COUNTERACTING FRAUDULENT BUSINESS FILINGS IN COLORADO

Christopher Beall
Deputy Secretary of State
Amended Colorado Corporations & Associations Act to:

- Create a complaint process and remedy for victims of business identity theft.
- Provide public notice about fraudulent businesses.
- Include fraudulent business filings as a deceptive trade practice under Colorado Consumer Protection Act.
- Authorize additional study on future measures to prevent fraudulent filings.
THE TWO MAIN TYPES OF BUSINESS IDENTITY THEFT

1. “Hijacking a business”

   Fraudulent use of existing business’s filings
   - Fraudsters make unauthorized changes to business information
   - Fraudsters target older businesses that are delinquent or have been dissolved.
   - Desirability stems from the entity’s length of existence.

2. “Hijacking an address/name”

   Fraudulent use of another’s address or identity
   - A victim often receives strange mail or packages at their homes.
   - A business loan application made in the victim’s name.
THE TWO MAIN TYPES OF BUSINESS IDENTITY THEFT

“Hijacking a business”
- Redact addresses and names used without authorization from filings.
- Mark each unauthorized filing as unauthorized.
- Mark the entity as a victim of fraudulent or unauthorized acts to provide public notice.

“Hijacking a name/address”
- Redact addresses and names used without authorization from filings.
- Mark the entity itself as being unauthorized or fraudulent to provide public notice.
- Disable filing functionality for the entity to prevent future filings.
1. The customer fills out a complaint form and emails it to our office.
2. Our office reviews complaint and either:
   • Rejects,
   • Sends it back to the customer for correction, or
   • Accepts and forwards to A.G.'s office.

3. A.G.'s office issues notices to respondent entity, and
   • If no response, then case is returned to our office for corrective notations on the registry.
   • If respondent entity denies complaint, hearing is held before an ALJ.
THE COMPLAINT PROCESS

AG delivers two notices. Each notice requires 21 days to wait for a response.

Complaint filed → SOS reviews complaint → AG reviews complaint → AG 1st notice → AG 2nd notice → AG certifies concession → SOS marks the business record

21 days 21 days
THE COMPLAINT PROCESS

The Process of Accepted Complaints

1. CSS receives form
2. CSS reviews and accepts form
3. CSS refers complaint to AG's office
4. AG mails 1st notice to Registered Agent
5. AG mails 2nd notice to Registered Agent
6. AG notifies CSS Admin and Complainant that "fraudster" did not respond and it's confirmed fraudulent
7. CSS Admin updates Jira ticket to CSS Admin and completes Filing Officer Correction
8. Does the status or entity form need to be changed? CSS Admin updates Jira ticket to Fraud IT Working
9. CSS Admin performs redaction
10. CSS Admin notifies CSS Team once record is updated
11. CSS follows up with complainant that request has been completed
EXAMPLES

Citizen complaint for fraudulent use of home address when a new business was created:

Fraudulent Business Filing Complaint
Colorado Secretary of State Phone: 303-894-2200, press 2, than 2
Business & Licensing Fax: 303-894-4854
BusinessFraud@coloradosos.gov

Filed pursuant to §7-90-314 of the Colorado Revised Statutes (C.R.S.)
Complete this form online, save it, then email it to our office. The completed form is required to begin an
investigation. If the form doesn’t provide enough room for your response, put your continued response in a single
Word DOC or text file. Add headings to identify the corresponding form section.

Type of violation
I allege that a business filing was made in violation of section 7-90-314(1), C.R.S. as follows:

☐ An address was included in a filing without the written consent of the owner or occupant of the
address.
☐ My name, without my written consent, was included in a filing as: [Mark all that apply]
☐ The registered agent.
☐ The individual causing the document to be delivered to the Secretary of State’s office for
filling.
☐ The person incorporating forming, or organizing a business; or
☐ Any other person required to be identified in a document filed in the Secretary of State’s
office under Title 7, C.R.S.
☐ My existing business record was changed without my written consent or authority to do so.

Complaint Information
Enter the contact information of the person making this complaint.
Name: John Love
Street address, city, state, ZIP: 3622 Leeds Lane, Colorado Springs, CO 80907
After notice and failure to respond, the entity’s record is revised on our website, indicating that the entire entity is deemed fraudulent:

<table>
<thead>
<tr>
<th>Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name</strong></td>
<td>Web Design Michelle Vasquez LLC</td>
</tr>
<tr>
<td><strong>Status</strong></td>
<td>Noncompliant</td>
</tr>
<tr>
<td><strong>Formation date</strong></td>
<td>08/13/2022</td>
</tr>
<tr>
<td><strong>ID number</strong></td>
<td>20221783173</td>
</tr>
<tr>
<td><strong>Form</strong></td>
<td>Limited Liability Company</td>
</tr>
<tr>
<td><strong>Periodic report month</strong></td>
<td>August</td>
</tr>
<tr>
<td><strong>Jurisdiction</strong></td>
<td>Colorado</td>
</tr>
<tr>
<td><strong>Principal office street address</strong></td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Principal office mailing address</strong></td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Filing history and documents**
The history of filed documents is annotated to reflect the determination of a fraudulent filing:
ARTICLES OF ORGANIZATION FOR A LIMITED LIABILITY COMPANY

filed pursuant to § 7-90-301 and § 7-80-204 of the Colorado Revised Statutes (C.R.S.)

The domestic entity name of the limited liability company is Web Design Michelle Vasquez LLC

The principal office street address is

The principal office mailing address is

The name of the registered agent is Michelle Vasquez
Citizen complaint that an existing business has been hijacked:
After notice and failure to respond, the changes to the business’ registration were reversed and the history of the registration was annotated to reflect the finding of a fraudulent filing.
The underlying fraudulent filing is redacted.
OUR DASHBOARD AND STATISTICS

Weekly View:

Total Issues: 57

Period: last 14 days (grouped Daily)
OUR DASHBOARD AND STATISTICS

Tracker:

Biz Fraud - Division Dashboard (data as of 10:00AM)

Breakdown of Complaints by Status

<table>
<thead>
<tr>
<th>Status</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAITING ON AG</td>
<td>299</td>
<td>54%</td>
</tr>
<tr>
<td>WAITING FOR CUSTOMER</td>
<td>104</td>
<td>19%</td>
</tr>
<tr>
<td>DONE</td>
<td>75</td>
<td>14%</td>
</tr>
<tr>
<td>REJECTED</td>
<td>37</td>
<td>7%</td>
</tr>
<tr>
<td>RESOLVED</td>
<td>23</td>
<td>4%</td>
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<tr>
<td>TO DO</td>
<td>13</td>
<td>2%</td>
</tr>
<tr>
<td>NO VIOLATION</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>CONFIRMED FRAUD</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>554</td>
<td></td>
</tr>
</tbody>
</table>

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THANK YOU!

Any Questions?