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## Behind Caribbean Resort's Closure: Alleged Father-Son Ponzi Scheme

A Caribbean resort abruptly shut its doors last month, turning away guests and leaving workers without the full pay they were due. But, this time, the recession wasn't solely to blame.

Canadians Frederick Elliott and his son, Derek, developed the Sun Village Resort in Puerto Plata, Dominican Republic in 2004. A federal lawsuit filed in March against the Elliotts by dozens of their investors alleges the father and son financed the resort mainly by promising investors and timeshare buyers steady, double-digit returns that never came to be. Instead, the lawsuit alleges, the Elliotts were operating a Ponzi scheme in which money from new investors was used to pay earlier investors in several companies the Elliotts operated.



Sun Village Resort

According to the lawsuit, the Elliotts raised \$170 million from investors and timeshare buyers earlier this decade and, in some cases, "the father and son pocketed the money and used it to fund a lavish lifestyle."

A U.S. District Court Judge in Miami ordered Sun Village Resort in Puerto Plata, Dominican Republic, closed on Sept. 18. The order came after a special master in the fraud case against Sun Village's developers warned in court filings that the 300-room resort lacked "enough funds to pay those expenses of the resort which were absolutely essential to keep it open and operating." Caribbean lenders are seeking to foreclose.

Attorneys representing the Elliotts didn't return messages seeking comment.

Sun Village Resort is among the latest of several Caribbean resorts to close, though the main culprit in most of the closings is a sharp falloff in tourism due to the recession. The 160-room Port Lucaya Resort and Yacht Club in the Bahamas closed on Aug. 31 after its occupancy had declined to 30%. Earlier this month, the 48-room Nikki Beach Resort in the Turks and Caicos Islands closed as lender British Caribbean Bank ordered it into receivership. The resort had opened in early 2008.

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