

One example of what a single Colorado Illicit Shell can do

Complaint to Law Enforcement

In November 2020, a victim wrote, "I received notification that my address was used to create and register a business with my home address. I also received 6 unemployment US Bank cards for people or businesses not at my address. I believe my address has been used to commit fraud and I would like to immediately report it. The "business" name on the letter is [Colorado Illicit Shell CO ID: 2020XXXXXXXXX]." The 6 recipient names on the unemployment bank cards are as follows..."

Current CDOS Incorporation Status

As of 12-6-2022, this Colorado Illicit Shell is still in "Good Standing" with CDOS as they have been diligent in filing periodic reports.

News about CDLE Unemployment Insurance Fraud, Losses, and Partial Solution

In March 2022, the Colorado Sun reported that the Colorado Department of Labor and Employment said that 68,602 unique unemployment claims worth about \$700 million have been confirmed to be fraudulent. Although most of that money was stopped, \$33.7 million dollars was paid out to criminal accounts.

Colorado Public Radio News reported that CDLE has tried to stop false claims by using a third party service called ID.me which verifies people's identity and asks them to submit video selfies. The Colorado Sun reported that since they started using ID.ME, 2.6 million attempts have been made to get unemployment insurance payouts, but only 15% (381,854) of applicants were verified as being who they said they were.

The thieves also created problems for those actually unemployed by causing delays of up to 7 weeks to sometimes pay out funds due to holds.

What else is this same COLORADO ILLICIT SHELL doing?

Investigation has shown that they've fraudulently registered **46 US Trademarks** with the USPTO and used their CIS to do so.

Why would a Colorado Illicit Shell register 46 trademarks?

They are using the Colorado business registration, US Trademark filing, and likely bank account, as documents to support them in selling on major US e-commerce sites.

They are using at least one of them to sell medical equipment from China and one review they received states, "knee support stocking cut off blood flow in my legs... dangerous to wear product!"

What impact could this one COLORADO ILLICIT SHELL company have on our people?

Direct negative effects:

1. Appears to have defrauded our state and its citizens of thousands of dollars.
2. Appears to have defrauded the USPTO into issuing trademarks.
3. Appears to be putting people at risk with defective medical devices.
4. Is unlikely to be paying any income taxes like legitimate small business owners.
5. Is unlikely to be paying Customs duties on their products like legitimate small business owners.
6. Appears to be undercutting the prices since they don't pay tax or duties and taking the sales that legitimate small business owners used to get.
7. Is very unlikely to be prosecuted for selling unapproved dangerous medical devices, not paying taxes, and not paying customs duties like legitimate small business owners.

Indirect negative effects:

If small business owners can't compete, what will happen?

1. Will they lay off their staff?
2. Will they close their business and stop paying state and federal taxes?
3. If they close their business, will they need to ask for government assistance to support their family?
4. Or might the small business owner realize the only way to compete is to open their own COLORADO ILLICIT SHELL company to sell products, which also doesn't pay taxes, get FDA approval, or must follow other regulations?
5. What happens when the cheaters find a way to win every game and are unable to be held accountable?

Why doesn't law enforcement prosecute this COLOARDO ILLICIT SHELL?

- It would take a team of federal investigators spending likely hundreds of hours to investigate the wire fraud that is likely occurring here.
- It would cost the federal government likely hundreds of thousands of dollars of investigator time, subpoena processing, court actions, prosecutor time to investigate it properly.
- Then, the case may not ultimately go to court unless certain thresholds are met. For example:
 - How many people and companies were defrauded?
 - How much money can be proven to have been made through fraudulent transactions?
 - Who are the subjects of investigation?
 - Can you prove those specific subjects opened the COLORADO ILLICIT SHELL?
 - Where are those subjects located? Are they all in China?
- The only way to know if the case will be prosecuted is by spending incredible time and resources and due to the complexity, overloaded demand on our legal system, and the fact the culpable people are likely in a country without extradition, there is almost no chance this company and its owners will be brought to justice.

Who gets hurt in the end by this Colorado Illicit Shell?

1. Regular people might lose limbs or possibly die (maybe they already have?)
2. Small business owners may go out of business by a criminal they never knew existed.
3. Families may need governmental support if they can no longer earn a legitimate income.
4. Small businesses that can no longer trademark 46 business names.
5. America's economy gets one more ding in its armor against international survival and competition.

Other than the criminals involved, who benefited from allowing this Colorado Illicit Shell to be formed?

1. The Colorado Secretary of State's Office made a profit of \$1.

What are the arguments for not doing anything substantive to stop these types of filings?

1. If 90% of the filings are legitimate, why should we inconvenience 100% of filers by implementing safeguards on criminals utilizing the business registry?
2. CDOS is able to offer business incorporations more quickly and lower cost than almost any other state. This is a good thing. By requiring authentication, business filers may have to pay more in fees and it may take seconds to days longer to incorporate.
3. CDOS is able to process thousands of business filings for very little cost. If we implement passwords, authentication, and other safety measures, that may require CDOS to hire more people and pay more in expenses.

What are the arguments for making changes that would make it harder to file these shells?

1. Just one Colorado Illicit Shell can, and has, cost the state and federal government thousands of dollars to millions of dollars in fraud and lost tax revenues.
2. Just one Colorado Illicit Shell can, and has, been used to import counterfeit pharmaceuticals, which can endanger our friends, loved ones, and families.
3. Just one Colorado Illicit Shell can aid in the bankruptcy of small businesses here in Colorado and around our country.
4. Just one Colorado Illicit Shell can be used in the theft of life savings from our friends, loved ones, and families.
5. Just one Colorado Illicit Shell can be used to help export technology that can be used in the military weapons of our enemies and ultimately be used against our allies as well as our sons and daughters serving in the armed services.
6. *The Colorado Department of State has an incredible opportunity to lead the way in safe and responsible business incorporation management while still maintaining incredible access and affordability to business owners. Our state is ahead in so many ways. Becoming a leader in efficient and effective business incorporation security could have national impacts and could draw businesses to our state.*