

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

2660 SLC SB 494 (FILE 3)

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
19. <u>Tennessee</u>	5/19/81 Amended 8/31/83	New Timesharing Act	Tennessee Real Estate Commission

Comments:

- 10-day rescission if purchaser inspected property before securing
- Law provides for 15-day rescission period if purchaser did not inspect property;
- Registration and \$5,000 bond required for acquisition, sales and management entities.

20. <u>Utah</u>	5/8/83 Amended to cover timesharing	Utah Land Sales Practices Act	Real Estate Division
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Comments:

- 5 day non-waivable rescission period.
- Delivery of property report to consumers.
- Disclosure on exchange matters.
- Financial protection for consumer purchase.

21. <u>Virginia</u>	7/1/81 Amended 3/83	Virginia Real Estate Timeshare Act	Virginia Real Estate Commission
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Comments:

- Law provides for public offering statements and a three-day rescission period.

22. <u>Washington</u>	8/1/83	New Timesharing Act	Washington State Department of Licensing
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Comments:

- Requires application procedure consisting of disclosure document filing and an application for registration.

STATES REGULATING TIMESHARING THROUGH  
LAND SALES OR SECURITIES ACTS

<u>State</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>1. Alaska</u>	Securities Act or Land Sales Act	Department of Commerce

Comments:

- Law requires project registration if project considered a security.
- Law requires a rescission period if project considered a security.

<u>2. Colorado</u>	Subdivided Land Sales Act	Real Estate Commission
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<u>3. Iowa</u>	Subdivided Land Sales Act	Real Estate Commission and Attorney General's Office
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Comments:

- Law requires public offering statements.
- Law requires project registration for in and out-of-state fees.

<u>4. Kansas</u>	Kansas Securities Act	Kansas Securities Commission
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Comments:

- Law requires project registration for fees if considered a security.
- Public offering statement required.

<u>5. Maine</u>	Maine Securities Act Unit Ownership Act	Securities Division, Department of Banks and Banking
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Comments:

- Law requires a public offering statement.
- Law requires a 15-day rescission period.

<u>State</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>6. Massachusetts</u>	Land Sales Act	Board of Registration of Real Estate

Comments:

- Out-of-state project registration required.

<u>7. Minnesota</u>	Subdivided Land Sales Practices Act	Department of Commerce
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Comments:

- Registration for most forms of timesharing
- 5-day rescission period
- Detailed public offering statement

<u>8. Missouri</u>	Missouri Uniform Securities Act of 1969	Commissioner of Securities Real Estate Commission, Attorney General's Office
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Comments:

- Project registration considered on a case-by-case basis.
- Public offering statement, rescission period are discretionary.

<u>9. Montana</u>	Land Sales Practices Act	Board of Realty Regulation
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Comments:

- Law requires public offering statements.

<u>10. New Mexico</u>	Securities Act, land Subdivision Act of 1963 Subdivision Act of 1973, and Building Unit Ownership Act	Consumer Protection Division of Attorney General's Office
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Comments:

- Project registration required for in and out-of-state fees.
- Public offering statement required.
- Registration for fee interests in condominiums.

<u>11. New York</u>	Sweepstakes Disclosure Law & General Business Statute	New York Department of Law, New York Department of State
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Comments:

- Law provides for a 10-day rescission period.
- Law also requires broker and sales license for those selling real estate, and NASD securities exam.
- Extensive and detailed disclosures required.

State

Legislation

Administering Authority

12. Ohio

Ohio Securities Act

Securities Division

Comments:

- Requires registration and full disclosure for all interest in real estate outside Ohio.

13. Oklahoma

Oklahoma Securities Act

Department of Securities  
or Real Estate Commission

Comments:

- Project registrations.
- Law requires rescission period of five days.

14. West Virginia

Securities Act or  
Condominiums Act

Real Estate Commission  
and State Auditor's Office

Comments:

- Law requires a public offering statement.
- Law requires a 15-day rescission period.

LEGISLATION EXPECTED TO BE INTRODUCED IN 1984 IN THE FOLLOWING STATES:

{	Vermont	}	New Jersey
	Maryland		Illinois
	Missouri		Idaho
	Minnesota		Wisconsin
	Florida		

(10)

*Indiana*

22  
 14  
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 36 -

46.  
 10

Recission Periods for States with  
Timesharing Laws

<u>State</u>	<u>Number of Days</u>
Alabama	5
Arizona	7
Arkansas	5
California	3
Connecticut	3
Florida	10
Georgia	7
Hawaii	5
Louisiana	5
Maryland	0
Nebraska	3
Nevada	5
New Hampshire	5
North Carolina	5
Oregon	5
South Carolina	4
Tennessee	10 on-site; 15 off-site
Utah	5
Virginia	5 (IF no POS rec'd 5 dys. in advance)
Washington	7

## TIMESHARE LEGISLATION INTRODUCED

Senate Bill 494 (SB 494) was prepared in response to numerous complaints and inquiries received by the Consumer Protection Section of the Office of the Attorney General. At present our state has no specific legislation governing timesharing. In our state, as in other states without specific legislation, timeshares are sometimes regulated pursuant to condominium acts, securities laws, or consumer protection laws. The lack of specific legislation causes problems for consumers and the timeshare industry. The timeshare industry needs specific legislation so that they know the laws with which they must comply in developing and marketing a timeshare project.

Timesharing is a relatively new concept in real estate, combining property ownership and vacations. Timeshare buyers basically buy vacation homes or apartments for weekly intervals.

Purchases are of two types: in one the buyer receives title to a fraction of a unit - a "fee simple" transaction with a recorded deed creating an interest in real estate. In the other type the buyer would simply receive the right to use a timeshare unit for a period of time. Timeshares can cost anywhere from \$2,000 to \$30,000 or more per week of timeshare ownership. SB 494 would apply regardless of the type of ownership.

There are two broad areas of abuse that have occurred in the timeshare industry: marketing and financing. This legislation would attempt to curb or eliminate those abuses in the State of Alaska.

1. Marketing Abuses. Great profits can be made on timeshares. For example, an owner purchasing a condo unit for \$125,000 and selling 50 weeks (allowing two weeks for maintenance) at \$5,500 per week will make \$150,000. ( $\$5,500 \times 50 = \$275,000$  in sales, less \$125,000 for the condo = \$150,000 profit). A development with 100 units would bring in 15 million dollars ( $\$150,000 \times 100$  units). Also, the timeshare owners typically pay a yearly maintenance fee, so the developers and sellers do not even have to assume that cost.

Obviously, many buyers are required to make a timeshare profitable. Accordingly, various marketing methods have been adopted, some of them abusive. Timeshare developers often contact people by mail or by phone, suggesting that they have "won" one of several "prizes," contingent upon their attendance at a "brief" timeshare presentation.

Consumer complaints regarding this practice include 1) the "brief" presentation goes on for hours; 2) they must endure high-pressure tactics to buy a timeshare to get their "prize," 3) the "prize" they get is extremely disappointing; for example, rather than winning the car or the \$1,000 cash, they win the "luggage set" which turns out to be one small, cheap carry-on; 4) every other person at the presentation won the same carry-on; no big prizes in sight; and 5) they were talked into buying a timeshare they don't want and now the seller won't let them out of the contract.

Senate Bill 494 would limit the types of marketing practices allowed to induce consumers to attend these sales presentations.

2. Financing Abuses. The other major problem area in the timeshare industry is the financing of the project. If a developer sells a project which is heavily mortgaged, and is not able to meet debt obligations, the bank or other lending institution may foreclose on the timeshare property. If that happens, there is the potential for the timeshare owners to be deprived of their rights to use the property (and they may also be unable to get any of their investment back). The act attempts to cure this potential loss of property by requiring a complete disclosure statement to be made to the buyer of financing arrangements, and by requiring registration of the project with the Alaska Real Estate Commission. The Commission would have the authority to require bonding to protect the public if the project's financing threatens the rights of the timeshare buyers.

The bill, if passed, would require that timeshares in Alaska be sold only through a real estate broker, associate broker, or real estate salesperson licensed in this state. This provision would offer the people of Alaska some protection against "fly-by-night" or fraudulent operations, since local brokers would be cautious about risking their licenses or exposing themselves to claims by dissatisfied purchasers.

Currently the bill is before the Senate Labor and Commerce Committee, and any comments should be directed to that committee, or to your representative or senator in the state legislature at Pouch V, Juneau, Alaska 99811.



OFFICE OF THE  
ATTORNEY GENERAL

February 24, 1984

Attorney General Norman Gorsuch  
State of Alaska  
Office of the Attorney General  
1031 West 4th Avenue  
Suite 110  
Anchorage, Alaska 99501

RECEIVED  
Department of Law

FEB 27 1984

Office of the Attorney General  
Consumer Protection Section  
Anchorage, Alaska

Re: Timeshare legislation

Dear Attorney General Gorsuch:

In behalf of Attorney General Ken Eikenberry, this office wholeheartedly supports your efforts to promulgate legislation to regulate the sale of timeshare interests in the State of Alaska.

Our recommendation for legislation in the timeshare area is based upon this office's vast experience in dealing with abuses in timeshare sales. Many of the largest timeshare organizations in existence have originated in the State of Washington, such as, for example, Vacations Internationale and Royal Aloha. Unfortunately many of the infamous timeshare organizations, such as Paradise Palms, Harbor Village, and Club America have also originated in this state and have caused consumer injury in states far beyond our borders. We have, consequently, been involved in many investigations and much litigation with timeshare companies operating in most of the Western states.

Because of the overwhelming law enforcement problems this office was seen in the area we pressed for and succeeded in getting strong legislation adopted to regulate all timeshares interests sold in this state. In our opinion, this state's timeshare legislation has dramatically reduced the number of consumer complaints and consumer injury in this industry. Our only regret is that our timeshare legislation was not passed earlier.

Very truly yours,

JAY UCHIDA  
Assistant Attorney General  
Consumer & Business  
Fair Practices Division

JU:ib

Ken Eikenberry Attorney General  
Dexter Horton Building, Seattle, Washington 98101-1749

Support from other states

# The State of South Carolina



## Office of the Attorney General

T. TRAVIS MEDLOCK  
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING  
POST OFFICE BOX 11549  
COLUMBIA, S.C. 29211  
TELEPHONE 803-753-3040

March 8, 1984

Ms. Linda O'Bannon  
Assistant Attorney General  
Consumer Protection Division  
1031 W. 4th Avenue, Suite 110  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

In response to your inquiry, I wish to set forth my views on the need for state regulation of the time sharing industry. As a preface to my comments, I would note that I am the Chief Attorney for our Consumer Fraud Section and have been so for nearly six years. During my tenure in this position, I have been involved in many investigations and prosecutions of time sharing projects.

South Carolina has long had an active time sharing industry. Our beach resorts and good climate made this State a natural setting for the establishment and growth of this novel approach to property ownership. By 1978, time sharing had swept across our State and had become an increasingly important part of our economy. However, with the spread of this concept, the absolute necessity of state regulations became obvious.

The Attorney General's Office, the Department of Consumer Affairs and the Real Estate Commission in this State were swamped with complaints from time sharing projects by the latter 1970's. For this small State, the thousands of complaints from time sharing projects were for awhile our principal consumer protection problem. In fact, the problems became so acute that our office exercised its rule making authority in 1978 to impose some order on chaotic conditions then prevalent in the industry. Shortly after our rules were promulgated, the State Legislature adopted a comprehensive statute to govern time sharing. We then repealed our rules.

Ms. Linda O'Bannon  
Page Two  
March 8, 1984

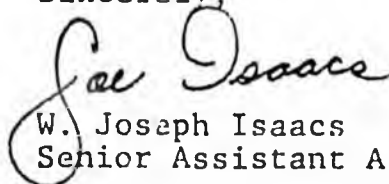
The impact of the regulations and the legislation was felt at once. In a very short time, we witnessed a dramatic decrease in the number of consumer complaints and in the number of projects which were collapsing. Today, our problems are quite manageable and we can only attribute this good fortune to the legislation which was adopted in 1978. I can unequivocally say that if this legislation had been adopted five years earlier, thousands of consumers would have avoided the enormous losses incurred prior to 1978.

There were several major problems which were eliminated by the 1978 legislation. The problem which had given us most concern stemmed from those time sharing projects which were heavily encumbered and then collapsed causing thousands of consumers to lose their investment in a project through a foreclosure action. Many people paid in full the purchase price of their time sharing interest only to see their rights extinguished by a mortgage holder who would act whenever the time sharing project defaulted on its mortgage commitments. The escrow requirements embodied in our law has eliminated this problem.

While I cannot promise you that you will never have any problems if you enact legislation to govern time sharing, I can assure you that your problems will be immense if you don't. Unless your state acts to protect the investments made by time share purchasers, the unscrupulous people who pervade that industry will quickly take advantage of your lack of regulations.

If you have any questions on any specific cases, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Joe Isaacs". The signature is written in dark ink and is positioned above the typed name and title.

W. Joseph Isaacs  
Senior Assistant Attorney General

WJI/jvh



STATE OF ARKANSAS  
OFFICE OF THE ATTORNEY GENERAL  
JUSTICE BUILDING, LITTLE ROCK 72201

STEVE CLARK  
ATTORNEY GENERAL

(501) 371-2007

February 28, 1984

Ms. Linda O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th St., Ste. 100  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

This letter is in response to our recent telephone conversation regarding regulation of the time share industry.

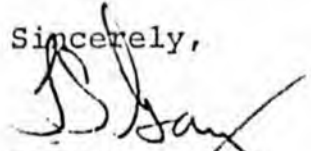
The Arkansas legislature enacted Act 294 of 1983 to regulate time share sales through the State Real Estate Commission. The Act became effective last summer, the developers have or are completing the initial registration and the Commission is currently promulgating regulations.

This Act was sponsored by the Arkansas Bar Association who worked with some time share developers in drafting same. This Office participated in review of the bill before introduction in the General Assembly.

We believe that regulation of this industry is imperative to protect the industry and the public. Our Act requires disclosures through a public offering statement, permits unilateral rescission for 5 days, and provides protective mechanisms to assure the project can be completed and that a buyer will get clear title to his interval. Prior to passage of this Act, one in-state developer went out of business due to financial problems. All purchasers could lose their payments. This occurrence demonstrates the need for such regulations and we support same.

Enclosed is a copy of our Act. If we can assist you in any manner, please call upon us.

Sincerely,

  
THOMAS S. GAY  
Assistant Attorney General

TSG:jr  
Encl.



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE ATTORNEY GENERAL

DAVID L. ARMSTRONG  
ATTORNEY GENERAL

March 13, 1984

CAPITOL BUILDING  
FRANKFORT 40601

Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th, Suite 110  
Anchorage, Alaska 99501

Re: Kentucky Time-Share Regulations

Dear Ms. O'Bannon:

Thank you for your request for information on any rules or regulations pertaining to the offering of time-share interest within the Commonwealth.

Time-sharing in Kentucky is governed by the Recreation and Retirement Use Land Sales provisions, KRS 367.470 et seq. Those provisions require that a registration and bonding procedure be followed by those subject to the provisions before any advertising is conducted or any offer of sale is made. Once the registration and bonding provisions are met, a registration number is issued that must appear in all advertising. A copy of the statutory provisions is enclosed for your convenience. Please note that the regulations pursuant to KRS 367.480 have been proposed. These regulations require anyone subject to the Recreation and Retirement Use Land Sales provisions to provide certain disclosures. A copy of the proposed regulation is also enclosed for your convenience.

You may also wish to note that the statutory definition of a "broker" found in Chapter 324, Real Estate Brokers and Salesmen, includes those persons who:

For a fee, commission, compensation or other valuable consideration sells or offers for sale, buys or offers to buy, or otherwise deals in time-sharing options, or negotiates the purchase or sale or exchange of real estate, or who leases or offers to lease, or rents or offers for rent, or refers or offers to refer for the purpose of securing prospects, any real estate or the improvements thereon for others, as a whole or partial vocation.

It would appear, therefore, that the statutory provisions and regulations pertaining to brokers would also effect time-sharing within the Commonwealth.

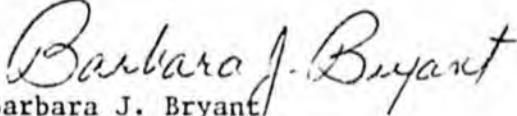
Ms. Linda M. O'Bannon  
March 13, 1984  
Page Two

Please note that this Office has not had any major litigation or any other type of action against time-share marketers, sellers, developers, projects, etc. We are currently examining certain types of marketing practices used in the promotion of time-share interests, but as of yet, no final position has been established regarding these promotions.

I hope this information is helpful to you. Additional information or questions on time-sharing within the Commonwealth should be sent to the undersigned and/or the Kentucky Real Estate Commission, 100 East Liberty, Suite 204, Louisville, Kentucky 40202, Attention: Ms. Susan Stopher.

Sincerely,

DAVID L. ARMSTRONG  
ATTORNEY GENERAL

  
Barbara J. Bryant  
Assistant Attorney General  
Consumer Protection Division  
209 St. Clair Street  
Frankfort, Kentucky 40601-1875  
502/564-2200

BJB:dwa  
Enclosures



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF ATTORNEY GENERAL

March 9, 1984

LeRoy S. Zimmerman  
ATTORNEY GENERAL

Reply To:

BUREAU OF CONSUMER PROTECTION  
Strawberry Square - 14th Floor  
Harrisburg, Pennsylvania 17120  
(717) 787-9707

Linda M. O'Bannon, Assistant Attorney General  
Consumer Protection Section  
Office of Attorney General  
1031 W. 4th - Suite 110  
Anchorage, Alaska 99501

Re: Timeshare Legislation

Dear Ms. O'Bannon:

In response to your inquiry of March 5, 1984, please be advised the Commonwealth of Pennsylvania has not enacted any legislation, regulations or rules regarding typical timeshare offerings available in our state.

There are currently a number of legislative proposals which are being developed by our Legislature and the resort industry, but I am unable to supply you with copies of any such proposals.

It is our position that sales of timeshare interval interests do require specific, comprehensive legislation which would regulate the three broad areas of potential consumer abuse: deceptive marketing promotions and solicitations, unduly coercive and deceptive representations at the point of sale, and mismanagement or third party creditor attacks on specific timeshare interests.

Enclosed you will find two press releases involving legal actions commenced by our office which have addressed the first two areas of abuse. To date, the timeshare resort industry in Pennsylvania has been financially stable and, happily, no major resorts have experienced any financial crisis affecting individual interval purchasers.

We would suggest that you contact Deputy Attorney General Michael F. Butler, Bureau of Consumer Protection, Lehigh Valley Regional Office, 27 North 7th Street - First Floor, Allentown, Pennsylvania 18101, (215) 821-6690, for future exchanges and information regarding timeshare concerns.

Very truly yours,

  
Michael J. Pekula, Acting Director

MJP/sld  
Enclosures



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
CONSUMER AFFAIRS  
206 STATE OFFICE BLDG.  
NASHVILLE 37219

March 16, 1984

ATT: Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th, Suite 110  
Anchorage, AL 99501

Dear General Gorsuch:

Upon reviewing your letter of March 8, 1984, I have determined that it can best be answered by the Anti-trust/Consumer Protection Division of the Attorney General's office. I am directing a copy of your letter to the attention of Meredith De Vault.

I hope you will acquire all of the information you are requesting. We have had an increasing number of complaints about both time-share transactions and campground "memberships" (which are exempted from our Time Share Act).

Your pending Time Share Act sounds quite comprehensive. I would be interested to learn whether it passes in your legislature and in what form.

If our office can be of further assistance to you, please do not hesitate to contact us again.

Sincerely,

*Melinda W. Fields*

Melinda W. Fields, Director  
Division of Consumer Affairs

M.: db

cc: Meredith De Vault, Assistant Attorney General  
Office of Attorney General  
450 James Robertson Parkway  
Nashville, TN 37219



# STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

ST. PAUL 55155

HUBERT H. HUMPHREY, III  
ATTORNEY GENERAL

ADDRESS REPLY TO:  
1100 BREMER TOWER  
SEVENTH PL. AND MINNESOTA ST.  
ST. PAUL, MN 55101  
TELEPHONE: (612) 296-9412

March 14, 1984

The Honorable Norman Gorsuch  
Attorney General of the  
State of Alaska  
1031 W. 4th - Suite 110  
Anchorage, Alaska 99501

ATTENTION: Linda M. O'Bannon, Assistant Attorney General,  
Consumer Protection Section

To Whom It May Concern:

This is in response to your letter of March 5, 1984, which was directed to Curt Loewe, the Director of our office of Consumer Services.

I have enclosed a copy of the Minnesota subdivided land statute, Minn. Stat. ch. 83, and the regulations that have been adopted pursuant to that statute.

The Minnesota Commerce Department, which is the state agency that enforces this law, has historically taken the position that the Subdivided Land Act applies to most time-share programs. As a result, for the most part time-share developers have been registered with the Minnesota Commerce Department, and have been subject to the various requirements of that law. These include a requirement for a 5-day cooling-off period, a requirement for registration and mandatory disclosure in the form of an offering document subject to review by the Department.

There are no relevant major pleadings against time-share marketers because, quite frankly, we have not had any serious problems with time-share developments in this state. I believe that the reason we have not had problems is precisely because we have had regulation of time-share programs from the time that they were first offered in this state.

The Commerce Department is currently proposing some amendments to the present statute clarifying the applicability of the Subdivided Land Act to time-share programs and otherwise streamlining the statute and eliminating some loopholes. I have enclosed a copy of the proposed legislation, but I would

The Honorable Norman Gorsuch  
March 14, 1984  
Page Two

suggest that you contact me at the end of April. By that time we should know the ultimate disposition of the proposed amendments.

You also asked for the name of a time-share contact person in our state. The person who is most knowledgeable about time-share programs is Lorraine Rowe, who is in charge of registration of time-share and other subdivided land with the Commerce Department. Her address is 500 Metro Square Building, St. Paul, Minnesota 55101. Her direct telephone number is (612) 296-2990.

I hope this information is of assistance.

Sincerely,



CHARLES I. WIKELIUS  
Special Assistant  
Attorney General

Telephone: (612) 296-7519

CIW:sab  
Enclosures

# Attorney General



PAUL BARDACKE  
Attorney General

Department of Justice

JOHN BIGELOW  
Deputy Attorney General

P.O. Drawer 1508  
Santa Fe, New Mexico 87504  
Telephone: (505) 277-6000

March 16, 1984

Ms. Linda O'Bannon  
Assistant Attorney General  
Consumer Protection Division  
State of Alaska Department of Law  
1031 Fourth Street, Suite 110  
Anchorage, Alaska 99501

Re: Time-share Statutes

Dear Ms. O'Bannon:

Your letter of March 5, 1984, to Mike Barlow, was referred to me, since I am now the Assistant Attorney General in New Mexico responsible for enforcement of all land use statutes. New Mexico does not have a time-share statute, although time-shares are covered by the State's Condominium Law. I am enclosing a copy of the Condominium Law for your review. The Attorney General's Office does not enforce the Condominium Law, and therefore, is not responsible for enforcement of any time-share provisions.

Any litigation which has occurred in the State has been private, and the Attorney General's Office has not participated in it. Persons creating condominiums which happen to be time-shares merely have the obligation of recording their documents in the Office of the County Clerk in which the time-share is located. That information does not have to be filed with our office.

Although I personally believe that state legislation concerning time-shares is desirable, such legislation did not pass in the 1981 Legislative Session which was the last time that it was proposed. There has been no attempt to reintroduce such legislation, although I am considering it for the 1985 Session. We have been requiring persons distributing advertising concerning time-shares to submit them to our office for review, whether or not the property is located in New Mexico. We do this both under the New Mexico Subdivision Act, Section 47-6-18, and the State Unfair Trade Practice Act, Section 57-12-1 NMSA 1978. We believe that we do have authority under the Unfair Practice Act to bring a civil action for misrepresentation and fraud in the sale of

Ms. Linda O'Bannon  
March 16, 1984  
Page -2-

time-share units. However, we have not brought any such actions to date.

I am sorry that New Mexico cannot be counted along with the more progressive states in regulating the sale of time-shares. I reviewed your statute, and believe that that its provisions will enable Alaska to regulate this growing industry.

I'm sorry that I cannot be of any further assistance to you.

Very truly yours,

ANITA P. MILLER  
Assistant Attorney General

APM/ag



STATE OF UTAH  
DEPARTMENT OF BUSINESS REGULATION

SCOTT M. MATHESON, GOVERNOR

DENNIS G. RITZ, EXECUTIVE DIRECTOR

March 16, 1984

Linda O'Bannon  
Office of the Attorney General  
Consumer Protection Division  
1031 West 4th Avenue #110  
Anchorage, AK 99501

Dear Ms. O'Bannon:

The Division of Real Estate received a communication from the Attorney General's office for the State of Utah indicating that you had communicated a interest in our timeshare act and rules and regulations. Apparently you are considering some legislation and are interested in our experience with our newly inacted timeshare law. I am sending you a copy of our current Utah Uniform Land and Timeshare Sales Practices Act and the accompanying rules and regulations, as well as a registration packet which is given to all prospective developers.

I'm not exactly sure what your looking for from our experience with the new law and would appreciate it if you could send me a letter with specifics on the items which you are looking for. Briefly, some of the items which have come up as concerns since our implementation of the law involved a question of whether non-deeded right to use timeshares, and other types of non-deeded ownership such as club memberships are included under the timeshare Act. The Utah Attorney Generals Office is currently preparing an opinion as to whether these types of ownerships are included under the Act and the results of that opinion may require some admendments by the Legislature to clarify this situation. Another concern that we have is regarding the Owners Association maintenance budgets and their projected adequacy to service the project. The Division has not had any expertise or guidelines to establish any regulations along this line and we are currently researching what other states are doing in this matter.

On the positive side we have experienced generally an atmosphere of cooperation from the industry and an apparent willingness to comply with every regulation under the Act. The requirements of the Act and the rules and regulations that the underlying encumbrances contain individual release clauses has not seemed to prove a problem with existing projects, since most of them have been able to re-negotiate their underlying liens with the lender to contain this provision. We have had a few cases where development had difficulty with this because they were in trouble, such as being under Chapter 11 of the bankruptcy courts but for the most part we have been able to

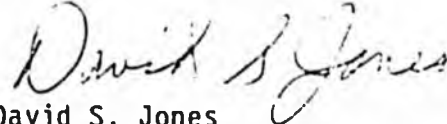
DIVISION OF REAL ESTATE • DAVID W. JOHNSON, DIRECTOR

accomplish this with the minimum of problem. We feel this is very positive step since one of the major timeshare developers, which has their base of operations in Salt Lake City, is currently under Chapter 11 and has not been able to deliver the title on some past sales due to a lack of these release provisions, which may have, at least in part, contributed to their current financial situation.

If you have any more definite questions, or clarifications which you would like to request, please feel free to contact our office.

Sincerely,

DIVISION OF REAL ESTATE

A handwritten signature in cursive script that reads "David S. Jones".

David S. Jones  
Subdivision Inspector

DSJ/srt

Enclosures

1353/8-9

STATE OF FLORIDA



DEPARTMENT OF BUSINESS REGULATION  
THE JOHNS BUILDING  
725 SOUTH BRONOUGH STREET  
TALLAHASSEE, FLORIDA 32301

Bob Graham, Governor  
Gary R. Rutledge, Secretary

March 13, 1984

E. James Kearney, Director  
Division of Florida Land Sales  
and Condominiums

Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
State of Alaska  
1031 W. 4th, Suite 110  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

Enclosed is a copy of Chapter 721, Florida Statutes (1983), and rules proposed to be issued pursuant to that Chapter. This consists of the major time-share regulatory act in Florida. I am sure from the scope of this Act you can see that the role of time-shares is a highly regulated activity in Florida. This is due in great part because of the general legislative and consumer interest in the area (i.e. over 2000 consumer complaints/inquiries in the last seven months).

Please feel free to contact me if you have further specific questions regarding time-share regulation in Florida.

Sincerely,

A handwritten signature in cursive script that reads "Daniel J. Bosanko".

Daniel J. Bosanko, Chief  
Bureau of Time-Share

DJB/drt  
Enclosures

Office of the Secretary

Division of Hotels & Restaurants

Division of Alcoholic Beverages & Tobacco

Division of Florida Land Sales & Condominiums

Division of Pari-Mutuel Wagering  
1350 N.W. 12th Avenue, Room 332  
Miami, Florida 33136

M O D E L P R E S S R E L E A S E

For Use By  
Local Better Business Bureaus

- - - - -

For further information:  
(appropriate BBB staff person)  
(local telephone number)

INVESTOR ALERT WARNS OF  
TIMESHARE PITFALLS

(City, State, date) -- The North American Securities Administrators Association (NASAA) and the Council of Better Business Bureaus (CBBB) today released their Investor Alert for January that spotlights problems involved in investing in the fast growing vacation timeshare industry.

(State Securities official) stated that "Investors in the United States should be alert in making timeshare investments. Timesharing as an industry is on the rise and, although there are many legitimate entrepreneurs in this area, a number of unscrupulous promoters have defrauded investors in recent years. State or provincial securities commissions or real estate commissions as well as local Better Business Bureaus can help in sifting out legitimate timeshare entrepreneurs from the fast buck artists."

A number of persons who felt they were buying one or two week vacations for life when they purchased timeshares have been left with nothing when their projects went bankrupt or it turned out that the high pressure promoters did not even own the property they were selling. Similarly, underfunded resorts may sell timeshares before construction has begun, hoping to use the sales money to underwrite the project. When sales lag the projects fold leaving early buyers in the lurch.

/more

(BBB CEO) noted that "timeshare vacation projects are an attractive, less costly alternative to a second vacation home, but potential buyers should arm themselves with knowledge of just what they are getting into, including all costs involved, who owns the project and the facilities offered. They should also check out exchange programs that promise trades for other, as some promoters claim."

The Alert details eight tips investors should consider before investing in a vacation timeshare and provides questions they should have answers to before they buy.

The Investor Alert program, launched in January 1983, is an attempt by business and government to warn citizens of the United States, Puerto Rico, Canada and Mexico of questionable investments that are currently widespread. The Council of Better Business Bureaus represents member Bureaus in 170 U.S. and Canadian cities. NASAA members are securities administrators in the fifty states, the District of Columbia, Puerto Rico, Mexico and the provinces and territories of Canada.

For more information on the INVESTOR ALERT program, call or write CBBB, your local Better Business Bureau or your state or provincial securities commission.

*Senator  
Eliason  
Shelia Peterson*



State of North Carolina

RUFUS L. EDMISTEN  
ATTORNEY GENERAL

Department of Justice

P. O. BOX 629  
RALEIGH  
27602-0629

(919) 733-7741

March 26, 1984

Ms. Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th, Suite 110  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

Special Deputy Attorney General John R. B. Matthis has requested that I respond to your recent letter concerning timeshare issues in North Carolina. Your letter indicates that your legislature is currently considering a bill to regulate the timeshare industry, and requests information concerning timeshare regulation, legislation, and litigation in North Carolina.

Complaints concerning the solicitation and sale of timeshares to North Carolinians have increased significantly in the last several years. As a result, our office has carefully monitored telephone and direct mail solicitations to insure compliance with our statutes regulating contests and representations of having won a prize. Additionally, we joined forces with the Real Estate Commission and the General Statutes Commission to sponsor legislation addressing the substantive issues involved in the sale of timeshares which was considered in the 1983 Session of our General Assembly. I am pleased to report that the "North Carolina Time Share Act" was ratified during that session and becomes effective on July 1, 1984. I have enclosed copies of both our "Contest Guidelines," which includes the various statutory provisions relevant to timeshare solicitations, and the Act for your information.

Our Act requires all timeshare developers to register with the Real Estate Commission before offering any units for sale. All sales personnel must be licensed real estate salesmen

Ms. Linda M. O'Bannon  
March 26, 1984  
Page two

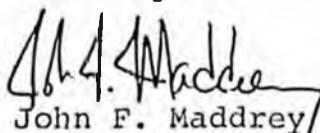
or real estate brokers. All prospective purchasers must be given a public offering statement containing specific information, and are entitled to cancel any timeshare contract for a five-day period, during which all monies paid must be held in escrow by the seller. The Act specifically refers to our contest and prize statutes and delineates the information that must be provided if the seller offers the opportunity to subscribe to an exchange program to timeshare purchasers. The authority to adopt rules and regulations to carry-out the purposes of the Act is granted to the Real Estate Commission.

We consider the monitoring of solicitation materials and the handling of complaints alleging deception, misrepresentation, or high-pressure sales tactics as our primary activity in the timeshare area. Therefore, we insisted on the inclusion of a "cooling-off" period in our Act, because we believe that such a rescission period is the most effective way to discourage and to remedy high-pressure sales. We have also enforced our contest statutes in cases involving solicitations for timeshare developments. Enclosed for your information are two "Settlement Agreements" obtained within the last year. Each Agreement requires the payment of a civil penalty to the State and provides for the submission of future solicitations to our office prior to their dissemination so that we can attempt to prevent additional violations.

I hope that this information will be useful in your review of the proposed timeshare legislation for Alaska. Additional information concerning our Time Share Act can be obtained from Assistant Attorney General John F. Maddrey, while questions concerning prize awards and contests should be directed to Assistant Attorney General Philip A. Telfer. Both can be reached in the Consumer Protection Section at (919) 733-7741.

Sincerely,

RUFUS L. EDMISTEN  
Attorney General



John F. Maddrey  
Assistant Attorney General  
Consumer Protection Section

JFM:kyc

Enclosures



STATE OF NEVADA  
Capitol Complex  
OFFICE OF THE ATTORNEY GENERAL  
COMMERCE DIVISION—REAL ESTATE  
201 S. Fall Street  
Carson City 89710  
(702) 885-4297

BRIAN MCKAY  
Attorney General

JENNIFER STERN  
Deputy Attorney General

March 27, 1984

Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th, Suite 110  
Anchorage, Alaska 99501

RECEIVED  
MAY 1 1984  
Office of the Attorney General  
Consumer Protection Section

Dear Ms. O'Bannon:

Enclosed are copies of the Nevada Time Share Act and proposed regulations. Nevada's Time Share Act was just recently enacted in 1983. The proposed regulations are in the process of being adopted.

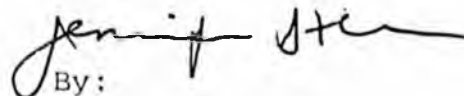
There are numerous reasons for requiring registration of timeshare projects by developers and licensing of the salespersons. The following are just a few:

1. Accountability of salespersons and developers for the representations they make to prospective purchasers.
2. Provide third party creditor protection to owners of timeshare.
3. Provide for escrowing of funds received by developer to prevent embezzlement or fraud.
4. Disclosure to purchasers.

Please contact me at (702) 885-4297 or George Whitney, Timeshare Reviewer, at (702) 885-4280, if you have any questions.

Sincerely,

BRIAN MCKAY  
Attorney General

  
By:

JENNIFER STERN  
Deputy Attorney General

JS:jg  
Enclosure



STATE OF DELAWARE  
DEPARTMENT OF COMMUNITY AFFAIRS  
DIVISION OF CONSUMER AFFAIRS

DEPARTMENT OF LAW  
DELAWARE STATE BUILDING  
820 N. FRENCH STREET, 4TH FLOOR  
WILMINGTON, DELAWARE 19801

OFFICE OF THE  
DIRECTOR

TELEPHONE: (302) 571-3250

RECEIVED  
Department of Law

APR 12 1984

Office of the Attorney General  
Consumer Protection Section

March 26, 1984

Ms. Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
State of Alaska  
Department of Law  
Office of Attorney General  
1031 W. 4th, Suite 110  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

Delaware has a bill pending (enclosed) which would place time share under the provisions of 24 Del. C. Ch. 29 regulating real estate brokers and salesmen.

Sincerely yours,

June D. MacArtor, Esquire  
Chief, Investigative and  
Counselling Unit

JDM:dcs  
Enclosure

*Return to Committee*



SPONSOR: Senator Cordrey

DELAWARE STATE SENATE

132ND GENERAL ASSEMBLY

SENATE BILL NO. 356 JAN 24 1984

AN ACT TO AMEND CHAPTER 29, TITLE 24 OF THE DELAWARE CODE RELATING TO REAL ESTATE BROKERS AND SALESMEN.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend §2901, Chapter 29, Title 24 of the Delaware Code by adding thereto a new  
2 subsection, designated as subsection (d), which new subsection shall read as follows:

3 "(d) The provisions of this section do not exempt condominium associations or their  
4 representatives, nor time-sharing developments and their representatives from the provisions,  
5 restrictions and prohibitions of this chapter."

SYNOPSIS

It is the purpose of this Act that condominium associations and time-sharing developers are to be included in the provisions of Chapter 29, Title 24 of the Delaware Code.

Under the present provisions condominium associations and time sharing developers are selling real estate without a license, the provisions in this bill will bring them under the guidelines of the Real Estate Commission.

Richard S. Cordrey



SPONSOR Sen. Cordrey

DELAWARE STATE SENATE  
132ND GENERAL ASSEMBLY  
SENATE AMENDMENT NO. 1

MAR 15 1984

TO

SENATE BILL NO. 356

1. AMEND Senate Bill No. 356 in Line 3 on Page 1 by inserting
2. the words ", notwithstanding Subsection b(2) above," between the
3. words "section" and "do" as the same shall appear therein.

SYNOPSIS

This amendment will clarify the intent of the original bill that managers or representatives of condominium associations or time-sharing developments would be subject to the controls of the Real Estate Commission. Author -- Sen. Cordrey.

1 of 1

SD:WJW:jlr

STATE OF MICHIGAN  
DEPARTMENT OF ATTORNEY GENERAL



STANLEY D. STEINBORN  
Chief Assistant Attorney General

FRANK J. KELLEY  
ATTORNEY GENERAL

LANSING  
48913

March 20, 1984

Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section  
1031 W. 4th, Ste. 110  
Anchorage, Alaska 99501

Dear Ms. O'Bannon:

Congratulations to Alaska for introducing a Time Share Act. Hopefully your Legislature will pass an effective act to stem the growing abuses in this developing area of law.

Unfortunately, Michigan does not have a Time Share Act, nor one pending, so we are forced to struggle along with our real estate licensing law, Article 25 of our Occupational Code, MCLA 339.2501 et seq.

I am pleased to see that your proposed Act includes "right to use" facilities, in addition to ownership interests. Our Department of Licensing and Regulation has conducted an extensive investigation of a "right to use" disaster involving the Capri Motel in Traverse City, Michigan. For the gory details, please contact: Investigator Peggy J. Murphy, Enforcement Division, Department of Licensing and Regulation, P. O. Box 30018, Lansing, Michigan 48909.

When Alaska passes its Time Share Act, I would appreciate receiving a copy, so that our efforts to obtain a Michigan version can be renewed.

Very truly yours,

FRANK J. KELLEY  
Attorney General

*David W. Silver*  
David W. Silver  
Assistant Attorney General  
Vehicle and Occupational  
Regulation Division

Sawyer's birthplace. But instead of looking out onto the rolling Mississippi, this newly built house sits at the heart of Reston's final frontier, a huge quadrant of land known as North Reston and just recently opened for development.

Most of the first houses at North Reston's North Point Village have a distinct Victorian flair, in stark contrast with Reston's predominantly contemporary architecture. And while there are other less-traditional homes in the works, the down-home feel of the first few are an indication of the direction Reston's developers have chosen for the town's newest neighborhood.

Conceived more than 20 years ago, Reston pioneered the concept of the planned community. But despite the careful strategy, not all has gone according to design. The majority of Reston's village centers have been less than successful at attracting retail business, the pathways have been plagued with crime and Reston's scenic amenities—the lakes and open spaces—are proving expensive to maintain.

So in North Reston, which covers 1,500 acres of wooded land bounded by Rte. 606 on the south and Rte. 7 to the north, the current developer—Reston Land Corp., a subsidiary of Mobil Oil Corp.—is scaling

The new houses being built in North Reston have a more traditional look than those

down. Plans are to create a community that will look more like the original, more densely-built development at Lake Anne than the 1970-vintage South Lakes homes, which are generally larger.

"North Reston is going to be a much more intimate development than what went in south of the Dulles Access Road," said commercial realtor Karl Ingebretsen of Wallborn Management Inc. in Reston. "In Hunters Woods and South Lakes, there are large-scale developments, like Shadow Wood, with hundreds of units of

housing. But when you can see the smaller clusters of type. It's going to be

Reston Land of Point Village more housing market.

"Reston always has place," said Reston  
See

## THE NATION'S HOUSING

By Kenneth Harney

# Bankruptcy Voids Certain Timeshares

If you're one of the estimated 250,000 Americans who have invested in "right-to-use" vacation timeshares, or if you're seriously thinking of doing so, keep your eyes riveted on an important piece of legislation that's about to move through Congress.

The bill, which revises the federal bankruptcy code, could have a direct effect on your wallet.

If it passes, the money you've sunk into your resort-timeshare investment should be safer than it is right now. If it doesn't, you could join the growing number of timeshare owners across the country who are stuck with dream vacation plans that are turning into nightmares.

Here's what's unfolding on Capitol Hill:

The new timeshare-reform legislation, introduced in both the House and Senate, is designed to plug a gaping hole in the federal bankruptcy law. As currently written, the bankruptcy code effectively allows developers or

See HARNEY, ES, Col. 1



By William T. O'Connell for The Washington Post

## Radon Is Termed For This

By Mar  
Special to The

With America their homes airtight, the radon gas.

While it is a heat, the sealing, some that are ground radon gas stoves and disastrous.

These poisons when circulate into the environment develops when

See RA

# More Space. More Features. More Selection. More to Do for A Lot Less Money.



of the features you'll find in our contemporary plus a dramatic, high ceilinged entry foyer and your choice of four exterior designs. For even more care-free living, see our condominium-style 2-story houses and sit-



## 'Right to Use' Timeshares Worthless When A Resort Declares Bankruptcy

HARNEY, From E1

owners of resort projects to cancel long-term "right-to-use" timeshare agreements they've sold to consumers by declaring bankruptcy. The resort project can then be sold at a favorable price to a new owner, who has no intention of running a timeshare resort.

The consumers, who may have invested \$5,000 to \$15,000 or more in what they thought were 40-year guaranteed rights to vacation at a deluxe condominium or hotel, can end up with little or nothing.

They can, as have buyers in two major Florida resorts and one in Myrtle Beach, S.C., find themselves barred from the premises they thought were occasionally "theirs" for decades.

For example, nearly 2,700 owners of units in a Ft. Lauderdale, Fla., resort received terse letters out of the blue from a bankruptcy trustee last summer, informing them that their rights to vacation at the club were "deemed terminated." Period. Don't bother to fly down from Massachusetts, Canada or Oregon, in other words. You're not allowed in the place no matter what you paid. Don't bother to write or phone. We'll call you.

Owners of a Florida Keys resort known as Sombrero Reef didn't even get the courtesy of letters. Some of them traveled hundreds of miles to enjoy the scheduled weeks in the Keys they'd paid for, only to find the doors padlocked and their equity investments of \$2,500 to \$5,000 evaporating in bankruptcy proceedings.

A federal judge later ruled that the 200 timeshare-unit owners at Sombrero Reef were nothing more than unsecured creditors, entitled to no special priority in distributions of bankruptcy proceeds. This was despite the facts that the consumers' dollars had enabled the timeshare resort to get off the ground in the first place and that Florida law expressly sought to guarantee their interests if the project went belly-up.

The timeshare units involved in bankruptcy controversies such as this are all "right-to-use" rather than "interval ownership." Roughly half of the estimated 500,000 timeshare interests sold in the United States since 1972 have been of the right-to-use variety. Also known as "vacation licenses," these units do not grant true real-estate interests to purchasers, but rather involve long-

term leases or contracts providing for use of a hotel suite, condominium apartment or other accommodations for particular weeks over the course of a 30- or 40-year period.

(Interval units, by contrast, involve actual titles and deeds to real estate. A consumer might purchase a 4 percent interest in a resort condo, for example, entitling him to occupy or trade two weeks of that unit every year. In a bankruptcy proceeding under current federal law, the owner of an interval unit is treated as a secured creditor and is permitted continued use of the property.)

Because of a little-noticed quirk in the code, however, right-to-use units—even when paid for fully in cash—are relegated to a legal never-never land known as "executory contracts." That means unit buyers can

be pushed out of their property, and new developers brought in, with the flick of a bankruptcy trustee's pen.

To remedy this, Sen. Orrin Hatch (R-Utah) and Rep. Bill McCollum (R-Fla.) have introduced legislation giving right-to-use consumers far greater protection. The code revisions would allow them to retain occupancy of their units during bankruptcy, prevent owners from locking them out and give consumers the same legal protections as all other real-estate "lessees" (renters) under federal law.

Perhaps the most significant fact about the new reform legislation is that it is strongly supported by the real-estate industry group that represents responsible developers in the resort field—the National Timesharing Council of the American Land Development Association.

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You are invited to visit Al in his office, 8020 Richmond Highway in Alexandria, or phone him at (703) 768-8100.

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MAR 23 1983

Division of  
Marketing Practices

# Minnesota official says Pinellas man contributed to failure of small bank

By CARLEN MADDUX  
St. Petersburg Times Business Writer

The alleged failure of St. Petersburg Beach developer John R. Swaim to make payments on several mortgage loans contributed to last week's collapse of a small Minnesota bank, an official with the Minnesota Attorney General's office said Monday.

The State Bank of Barrum, closed Thursday by the Minnesota Banking Division, has sued Swaim and his two companies, alleging they defaulted on \$3.6-million in loans.

"When he (Swaim) didn't perform, that put the bank further behind," said Richard C. Evans, a special assistant attorney general.

Evans blamed "mismanagement" as the main cause of the bank's demise.

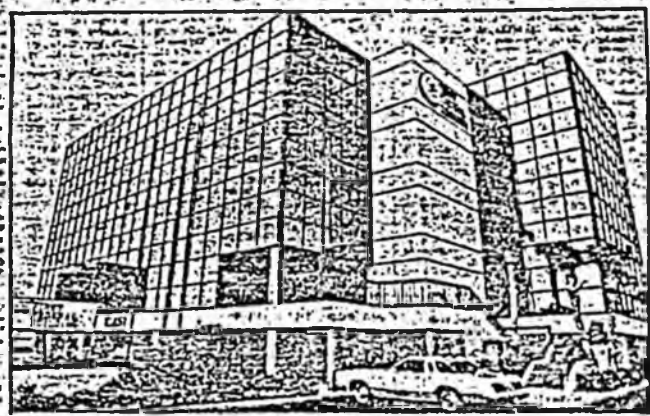
Swaim could not be reached for comment Monday. He is known locally for converting the Breckenridge Hotel on St. Petersburg Beach into a timesharing resort. He also introduced a novel pay-now, fly-later travel plan last fall in conjunction with Air Florida.

The Barnum bank is the first state-chartered bank in Minnesota to be shut-down. The Federal Deposit Insurance Corp. (FDIC) stepped in as a court-appointed receiver after no one bought the bank, and began reimbursing nearly 4,000 depositors at 9 a.m. Monday.

TWO WEEKS before its closing, the bank sued Swaim and his two companies, First Federal Corp. and First Federal Mortgage Corp. based at 10451 Central Ave., Treasure Island.

In a complaint filed in federal court in Duluth, Minn., the bank alleged that Swaim defaulted on \$3.6-million in mortgages which it bought last August through First Federal Mortgage.

Evans said the mortgages helped finance three resort timesharing ventures, at least two of which Swaim is developing. Those are a 1,065-acre project at Lake Placid, N. Y. and a



St. Petersburg Times — JOE WALLIS  
First Federal Building, 10451 Central Ave., Treasure Island.

5,400-acre project in Harrisonburg, Va.

Evans said he is uncertain if Swaim has an interest in the third project, at French Lick, Ind.

Under a timesharing plan, an investor buys an interest in a room or apartment for a specified period of time, generally in one-week intervals.

Under the agreement with the Barnum bank, First Federal Mortgage, a subsidiary of the First Federal Corp., was to collect the monthly mortgage payments from timesharing investors or project developers and pay the bank.

### THE COMPLAINT alleges



that First Federal Mortgage failed to make its August, September and October mortgage payments. Two checks totaling \$910,951 were sent Oct. 11 to cover the August and September payments, but both bounced, the complaint said.

Evans said those were "substantial payments" for a bank the size of the Bank of Barnum, which had assets of about \$13-million.

Swaim finally made the August, September and October payments in December, the complaint said. But the bank said that as of Jan. 17 it was still owed \$294,559 in back payments and accumulated interest.

The bank also alleged that First Federal Mortgage "wrongfully converted for its own use" principal and interest payments totaling \$148,794.

Swaim's First Federal Travel Pass plan, offered by First Federal Corp., is "alive and still going," said Robin Cohn of Air Florida. To date, about 600 air travelers have subscribed.

Under the plan travelers pay \$1,500 for 10 round-trip flights over a 10-year period to any Air Florida destination, excluding Europe. The plan was promoted as a hedge against possible increases in air fares.

*Times 2/15/83*

*cc:clark*

Three 2/1/83

### Minnesota bank is closed

The State Bank of Barnum, Minn. was closed after business Wednesday because of "gross mismanagement," Commissioner of Banks John Chisholm said Thursday.

The bank, opened in 1940, had total deposits of more than \$13-million on Dec. 31, 1982.

Barnum has a population of 382 and is located 40 miles southwest of Duluth, Minn. Chisholm said the bank, rather than relying on local deposits and loans, went into the open market and purchased out-of-state brokered funds. It also made substantial investments in loans secured by time-share mortgages, he said.

Times 83  
3-9

ST. PETERSBURG TIMES

# city AND state

## Time-share developer is arrested

By STEVEN A. MARQUEZ  
St. Petersburg Times Staff Writer

St. Petersburg Beach developer John R. Swaim was arrested Monday night and charged with grand theft in connection with his failure to make sizable mortgage payments to a Minnesota bank that has since collapsed.

Swaim, owner and president of First Federal Mortgage Corp., is accused of temporarily using money that was supposed to be paid to the State Bank of Barnum from mortgage payments on three time-sharing condominium projects Swaim is developing.

Employees at one of Swaim's proj-

ect, the Lake Placid Club Resort in Lake Placid, N.Y., could not cash their paychecks Tuesday at the resort's bank. The resort's general manager said the problem was only temporary.

Swaim, 51, was arrested Monday night on a warrant from the Pinellas-Pasco state attorney's office. He was released on \$10,000 bail.

AN AFFIDAVIT filed with the criminal complaint states the amount of money involved is "in excess of \$300,000." Assistant State Attorney Bernie McCabe refused Tuesday to say what the exact amount was.

But a federal lawsuit filed against Swaim and his companies by the Bar-

num bank says the amount in question is \$910,951. The lawsuit charges that Swaim defaulted on more than \$3.6-million in mortgage loans for time-sharing condominiums and diverted some of the money to his own companies.

The Barnum bank was closed Feb. 10 by the Minnesota banking commissioner for "gross mismanagement." The small bank had only \$13-million in deposits, and Swaim was apparently its largest debtor.

The bank purchased more than 400 time-share mortgages from Swaim in August 1982, states an affidavit from Robert Clark, a state attorney's investigator. The mortgages involved the Lake Placid resort, the Massanutter Village in Harrisonburg, Va. and a third condominium in French Lick, Ind., said John Bjork, a Minnesota special assistant attorney general.

SWAIM WAS supposed to collect monthly payments from the time-share holders and forward it to the bank, minus a small percentage. He collected the August and September payments, but did not send them to the bank, Clark's affidavit states.

Instead, Swaim deposited the money in a local bank account and used it "to pay First Federal Mortgage

See TIME-SHARE, 12-B

## Time-share

— from 1-B

Corp. expenses,"

the affidavit charges.

After a vice president of Barnum bank traveled to Pinellas County last Oct. 11 to collect the money, Swaim gave him two checks for the August and September payments. The checks were returned twice for insufficient funds, the affidavit adds.

Swaim finally made the payments between Oct. 27 and Nov. 26, the affidavit states. But according to the lawsuit filed by the bank, Swaim still owes at least \$294,589 in back payments and interest.

The Minnesota attorney general referred the grand theft allegations to Pinellas County authorities because "if there were crimes, they would be committed in Florida," Bjork said.

Swaim did not return telephone calls to his office from a *St. Petersburg Times* reporter Tuesday. He could not be reached at his home Tuesday night.

THE FEDERAL Deposit Insurance Corp. (FDIC) took over the Barnum bank and reimbursed its depositors. It also took over the lawsuit against Swaim, filed in U.S. District Court in St. Paul, Minn. two weeks before the bank failed.

Swaim first achieved local note in May 1978, when he proposed to build a "Jacques Cousteau Marine Sciences Convention Center" in St. Petersburg Beach, and asked the city government to finance its construction with \$103-million in revenue bonds. He soon withdrew the plan.

A former part-owner of the Breck-

enridge Resort Hotel in St. Petersburg Beach, Swaim converted it into a time-sharing resort in 1979. He later promoted a pay-now, fly-later travel pass plan with Air Florida. At least half the employees of his promotion firm, First Federal Corp., were laid off last November.

Swaim lately had problems with the New York state attorney general's office, which suspended time-share sales at the Lake Placid Club Resort last December. The attorney general charged that resort employees were using misleading information in sales pitches and were not advising buyers of their right to cancel a purchase contract within seven days. The sales were later resumed, according to the Associated Press.

ACTING GENERAL manager Howard Riley would not comment about resort sales practices Tuesday. Riley said the Lake Placid resort's "cash flow" was partly hurt by the suspension of sales.

The Key Bank, which has the resort checking account, refused Tuesday to cash paychecks for the resort's employees. Riley insisted the resort has "plenty in the account to cover the payroll" and blamed the problem on the bank's policy of not accepting withdrawals on the resort's account until checks from resort customers cleared.

The Lake Placid resort consists of a 230-room hotel and 35 time-share condominiums, Riley said. An additional 30 time-share units are planned, he added.

— Information from the Associated Press and United Press International was used in this report.

*reburne*  
*3-9-83*

### Developer arrested on theft charges

CLEARWATER (AP) — John R. Swalm, developer of the Lake Placid Club Resort hotel and time-sharing condominiums in New York State, was freed on \$10,000 bond Tuesday after his arrest on grand-theft charges, officials said.

Meanwhile, some of the resort's 198 employees were unable to cash their paychecks Tuesday at Key Bank branches. Resort general manager Howard Riley said the problem "should be cleared up in the morning."

Pinellas County State Attorney James T. Russell said Swalm was arrested Monday at the First Bank of Pinellas in Treasure Island and charged with grand theft.

Swalm was taken to the county's maximum security jail and later released on \$10,000 bond.

An arrest warrant said Swalm was arrested for "using property of another in excess of \$20,000" and "depriving the State Bank of Barnum (Minn.) of the money and attempting to use it for his own purposes."

## Beach developer's transactions probed in at least 2 states

By STEVEN A. MARQUEZ  
St. Petersburg Times Staff Writer

Federal agents in at least two states are investigating the business transactions of John R. Swaim, the St. Petersburg Beach developer charged with grand theft by Pinellas County authorities.

Swaim is accused of temporarily using at least \$300,000, and possibly as much as \$910,000, in mortgage payments he was supposed to forward to the Bank of Barnum, Minn. last August and September. He was arrested Monday night on a warrant from the Pinellas-Pasco state attorney's office.

The small Minnesota bank collapsed last month, and a federal lawsuit it filed against Swaim charged that he defaulted on more than \$16-million in mortgage loans for three of his time-sharing projects.

THE BANK'S collapse sparked an investigation by FBI agents in Duluth, Minn. to determine whether any criminal activity contributed to the failure. The investigation "is almost normal procedure . . . when a bank fails because of questionable transactions," said John O'Connor, supervisor of the FBI white-collar crime division in Minneapolis.

The investigation includes the mortgage loans to Swaim, as well as other transactions by the Barnum bank, O'Connor said. No charges have been filed.

Meanwhile, FBI agents in Albany, N.Y. are doing a preliminary investigation of "business transactions with banks in various states" by the Lake Placid Club Resort in Lake Placid, N.Y., a hotel and time-sharing complex owned by Swaim, agency spokesman Michael O'Brien said.

The investigation concerns "possible violations of federal laws, specifically bank fraud and embezzlement statutes," O'Brien said. He would not detail the allegations, nor would he say whether Swaim is a specific target of the investigation.

SWAIM, 51, is owner and president of First Federal Mortgage Corp., based in Treasure Island. A receptionist at the office told a *St. Petersburg Times* reporter that Swaim had no comment about the investigations. She would not put the reporter's call through to Swaim.

Misleading sales pitches by Lake Placid employees forced the New York attorney general's office to suspend all sales of time-sharing units at the complex last December. The suspension has not been lifted, contrary to an Associated Press report published in the *St. Petersburg Times* Wednesday.

New York Attorney General Robert Abrams ordered a halt to the sales because the prospectus given to possible buyers did not follow state requirements, said Nathan Riley, a spokesman for Abrams' office.

The prospectus must contain a statement that gives the customer a right to cancel the purchase within seven days, Riley said. But some customers never saw the statement in their prospectuses, he added.

"LAST SUMMER, some people had the page (containing the cancellation statement) removed from the prospectus," Riley said. "And other people had the page covered up with a map."

The resort's sales brochures "generated a lot of criticism," Riley added. "They were promising fabulous prizes — sports cars, vacations in Hawaii." Abrams' office got a court order last year prohibiting the resort from using contest names already under trademark to the New York State Lottery, Riley said.

The suspension will continue until the resort submits a satisfactory prospectus to the attorney general's office, Riley said.

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# Media File

Continued from previous page

Customers also get five years of free recreation passes. Buyers will not be locked into the same four weeks each year, because of the flexibility provided for in the occupancy schedule. Owners initially choose the weeks they want and then they rotate in subsequent years, or the owners can decide among themselves how to divide the time. "We tried to come up with a comprehensive recreational package that people can afford and that will provide care free ownership," says Dennis Fleck, the Nii-West representative heading up the project. Fleck hopes to see the project under way by April and completed by September.

**Publication:** Daytona Beach (Fl.) News-Journal  
**Date:** January 1, 1984  
**Author:** Gail Acebes  
**Title of Article:** Stable Interest Rates Spur Real Estate Sales

One of the few areas of real estate which might have done worse in 1983 than in 1982 was timesharing, according to some professionals in the industry. A tough state law, which went into effect in July, caught many area resorts by surprise and forced many of them to restructure their marketing strategies. "Spirits are dampened," said Stephen Chubb, an area real estate broker heavily involved in time share sales. Telephone solicitation and mail promotions, which have tainted the timesharing industry's reputation locally, have "gone stale" and marketers are looking for fresh ways to attract new people to their properties. Sales in 1983 were down as developers made adjustments to the new law, but Chubb said 1984 will be a good year for the strong timeshare developers if interest rates remain stable. There will be a slowdown in the number of motels converted to timeshare resorts and new timeshare projects throughout the year because the new law has made it tougher for developers to market these projects without additional capital, timesharing observers noted.

**Publication:** Bridgton (ME) News  
**Date:** December 8, 1983  
**Author:** No byline  
**Title of Article:** Timeshare Owners Present Proposal

In the light at the end of the valley? Evergreen Valley Resort, sold to Maine's FAME in May for \$500,000, may be purchased soon by one of a number of interested parties. Perhaps the most interesting of the interested is the Evergreen Valley Timeshare Owners Association. How can an association buy its own property, you ask? Well, first off, the Association represents about 1,100 people (mostly Mainers, incidentally) who own vacation weeks at the Inn, and the Inn only. FAME owns all the rest of the resort. Of course, FAME, being a state agency, is not running the resort, but is instead looking for a buyer. That means that the people who own weeks at Evergreen Valley can get all dressed up in their snowsuits this winter, but they really have no place to go. The mountain won't be ruining and the Lodge's amenities probably won't be available. Now, the Lodge has closed, along with the rest of the facilities. EVTOA has submitted a non-binding proposal to buy the entire resort. The terms of the proposal would provide \$33,000 lease money a year to the state, for the first three years. The remainder of the \$675,000 purchase price would be repaid to the state over 20 years, at six percent interest. Rupert Aldrich, a Norway attorney, bought the place several years ago. He incorporated the Inn and Villas separately, and began selling timeshare units. Aldrich sold the resort to FAME in the spring, but kept the other interests. He has been working in concert with EVTOA to improve the condition of the Inn and Villas, cut costs and pass on management.

**Publication:** Stockton (CA) Record  
**Date:** December 6, 1983  
**Author:** No byline  
**Title of Article:** Timeshare plan fails, Bear Valley Lodge closes

Beset with financial problems, Bear Valley Lodge, built 15 years ago to accommodate the nation's jet set, has closed its doors. The five-story structure now stands vacant in the snow, its windows shrouded with frost, its doors boarded up to prevent entry. The closure, said Bill Reynolds, at the Bank of Stockton, which is one of the lodge corporation's largest creditors, has been brought about by lagging sales of its apartment timeshare plan which was started in 1981. Reynolds also confirmed that Mt. Reba Corporation, which operates the huge ski complex just beyond the lodge, offered to lease and operate it this winter but the lodge owners refused.

**Publication:** Florida Trend Magazine  
**Date:** January 1983  
**Author:** No byline  
**Title of Article:** Time Sharing: Complaints Up

It looks like more hard times for the timeshare industry in Florida. Through the first 11 months of 1983, the industry generated a record number of consumer complaints, while the number of new timeshare projects dropped by about 30% from a year earlier. State timeshare supervisor Hugh Owen says his office received 1,400 complaints about timeshare sales practices, up from about 950 complaints a year earlier. For the most part, customers accused timeshare companies of deceptive advertising. Further tarnishing the image was the Florida Department of Law Enforcement investigation of Vacondo Inc. of Orlando, a timeshare marketing company. State agents seized the records of Vacondo, which has ceased doing business. And, in a year when most real estate rebounded, timesharing fell flat. The number of new timeshare projects slipped to 79 in 1983. 113 projects were registered with the state in 1982.

## Taxation

**Publication:** Los Angeles Daily Commerce  
**Date:** December 28, 1983  
**Author:** Rob Schupp  
**Title of Article:** New State Law Means Lower Tax Assessments for Timeshare Units

Timeshare salespersons may have another point to add to their sales pitch come June 30, 1984. The San Diego County assessor's office is prepared, albeit reluctantly, to assess these units at rates as much as 33 percent less than it did under its present method. "We are now assessing timeshare units at the aggregate amount," said Richard Statler, chief of real estate within the county assessor's offices. "We believe this is the correct method and will continue to use it until the State Board of Equalization comes up with definitive rules on June 30." To illustrate how this practice may change, Capri by the Sea in Pacific Beach is a perfect example. In this same building, units are for sale on both the usual condominium basis and a timeshare basis. A one-bedroom, one-bath unit, which was sold as a condo, was assessed at a value of \$146,000. A similar-sized unit in the same building but on a different floor, and sold as timeshare unit, is appraised at \$450,000. The shares sold for an average of \$9 per unit per week. "On the surface it looks like we have two of the same units with different appraisals," Statler said. "But we believe selling the units as timeshares changes the use and the value of the property." Greg Smith, the county assessor, says a unit, after it is sold as a timeshare, becomes a "different animal. It is like comparing apples to oranges. The two units are no longer comparable."

**Publication:** Vero Beach (Fl.) Press-Journal  
**Date:** December 24, 1983  
**Author:** No byline  
**Title of Article:** Time-Sharers Sue

The owners of four time-sharing condominiums in Indian River County have sued the county property appraiser, saying that their property was unfairly assessed. The suit filed in Circuit Court, alleges that Property Appraiser David Nolte "acted irregularly, illegally and unfairly" in assessing the property of Oyster Pointe, Driftwood Ocean Villas, Driftwood Vacation Villas and Oyster Bay II. "The valuation method followed by defendant does not reflect true market value or just value" and is "arbitrary, capricious (and) discriminatory," the suite alleges. According to the suit, Oyster Pointe — based on Nolte's assessment — owes \$175,178.91 in taxes. Driftwood Ocean Villas owes \$39,019.80, Driftwood Vacation Villas owes \$118,112.22 and Oyster Bay II owes \$123,935.90. The time sharing condominium owners feel these figures are too high. According to "good faith" estimates by the owners, listed in the suit, Oyster Pointe should only have to pay \$56,878.87 in taxes, Driftwood Ocean Villas, \$16,171.85, Driftwood Vacation Villas, \$40,433.89, and Oyster Bay II, \$40,032.55.

**Publication:** Portland (ME) Press-Herald  
**Date:** December 19, 1983  
**Author:** Jean Freedman  
**Title of Article:** Taxing timeshare: Determining value has assessors, owners at odds

A new state law that says units in a timeshare complex must be taxed separately is causing headaches for local assessors and triggering complaints from owners who say the method inflates property tax bills. The problem for assessors stems from the mountain of paperwork that's generated when they bill every owner of each unit. The Samoset timesharing complex in Rockport has forced town officials there to come to grips with the controversy. Mel Foley, assessor agent for selectmen, perhaps best expresses their feelings: "I just wish it would go away," he says. Under the law that became effective in September, municipalities have the option of billing owners individually or sending an itemized bill to the timeshare complex's management company. In the latter case, the managing entity would collect the assessments from the unit owners and pay the town. Foley wants the law to require municipalities to send a single, non-itemized bill to timeshare managers, who would be responsible for paying the bill and collecting from individual owners. And the two municipalities in the state where time share units are located — Rockport and Stoneham — are using different approaches. Stoneham, site of the financially-plagued Evergreen Valley complex, uses the simpler replacement-cost method. Rockport selectmen, after much discussion, decided to assess the units using the fair market value. Foley also would like new legislation to mandate the method of assessment. The Samoset Timesharing Association, meanwhile, has claimed that the town originally agreed to use the replacement cost method and is asking the town to live up to that agreement. "I don't think that timesharing has any more value than regular condominiums. You can only tax real property," Jim Ash, president of the Samoset timesharing owners association, explained. Because of the disagreement, the Samoset timesharing management has decided not to pay \$26,000 in 1983 taxes assessed by the town and will appeal the decision to the selectmen, to the county commissioners and then to Superior Court, if necessary, according to Ash, who is president of the management company as well as the owners' association. The town sent out 450 individual bills to owners of record as of April 1 at a cost of \$630. ■

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# Media File

Continued from page 21

Condominiums International, an association of 621 quality resorts. Shortly after returning to Muskegon last March, the Hornbecks received the first of a series of unsettling letters.

In May a letter arrived from the chairman of Timemark International Ltd. in Bermuda, saying that Timemark had terminated its marketing contract with Sint Maarten Bowling N.V., to which it had forwarded all of Hornbeck's payments and payment records.

In early November another letter arrived, this one from Resort Condominiums International, saying that Villas at Cupecoy Beach had been withdrawn from RCI's condominium exchange program.

The reason? Condominium developer Albert Raoul Fleming had defaulted on more than \$2.8 million in mortgage payments and was being foreclosed upon. Less than two weeks later, Hornbeck's vacation getaway and all the other Villas at Cupecoy Beach were sold at auction.

That piece of news came in another letter from the new owners, National Real Estate Developers, in which that company's Thomas G. Manuel delivered the final blow.

"We have consulted counsel and have been advised that, as a result of the foreclosure, the timesharing agreements are null and void."

STP

Publication: Stroudsburg (PA) Pocono Record  
Date: November 26, 1983  
Author: No byline  
Title of Article: Ski Side will add 900 intervals

Northeastern Bank of Pennsylvania has authorized a \$2.6-million line of credit to Broadscope Inc., for financing Phase II of the developer's timeshare resort known as "Ski Side Village."

The second phase of Ski Side Village will be comprised of 900 intervals, all of which has been approved by both the Pocono Township Planning Commission and the township board of supervisors.

Publication: Wilmington (NC) Star-News  
Date: November 27, 1983  
Author: Ray Belew  
Title of Article: Work progressing on Carolina Beach condo

Fifteen units of a 63-unit condominium complex — North Pier Ocean Villas — have been completed at the north end of Carolina Beach. Forty of the timesharing units have been fully pre-sold, developers say. The en-

tire project is due for completion next spring. The \$10-million project is the newest wrinkle in owning a piece of the beach, says Jerry Charles, one of the two developers and partners in The Island Real Estate Store in the former Blockade Runner Museum building on U.S. 421. The Villas, however, will not be cheap. A month's worth of a two-bedroom unit will cost \$12,900. Still, Charles said, the units are selling well with businesses, which use the condominiums in vacations to reward employees, and with military personnel. He said many are sold to residents of the Northeast who are shunning Florida and turning to North Carolina for investments. "There are no good buys left in Florida," Charles said. Carolina Beach "is probably the best-kept secret on the coast."

Publication: Milwaukee Sentinel  
Date: January 10, 1984  
Author: Alvin L. Curtis  
Title of Article: All units of time-sharing resort in North sold, developer says

For investors in the Lake Forest Resort & Club five miles east of Eagle River, three years of development will take a new turn Saturday when the owners of the timesharing resort officially take control.

According to the developer, it's the first timesharing resort in the state to sell out its units.

The 24-unit resort, located on 11 acres in Vilas County, is part of a 220-acre Lake Forest Recreational Area. At a meeting Saturday, representatives of the 760 owners will take control of the board of directors from the developer, Virginia Properties Inc., 18740 Blue Mound Rd., Brookfield.

"We think it demonstrates that there's a year-round resort demand," said Peter C. Biermeier, president of Interval Resorts Inc., the company marketing the resort.

Publication: Calgary, Alberta (Canada) Sun  
Date: December 11, 1983  
Author: Henry Cybulski  
Title of Article: The mountain ble: Nu-West plans condominiums in Canmore

Nu-West Development is planning a joint-ownership recreation project that will offer the best for the fun-seeking, investment-conscious individual.

Located on a 2.5-acre site in Canmore, this 40-unit condominium has a price range of \$13,500-\$15,500. This will give each owner one-twelfth ownership, which allows them four weeks a year for their holiday pleasure.

Continued on next page

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5/24/84

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2/20/84 Anch. Daily News.

**CONGRATS! YOU'VE WON A SALES PITCH:** During the Fur Rondy, my husband entered us in a drawing for a charter fishing giveaway, which was being offered by a company selling time-share vacation condos. Soon afterward, I got a call saying we had won the drawing. I have my doubts about their "contest." Are they going to make us sit through hours of high-pressure sales presentations before we get the fishing trip? — J.E.

Yes, if this company is like most other time-share peddlers. The easiest way to get people to listen to the company's propaganda is to trick them into it; that is, the company tells you you've won a vacation when what you've really won is a bombardment of sales presentations. But as it is, you don't find out about the sales part until you've arrived for the vacation.

A new bill introduced in the legislature a month ago seeks to prevent many of these deceptive practices. SB 494 was introduced by the governor at the request of the attorney general, whose consumer protection office has fielded many a complaint about time-share wheeler-dealers. One of the provisions of the bill would prevent time-share salesmen from conducting lotteries or offering gifts as a means of pushing their product. Under the bill, they would have to disclose that the prerequisite for a "free vacation" is tolerating boring sales pitches.

If you are having troubles getting action out of a business or agency, or have a question that's peeved you, let The Troubleshooter give it a try. Write The Troubleshooter, Pouch 8818, Anchorage, Alaska 99502, or call 788-4343. Items will be selected for publication on the basis of interest or helpfulness. Names will be used unless anonymity is requested. Letters and documents cannot be returned.

# Timeshare restrictions would help protect potential buyers

by Annette Taylor  
Times Business Writer

A new law proposed by the state attorney general's office would prohibit certain sales tactics commonly used to promote timeshare recreational property.

Timeshare property is the use of a vacation home or condominium for a limited, pre-planned time. Timesharing can involve actual ownership or merely a contractual right to use the property.

If passed by the legislature, sellers would be prohibited from offering prizes or gifts to induce people to attend sales presentations or to visit timeshare projects.

Buyers also would be allowed 15 days in which to rescind a contract.

The bill would be the state's first law specifically addressing timeshare property and programs.

Timeshare properties often are promoted by direct mail solicitations. The letters usually say that the recipient has won an expensive prize or trip and can claim it at a specific location. The requirement that the person first must listen to a sales presentation is in fine print on the back of the notice, if at all.

The attorney general's office drafted the bill because of misleading sales promotions, deceptive or sketch information about the timeshare property and fraud, said Linda O'Bannon, a lawyer with the

## branch planned

plicated banking transactions, the bank said.

Branch operations will focus on mortgage loans, with most of the 20 bank employees processing loans. John McGrew, former assistant vice president in the investor lending division, will be the branch manager.

First National Bank has leased 6,450 square feet of space in the new Grand Northern Building. The Dimond branch will be the bank's first branch south of 36th Avenue.

First National has eight branch offices in Anchorage and 22 branches total statewide.

consumer protection division.

"What we want to do is eliminate the bait sales practices," she said.

"There's been a history of problems nationwide where people have been pressured into buying a timeshare after being lured to presentation by a gift of some kind," she said. "When the property is Outside, people don't know what they're buying. Sometimes it's what they were told; sometimes it isn't."

O'Bannon said the staff considers the 15-day rescission right the most important provision in the bill.

"It negates the high-pressure tactics and gives people an opportunity to make such an important decision in a reasoned manner," she said.

John Hansen, an Anchorage attorney representing developers of timeshare property in Alaska, said the industry generally supports the bill because legitimate business people "don't want the hucksters here either."

But he said he doesn't see anything improper about awarding gifts to people who attend sales presentations, especially when buyers would be allowed a "cooling off" period.

"I guess some people feel beholden if they partake in a halibut bake," Hansen said. "But if you've had time to digest your meal, you may decide it was dumb idea" to buy into a timeshare project, and cancel.

He essentially supported the concept of cancellation rights, but said 15 days was too long. He said the requirement could be detrimental to buyers wishing to take advantage of an immediate opening in a project, for example.

The two-week period could be justified for an Outside project because a buyer would need that time to check it out. For projects in the state, a three-day right of rescission would be adequate, Hansen said.

"We feel there should be a distinction in the law for in-state projects," he said.

Hansen said legislation is needed on timeshares to specify the rights and obligations of both the developer and the consumer. While he supported most provisions in the attorney general's bill, he said it didn't go far enough in clarifying rights and obligations.

Hansen said his clients are drafting proposed changes and additions to the bill.

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# Laws to aid buyers of timeshare property

by Annette Taylor  
Times Business Writer

The state attorney general's office will propose "sunshine" legislation next session to prevent some bad burns on shady timeshare condominium deals.

The state has few laws to regulate salespeople visiting Alaska to sell shares in recreational property Outside. With little protection, Alaskans are "ripe victims for a burn," Attorney General Norman Gorsuch said.

Timeshare property is the use of a vacation home or condominium for a limited, pre-planned time. Timesharing can involve actual ownership or merely a contractual right to use the property.

In Alaska and elsewhere, timeshare sales usually are promoted by direct mail solicitations.

The envelope often has all the signs of junk mail.

But the word "Winner" printed on the corner and the faint impression of a 1983 Cadillac coming through the white paper suggest that the family's luck may have changed.

All that's required to claim the prize is to visit an Anchorage hotel room and listen to 20-minute presentation.

"But when they get to the hotel they learn they're winners in a category that includes the Ca-

dillac," Linda O'Bannon of the state attorney general's consumer protection division said. "What they've won is a plastic bag and a high-pressure sales pitch to sign on the dotted line."

The Colorado attorney general's office noted consumer complaints about being isolated in a room for up to four hours with salespeople giving them alcohol and spiels on discounts and once-in-a-lifetime opportunities.

"Many people aren't prepared to resist when they're seeing slides of heaven on earth in January," O'Bannon said. "So they sign."

"If ever they go, they find that the condo is not on the beach as the slides suggested but two miles away," she said.

And the only access is through private property.

Not all sales gimmicks for timeshare condominiums in Hawaii, Mexico, Nevada and other popular vacation spots are deceptive or misleading. Nor are all havens located on swamp land in Florida.

But sorting the legitimate entrepreneurs from the fast-buck Eddies maneuvering through legal loopholes is difficult "when we're in Alaska and the condos — and companies — are Outside," O'Bannon said.

Some of the problems, she said, include the fail-

ure of salespeople to explain the difference between part-ownership and contractual right-to-use a timeshare condominium.

Owning property is an investment in real estate while a license agreement is more like a lease with no actual investment in the property, she said.

Some people enter a timeshare arrangements in conjunction with an exchange program. The exchange program offers the opportunity to arrange swaps with other resorts in other locations.

Often, such programs cannot be guaranteed. And some operate on a point system, which may or may not be disclosed to the buyer.

"If you have a timeshare in Indiana in January you might get one point credit for the timeshare in Spain while someone with a condo in Hawaii in January gets 10 points," she said. "What that means is your chances to move up the list to use the condo in Spain are pretty slim."

The proposed legislation, which is still being drafted, would require full disclosure about timeshare property and the prizes and would allow a "cooling off" period in which a buyer could rescind a contract.

It also would require the visiting salespeople to work through a local real estate broker.

## Homer fishermen set their sights on whitefish

by Steve Rinehart  
Homer News

Spread across the deck were sculpin, skate, black cod, baby pollock, small halibut, two kinds of shrimp, three kinds of crab and a small sand shark with emerald eyes. Slithering in between were the Wolfkill's quarry — the starry flounder and the yellowfin sole.

The 45-foot dragger spent last Saturday, like the dozen days before, in an all-out search for bottomfish for which there was little market and less interest just months ago. "Scratch fishing," is what skipper Ken Custner called it; identifying the net where the lines of in-

and slowly herded the fish ahead and to the center. Some escaped. The rest, running out of steam from being forced to swim too fast, fell father and farther behind — into the bosom of the net.

The Wolfkill's totes, empty at the start, held 1,200 pounds of flounder at the end of the day, 700 pounds of bait fish, and a few odds and ends.

They are all part of an experiment. With salmon prices down, halibut facing restriction, and shellfish openings in doubt, whitefish that used to be ignored have suddenly grown attractive.

John Wolfe, who owns the boat, and Velma Ellyson, who owns Katch Can-



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Anchorage  
Times Herald*

# MEMORANDUM

## State of Alaska

TO: Norman C. Gorsuch  
Attorney General

DATE: November 13, 1983

THROUGH: Connie J. Sipe  
Assistant Attorney General

FILE NO:

TELEPHONE NO: 279-0428

FROM: Linda H. O'Bannon *LHO*  
Assistant Attorney General

SUBJECT:

Annette Taylor of the Anchorage Times phoned me and informed me that you had referred her to me for information about time share legislation. Attached is the resulting article.

## Agency seeks law to protect time-share buyers

By JIM ERICKSON  
Daily News business reporter

Promoters selling interests in vacation property to Alaskans would be required to do business through licensed real estate agents and brokers if a bill introduced Tuesday in the Alaska Legislature becomes law.

Senate Bill 494, introduced at the request of the Sheffield administration, is designed to protect consumers against fraudulent or

risky "time-share" real estate deals, said Linda O'Bannon, an assistant attorney general with the state Consumer Protection Office.

Commonly, time-share participants purchase an interest in a condominium in vacation meccas such as Hawaii or Florida. In some cases, the buyer receives a deeded ownership interest in the property. Other plans offer a lease, or membership, in a time-

share club.

Buyers spend from a few thousand dollars to \$35,000 to occupy the condominium for a week or two each year, O'Bannon said.

Because promoters can reap large profits from timeshare deals, O'Bannon said, "the incentive is there for them to take the money and run," leaving an unbuilt or poorly managed development behind.

"Certainly in the past, the po-

tential for consumer fraud has been fairly great," O'Bannon said. "There have been a lot of bankruptcies, and underfunded resorts where there just wasn't enough money to run the resort."

Currently, protection for Alaskans buying time-share interests is practically nil, she said.

Requiring that time-shares be sold only by agents or brokers

See Page D-3, TIME-SHARE

## Time-share

Continued from Page D-1

licensed by the state would foster professionalism and reduce the chance of misrepresentation, she said, because cheated buyers could file a claim against the real estate surety fund under the legislation.

The fund, which is administered by the commission, provides compensation of up to \$10,000 to individuals who can prove they were bilked in a real estate transaction.

The legislation also would give the commission the authority to promulgate regulations governing time-share sales.

O'Bannon said she couldn't recall any specific instances of Alaskans losing money on time-share schemes. But the consumer protection office has been receiving an increasing number of calls from people who have been approached by out-of-state promoters using contest "prizes" as an inducement to attend high-pressure sales presentations, sometimes held locally at local hotels, she said.

The state is concerned that consumers could be pressured into buying, only to find out after the salesman had left the state that they didn't get what they bargained for.

"What we're trying to do is preventative," she said. In addition, the legislation would:

- Impose a 15-day "cooling off" period after the date of sale. During that time, buyers who change their mind could rescind the contract.

- Require developers to file documents with the Alaska Real Estate Commission detailing contract provisions, management structure and financial condition of the time-share project.

The developer would also be required to disclose to the buyer all contractual and financial obligations incurred by the purchase, such as estimates of property taxes and maintenance expenses, and provisions for transferring ownership.

There are only two time-share projects in Alaska, O'Bannon said.

John Hansen, attorney for the Brigantine Bay development in Seward, said the bill was generally acceptable.

"We'd like to see some form of it come through."

# Agency seeks law to protect time-share buyers

By JIM ERICKSON  
Daily News business reporter

Promoters selling interests in vacation property to Alaskans would be required to do business through licensed real estate agents and brokers if a bill introduced Tuesday in the Alaska Legislature becomes law.

Senate Bill 494, introduced at the request of the Sheffield administration, is designed to protect consumers against fraudulent or

risky "time-share" real estate deals, said Linda O'Bannon, an assistant attorney general with the state Consumer Protection Office.

Commonly, time-share participants purchase an interest in a condominium in vacation meccas such as Hawaii or Florida. In some cases, the buyer receives a deeded ownership interest in the property. Other plans offer a lease, or membership, in a time-

share club.

Buyers spend from a few thousand dollars to \$35,000 to occupy the condominium for a week or two each year, O'Bannon said.

Because promoters can reap large profits from timeshare deals, O'Bannon said, "the incentive is there for them to take the money and run," leaving an unbuilt or poorly managed development behind.

"Certainly in the past, the po-

tential for consumer fraud has been fairly great," O'Bannon said. "There have been a lot of bankruptcies, and underfunded resorts where there just wasn't enough money to run the resort."

Currently, protection for Alaskans buying time-share interests is practically nil, she said.

Requiring that time-shares be sold only by agents or brokers

See Page D-3, TIME-SHARE

## Time-share

Continued from Page D-1

licensed by the state would foster professionalism and reduce the chance of misrepresentation, she said, because cheated buyers could file a claim against the real estate surety fund under the legislation.

The fund, which is administered by the commission, provides compensation of up to \$10,000 to individuals who can prove they were bilked in a real estate transaction.

The legislation also would give the commission the authority to promulgate regulations governing time-share sales.

O'Bannon she said she couldn't recall any specific instances of Alaskans losing money on time-share schemes. But the consumer protection office has been receiving an increasing number of calls from people who have been approached by out-of-state promoters using contest "prizes" as an inducement to attend high-pressure sales presentations, sometimes held locally at local hotels, she said.

The state is concerned that consumers could be pressured into buying, only to find out after the salesman had left the state that they didn't get what they bargained for.

"What we're trying to do is preventative," she said.

In addition, the legislation would:

- Impose a 15-day "cooling off" period after the date of sale. During that time, buyers who change their mind could rescind the contract.

- Require developers to file documents with the Alaska Real Estate Commission, detailing contract provisions, management structure and financial condition of the time-share project.

The developer would also be required to disclose to the buyer all contractual and financial obligations incurred by the purchase, such as estimates of property taxes and maintenance expenses, and provisions for transferring ownership.

There are only two time-share projects in Alaska, O'Bannon said.

John Hansen, attorney for the Brigantine Bay development in Seward, said the bill was generally acceptable.

"We'd like to see some form of it come through."

# NEWS



National  
TimeSharing  
Council

TM  
604 Solar Building  
1000 Sixteenth Street, N.W.  
Washington, DC 20036-5769  
(202) 659-4582

A Council of the American Land Development Association

## STATE-BY-STATE REVIEW OF LAWS REGULATING TIMESHARING

The following states regulate real estate timesharing either by authority of existing land sales and securities acts or recent legislation addressing timesharing specifically, current through most 1983 legislative sessions. The states have been very active and quick to respond to the need for timesharing legislation.

### I. STATES REGULATING TIMESHARING BY SPECIFIC LEGISLATION

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>1. Alabama</u>	10/1/83	New Timesharing Act	Real Estate Commission

#### Comments:

- A purchaser cancellation period of 5 days for both fee simple and right-to-use timeshare;
- Requirement for certain disclosures in sales contract;
- Requirement for prior approval of advertising by Commission;
- Establishment of a special timeshare sales license;
- Requirement for project registration with the Commission; and
- Establishment of escrow accounts for purchaser payments made in connection with timeshare sales.

<u>2. Arkansas</u>	2/25/83	New Timesharing Act	Real Estate Commission
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#### Comments:

- Registration with the Real Estate Commission;
- Requirement for delivery and distribution of public offering statement;
- 5-day purchaser cancellation period;
- Escrow for incomplete projects and escrow of purchase deposit money during cancellation period required; and
- Requires filing of advertising within 10 days of use with Commission.

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>3. Arizona</u>	4/14/82	New Timesharing Act	Arizona Real Estate Commission

Comments:

- Law provides that developer must demonstrate adequate financing to complete improvements.
- Law also requires public offering statement and no sales

<u>4. California</u>	1/1/82	Amendments to Land Section of Business and Professions Code	Department of Real Estate
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Comments:

- Law provides for public offering statement.
- Law also requires a three-day rescission period.
- Many additional substantive requirements.

<u>5. Colorado</u>	5/25/83	Amended subdivision law to cover timesharing	Real Estate Commission
<u>6. Connecticut</u>	7/1/82 Amended 10/1/82	Amendments to Subdivision Law	Real Estate Commission & Attorney General

Comments:

- Three separate pieces of legislation regulate timesharing. One amends the subdivision law to include timesharing, another adds additional consumer protections, and a third requires disclosures of prize offerings.
- Only a Connecticut broker may sell.
- Law requires a three-day rescission period.

<u>7. Florida</u>	7/1/81 Amended 7/1/83	Florida Real Estate Timesharing Act	Division of Florida Land Sales Condominiums in the Department of Business Regulation
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Comments:

- Law requires timesharing sellers to have a real estate sales or brokers license.
- Law requires 10-day rescission period.
- Escrow provisions.
- Criminal penalties
- Ban on sweepstakes effective 1/1/85
- Registration and delivery of public offering statement to purchasers.

<u>8. Georgia</u>	2/27/83	New Timesharing Act	Real Estate Commission
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Comments:

- A mixture of disclosure and compliance approach to the regulation of timesharing.

<u>State</u>	<u>Date</u>	<u>Legislation</u>	<u>Authority</u>
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<u>9. Hawaii</u>	Amended 1/1/82	New Timesharing Act Hawaii Revised Statutes	Regulatory Agencies
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Comments:

- Law requires public offering statement, five-day rescission period.
- Law requires "acquisition agents" to be licensed.
- Escrow provisions.

<u>10. Louisiana</u>	8/29/83	New Timesharing Act	Real Estate Commission
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Comments:

- A 5-day non-waivable purchaser cancellation period;
- An escrow requirement of purchaser deposit during cancellation period;
- A requirement for filing of a timeshare declaration with local parish conveyance office;
- Prohibitions on deceptive advertising and disclosure requirements;
- A requirement for timeshare salesmen to register with the Real Estate Commission; and
- The effective date of the bill is August 29, 1983, with exception of declaration filing, which must be completed by December 1, 1983.

<u>11. Maryland</u>	7/1/83	New Timesharing Act	Real Estate Commission and Attorney General
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Comments:

- Requires developer to purchase a surety bond to protect purchaser.

<u>12. Nebraska</u>	1/1/81	Nebraska Timesharing Act	Nebraska Real Estate Commission
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Comments:

- Law closely follows the National TimeSharing Council's model legislation.
- Law requires a three-day rescission period.

<u>13. Nevada</u>	5/19/83	New Timesharing Act	Real Estate Division
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Comments:

- Formulation of a timeshare salesman licensing system that is not unduly burdensome on the industry yet provides accountability; and
- Modifying certain sections of the bill to take into account the unique problems of full compliance with the new requirements by on-going hotel/casino vacation clubs.
- Registration and disclosure document.

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>14. New Hampshire</u>	9/10/77	Land Sales Full Disclosure Act & Condominium Law	Consumer Protection Division of Attorney General's Office

Comments:

- Law contains prohibitions on gift and prize offerings.
- Law also contains five-day rescission period.

<u>15 North Carolina</u>	7/1/84	New Timesharing Act	Real Estate Division
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Comments:

- Escrow requirement for purchaser deposits;
- Licensing of timeshare salespersons under the North Carolina real estate law;
- Project registration with the Real Estate Division;
- Preparation and distribution of a public offering statement;
- Exchange provisions similar to NTC/NARELLO Model Act provisions.

<u>16. Oregon</u>	7/28/83	New Timesharing Act	Real Estate Division
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Comments:

- A 5-day purchaser cancellation period;
- Escrow requirements for purchaser payments;
- Purchaser protections against encumbrances and liens;
- Regulation of advertising practices; and
- Requires registration of timeshare developers with the Real Estate Commission.

<u>17. South Carolina</u>	10/1/79 Amended 6/15/81	New Timesharing Act	Real Estate Commission & Attorney General's Office
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Comments:

- Law provides for four-day rescission period.
- Liability and casualty insurance must be provided to purchaser.
- Special timesharing license for salespeople required.

<u>18. South Dakota</u>	7/1/83	New Timesharing Act	Real Estate Board
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Comments:

- Registration of timeshare developers.

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>19. Tennessee</u>	5/19/81 Amended 8/31/83	New Timesharing Act	Tennessee Real Estate Commission

Comments:

- 10-day rescission if purchaser inspected property before securing
- Law provides for 15-day rescission period if purchaser did not inspect property;
- Registration and \$5,000 bond required for acquisition, sales and management entities.

<u>20. Utah</u>	5/8/83 Amended to cover timesharing	Utah Land Sales Practices Act	Real Estate Division
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Comments:

- 5 day non-waivable rescission period.
- Delivery of property report to consumers.
- Disclosure on exchange matters.
- Financial protection for consumer purchase.

<u>21. Virginia</u>	7/1/81 Amended 3/83	Virginia Real Estate Timeshare Act	Virginia Real Estate Commission
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Comments:

- Law provides for public offering statements and a three-day rescission period.

<u>22. Washington</u>	8/1/83	New Timesharing Act	Washington State Department of Licensing
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Comments:

- Requires application procedure consisting of disclosure document filing and an application for registration.

STATES REGULATING TIMESHARING THROUGH  
LAND SALES OR SECURITIES ACTS

<u>State</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>1. Alaska</u>	Securities Act or Land Sales Act	Department of Commerce

Comments:

- Law requires project registration if project considered a security.
- Law requires a rescission period if project considered a security.

<u>2. Colorado</u>	Subdivided Land Sales Act	Real Estate Commission
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<u>3. Iowa</u>	Subdivided Land Sales Act	Real Estate Commission and Attorney General's Office
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Comments:

- Law requires public offering statements.
- Law requires project registration for in and out-of-state fees.

<u>4. Kansas</u>	Kansas Securities Act	Kansas Securities Commission
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Comments:

- Law requires project registration for fees if considered a security.
- Public offering statement required.

<u>5. Maine</u>	Maine Securities Act Unit Ownership Act	Securities Division, Department of Banks and Banking
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Comments:

- Law requires a public offering statement.
- Law requires a 15-day rescission period.

<u>State</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>6. Massachusetts</u>	Land Sales Act	Board of Registration of Real Estate

Comments:

- Out-of-state project registration required.

<u>7. Minnesota</u>	Subdivided Land Sales Practices Act	Department of Commerce
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Comments:

- Registration for most forms of timesharing
- 5-day rescission period
- Detailed public offering statement

<u>8. Missouri</u>	Missouri Uniform Securities Act of 1969	Commissioner of Securities Real Estate Commission, Attorney General's Office
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Comments:

- Project registration considered on a case-by-case basis.
- Public offering statement, rescission period are discretionary.

<u>9. Montana</u>	Land Sales Practices Act	Board of Realty Regulation
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Comments:

- Law requires public offering statements.

<u>10. New Mexico</u>	Securities Act, Land Subdivision Act of 1963 Subdivision Act of 1973, and Building Unit Ownership Act	Consumer Protection Division of Attorney General's Office
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Comments:

- Project registration required for in and out-of-state fees.
- Public offering statement required.
- Registration for fee interests in condominiums.

<u>11. New York</u>	Sweepstakes Disclosure Law & General Business Statute	New York Department of Law, New York Department of State
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Comments:

- Law provides for a 10-day rescission period.
- Law also requires broker and sales license for those selling real estate, and NASD securities exam.
- Extensive and detailed disclosures required.

State

Legislation

Administering Authority

12. Ohio

Ohio Securities Act

Securities Division

Comments:

- Requires registration and full disclosure for all interest in real estate outside Ohio.

13. Oklahoma

Oklahoma Securities Act

Department of Securities  
or Real Estate Commission

Comments:

- Project registrations.
- Law requires rescission period of five days.

14. West Virginia

Securities Act or  
Condominiums Act

Real Estate Commission  
and State Auditor's Office

Comments:

- Law requires a public offering statement.
- Law requires a 15-day rescission period.

LEGISLATION EXPECTED TO BE INTRODUCED IN 1984 IN THE FOLLOWING STATES:

}	Vermont	}	New Jersey
	Maryland		Illinois
	Missouri		Idaho
	Minnesota		Wisconsin
	Florida		

(10)

Indiana

22  
 14  
 ---  
 36 -

46  
 10

Recission Periods for States with  
Timesharing Laws

<u>State</u>	<u>Number of Days</u>
Alabama	5
Arizona	7
Arkansas	5
California	3
Connecticut	3
Florida	10
Georgia	7
Hawaii	5
Louisiana	5
Maryland	0
Nebraska	3
Nevada	5
New Hampshire	5
North Carolina	5
Oregon	5
South Carolina	4
Tennessee	10 on-site; 15 off-site
Utah	5
Virginia	5 (If no POS rec'd 5 dys. in advance)
Washington	7

STATE OF ALASKA )  
 ) ss  
THIRD JUDICIAL DISTRICT )

I, CHARLIE EDMISTON, state:

1. My name is Charlie Edmiston.

2. I am a resident of Anchorage, Alaska.

3. On or about February 12, 1984, I visited the Egan Center in downtown Anchorage, where Fur Rendezvous activities were being held. While I was at the Egan Center. I walked past a booth which displayed 12 or 15 pictures of boats. The lady who ran the booth asked me as I was passing by, "Would you like to sign up for a free halibut charter?"

4. I asked how I could sign up for the halibut charter, and was told by the lady that I had to fill out a form. The form required the following information: My name, my home address, my work and home phone numbers, and my occupation. I filled out the form, which indicated that I would be contacted if I won the fishing trip that was being given to one of the persons who signed up during the Fur Rendezvous.

5. A day or two later, my fiancée, Joanne L. Lovitz, told me that she had received a telephone call stating that I had won a mini-vacation. Joanne gave me the information regarding the phone number and the name of the person that I should contact.

6. When I called the telephone number, the person on the other end answered the phone . I asked for the same person that Joanne had talked to, but that person was busy, so I talked to a different woman. She said that I had won a two or three day free lodging vacation. I wondered how I had been selected for a mini vacation because I hadn't entered any contests for a vacation. Then the woman at mentioned that I had signed up for a halibut charter which I had not won yet, but that my name would be placed in the drawing for the charter. She stated that I had won a free "mini-vacation,"

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TELEPHONE: 263-5000  
FACSIMILE: 263-5000

asked her where the vacation was, and she said at but mentioned other possible locations such as Hawaii and Florida. She then said that I could take my choice of the prize.

7. I was told that to receive my prize I had to go through an "orientation."

8. On the telephone she told me that I was one of five people chosen for the orientation that day.

9. I was scheduled for my orientation at 6:00 or 7:00 p.m., and when I arrived the place was packed. There were at least 10 couples who were there for their "orientations" as well.

10. I realized that I was attending a sales promotion for timeshare condominiums. I sat around for at least an hour waiting for my "orientation." They had screwed up their schedule, and tried to get everybody to schedule for later, or to wait, but everyone wanted to have their orientation then. I was picked last because I was single.

11. At that time I told the salesperson that I wanted my vacation at \_\_\_\_\_, because it was in Seward and it was close, and I would not have to pay large transportation costs. The sales person told me that I had a very low chance of getting my free vacation at \_\_\_\_\_. I asked him how low my chance was, and he said that it was zero.

12. At that time I left the location of the sales promotions. I did not receive a free vacation.

DATE: April 4 1984

Charles R Edmiston  
CHARLIE EDMISTON

SUBSCRIBED AND SWORN to before me this 4th day of April 1984.

Bradford Parker  
Notary Public in and for Alaska  
My Commission Expires: October 21, 1984

STATE OF ALASKA )  
 ) ss  
THIRD JUDICIAL DISTRICT )

I, ROGER REESE, state:

1. My name is Roger Reese.

2. I am a resident of Anchorage, Alaska.

3. Sometime in late November 1983 my son received a telephone call stating that my wife, Pat, had won a trip. My wife was shopping at the time. When she returned home, my son told her about the telephone call. The caller had stated that they would call back, so my wife waited for the telephone call.

4. When my wife did not receive a call, she remembered that she had signed up for a free trip at Team Electronics, so she called them. Team Electronics, however, said that they had not contacted her about winning a trip. At about 3:00 or 4:00 p.m. that day, my wife received a call from an organization which mentioned the name . . . They said that they wanted to give her a 3-day trip. At that time my wife set up a time for the people from . . . to come to our house to give us the trip.

5. A few days later, a person from . . . whose name I believe was Regina, arrived at our home. When she arrived she explained and described the . . . timeshare condominiums near Seward. She explained that the condominiums were available with either one or two bedrooms, and that I could buy a week in Seward, at different times of the year, for different rates, and that some times were considered "prime time" and cost more than others.

6. She also explained that I could "trade" my week purchased at the . . . resort near Seward for vacation time at another resort in a location like Hawaii. I explained that I was not interested in a timeshare in Seward, but that I

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OFFICE OF THE ATTORNEY GENERAL  
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PHONE: (907) 263-2526

vacations in other locations. At the end of the meeting, my wife was interested in buying a timeshare, but I had not made up my mind yet.

7. Sometime later I received a telephone call from Regina again, who tried to convince me to buy a condominium at

At that time we set up an appointment for another meeting at my home.

8. The second time she came over to our home, Regina was very insistent. She exhibited a great deal of high pressure in her sales tactics, and convinced me to purchase a timeshare at . I asked if she was sure that I would be able to trade my unit for vacations in other locations in the country, and she said that there would be no problem. Later, when I asked for reassurances that I would be guaranteed the possibility of trading my Seward vacation unit at

for a vacation unit someplace else, she said that I would be "put on a list." Prior to her leaving our home, Regina loaned a book describing different timeshare locations throughout the country and exchange privileges to my wife. When my wife started to read the book, she found a statement in the book that said that one should not buy a timeshare unit for exchanging purposes. My wife then called Regina and explained to her that I had told her that I was interested in buying the timeshare for exchange purposes, but that the booklet that she gave us to look at explained that timeshares should not be purchased for exchanging purposes. Regina then explained to my wife over the telephone that that particular clause in the literature didn't apply to the timeshare that they were selling; that it applied to other timeshares. Regina then stated that she would talk to her manager who would call us back.

back. At that time my wife explained to him that she had placed a stop payment order on the downpayment check which we had given to Regina during her second visit with us. The manager was upset when my wife told him this, and the manager said that Regina should never have given us the book to read regarding timeshare locations and exchanges. Sometime later my wife and I received a letter from Regina. The letter stated that she was sorry that we felt we were being "screwed," but that she was not trying to be unfair to us. We never did receive the "free trip" from . that they told us we had won.

DATE: 4/4/84

Roger Reese  
ROGER REESE

April SUBSCRIBED AND SWORN to before me this 4th day of 1984.

Paul R. Paul  
Notary Public in and for Alaska  
My Commission Expires: October 21, 1984

AFFIDAVIT OF JOANNE L. LOVITZ

STATE OF ALASKA )  
 ) ss  
THIRD JUDICIAL DISTRICT )

I, JOANNE L. LOVITZ, state:

- 1. My name is Joanne L. Lovitz.
- 2. I am a resident of Anchorage, Alaska.

3. On or about February 12, 1984, I received a telephone call from someone who identified herself as "Janet," and said "Congratulations. You have won a mini-vacation." At that time they didn't say what their organization was, but they mentioned possible locations of the vacation as being in London, Mexico, and near Seward.

4. The caller told me that I should come down to their office tomorrow at 6:00 p.m. to pick up my vacation. At this time I again asked for the name of the caller and a phone number, and told them that I would call them back. I then discussed my phone call with my fiancée, Charlie Edmiston.

5. My fiancée called the phone number that I was given. He arranged a time and place to pick up the mini-vacation.

6. When he went to his appointment, he found that the organization sponsoring the mini-vacation was called , " but he never received a free vacation.

DATE April 13 - 1984 Joanne L. Lovitz  
JOANNE L. LOVITZ

SUBSCRIBED AND SWORN to before me this 3rd day of April 1984.

Donald E. Parker  
Notary Public in and for Alaska  
My Commission Expires: October 21, 1987

NOTARY PUBLIC STATE OF ALASKA  
DONALD E. PARKER  
1000 W. 11TH AVENUE, ANCHORAGE, ALASKA 99501  
TELEPHONE 263-1111

STATE OF ALASKA )  
 ) ss  
THIRD JUDICIAL DISTRICT )

I, PHIL RESSEQUIE, state:

1. My name is Phil Resseguie.

2. I am a resident of Anchorage, Alaska.

3. Sometime in late November or early December of 1983, I attended the home show at the flea market on Fireweed Lane. During the home show I entered a contest for a free vacation at a booth that was sponsored by

4. About two weeks later, I received a phone call in which the person stated that I had won a free trip. After I inquired quite a bit during the phone call, the man who called me told me that he was with . . . . . At that time he never mentioned the sales of any timeshares or that he dealt in timeshare sales, or anything else.

5. I set up a time for the following Saturday to come into their office to get my free trip, but I also asked for a phone number so that I could confirm that appointment before I went in.

6. After that I began to talk to people that I worked with, and asked them if they knew anything about . . . . . I eventually called the Consumer Protection Section to see if they could give me some more information about

7. After gaining information from the various people that I talked to, including the Consumer Protection Section, I called . . . . . back a couple of times. During those conversations I discovered that I was going to have to pay for the transportation part of my "free" trip. I asked what kind of

that they were a real estate business and sold houses or something like that. Later I called them back again and asked if they were a timeshare sales organization. I eventually found out that I was going to have to sit through a very long sales presentation about the timeshare resort. It was during my final conversation on the telephone with the people that I told them that I was not interested in sitting through their sales presentation. I never did receive a free trip from them.

DATE: 3 APR 1984

*Phil Resseguie*  
PHIL RESSEQUIE

April SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of 1984.

*Richard E. Park*  
Notary Public in and for Alaska  
My Commission Expires: October 21, 1987

NOTARY PUBLIC IN AND FOR ALASKA  
RICHARD E. PARK  
1000 W. 10TH AVENUE, SUITE 100  
ANCHORAGE, ALASKA 99501  
TELEPHONE: 261-2704

AFFIDAVIT OF ROBERT J. SLETTE

STATE OF ALASKA )  
 ) ss  
THIRD JUDICIAL DISTRICT )

I, ROBERT J. SLETTE, state.

1. My name is Robert J. Slette.

2. I am a resident of Anchorage, Alaska.

3. Sometime in early November 1983 I attended a home show at the old sports arena on Fireweed Lane. While I was at the sports arena I stopped at the various booths and filled out entry coupons for the various promotions.

4. A few days later I received a phone call from one of the organizations that had been at the sports arena that was called . . . . The caller said that I had won a free vacation. When I asked where the vacation was, I was told that it depended on what vacation spot I chose, and what vacation spots they had available.

5. After I inquired some more I learned that I would have to attend a sales seminar for the . . . . promotion.

6. I was disappointed because I thought I won. I knew that I could not afford to purchase anything at the

I did set up an appointment, however, to attend the seminar about

7. The seminar that I attended was held in the middle of a weekday. My wife was unable to attend, and the sales person was visibly upset because of this. At this time, the sales person explained that . . . . was a promotion where an individual purchased a one week out of a year share of a resort condominium. The sales person explained to me that power and water and sewer was in, and that this was a very modern resort.

DEPARTMENT OF LAW  
OFFICE OF THE ATTORNEY GENERAL  
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PHONE 581-4444

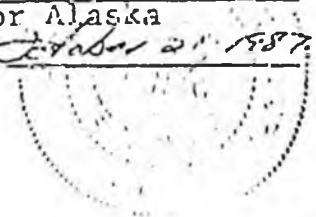
interested in purchasing anything at When I  
inquired about my free trip, I was given a "V.I.P." brochure.  
This brochure said that I could be entitled to lodging at  
certain locations if I met certain restrictions, such as paying  
my own transportation, paying certain fees, and attending sales  
seminars at the city that I traveled to. This was not at all  
what I had expected the free vacation to be.

DATE: April 3, 1984

Robert J. Slette  
ROBERT J. SLETTE

April SUBSCRIBED AND SWORN to before me this 3rd day of  
1984.

Richard E. Park  
Notary Public in and for Alaska  
My Commission Expires: October 21, 1987



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2024-2025

Please attach copies of any documents which explain or support your complaint, including the cancelled checks, copies of advertisements, letters, etc.

I received the advertising flyer and sealed envelope in the mail only in June. out of greedy curiosity, I called and made an appointment for my husband and me for the following Tuesday.

We kept our appointment; the office receptionist retrieved the letter (or flyer) and the sealed envelope and asked us to leave a seat. The office was well dressed and the salespersons effeminate. The process was about a 15 minute wait then a salesperson would appear call a couple's names introduce themselves then disappear into an inner office - People kept going in by women came out.

I do not recall the name of the young man who was to be our salesman, but I shall never forget him. At the exit he asked if we knew what this was all about - I said no, for at the time I really didn't know - the just flyer did not have the Rules explanation as the enclosed flyer has.

He began asking us about our favorite reactions, places etc. he kept saying he was here to answer questions but took offense if any being asked - finally it was movie time and we saw real fast shots of a lot of reactions, places, activities and supposedly the cards they were presenting for sale for 1 week periods. None of the pictures were available long enough to really study the area, cards or surroundings. When this short travel show was over our salesman returned and wanted to know if we were ready to buy into the project. When we hesitated he wanted to know if we could come up

WHAT TYPE OF SETTLEMENT DO YOU WISH THIS OFFICE TO ATTEMPT TO OBTAIN? \_\_\_\_\_

(Please use additional sheets if necessary)

Please attach copies of any documents which explain or support your complaint, including the cancelled checks, copies of advertisements, letters, etc.

With \$100,000 down payment that night or next. We told him  
yes but we didn't buy anything without first investigating.  
Then he got upset, wanted to know why we didn't trust  
them, how or what he had who, who we wanted to  
investigate. I searched Dan & Bradstreet for starters  
and then he really got upset - he jumped up left the table  
and showed a list of satisfied customers my husband  
had suggested would be a nice place to start. The list  
which we were unable to keep had many Overcharge resident  
names on it who had purchased into the place. Since  
they had not had a chance to visit the Showroom  
we told him that really wasn't much help. We asked  
again for the 2nd or 3rd time what we were talking about  
in terms of money and he again told us he was through  
answer questions, that this was question of assumption,  
he was standing over the table as we scolded at and scolded  
him & cut both down, and he refused saying he was going  
to get more proof of their good intentions and credit company  
status. He returned a few minutes later with two boxes  
full of legal sized documents. He had 1st, 2nd, 3rd &  
final legal drafts of the contract, and just which did I  
see to read, I suggested to find out he flipped it across  
the table. My husband asked him a couple of basic real estate  
type questions and he very cautiously suggested maybe we  
knew more about this sort of operation than we had  
told him at first. Finally as I thumbed through the legal  
documents placed in front of me he began to tell us what  
WHAT TYPE OF SETTLEMENT DO YOU WISH THIS OFFICE TO ATTEMPT TO OBTAIN?

(Please use additional sheets if necessary)

Please attach copies of any documents which explain or support your complaint, including the cancelled checks, copies of advertisements, letters, etc.

The price involvement was. As he quoted from his anatomical contract document I followed along in the document supposedly the final dress etc and the ownership values was not very different. I searched that out this time of the whole affair and so wrapped it up in the three name to prize terms. He took the sealed envelope the receptionist had returned and sent in with him and greatly opened it with great expectations - claiming the money checked in on the chart and then told us we had won the telephone - He disappeared into a storage room to get our prize and followed him and guess what - telephone was all it contained. I asked him where the microwave, color TV, computer, VHS, & maps were and he said he had some more in another location as he had us a cheap telephone and showed us & we left satisfied the area including other possible items.

After calling your office the following day I realized that I did not have one thing to report your interest of some location etc for this telephone it all.

I just received another invitation except to what sealed envelope for another phone. I have withheld them - felt free to send them on behalf of us. Also enclosed is a Hawaii brochure of the condo with no address anywhere.

WHAT TYPE OF SETTLEMENT DO YOU WISH THIS OFFICE TO ATTEMPT TO OBTAIN? \_\_\_\_\_

Make the public aware & beware!

MR CHRIS A BLANCHARD  
5410 ABBOTT RD  
ANCHORAGE AK 99507

Call This Number To Schedule  
An Appointment To Claim  
Your Gift!

**344-1551 or 344-6312**

Operators are on Duty From 10 AM til 6 PM Monday  
through Friday.  
Saturday 9 AM til 2 PM

OFFER EXPIRES 14 DAYS FROM RECEIPT

## CONGRATULATIONS!

YOU HAVE ALREADY WON AT LEAST ONE OF THESE AWARDS  
LISTED BELOW!

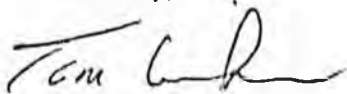
- GROUP I \$5000 CASH
- GROUP II LITTON MICROWAVE OVEN
- GROUP III DESIGNER TELEPHONE (Includes Memory Redial & Auto. Mute Key)
- GROUP IV QUASAR 19" COLOR TELEVISION
- GROUP V TRS 80 HOME COMPUTER (With Screen)
- GROUP VI MAGNAVOX HOME VIDEO RECORDER
- GROUP VII HONDA MOPED

Your gift will be determined by the Gift Slip in the Sealed Envelope enclosed with this letter. DO NOT BREAK THE SEAL, OR OPEN THE ENVELOPE EXCEPT IN THE PRESENCE OF ONE OF OUR OFFICIALS OR YOUR GIFT WILL BE VOIDED.

We are spending our advertising budget as part of this national promotion because we want you to learn about the new concept in world-wide vacation travel known as "vacation timesharing."

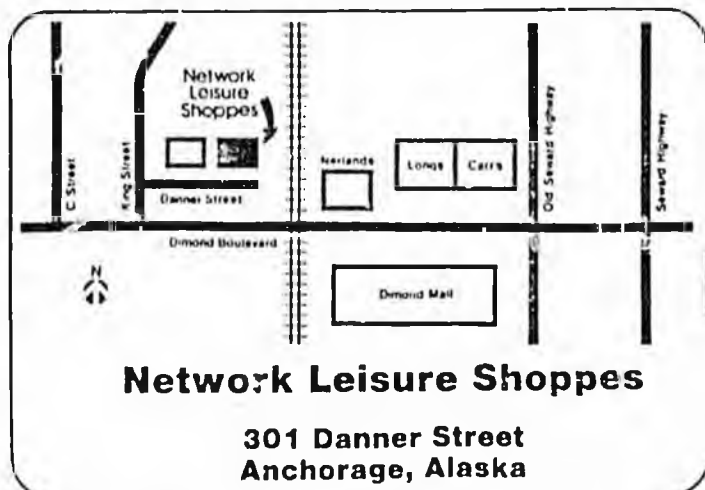
To find out how to claim your gift and to arrange for a no obligation presentation, simply call 344-6312 or 344-1551. Operators are on duty Monday through Friday 10 AM - 6 PM, Saturday, 9 AM till 2 PM. It is necessary to make an appointment to hear our presentation in order to claim your gift. THERE IS NO OBLIGATION TO BUY ANYTHING!

Cordially,



Tom Cunningham  
Project Coordinator

P.S. Remember to call 344-1551 or 344-6312 for an appointment.



#### DIRECTIONS:

South on New Seward Hwy. to Dimond Exit, West on Dimond. Cross Old Seward Hwy., past Dimond Mall. Turn first right after crossing railroad track (King Street). Turn first right again on Danner St. Three-story B'dg. on left hand side (301 Danner). Enter South Side second Floor Suite 260.

#### RULES

This advertising special is specifically designed for but not restricted to, married couples who are of legal age, fully employed and can demonstrate consistent income. There is no obligation to purchase anything. If married, both husband and wife must be present to hear a one and a half hour presentation on the Lawai Beach Resort and their affiliates around the globe. We do not have facilities for children to attend the presentation. It is necessary to schedule an appointment to pick up your gift(s) by calling the phone number listed above. Winning combinations randomly assigned and mailed per 100,000 for each prize include but are not limited to: Litton Microwave Oven (\$769), 1:100,000; Magnavox Home Video Recorder (\$795), 1:100,000, \$5000 Cash, 1:100,000; Designer Telephone (\$29.95), 99,994:100,000; Quasar 19" Color TV (\$699), 1:100,000; Honda Moped (\$500), 1:100,000; TRS 80 Home Computer (\$699), 1:100,000. All prizes are subject to availability and we reserve the right to substitute merchandise of greater value. Void where prohibited by law. Only one voucher per vehicle. Lawai Beach Resort owners, employees and persons who have visited the Network Leisure Shoppes within the last 6 months are not eligible.

Due to the tremendous response to this program you must call the number listed above on this letter for an appointment to visit Network Leisure Shoppes.

# consumer protection report

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SEPTEMBER

NOV - 3 1982

1982

Office of the Attorney General  
Consumer Protection Section  
August 24, 1982

## TIMESHARING FRAUD

By Assistant Attorney General Garth C. Lucero

Timesharing is the use of a vacation home or condominium for a limited, preplanned time, and is an increasingly popular way to take vacations. Timesharing generally can be divided into two categories: (1) interval ownership, and (2) right to use or vacation license agreement. Under interval ownership, the purchaser owns a fee simple or leasehold interest in a particular housing unit for a specified period of time over a number of years. Under a vacation license agreement, the purchaser owns a contractual right to use the particular kind of unit in a resort development for a given period of time each year over a number of years. The cost to purchasers is proportionate to the length of time bought. Timesharing is popular with hotels and other resort developments that have high vacancy rates during off-season periods.

Typically, timeshare sales are initially promoted by the use of direct mail solicitations offering free prizes to consumers who will listen to sales presentations. In order to claim the gift, one must usually visit the resort development or the local offices, where well prepared sales presentations are delivered, complete with brochures, films,

and other materials. These "absolutely no obligation" solicitations are extremely effective methods of inducing the average person to subject themselves to timeshare sales presentations.

Unfortunately, however, these solicitations often mark the beginning of numerous problems associated with timeshare or vacation exchange programs. Colorado has a computerized complaint reporting system that contains information of timeshare complaints filed with the Colorado Attorney General's office and various local district attorneys' offices. In the past three years, consumer protection agencies in our state have handled approximately 1275 consumer complaints amounting to approximately \$3.2 million dollars in losses involving timeshare vacation exchange programs. Based on this information and information gathered during litigation or pre-litigation discovery in cases handled by our office, we conclude that fraudulent and deceptive practices by timeshare developers and promoters are widespread in Colorado and likely in other states that have strong resort and tourism economies.

Although our office does not maintain records with respect to ages of consumer who file complaints, with the assistance of Colorado Motor Vehicle Division records, we gathered this data by obtaining date of birth

The following is an excerpt of testimony made before the House Select Committee on Aging by Colorado Assistant Attorney General Garth Lucero. Mr. Lucero is in charge of the Attorney General's office of Consumer Protection.

information for a random sample of more than 100 persons who submitted complaints to our office against timeshare companies. Based on this survey, we estimate that up to 30 percent of the victims of fraudulent or deceptive practices in the timeshare industry in Colorado are 55 or over.

A new range of abuses in sales practices of timeshare developers has resulted from the rapidly developing vacation license or right to use market and its innovative legal concepts. As the major vacation programs offer consumers the right to exchange their "timeshare" for accommodations at hundreds of other resorts throughout the world, developers have an exciting and easily misrepresented marketing tool for attracting consumers to purchase timeshares in future developments. Although many timeshare companies and programs are highly regarded, the nature of the timeshare product and the methods by which it is commonly marketed allow timeshare purchasers to be more easily defrauded than consumers of other products. The kinds of problems that arise are similar to those in fraudulent land sales schemes. The potential for abuse in the sale of vacation license agreements is much higher, however, because sellers are not required to be licensed by regulatory agencies and the legal protections typically associated with real property ownership (recording, foreclosure, condemnation rights, for example) do not apply.

Colorado Attorney General J.D. MacFarlane has initiated investigations or legal actions against several resort timeshare companies operating in our state that are alleged to have engaged in deceptive trade practices, the most notable of which is the Stanley Hotel in Estes Park. There, approximately 2000 consumers who were induced by numerous false and misleading representations to purchase vacation license agreements at the historic hotel collectively stand to lose approximately \$5 million because the developers experienced severe financial problems, brought about by their own mismanagement.

The most common complaints associated with timeshare companies received by our office in the past three years include the following:

First, high pressure sales tactics used in the marketing of vacation license agreements. Because many programs active in Colorado provide free gifts to consumers for listening to sales presentations, consumers feel obligated to listen in order to receive their gifts. Consumer complaints allege numerous high pressure sales tactics. Examples include isolating consumers in a room without allowing them to leave for up to four hours, providing alcoholic beverages, bringing higher level company officials to offer larger and larger discounts and other persuasions to convince consumers to buy, and suggesting in derogatory terms that the consumers are foolish if they did not take advantage of such once-in-a-lifetime opportunities.

Secondly, in the course of the sales techniques, numerous misrepresentations occur. Typical complaints received by our office allege misrepresentations concerning the purchaser's right to cancel, the potential savings by purchasing a timeshare, the purchaser's opportunity to make successful trades through existing exchange programs, the discounts that are offered to purchasers, and the investment potential of a purchase agreement.

Thirdly, and perhaps the most serious problem with the vacation license agreements encountered in Colorado, is the failure of developers to disclose to potential purchasers the underlying encumbrances on the property and the financial condition of the developer. In some states there have been cases in which the developers selling vacation license agreements defaulted on their underlying mortgages, resulting in foreclosure on the property itself and leaving the consumer with nothing. Essentially, this is what the state alleged in the Stanley Hotel case.

There are numerous problems associated with curbing fraud and deception in the timeshare industry. Because of budgetary cutbacks at local, state, and national levels, consumer protection and law enforcement agencies are seriously lacking in resources. In Colorado for instance, the Attorney General's consumer protection unit consists of only two attorneys and two part-time investigators who must enforce the Consumer Protection Act for the entire state. Consequently, we

must either recommend that the case be pursued through a private action or refer potentially strong consumer fraud cases to other agencies with the appropriate jurisdiction. Even this method of complaint handling is becoming increasingly less effective. The Denver Metropolitan District Attorneys Office recently had their budget reduced by half. In addition, it appears that the regional Federal Trade Commission office in Denver may soon be closing.

In certain states, vacation license agreements have been defined as securities. In those jurisdictions, such agreements are regulated by their securities laws and enforced by their divisions of securities. However, many states, including Colorado, have not determined timeshare agreements to be securities and the investigatory and prosecutorial resources of such agencies are not available to regulate timeshare companies.

In 1981, our office, in conjunction with the Colorado Real Estate Commission, introduced a bill in the Colorado Legislature to create a timeshare act to regulate the timeshare industry in our state. The bill, which did not pass, contained full disclosure provisions, a three-day right to cancel for purchasers, and mandatory escrowing of deposits by the seller of timeshare estates. The bill also required sellers of vacation license agreements to be licensed by the Colorado Real Estate Commission and provided misdemeanor criminal penalties for violations of its terms.

Law enforcement agencies are necessarily turning to consumer education, information sharing procedures, and cooperative inter-agency efforts to deal with this apparently widespread consumer fraud. In Colorado, we have used newspaper and radio press releases to issue public warnings concerning various consumer fraud problems. We also anticipate future efforts to amend the Colorado Consumer Protection Act to expand our authority by expressly allowing us to pursue certain types of consumer fraud cases that in the past have presented jurisdictional questions. In conclusion, it is my opinion that in order to effectively curb consumer fraud in the timeshare industry, we must continue our efforts to educate consumers and to enhance

our prosecutorial activities through expanded jurisdiction brought about by new legislation.

## CHARITABLE TRUSTS AND SOLICITATIONS CASES

### Charitable Solicitations: Glava and Gillespie

Maryland Attorney General Stephen Sachs obtained indictments against Manuel Sam Glava and Arthur Gillespie, president and general manager of Statewide Publishing Company. The five-count indictments charged the two Baltimore men with the theft of \$43,599 in advertising fees they obtained for a senior citizen publication, Senior Citizens News, after falsely stating that the money would help the Meals on Wheels and Shuttle Bus programs for the elderly.

According to the indictments, Glava and Gillespie solicited the advertising fees allegedly on behalf of the Meals On Wheels and Shuttle Bus programs but actually contributed only \$200 of the \$43,700 they obtained to the local Meals on Wheels program. The indictments also alleged that the men acted as professional charitable solicitors without registering with the Maryland Secretary of State's office and failed to post a \$10,000 bond, as required by Maryland's Charitable Organizations Laws. The two men also are accused of conspiracy to commit theft and to violate the charitable statutes.

Glava and Gillespie were charged last April 19 with illegally soliciting more than \$13,000 in donations for "Little League" sports programs throughout the state. Their firm ceased operation after most of its business records were seized by Maryland State Police investigators in a raid last March 5. These charges stem from further investigation and evaluation of the materials seized in that raid.

For further information contact Assistant Attorney General Bruce Spizler at (301) 576-6383.

### Charitable Trust: George W. Clayton Trust

Colorado Attorney General J.D. MacFarlane, following the filing of a Petition of Removal

was filed by the Attorney General's Bureau of Consumer Protection against John G. Berg and three corporations of which he is president, American Real Estate Associates, Inc., Area Management Corp., and Rubin Watergate Inc., which together own and manage the Fairmount Terrace complex.

The suit alleged that the former owners of Fairmount Terrace turned over at least \$39,000 in security deposits at the time of sale, and new tenants have since added to that amount. But the current owners have failed to maintain those funds as required by the state Landlord and Tenant Act. The law requires that a tenant's security deposit be placed in an escrow account, and after two years begin earning interest for the tenant. It also requires that tenants receive written notice of which bank has the escrow account, and how much is in it. Failure to handle security deposits properly constitutes a violation of the state Unfair Trade Practices and Consumer Protection Law.

The suit asks that the court order creation of an escrow account and that tenants be allowed to pay their rent to that account, rather than to the landlord, until they have deposited the amount that should have been escrowed on their behalf by Berg. It seeks an immediate and permanent injunction to force Berg and his companies into compliance with the law, and to prohibit future violations.

For further information contact Deputy Attorney General John Kelly at (215) 238-6475.

**Timesharing: Continental Marketing and Finance Ltd. of Pocono Summit, Markdata Inc., and Rothchild & Co. Ltd.**

General Zimmerman has entered an agreement with three timeshare firms involved in a mass-mail promotional campaign designed to draw business for Pocono resorts. The mailing, in the form of 25,000 to 30,000 postcards, purported to be a "final notice" from "United Parcel Claims Service . . . regarding merchandise UPCS has for you." In the cards, recipients were directed to call "the claims department" at a toll-free number. Persons calling the number received a sales pitch to visit a Pocono resort and get a gift — the "merchandise" alluded to on the card, General Zimmerman said.

Those involved in the promotion were David F. Corson, vice president of Continental Marketing and Finance Ltd., of Pocono Summit, which organized the promotion; Thomas J. Finnerty, vice president of Markdata Inc., which provided the mailing facilities; and Joe Cardoni, vice president of Rothchild & Co., Ltd., which registered United Parcel Claims Service as a fictitious name in Luzerne County Court. Cardoni also is vice president in charge of marketing for Markdata Inc. The Attorney General's office obtained an agreement from the promoters to pay a civil penalty of \$10,000 and to cancel plans for additional mailings.

For further information contact Deputy Attorney General Thomas G. Saylor Jr. at (717) 787-9714.

#### **Timesharing: New Jersey**

New Jersey Attorney General Irwin Kimmelman filed suit against nine timeshare developers operating in the Poconos resort area for allegedly violating the state's Unfair Consumer Fraud Act which bans misleading advertising. The nine companies cited were Shawnee-on-Delaware Condominium, Inc., d/b/a Shawnee Village; Tree Tops Inc., d/b/a Tree Tops Villas; Greenhouse Inc., d/b/a Greenhouse at Fernwood; Outdoor World Corp., d/b/a Outdoor World at Timothy Lake; Falling Waters at Masthope, d/b/a Country Squire Lakeshore Club; Sciouta Village Estates, Inc., d/b/a Village at Sciouta; Classic Resorts, d/b/a Buck Hill Inn; and Vacation Charters, Ltd., d/b/a Split Rock Lodge and Carriage House.

The resorts were mailing lottery-like announcements in the form of a telegram notification that stated that residents had won a prize, gift, and or award. According to Alan Pralgever, in order to receive this gift, residents had to travel 50-200 miles, and then were submitted to an extensive and high pressure sales promotion effort. These solicitations allegedly violated the state's statute that makes it illegal to require the doing of an act, the purchase of any other item, or submission to a sales promotion effort in order to receive a prize.

The suit also alleged the use of unconscionable commercial practices, fraud, deception,

false promise/or misrepresentation. Specific practices included:

- Failure to indicate that travel expenses are not included in the vacation packages;
- Failure to indicate the method for determining the manner in which the prizes are awarded, the number of each prize that is awarded, and/or the odds or chance of winning each of the specified prizes; and
- Failure to disclose that the most frequently awarded prizes are the least valuable.

The agreements called for the companies to deliver promised gifts following a phone call from a consumer and to change the language in the promotional mailings to eliminate the requirement of attending a sales presentation to receive a prize.

The Attorney General also warned consumers about developers who are using the same tactics as in the Pennsylvania cases (*supra*), where consumers are sent postcards from the "United Parcel Claim Service" saying "to receive a package call this toll-free number," and listed an 800 telephone number. When the number was called, consumers learned that all they had was an "opportunity" to purchase a Pocono-resort timeshare. General Kimmelman explained that this promotion was a cleverly devised sales solicitation that has no connection with the United Parcel Services (UPS) and that when consumers were unable to get through to the toll-free number listed on the solicitation, many called the United Parcel Service, demanding information on their "package." Consumers were also warned about a "Vacation Preference Survey," which appeared to be an information-gathering poll but may be a timesharing solicitation.

For further information contact at Deputy Attorney General Allan S. Pralgever at (201) 648-4726.

**Timesharing: Vacations Incentives and Properties Inc.**

General Abrams charged a Florida firm, Vacations Incentives and Properties Inc.

(VIP), with offering New York State consumers free vacations in such places as Hawaii and Barbados and then subjecting them to illegal, high pressure sales pitches for resort timeshares. As many as 8000 certificates for free vacations were distributed by VIP through a well-known Brooklyn men's clothing store, The Male Shop. These certificates, given to consumers who made purchases of \$100 or more, entitled them to spend two nights free of charge at timesharing resorts in Hawaii, Barbados, Pennsylvania, New Hampshire, or North Carolina. Consumers were required to pay for their own meals and transportation.

The suit charged that VIP is not registered with the state to sell timeshares and that by soliciting state residents VIP is in violation of the law. The New York law provides that timeshares in real estate may only be sold by registered companies. Even if the actual sale is made outside New York the law is applicable whenever the seller advertises or solicits in the state. The suit also noted that VIP Vacations appears to be the same company as Miami Beach Vacations, Inc., which was sued by the Attorney General's office in 1969 and was permanently enjoined from the fraudulent sale of subdivided Florida real estate.

"This case involves more than the violations resulting from the failure of VIP and the timesharing resorts to register with the state. I find disturbing and objectionable the pattern of high-pressure sales tactics of dubious legality which permeate segments of the timeshare industry. It is also unfortunately all too common that a slick timeshare solicitation will lure consumers to spend time and money traveling out-of-state before they find out what is really involved."

A recent state Supreme Court order directed VIP to testify in court in late June and enjoined their activities pending testimony and further order of the court.

For further information contact Assistant Attorney General Stephen M. Leon at (212) 488-5874.

# STATE OF ALASKA

**DEPARTMENT OF LAW**  
**OFFICE OF ATTORNEY GENERAL**  
**CONSUMER PROTECTION SECTION**

**BILL SHEFFIELD, GOVERNOR**

REPLY TO:

XX

1031 W 4th SUITE 110  
ANCHORAGE ALASKA 99501  
PHONE (907) 279-0428

1st NATIONAL CENTER  
100 CUSHMAN SUITE 400  
FAIRBANKS ALASKA 99701  
PHONE (907) 456-8588

S S FULLER BLDG  
4th & HARRIS SUITE 214  
POUCH K  
JUNEAU ALASKA 99811  
PHONE (907) 465-3692

STATE COURTHOUSE, ROOM 26  
P O BOX 671  
VALDEZ ALASKA 99686  
PHONE (907) 835-2462

February 28, 1984

The Honorable Richard I. Eliason  
Attention: Sheila Peterson  
Alaska State Legislature  
Pouch V, MS 3100  
Juneau, AK 99811

Dear Senator Eliason:

This letter is written in regard to Senate Bill #494, the subject of which is Timeshares. It is currently before the Labor and Commerce Committee. As I discussed with Sheila Peterson of your staff, this office would like to be notified if you intend to conduct any hearings or seek any testimony so that we might participate.

Enclosed are some materials that I hope will be useful to you and your staff in evaluating this proposed legislation.

Sincerely,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By

*Linda M. O'Bannon*  
Linda M. O'Bannon  
Assistant Attorney General  
Consumer Protection Section

/and

Enclosure

# NEWS



National  
TimeSharing  
Council

604 Solar Building  
1000 Sixteenth Street, N.W.  
Washington, DC 20036-5769  
(202) 659-4582

A Council of the American Land Development Association

## STATE-BY-STATE REVIEW OF LAWS REGULATING TIMESHARING

The following states regulate real estate timesharing either by authority of existing land sales and securities acts or recent legislation addressing timesharing specifically, current through most 1983 legislative sessions. The states have been very active and quick to respond to the need for timesharing legislation.

### I. STATES REGULATING TIMESHARING BY SPECIFIC LEGISLATION

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
✓ 1. <u>Alabama</u>	10/1/83	New Timesharing Act	Real Estate Commission

#### Comments:

- A purchaser cancellation period of 5 days for both fee simple and right-to-use timeshare;
- Requirement for certain disclosures in sales contract;
- Requirement for prior approval of advertising by Commission;
- Establishment of a special timeshare sales license;
- Requirement for project registration with the Commission; and
- Establishment of escrow accounts for purchaser payments made in connection with timeshare sales.

✓ 2. <u>Arkansas</u>	2/25/83	New Timesharing Act	Real Estate Commission
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#### Comments:

- Registration with the Real Estate Commission;
- Requirement for delivery and distribution of public offering statement;
- 5-day purchaser cancellation period;
- Escrow for incomplete projects and escrow of purchase deposit money during cancellation period required; and
- Requires filing of advertising within 10 days of use with Commission.

<u>State</u>	<u>Date</u>	<u>Legislation</u>	<u>Authority</u>
9. <u>Hawaii</u>	Amended 1/1/82	New Timesharing Act Hawaii Revised Statutes	Regulatory Agencies

Comments:

- Law requires public offering statement, five-day rescission period.
- Law requires "acquisition agents" to be licensed.
- Escrow provisions.

10. <u>Louisiana</u>	8/29/83	New Timesharing Act	Real Estate Commission
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Comments:

- A 5-day non-waivable purchaser cancellation period;
- An escrow requirement of purchaser deposit during cancellation period;
- A requirement for filing of a timeshare declaration with local parish conveyance office;
- Prohibitions on deceptive advertising and disclosure requirements;
- A requirement for timeshare salesmen to register with the Real Estate Commission; and
- The effective date of the bill is August 29, 1983, with exception of declaration filing, which must be completed by December 1, 1983.

11. <u>Maryland</u>	7/1/83	New Timesharing Act	Real Estate Commission and Attorney General
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Comments:

- Requires developer to purchase a surety bond to protect purchaser.

12. <u>Nebraska</u>	1/1/81	Nebraska Timesharing Act	Nebraska Real Estate Commission
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Comments:

- Law closely follows the National TimeSharing Council's model legislation.
- Law requires a three-day rescission period.

13. <u>Nevada</u>	5/19/83	New Timesharing Act	Real Estate Division
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Comments:

- Formulation of a timeshare salesman licensing system that is not unduly burdensome on the industry yet provides accountability; and
- Modifying certain sections of the bill to take into account the unique problems of full compliance with the new requirements by on-going hotel/casino vacation clubs.
- Registration and disclosure document.

<u>State</u>	<u>Effective Date</u>	<u>Legislation</u>	<u>Administering Authority</u>
19. <u>Tennessee</u>	5/19/81 Amended 8/31/83	New Timesharing Act	Tennessee Real Estate Commission

Comments:

- 10-day rescission if purchaser inspected property before securing
- Law provides for 15-day rescission period if purchaser did not inspect property;
- Registration and \$5,000 bond required for acquisition, sales and management entities.

20. <u>Utah</u>	5/8/83 Amended to cover timesharing	Utah Land Sales Practices Act	Real Estate Division
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Comments:

- 5 day non-waivable rescission period.
- Delivery of property report to consumers.
- Disclosure on exchange matters.
- Financial protection for consumer purchase.

21. <u>Virginia</u>	7/1/81 Amended 3/83	Virginia Real Estate Timeshare Act	Virginia Real Estate Commission
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Comments:

- Law provides for public offering statements and a three-day rescission period.

✓ 22. <u>Washington</u>	8/1/83	New Timesharing Act	Washington State Department of Licensing
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Comments:

- Requires application procedure consisting of disclosure document filing and an application for registration.

<u>State</u>	<u>Legislation</u>	<u>Administering Authority</u>
<u>6. Massachusetts</u>	Land Sales Act	Board of Registration of Real Estate

Comments:

- Out-of-state project registration required.

<u>7. Minnesota</u>	Subdivided Land Sales Practices Act	Department of Commerce
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Comments:

- Registration for most forms of timesharing
- 5-day rescission period
- Detailed public offering statement

<u>8. Missouri</u>	Missouri Uniform Securities Act of 1969	Commissioner of Securities Real Estate Commission, Attorney General's Office
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Comments:

- Project registration considered on a case-by-case basis.
- Public offering statement, rescission period are discretionary.

<u>9. Montana</u>	Land Sales Practices Act	Board of Realty Regulation
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Comments:

- Law requires public offering statements.

<u>10. New Mexico</u>	Securities Act, Land Subdivision Act of 1963 Subdivision Act of 1973, and Building Unit Ownership Act	Consumer Protection Division of Attorney General's Office
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Comments:

- Project registration required for in and out-of-state fees.
- Public offering statement required.
- Registration for fee interests in condominiums.

<u>11. New York</u>	Sweepstakes Disclosure Law & General Business Statute	New York Department of Law, New York Department of State
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Comments:

- Law provides for a 10-day rescission period.
- Law also requires broker and sales license for those selling real estate, and NASD securities exam.
- Extensive and detailed disclosures required.

# Public hearings on budget begin

by Lylo Durt  
Times Olympia Bureau

OLYMPIA — A proposed \$7.9 billion budget to finance state spending in the coming biennium is on the hot seat as public hearings began today.

Put together by Rep. Dan Grimm, chairman of the House Ways and Means Committee, the document would represent a spending increase of \$1.1 billion over the 1981-83 fiscal period. But Grimm said it would be \$112.7 million below what Gov. John Spellman recommended in his budget proposal to lawmakers.

Democratic House Speaker Wayne Eiders said he hopes to bring it to the House floor for action by April 10 in a push to adjourn the Legislature within the specified 105 days.

The Grimm proposal would provide \$71.8 million less for social services than would Spellman's proposal. It would provide \$11 million less for natural-resource programs, \$65.6 million less for higher education and \$9 million less for community colleges.

For public schools, however, the Grimm plan would provide \$19.6 million more than the governor recommended.

The document is a long way from final passage, still needing approval by the House, the Senate and Gov. John Spellman, who in January submitted his own version of a biennial state budget.

"There will be changes made," Grimm conceded at a briefing yesterday, noting that although the budget is below Spellman's, rev-



enue requirements would be higher.

Today, Ehlers said the proposal is "a good starting point but undoubtedly there will be differences along the way." He said he expects the caucus will approve the size of the budget, "but there may be some changes in priorities."

Sen. Iim McDermott, chairman of the Senate Ways and Means Committee, said the Grimm budget places a heavy emphasis on K-12 education "perhaps to the detriment of other areas" such as social services and higher education.

Grimm said his budget would provide full funding for public schools, including 80 percent of school-district transportation costs the first year of the coming two-year period, and 100 percent the second year.

The increased transportation support, he said, would take care of a lawsuit challenging the state's failure to fund transportation adequately.

A tax bill to pay for the

spending will come out after lawmakers have reached a decision on the budget. Grimm said it would take about \$900 million more in taxes to balance his budget version.

Grimm emphasized that his budget is a beginning document, a point from which to negotiate. "For some this won't be enough and for others it will be too much," the committee chairman said.

He added that his approach incorporates a \$256 million "reserve fund" to meet unanticipated state needs, such as could result if the state's economy fails to recover.

Labeling certain portions of the proposal innovative, Grimm said he has developed a new approach to funding higher education — emphasizing quality of education rather than numbers of students.

Although he would not agree that his approach could amount to an informal ceiling on enrollments, Grimm said that if colleges or universities accepted more students than they agreed to they would have to finance the expansion themselves without sacrificing the quality of educational programs.

In the area of mental health, social services and corrections, greater reliance would be placed on cost-effect community programs, as contrasted to the more expensive institutional treatment, he said.

There also would be spending cuts, Grimm continued.

His document would abolish the Department of Commerce and Economic Development, an agen-

cy that is supposed to promote business and industry growth, by combining it with another agency. The State Patrol would take over functions of the Office of Emergency Services, eliminating that agency.

Small agencies with fewer than 25 employees would not be allowed to have deputy or assistant directors, and such existing positions would be abolished.

Even Spellman's office would be hit through the loss of funds for nine positions.

Grimm said that the most controversial portion of his budget would be allowing only a 5 percent pay raise for state employees, whom he contended are not overpaid.

Grimm said his proposal differs from past budgets in that in some areas he has prescribed how agencies must spend the money appropriated to them, rather than giving them a lump sum and telling them what they could not use it for.

Grimm said his approach does not contemplate reinstating the "25th month" method of borrowing against the future.

That maneuver, established about 10 years ago, is a bookkeeping shift by which tax income during the first months of a new two-year fiscal period is credited to the last month of the preceding period to avoid winding up that period in the red.

The Legislature "bought back" the 25th month in the supplemental budget it passed earlier to provide additional funds to meet state needs during the last month of the biennium.

# Vacation-club officer is found in contempt

by Peter Lewis  
Times staff reporter

The former sales manager of the nation's largest time-share vacation club was found in civil contempt here yesterday and fined \$15,000 for violating a federal-court order not to engage in deceptive sales practices.

James R. Quincy, 41, of Houston, was assessed \$10,000 in attorneys' fees and ordered to pay \$5,000 in costs incurred by lawyers for the Federal Trade Commission, which prosecuted him.

Quincy is accused in a pending federal case, brought by the FTC, of defrauding more than 2,500 Canadians and Americans — many of them Washington residents — who were members of Paradise Palms Vacation Club.

"Mr. Quincy simply cannot be trusted," U.S. District Judge Donald S. Voorhees said yesterday, rejecting a request by Quincy's lawyer that his client be permitted to continue work in "lead generation" — selling the names of prospective customers to other firms.

Also found in contempt for disobeying preliminary injunctions were Robert J. McDaniel, an associate of Quincy's, LSO Marketing Inc. and International Holiday Resorts Inc.

Quincy and McDaniel violated court orders of Oct. 10, 1981, by promoting and selling time-share interests in a Nevada-based motor-home venture without notifying FTC lawyers and without furnishing them copies of written disclosures, Voorhees ruled.

Between December 1981 and March 1982, the two took in more than \$125,000 from purchasers of Good Life Travel Club time-share interests, an FTC lawyer said.

Quincy and his associates also were the subject of a cease-and-desist order issued last year by the securities division of the state Department of Licensing. The order related to time-share memberships in Harbor Village Club, which raised about \$5 million in sales of condominiums in Ocean Shores and Lake Tahoe before it went into bankruptcy.

In addition to his trouble with Washington state authorities, Quincy signed consent decrees relating to time-share activities in Hawaii and Colorado, FTC lawyers said.

Quincy has filed bankruptcy papers in Houston, though the FTC has successfully transferred the case to Seattle to better monitor his finances, an FTC lawyer here said.

Meanwhile, Paradise Palms is undergoing bankruptcy proceedings in Hawaii.

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# Agency seeks law to protect time-share buyers

By JIM ERICKSON  
Daily News business reporter

Promoters selling interests in vacation property to Alaskans would be required to do business through licensed real estate agents and brokers if a bill introduced Tuesday in the Alaska Legislature becomes law.

Senate Bill 494, introduced at the request of the Sheffield administration, is designed to protect consumers against fraudulent or

risky "time-share" real estate deals, said Linda O'Bannon, an assistant attorney general with the state Consumer Protection Office.

Commonly, time-share participants purchase an interest in a condominium in vacation meccas such as Hawaii or Florida. In some cases, the buyer receives a deeded ownership interest in the property. Other plans offer a lease, or membership, in a time-

share club.

Buyers spend from a few thousand dollars to \$35,000 to occupy the condominium for a week or two each year, O'Bannon said.

Because promoters can reap large profits from timeshare deals, O'Bannon said, "the incentive is there for them to take the money and run," leaving an unbuilt or poorly managed development behind.

"Certainly ... the past, the po-

tential for consumer fraud has been fairly great," O'Bannon said. "There have been a lot of bankruptcies, and underfunded resorts where there just wasn't enough money to run the resort."

Currently, protection for Alaskans buying time-share interests is practically nil, she said.

Requiring that time-shares be sold only by agents or brokers

See Page D-3, TIME-SHARE

## Time-share

Continued from Page D-1

licensed by the state would foster professionalism and reduce the chance of misrepresentation, she said, because cheated buyers could file a claim against the real estate surety fund under the legislation.

The fund, which is administered by the commission, provides compensation of up to \$10,000 to individuals who can prove they were bilked in a real estate transaction.

The legislation also would give the commission the authority to promulgate regulations governing time-share sales.

O'Bannon she said she couldn't recall any specific instances of Alaskans losing money on time-share schemes. But the consumer protection office has been receiving an increasing number of calls from people who have been approached by out-of-state promoters using contest "prizes" as an inducement to attend high-pressure sales presentations, sometimes held locally at local hotels, she said.

The state is concerned that consumers could be pressured into buying, only to find out after the salesman had left the state that they didn't get what they bargained for.

"What we're trying to do is preventative," she said.

In addition, the legislation would:

- Impose a 15-day "cooling off" period after the date of sale. During that time, buyers who change their mind could rescind the contract.

- Require developers to file documents with the Alaska Real Estate Commission detailing contract provisions, management structure and financial condition of the time-share project.

The developer would also be required to disclose to the buyer all contractual and financial obligations incurred by the purchase, such as estimates of property taxes and maintenance expenses, and provisions for transferring ownership.

There are only two time-share projects in Alaska, O'Bannon said.

John Hansen, attorney for the Brigantine Bay development in Seward, said the bill was generally acceptable.

"We'd like to see some form of it come through."

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