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Timeshare Industry Fighting Back to End Exit Fraud: One Major Firm Disbarred and Another Files Bankruptcy

Consumers Should Report Timeshare Exit Scams

September 13, 2018 – WASHINGTON, D.C. – The timeshare industry, the American Resort Development Association (ARDA) and ARDA Resort Owners' Coalition (ARDA-ROC), have united to stop the misconduct of those deceiving timeshare owners into paying for illusory timeshare exit services through fraudulent means. Recently, the Supreme Court of Tennessee disbarred attorney Judson Wheeler Phillips, founder of the Castle Law Group, on a myriad of charges relating to consumer fraud complaints. In the past few weeks, Castle Law Group has ceased business operations following federal lawsuits brought by developers against Castle Law Group and those acting in concert with the firm. In another matter prosecuted by Wyndham Destinations (NYSE:WYND) against American Consumer Credit (ACC), among the largest timeshare exit companies, the pursuit of ACC, its principal, Dana Micaleff and its attorney, Michael Saracco, Esq. resulted in ACC filing bankruptcy on September 7, 2018.

In Phillips' case, the Tennessee Supreme Court disbarred Phillips after reviewing upwards of 18 client complaints, many of which made similar allegations of fraud, highlighting a pattern and practice of misconduct. In its ruling, the Tennessee Supreme Court found that Phillips "poses a threat of substantial harm to the public." Central to the series of complaints were allegations that Phillips and his business partners misled and/or defrauded consumers by taking exorbitant fees from timeshare owners for purported timeshare exit or cancellation services based upon fraudulent and misleading representations.

The ACC case is based on various legal theories, some of which are founded in federal law, known as the "Lanham Act." The case remains pending against Micaleff, individually, and Saracco, individually, although an automatic stay has been issued relative to ACC in the U.S. District Court action as a result of the bankruptcy filing. That, however, has not deterred the prosecution of the case. As of today, there is a motion pending against Micaleff and Saracco to punish them for, among other things, failing to appear for a deposition.

"The constant pressure that our member companies, owners and federal and state agencies are putting on disreputable timeshare exit companies has again produced a positive result for the consumer," said Robert Clements, ARDA Vice President of Regulatory Affairs. "Seeing two significant actions against these companies sends a very clear message to others trying to take advantage of timeshare owners: You won't get away with it." Clements continued, "If you feel you have been unfairly taken advantage of or defrauded by a timeshare exit company, please contact your state Attorney General, local law enforcement or the ARDA-ROC Consumer Support Team at 1-855-939-1515."

In addition to ARDA's advocacy efforts that support stricter laws, enforcement measures and tougher penalties on offenders, ARDA created a Joint Investigative / Enforcement Taskforce last fall to minimize fraud in the secondary market.

"A top priority for our industry and owners, and for law enforcement and other agencies, is to protect consumers from dishonest individuals or companies trying to take advantage of them," said ARDA-ROC Chairman Ken McKelvey. "These actions send a strong signal to criminals that fraud and deceptive activities will not be tolerated by our industry and it tells consumers that we take the actions of these individuals very seriously."

"We are committed to protecting our owners to ensure they aren't taken advantage of," said Michael Brown, President and CEO of Wyndham Destinations. "Through our partnership with ARDA, ARDA-ROC and regulatory and enforcement agencies, we support consumer protection legislation and law enforcement's efforts in cases like these. We encourage our owners to reach out to us or ARDA for participation in legitimate available programs in order to avoid becoming victims of timeshare exit company scams."

Nearly two years ago, Diamond Resorts implemented an aggressive litigation strategy in pursuit of third party exit companies for their nefarious and unlawful conduct in an effort to protect the interest of their members who were promised outcomes that could not be legally accomplished. In tandem, Diamond Resorts also pursued those unethical law firms, such as Castle Law Group, which were assisting these timeshare exit companies in their illegal business practices. To date, these efforts culminated in approximately 12 lawsuits prosecuted by Diamond Resorts throughout the country, six of which have already resulted in broad injunctions against the defendants, while the others remain pending.

Senior litigation counsel, Bud Bennington, of the law firm Shutts & Bowen LLP, counsel for Diamond Resorts in the Castle Law Group litigation in the U.S. District Court in Nashville, Tennessee, and, counsel for Wyndham Destinations in the ACC matter pending in the U.S. District Court, for the Southern District of Florida, commented that "the various timeshare companies, their law firms, ARDA and ARDA-ROC have undertaken a relentless effort to arrest the nefarious and unlawful conduct of the multiple timeshare exit companies around the world and the unethical lawyers that assist them in the perpetration of their deceptive practices."

ARDA and ARDA-ROC continue to pursue and support appropriate timeshare resale and transfer legislation in an effort to protect owners against fraudulent timeshare schemes. For more information about the timeshare secondary market including resales, visit the ARDA-ROC Timeshare Resale Resource Center at www.arda-roc.org/resales.

About ARDA

The American Resort Development Association (ARDA) is the Washington D.C.-based professional association representing the vacation ownership and resort development industries. Established in 1969, ARDA today has over 600 members ranging from privately held firms to publicly traded companies and international corporations with expertise in shared ownership interests in leisure real estate. The membership also includes timeshare owner associations (HOAs), resort management companies, and owners through the ARDA Resort Owners Coalition (ARDA-ROC). For more information, visit www.arda.org or ARDA's consumer website at www.VacationBetter.org.

About ARDA-ROC

The ARDA Resort Owners' Coalition (ARDA-ROC) is a non-profit entity funded by individual timeshare owner's voluntary contributions, dedicated to preserving, protecting, and enhancing vacation ownership. ARDA-ROC is an alliance of owners, developers, and managers who are committed to advocating for local, state, and federal policies that enable the vacation ownership industry to thrive. For more information, visit http://www.ardaroc.org.

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