

COPY

APR 05 2010



MICHAEL K. JEANES, CLERK
DEPUTY CLERK

1 Terry Goddard
Attorney General
2 (Firm State Bar No. 14000)

3 Rebecca C. Salisbury
Assistant Attorney General
4 State Bar No. 022006
Office of the Attorney General
5 1275 West Washington Street
Phoenix, AZ 85007
6 (602) 542-3725
7 fax, (602) 542-4377
consumer@azag.gov

8 Attorneys for Plaintiff

9
10 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

11 **IN AND FOR THE COUNTY OF MARICOPA**

12 STATE OF ARIZONA, *ex rel.* TERRY
GODDARD, Attorney General,

13 Plaintiff,

14 vs.

15 VAHE ZAKARYAN dba BOARD OF
BUSINESS COMPLIANCE and JANE DOE
16 ZAKARYAN, husband and wife,

17 Defendants.

Case No.: CV2010-010774

18
19 **FIRST AMENDED COMPLAINT**
20 **FOR INJUNCTIVE AND**
21 **OTHER RELIEF**

(Assigned to the Honorable
J. Kenneth Mangum)

22 Plaintiff, the State of Arizona, *ex rel.* Terry Goddard, Attorney General, for its
23 Complaint, alleges as follows:

24 **I. JURISDICTION AND VENUE**

25 1. This action is brought pursuant to the Arizona Consumer Fraud Act,
26 A.R.S. § 44-1521, *et seq.* Plaintiff seeks injunctive relief, restitution, civil penalties,
investigative expenses, costs and attorneys' fees and other relief to prevent the unlawful acts
and practices alleged in this complaint.

1 Guide” which begins with “Piercing the Corporate Veil, the Ultimate Corporate Disaster” and
2 then cites to Arizona statutes regarding annual meetings. (See Exhibit 1, which is attached to
3 this Complaint and incorporated by reference as though set forth in full.)

4 10. The form goes on to state that “Payment should be submitted for processing and
5 fulfillment of Annual Minutes for your corporation. Submit a single check or money order for
6 \$125 payable to Board of Business Compliance and mail to:

7 BOARD OF BUSINESS COMPLIANCE
8 BUSINESS PROCESSING DIVISION
9 125 N 2nd Street suite 110-202
Phoenix, AZ 85004”

10 The address is a private mail box used by Defendants and located in a UPS Store.

11 11. Defendant Vahe Zakaryan represented that in exchange for payment he intended
12 to look into the necessary business filings and forms for each company and then send each
13 company the necessary filings and forms. No filings or forms were, however, ever received by
14 the corporations that sent the fee to Defendants.

15 12. There is no requirement for a corporation to file annual minutes in Arizona.

16 13. Defendants have received approximately \$68,000.00 from 552 Arizona
17 corporations that paid the \$125.00.

18 14. The Consumer Information and Complaints Unit of the Arizona Attorney
19 General’s Office received 291 complaints from consumers who found the mailing to be
20 deceptive and misleading.

21 **IV. VIOLATIONS OF THE ARIZONA CONSUMER FRAUD ACT**

22 15. The solicitations distributed by Defendants are fraudulent and deceptive. The
23 forms led Arizona corporations to believe that they were sent by a government agency and
24 required response and payment or the shareholders would not be in compliance with Arizona
25 law and could be held liable for corporate debts and obligations. The misleading provisions
26 include:

1 a. The solicitations are official looking forms using the fictitious name
2 BOARD OF BUSINESS COMPLIANCE ANNUAL MINUTES DIVISION, which is
3 designed to resemble the name of a governmental entity.

4 b. The language on the forms implies that a business has to complete the
5 form and return it with an annual fee by the reply by date to comply with Arizona law;

6 c. The forms include the business name and the corporate ID number
7 assigned to the corporation by the Arizona Corporation Commission, which adds to the
8 impression that it is a government issued form;

9 d. The forms instruct recipients that payment should be submitted for
10 processing and fulfillment of Annual Minutes for your corporation, although no minutes
11 were ever provided; and

12 e. The envelope included with the form is pre-addressed to Board of Business
13 Compliance, Business Processing Division, 125 North 2nd Street, Ste. 110-202, Phoenix,
14 AZ 85004. By using a Phoenix, AZ mailing address, Defendants sought to further the
15 impression that the form was sent by an Arizona governmental entity when the actual
16 address is a mailbox in a UPS store.

17 16. Arizona corporations are not required to prepare or file annual minutes, the
18 service ostensibly provided by Defendants.

19 17. Several checks cashed by Defendants were made out to the Arizona Corporation
20 Commission, the Arizona governmental entity that oversees the incorporation of businesses and
21 limited liability companies and maintains corporation's annual reports. Many checks also
22 contained annotations in the memo line such as: "annual fee," "annual dues," "AZ annual corp.
23 fee," and "Corp Comm" further demonstrating the misleading nature of the solicitation.

24 18. The conduct described in the preceding paragraphs of this Complaint constitutes
25 deception, deceptive acts and practices, fraud, false pretenses, false promises, misrepresentation
26 and the concealment, suppression or omission of material facts with the intent that others rely

1 upon such concealment, suppression or omission of material facts in violation of
2 A.R.S. § 44-1522(A.)

3 19. Defendants' actions were willful as defined by A.R.S. § 44-1531(B), because
4 Defendants knew or should have known that this conduct was of the deceptive nature
5 prohibited by A.R.S. § 44-1522.

6 **V. PRAYER FOR RELIEF**

7 WHEREFORE, Plaintiff, State of Arizona, respectfully requests that the Court:

8 20. Issue a permanent injunction, enjoining and restraining Defendants and each of
9 them, their officers, agents, servants, employees and attorneys and all persons in active concert
10 or participation with them, directly or indirectly, from engaging in the course of conduct
11 alleged in violation of A.R.S. § 44-1522(A), including, without limitation:

12 A. Soliciting any Arizona consumer or business by mail, telephone and/or
13 internet;

14 B. Operating any business in the State of Arizona which purports to offer
15 services to businesses;

16 C. Receiving any monies, in any form, from any Arizona consumer or
17 business, which responds to the type of solicitation referenced in this Complaint;

18 21. Pursuant to A.R.S. § 44-1528(A)(2), order that Defendants restore to all persons
19 in interest any monies or property, real or personal, which may have been acquired by means of
20 any practice in this article declared to be unlawful;

21 22. Pursuant to A.R.S. § 44-1531, order Defendants to pay to the State of Arizona a
22 civil penalty of ten thousand dollars (\$10,000.00) for each violation of A.R.S. § 44-1521, *et*
23 *seq.*;

24 23. Pursuant to A.R.S. § 44-1534, order Defendants to reimburse the Attorney
25 General for its attorneys' fees and costs incurred in the investigation and prosecution of the
26 Defendants' activities alleged in this Complaint;

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

24. For such further relief as the Court may deem just and proper.

DATED this 5th day of April, 2010.

Terry Goddard
Attorney General


Rebecca C. Salisbury
Assistant Attorney General
Attorneys for Plaintiff

775475

1 Terry Goddard
Attorney General
2 (Firm State Bar No. 14000)
Rebecca C. Salisbury
3 Assistant Attorney General
State Bar No. 022006
4 Office of the Attorney General
1275 West Washington Street
5 Phoenix, AZ 85007
(602) 542-3725
6 fax, (602) 542-4377
consumer@azag.gov
7 Attorneys for Plaintiff

8
9 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
IN AND FOR THE COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.* TERRY
11 GODDARD, Attorney General,

12 Plaintiff,

13 vs.

14 VAHE ZAKARYAN dba BOARD OF
BUSINESS COMPLIANCE and JANE DOE
15 ZAKARYAN, husband and wife,

16 Defendants.

Case No.: CV2010-010774

EXHIBIT
TO FIRST AMENDED COMPLAINT

(Assigned to the Honorable
J. Kenneth Mangum)

17
18 Plaintiff, the State of Arizona, *ex rel.* Terry Goddard, Attorney General, files herewith
19 the exhibit to its First Amended Complaint, filed on April 5, 2010.

20 DATED this 6th day of April, 2010.

21 TERRY GODDARD
Attorney General

22
23 
24 Rebecca C. Salisbury
Assistant Attorney General
25 Attorneys for Plaintiff
26

EXHIBIT 1

Disclosure Statement

BOARD OF BUSINESS COMPLIANCE ANNUAL MINUTES DIVISION (Shareholders and Directors)

IMPORTANT-READ NOTIFICATION BEFORE COMPLETING THIS FORM

For internal office Use Only

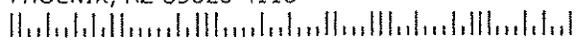
0009138234883*****182826739208470518



**ALL FOR AADC 852



PHOENIX, AZ 85020-4118



RECEIVED
 REPLY BY: 09/2008
 OCT 01 2009
 ANNUAL FEE: \$125
 CORPORATION NUMBER
 CPA/CIC **08470518**

NOTICE DATE: 09/19/2008

MAIL THIS FORM AND PAYMENT OF \$125 TO:

BOARD OF BUSINESS COMPLIANCE
 125 N 2nd Street suite 110-202
 Phoenix, AZ 85004

10-701. Annual meeting A. A corporation shall hold a meeting of shareholders annually at a time stated in or fixed in accordance with the bylaws. B. Annual shareholders' meetings may be held in or out of this state at the place stated in or fixed in accordance with the bylaws. If no place is stated in or fixed in accordance with the bylaws, annual meetings shall be held at the corporation's known place of business. C. The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation's bylaws does not affect the validity of any corporate action. D. Any water users' association may provide in its articles of incorporation or bylaws for any method of electing its governing body or bodies on a biannual or more frequent basis, in which event the water users' association has no obligation to hold an annual meeting notwithstanding subsection A of this section and section 10-803. Whenever a meeting of shareholders is required or permitted under this chapter, a water users' association, without conducting such a meeting, may accomplish the purpose of such meeting through an election by its shareholders pursuant to its articles of incorporation. Every Arizona corporation should prepare minutes of all meetings of the shareholders and directors. The minutes should be approved by the appropriate parties, signed and added to the corporate minute book along with copies of the notices of the meetings sent to the shareholders and directors. Important corporate actions authorized by shareholders and directors without a meeting should be evidenced by resolutions signed by all the shareholders and directors, respectively, and added to the corporate minute book. 10-803. Number and election of directors A. A board of directors shall consist of one or more individuals, with the number specified in or fixed in accordance with the articles of incorporation or bylaws. B. The articles of incorporation or bylaws may establish a variable range for the size of the board of directors by fixing a minimum and maximum number of directors. If a variable range is established, the number of directors may be fixed or changed from time to time, within the minimum and maximum, by the shareholders or the board of directors. C. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter unless their terms are staggered under section 10-806.

1. STREET ADDRESS OF PRINCIPAL EXECUTIVE OFFICE	CITY/STATE	ZIP CODE
2. PRESIDENT		
3. SECRETARY		

NAME OF ALL DIRECTORS (The corporation must have at least one director. Attach additional pages, if necessary.)

4. NAME
5. NAME
6. NAME
7. NAME

ALL INFORMATION WILL BE TREATED AS PRIVATE AND CONFIDENTIAL. PLEASE ALLOW 45 DAYS FROM THE DATE OF RECEIPT FOR COMPLETE PROCESSING, FULFILLMENT AND MAILING OF THE ANNUAL MINUTES FOR YOUR CORPORATION. THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY ANY GOVERNMENT AGENCY AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE GOVERNMENT. U.S.C. 39&3001 (D) THIS IS A SALUTATION FOR THE ORDER OF SERVICE. AND NOT A BILL, INVOICE OR STATEMENT DUE. NO OBLIGATION TO MAKE ANY PAYMENTS; UNLESS YOU ACCEPT THIS OFFER.

BY SUBMITTING THE ABOVE CORPORATE INFORMATION TO BOARD OF BUSINESS COMPLIANCE, THE CORPORATION CERTIFIES THE INFORMATION HEREIN INCLUDING ANY ATTACHMENTS IS TRUE AND CORRECT.

SIGNATURE OF OFFICER	TITLE	DATE
----------------------	-------	------

Arizona Revised Statutes Guide

Piercing the Corporate Veil - The Ultimate Corporate Disaster

If your Arizona Corporation does not hold shareholders and directors meetings before engaging in important corporate acts and if it does not document those meetings with minutes or resolutions, creditors of the corporation will use that fact and attempt to "pierce the corporate veil" and hold the shareholders liable for the corporation's debts and obligations. Arizona law generally protects the shareholders of a corporation from the corporation's debts and obligations. See A.R.S. § 10-622.B. One major exception to the general rule of no shareholder liability occurs when the corporation does not follow the legal formalities of operating in the corporate form. The two most important corporate formalities that all Arizona corporations must follow are: (i) do not use corporate money to pay shareholder debts or expenses, and (ii) hold meetings of shareholders and directors and document the meetings with minutes or resolutions.

Annual Meetings Required by Arizona Law

Arizona law requires all Arizona corporations to hold a meeting of shareholders annually at a time stated in or fixed in accordance with the bylaws. A.R.S. § 10-701.A. Arizona corporations must notify all shareholders entitled to vote of the date, time and place of each annual and special shareholder's meeting at least ten, but not more than sixty days before the annual meeting date. A.R.S. § 10-705.A. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A.R.S. § 10-803.C.

Minutes

Every Arizona Corporation should prepare minutes of all meetings of the shareholders and directors. The minutes should be approved by the appropriate parties, signed and added to the corporate minute book along with copies of the notices of the meetings sent to the shareholders and directors. Important corporate actions authorized by shareholders and directors without a meeting should be evidenced by resolutions signed by all the shareholders and directors, respectively, and added to the corporate minute book.

Payment should be submitted for processing and fulfillment of Annual Minutes for your corporation. Submit a single check or money order for \$125 payable to Board of Business Compliance and mail to:

BOARD OF BUSINESS COMPLIANCE
BUSINESS PROCESSING DIVISION
125 N 2nd Street suite 110-202
Phoenix, AZ 85004

By submitting the Disclosure Form of Directors and Shareholders to BOARD OF BUSINESS COMPLIANCE ANNUAL MINUTES DIVISION. The corporation certifies the information contained herein, including any attachments is true and correct

Place
Stamp
Here

BOARD OF BUSINESS COMPLIANCE
BUSINESS PROCESSING DIVISION
125 NORTH 2ND STREET, STE. 110-202
PHOENIX, AZ 85004

*Copy of
F. B. G. 8/11/04*

12/10
12/10
BOARD OF BUSINESS COMPLIANCE
ANNUAL MINUTES DIVISION
174 NORTH 2ND STREET, STE. 110-202
PHOENIX, AZ 85004

BUSINESS MAIL - IMPORTANT NOTICE ENCLOSED
THIS IS NOT A GOVERNMENT DOCUMENT