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One Bal Harbour groups sue Lumber Liquidators founder Tom Sullivan

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The residential and condo hotel associations at One Bal Harbour Resort & Spa have filed suit against the owners of the resort, including Lumber Liquidators founder Tom Sullivan. Overall the suit seeks about $20 million in damages.

The suit is filed in the Chapter 11 case for the ownership company, Elcom Resorts.

The lawsuit lays out allegations previously spelled out in a bankruptcy claim and audit report, that defendants Sullivan and his former business partners Jorge and Juan Arevalo misappropriated millions of dollars from the resort.

Previously the *Business Journal* profiled the legal tangle at the resort in an in-depth story. Jorge Arevalo blamed the resort's problems on faulty accounting and in-fighting between the residential and hotel associations. Sullivan threw the Arevalos under the bus, saying he was sorry he ever did business with them.

Mark Meland, attorney for Sullivan, said in a statement his client denies the allegations and will defend himself. Meland said Sullivan is diligently working toward a resolution of issues: "We are very disappointed at the unnecessarily aggressive, spurious tactics that are not productive toward seeking a mutually beneficial resolution."

The suit makes the following allegations about the defendants:

• Jorge Arevalo directed Elcom's former financial executive, Gail Beregovich, to artificially inflate the expenses

• They failed to account for funds in excess of $5 million paid by the Associations.

• They misappropriated funds for maintenance and repair toward the expenses of the hotel and personal use, including purchase of luxury automobiles and the payment of Arevalos' personal expenses, such as $1 million in American Express card expenses.

• The Arevalos created fraudulently-inflated insurance invoices and collected funds pursuant to such fraudulent invoices from the associations for purchase of insurance, pocketing the overbilled amounts. (Previously, the Arevalos attorney Joe DeMaria said the insurance overbilling only occurred on paper and the money wasn't actually received.)

• They failed or refused to cure numerous water leaks to the roofs, walls and curtain walls, resulting in mold which threatened the health of occupants and created property damage.

• They formed undisclosed entities to enter into contracts for services in order to charge Elcom inflated prices. (Elcom is the debtor in the bankruptcy case.)

Arevalo's attorney, Joe DeMaria of Tew Cardenas, has previously said anger at the Arevalos is misdirected.

"The problem is the structure of the condo-hotel, although it is no different than any other condo-hotel," he said. "No decent hotel is ever going to let the association control the common area. Anyone who bought into this knew exactly what they were buying into."

According to DeMaria, Arevalo tried to convince Sullivan to invest more money to upgrade the accounting system, but Sullivan refused.