales force who were allegedly deceived by the Elliotts is represented by attorney Michael Diaz, Jr., managing partner of Miami-based Diaz Reus & Targ, LLP. The named plaintiff and second group of 338 investors in the Elliotts’ real estate projects are being represented by Hilda Piloto, a partner at Arnstein & Lehr LLP in Miami.

Using a complex web of offshore companies, trusts and shell corporations, the Elliotts enticed individual investors to purchase real estate interests in resort and vacation properties in the Dominican Republic, according to the documents filed with the Court. The Elliotts used funds from new investors to provide a small stream of revenue to prior investors. Meanwhile, the Elliotts used investors’ money to finance a lavish lifestyle, including a \$500,000 yacht, a private airplane, paying off \$1 million in Las Vegas gambling debts, and purchasing substantial property in the Dominican Republic for their personal benefit, according to the suit.

The lawsuit accuses the Elliotts and their companies of mail and wire fraud, and laundering of millions of dollars of illegitimately diverted funds in violation of the Federal Racketeer Influenced and Corrupt Organization (RICO) Act.

U.S. Judge Alan S. Gold sealed the suit at the time of filing pending service upon the Defendants and entered a Temporary Restraining Order prohibiting the Elliotts and their companies from, among other things advertising, promoting or selling these real estate products, prohibiting them from disposing or secreting any assets of the Defendants, and prohibiting them from secreting, concealing, destroying or otherwise disposing of any evidence regarding their conduct, all until the Court can hold a hearing on the Investors' request for a preliminary injunction. . This also allowed the investors to obtain from the Supreme Court of the Turks & Caicos Islands a freeze order and order appointing a receiver over the Elliotts' assets in the Turks & Caicos Islands, where most of the holding companies at the top layer of the Elliotts' complex, almost byzantine corporate structure are based. This order not only freezes the assets of the Turks & Caicos Islands based Elliott companies, but directs that an independent receiver take charge of the assets of these Elliott Companies "wherever situated and in whatever form." Additionally, the Turks & Caicos Islands' Court Order requires that the Defendants provide to the Investors' attorneys in writing "full details of income received from the operation of the Sun Village Resort and Juan Dolio properties ... how such income was spent... [and] payments to Frederick Elliott and Derek Elliott or any company controlled by either of the them..."

"Our objective is to preserve as many assets as possible, including personal property, bank accounts and real estate on behalf of the victims," said Piloto.

According to the lawsuit, Frederick Elliott began soliciting investors in 1987 for funds to acquire beachfront land in Puerto Plata in the Dominican Republic. In late 1999, the Elliotts announced plans to develop villas for sale on that parcel and a year later announced an agreement to develop the 300-room Sun Village Resort on the property.

In the next four years, the Elliotts raised \$32 million from approximately 1,600 shareholders for the resort. In 2004, with the resort only partially completed, the Elliotts then devised a plan to sell timeshare interests in the existing hotel, and eventually pulled in another \$64 million, according to the suit. “Despite raising \$96 million to date, the resort has not been completed, and the rooms are uninhabitable,” said Diaz, quoting from the Miami-filed court documents.

Meanwhile, the Elliotts began selling timeshare interests in 198 luxury vacation residences planned for Sun Village Resort, but completed only 108 units. When sales slowed and loan payments became due, the Elliotts switched to selling a fractional ownership product for the same residences.

In 2004, the Elliotts also decided to purchase an abandoned 268-room Sheraton hotel at Juan Dolio in the Dominican Republic, and again began selling real estate interests to individual investors.

When the U.S. sales force, as well as individual investors, began asking questions about the legitimacy of the real estate operations, the Elliotts responded with threats and intimidation, according to Diaz. “They told the investors that they would lose everything if they pursued their legal rights,” said Diaz, citing an August email from the Elliotts filed with court documents that stated, “We have a complex structure designed to insulate these properties from claims and lawsuits.”

Despite raising more than \$170 million from investors, the Elliotts have yet to complete a single one of the projects and have suspended all payments to real estate purchasers. “Some people are very greedy and will stop at nothing to scam someone of their money,” said Diaz. “This case is one more example of what happens when the pursuit of the almighty dollar is separated from basic notions of right and wrong,” as noted in the Complaint.

Miami-based Diaz Reus is a full-service international law firm with offices in Latin America, Europe, Asia, and the Middle East. The firm’s lawyers focus on international trade and business transactions and complex commercial, civil, and criminal litigation and arbitration matters.

Arnstein & Lehr LLP is a full-service firm with offices in Florida, Illinois, and Wisconsin.

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