

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER,          COLORADO          1437 Bannock Street          Denver, Colorado 80202</p>	<p><b>FILED Document</b>  <b>CO Denver County District Court 2nd JD</b>  <b>Filing Date: Oct 4 2011 3:33PM MDT</b>  <b>Filing ID: 40165810</b>  <b>Review Clerk: Imran Sufi</b></p>
<p>STATE OF COLORADO, <i>ex rel.</i>          John W. Suthers, Attorney General,</p> <p>Plaintiff,</p> <p>v.</p> <p>Raymond Makatura; Robert Makatura; Lucille Makatura;          Lucille Aragon; Dorothy Gonzales; Henry Aragon;          Nicholas Harper; Rita Rohleder; Michael Brian Patterson;          Rocky Mountain Readers Service, Inc; Magazine/One,          LLC.; Promo Readers Service, Inc; Readers Choice Service          Inc; All City Circulations, Inc.; Magazine Connection,          LLC; Magazine Club, LLC; Readers Source, LLC;          Haragon Holdings, LLC; Haragon Holdings, Inc.; Family          Publications, Inc; Increase Publications, LLC; I.N.C. &amp;          Associates; N R And Assoc. Inc.; Neighborhood Readers          and Associates; National Readers and Associates; First          Premier Subscriber Services, Inc; Crown Marketing, Inc.;          Class Media, INC; H.J.H. Limited Liability Company;          World Wide Readers Service, Inc.,</p> <p>Defendants.</p>	<p style="text-align: center;">▲ <b>COURT USE ONLY</b> ▲</p>
<p>JOHN W. SUTHERS, Attorney General          *JAY SIMONSON, FIRST ASSISTANT ATTORNEY          GENERAL, Reg. No. 24077          *MARK T. BAILEY, ASSISTANT ATTORNEY          GENERAL, Reg. No. 36861          *ALISSA GARDENSWARTZ, ASSISTANT          ATTORNEY GENERAL, Reg. No. 36126          1525 Sherman Street          Denver, Colorado 80203          Phone: 303-866-5079          *Counsel of Record</p>	<p>Case No.:</p> <p>Courtroom:</p>
<p><b>COMPLAINT</b></p>	

Plaintiff, the State of Colorado, upon relation of John W. Suthers, Attorney General for the State of Colorado through the undersigned counsel, states and alleges against Defendants

Raymond Makatura; Robert Makatura; Lucille Makatura; Lucille Aragon; Dorothy Gonzales; Henry Aragon; Nicholas Harper; Rita Rohleder; Michael Brian Patterson; Rocky Mountain Readers Service, Inc; Magazine/One, LLC.; Promo Readers Service, Inc; Readers Choice Service Inc; All City Circulations, Inc.; Magazine Connection, LLC; Magazine Club, LLC; Readers Source, LLC; Haragon Holdings, LLC; Haragon Holdings, Inc.; Family Publications, Inc; Increase Publications, LLC; I.N.C. & Associates; N R And Assoc. Inc.; Neighborhood Readers and Associates; National Readers and Associates; First Premier Subscriber Services, Inc; Crown Marketing, Inc.; Class Media, INC; H.J.H. Limited Liability Company; World Wide Readers Service, Inc., as follows:

## **INTRODUCTION**

1. This matter is a civil law enforcement action by the State of Colorado, *ex rel.* John W. Suthers, under the Colorado Consumer Protection Act, §§ 6-1-101 – 6-1-1121, C.R.S. (2011), to preliminarily and permanently restrain and enjoin Defendants from engaging in deceptive trade practices, to recover statutory civil penalties, to obtain restitution, to disgorge unjust proceeds, and to recover attorney fees and costs.

2. Defendants are an extended family who, under the guise of multiple corporate names, deceive consumers into purchasing duplicative and expensive magazine subscriptions.

3. Certain Defendants sell magazine “packages,” for which they charge up to \$1,298. These Defendants contact consumers who are currently receiving magazines and pretend that they are the company that is providing the consumer’s magazines. Defendants state that they are calling to lower the consumer’s payments, claim they need the consumer’s credit-card information to put a “privacy block” on the consumer’s account, and employ multiple other tactics to trick the consumer into providing his or her credit card number and CVV code. Defendants then rush the consumer through a recorded “verification” that Defendants will later claim is an oral contract for new magazine subscriptions. Once a consumer has secured a “contract” with a consumer, Defendants improperly share consumer information with each other and redeploy their deceitful sales pitch to trick the consumer into a second or even a third new “contract” for magazine subscriptions.

4. Other Defendants sell renewals to single magazines by misrepresenting an association with magazine publishers. These Defendants falsely tell consumers that they will lower their subscription price and protect them against upcoming price increases. Many Defendants also use false representations to sell memberships to a “discount benefit program” that purports to save consumers money.

## **PARTIES**

5. John W. Suthers is the duly elected Attorney General for the State of Colorado and has express authority under § 6-1-103, C.R.S. (2011) to enforce and prosecute violations of the Colorado Consumer Protection Act.

6. Defendant Raymond Makatura is the father of Defendant Robert Makatura. Robert Makatura and Defendant Lucille Makatura are husband and wife. Defendants Lucille Aragon and Dorothy Gonzales are Lucille Makatura's daughters. Defendant Henry Aragon is Lucille Makatura's son. Defendant Michael Brian Patterson is Lucille Makatura's nephew.

7. Defendant Raymond Makatura has been an owner and President of Defendant Rocky Mountain Readers Service, Inc (previously known as Rocky Mountain Magazine Service, Inc. and hereinafter "Rocky Mountain Readers Service") from 1982 through the present. Raymond Makatura owns and controls Defendants Magazine/One LLC. (hereinafter "Magazine/One"), Family Publications, Inc (hereinafter "Family Publications"), Increase Publications, LLC (hereinafter "Increase Publications"), I.N.C. & Associates (hereinafter "I.N.C."), N R And Assoc. Inc. (hereinafter "N R And Assoc."), Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Inc. (hereinafter "Crown Marketing"), Class Media, INC (hereinafter "Class Media"), First Premier Subscriber Services, Inc (hereinafter "First Premier"), and H.J.H. Limited Liability Company (hereinafter "H.J.H."). Raymond Makatura currently resides at 3080 Ward Court, Wheat Ridge, Colorado 80215.

8. Defendant Robert Makatura has been an owner and President of Defendant Magazine/One from June 2002 through the present. Robert Makatura has been an owner and principal of Defendant Promo Readers Service, Inc (hereinafter "Promo Readers Service") from July 18, 2007 through the present, and he was one of the original incorporators of Promo Readers Service. Along with his father, Raymond, Robert Makatura owns and controls Defendants Rocky Mountain Readers Service, Family Publications, Increase Publications, I.N.C., N R & Associates, Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, First Premier, Class Media, and H.J.H. Robert Makatura currently resides at 2900 Heather Road, Golden, Colorado 80401.

9. In the last ten years, Defendants Raymond and Robert Makatura have conducted magazine-sales business under at least six other corporate names: Nicholas Ryan & Associates; International Readers League of Golden, Inc.; International Magazine Service of the Rockies, Inc.; Family Buyers Club; Family Publishers; and Magazine Media.

10. Defendant Lucille Makatura has been an owner and the President of Defendant Promo Readers Service since the formation of the company in July 2007. Along with her son, Defendant Henry Aragon, Lucille Makatura owned Defendant Readers Source, LLC (hereinafter "Readers Source"). Lucille Makatura was the Secretary of Defendant Readers Source from the formation of Readers Source in September 2004 until Readers Source was dissolved on November 24, 2010. Lucille Makatura and Henry Aragon have also done business under the corporate name, Readers Service, Inc. Lucille Makatura was employed by Defendant Readers Choice Service Inc (hereinafter "Readers Choice Service") from 2005 through 2007. Lucille Makatura currently resides at 2900 Heather Road, Golden, Colorado 80401.

11. Defendant Lucille Aragon has been an owner and the President of Defendant Readers Choice Service since the formation of the company in 2003. Ms. Aragon formed Defendant All City Circulations, Inc. (hereinafter "All City Circulations") and has been the owner and President of Defendant All City Circulations since at least March 2010. Ms. Aragon has also done business under the corporate name, Family Readers Searvice. Ms. Aragon currently resides at 4130 S. Yates Way, Denver, Colorado 80236.

12. Defendant Dorothy Gonzales was an owner and Vice President of Defendant Readers Choice Service from 2003 through March 2010. Ms. Gonzales has had control of the business operations of Defendant Promo Readers Service since at least October 2010. Ms. Gonzales has also done business under the corporate name, Family Readers Searvice. Ms. Gonzales currently resides at 5205 W. Princeton Drive, Denver, Colorado 80235.

13. Defendant Henry Aragon has been the owner, President, and Chief Executive Officer of Defendants Magazine Connection, LLC (hereinafter "Magazine Connection") and Magazine Club, LLC (hereinafter "Magazine Club") since these companies' formation in April 2009. From September 2004 through November 24, 2010, Mr. Aragon was an owner and the President and Chief Executive Officer of Defendant Readers Source. Mr. Aragon also owns and controls the business operations of Defendant Haragon Holdings, LLC and Haragon Holdings, Inc. In the last five years, Mr. Aragon has controlled the business operations of at least five other magazine companies: Readers Service, Inc., Magazines Unlimited, LLC, Magazines4military.com, Henry Aragon, Magazine Capital Group. Mr. Aragon currently resides at 435 W. Colfax Avenue, #200, Denver, Colorado 80204.

14. Defendant Nicholas Harper is the Director of Sales for Defendants Rocky Mountain Readers Service, Magazine/One, Family Publications, Increase Publications, I.N.C., N R & Associates, Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, and First Premier. Mr. Harper holds himself out to the public as the President of Defendants Family Publications and I.N.C. Mr. Harper's last-known legal address is 2905 Inca Street, #1105, Denver, Colorado 80202.

15. Defendant Rita Rohleder controls the business operations of Defendants Rocky Mountain Readers Service, Magazine/One, Family Publications, Increase Publications, I.N.C., N R & Associates, Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, First Premier, and H.J.H. Ms. Rohleder currently resides at 8147 Kline Street, Arvada, Colorado 80005.

16. Defendant Michael Brian Patterson has been the President and owner of Defendant World Wide Readers Service, Inc. ("World Wide Readers Service") since its formation in 2003 through the present. Mr. Patterson currently resides at 16776 Dancing Deer Drive, Littleton, Colorado 80127.

17. Defendant Rocky Mountain Readers Service is a Colorado corporation that was formed in 1982. Its principal place of business is 4100 Wadsworth Boulevard, Wheat Ridge,

Colorado 80033.

18. Defendant Magazine/One is a Colorado corporation that was formed in 2001. Its principal place of business is 4100 Wadsworth Boulevard, Wheat Ridge, Colorado 80033.

19. Defendant Promo Readers Service is a Colorado corporation that was formed in 2007. According to Promo Readers Service's Secretary of State filings, its principal office street address is 5675 DTC Blvd., #250, Englewood, Colorado 80111. However, Promo Readers Service's true principal place of business is 393 S. Harlan St., #230, Lakewood, Colorado, 80226.

20. Defendant Readers Choice Service is a Colorado corporation that was formed in 2003. Readers Choice Service's principal place of business is 7500 W. Mississippi Avenue, Ste. A-90, Lakewood, Colorado 80226. Readers Choice Service's current status with the Secretary of State is "Noncompliant."

21. Defendant All City Circulations is a Colorado corporation that was formed in 2010. According to All City Circulations' filings with the Secretary of State, its principal office street address is a Post Office Box: P.O. Box 261157, Lakewood, Colorado 80226-1157. However, All City Circulations' true principal place of business is 7500 W. Mississippi Avenue, Ste. A-90, Lakewood, Colorado 80226. Defendant All City Circulations is a continuation of the business of Defendant Readers Choice Service, under a different corporate name.

22. Defendant Readers Source is a Colorado corporation that was formed in September 2004 and voluntarily dissolved on November 24, 2010. Prior to Fall 2009, Readers Source was located at 6045 W. Alameda Avenue, Suite 201, Lakewood, Colorado 80226. From Fall 2009 through November 24, 2010, Readers Source was located at 1600 Champa St., #350, Denver, Colorado 80202.

23. Defendant Magazine Connection is a Colorado corporation that was formed by Defendant Haragon Holdings in April 2009. According to Magazine Connection's filings with the Secretary of State, Magazine Connection's principal office street address is 1550 Larimer St., #243, Denver, Colorado 80202. This address is not a street address; it is a drop box at a United Parcel Service ("UPS") store in downtown Denver, Colorado. Defendant Magazine Connection's true principal place of business is 1600 Champa St., #350, Denver, Colorado 80202.

24. Defendant Magazine Club is a Colorado corporation that was formed in April 2009. According to Magazine Club's filings with the Secretary of State, Magazine Club's principal office street address is 1550 Larimer St., #243, Denver, Colorado 80202. This address is not a street address; it is a drop box at a United Parcel Service ("UPS") store in downtown Denver, Colorado. Magazine Club's true principal place of business is 1600 Champa St., #350, Denver, Colorado 80202.

25. Defendants Magazine Connection and Magazine Club are a continuation of the business of Defendant Readers Source.

26. Defendant Haragon Holdings, LLC is a Nevada corporation that is owned and controlled by Defendant Henry Aragon. Defendant Haragon Holdings, Inc. is a Colorado corporation owned and controlled by Defendant Henry Aragon. On information and belief, these companies are designed to hold the profits and assets of the companies owned and controlled by Defendant Henry Aragon. The companies are hereinafter collectively referred to as “Haragon Holdings.”

27. Defendant Family Publications is a Colorado corporation that was formed in February 2009. Since the date of its formation, the business operations of have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to Family Publications’ initial filings with the Secretary of State, Family Publications’ principal office street address was 3329 E. Bayaud Avenue, #1206, Denver, Colorado 80209. This was the home address of Defendant Nicholas Harper. On August 22, 2011, Family Publications changed its registered address with the Secretary of State to 5675 DTC Blvd, #250, Englewood, Colorado 80111. Family Publications has conducted substantial business out of 1701 Kipling St., Lakewood, Colorado 80215 and 3760 Vance St., #300, Wheat Ridge, Colorado 80033.

28. Defendant Increase Publications is a Colorado corporation that was formed in 2002. Since the date of its formation, the business operations of Increase Publications have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. Increase Publications has also conducted substantial business out of 6990 W. 38th Ave., Ste. 200, Wheat Ridge, Colorado 80033.

29. Defendant I.N.C. is a Colorado corporation that was formed in August 2009. Since the date of its formation, the business operations of I.N.C. have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to I.N.C.’s initial filings with the Secretary of State, I.N.C.’s principal office street address was 3329 E. Bayaud Avenue, #1206, Denver, Colorado 80209. On August 22, 2011, I.N.C. changed its registered address with the Secretary of State to 5675 DTC Blvd, #250, Englewood, Colorado 80111. I.N.C. has also conducted substantial business out of 6990 W. 38th Ave., No. 200. Wheat Ridge, Colorado 80033.

30. Defendant N R And Assoc. is a Colorado corporation that was formed in September 1990 and dissolved on December 28, 2010. The business operations of N R And Assoc. have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to N.R. & Assoc.’s filings with the Secretary of State, its principal office street address was a Post Office Box: PO Box 261, Wheat Ridge, Colorado 80033. N R And Assoc. conducted substantial business operations at 6045 W. Alameda, No. 107, Lakewood, Colorado 80226.

31. Defendant Neighborhood Readers and Associates is a Colorado corporation that was formed in June 2010. Since the time of its formation to the present, the business operations of Neighborhood Readers and Associates have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to Neighborhood Readers and Associates's filings with the Secretary of State, from the date of formation of the company through the present, Neighborhood Readers and Associates's principal office street address has been the personal residence of its employee, Jimmy Ray Greenhaw: 1281 Columbine Street, Ste. 406, Denver, Colorado 80206.

32. Defendant National Readers and Associates is a Colorado corporation that was formed on November 23, 2009. Since the time of its formation to the present, the business operations of National Readers and Associates have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to National Readers and Associates' filings with the Secretary of State, its principal office street address is a post office box: P.O. Box 204, Denver, Colorado 80212.

33. Defendant Crown Marketing is a Colorado corporation that was formed in October 2005. Since the date of its formation, the business operations of Crown Marketing have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to Crown Marketing's filings with the Secretary of State, from October 2005 through February 2011, Crown Marketing's principal office street address was 1042 Logan St., No. 204, Denver, Colorado 80203. This was, at one time, the personal residence of Crown Marketing's employee, Jimmy Ray Greenhaw. From 2011 through the present, Crown Marketing has listed a post office box as its principal office street address: PO Box 12690, Denver, Colorado 80212.

34. Defendant Class Media is a Colorado corporation that was formed on May 5, 2010. Its principal business address is listed as 10141 W. 70th Dr., Arvada, Colorado. Since the date of its formation, the business operations of First Premier have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033.

35. Defendant First Premier is a Colorado corporation that was formed in October 2005. Since the date of its formation, the business operations of First Premier have been centrally controlled at 4100 Wadsworth, Wheat Ridge, Colorado 80033. According to First Premier's filings with the Secretary of State, from October 2005 through the present, First Premier's principal office street address has been 1042 Logan St., No. 204, Denver, Colorado 80203. This was, at one time, the personal residence of First Premier's employee, Jimmy Ray Greenhaw:

36. Defendant H.J.H. is a Colorado corporation that was formed in October 1995 by Defendants Raymond Makatura and Robert Makatura. Its principal place of business is 4100 Wadsworth Boulevard, Wheat Ridge, Colorado 80033. On information and belief, H.J.H. is a corporate entity designed to hold the profits and assets of the companies owned and controlled by Defendants Raymond Makatura and Robert Makatura.

37. Defendant World Wide Readers Service, Inc. (“World Wide Readers Service”) is a Colorado corporation that was formed in November 2003. World Wide is located at 10499 Bradford Road, Suite 103, Littleton, Colorado 80127.

### **JURISDICTION AND VENUE**

38. This Court has jurisdiction to enforce the Colorado Consumer Protection Act under section 6-1-103 and section 6-1-110, C.R.S. (2011), and to enter appropriate orders prior to and following an ultimate determination of liability.

39. Under section 6-1-103 of the Colorado Consumer Protection Act, venue is proper in the City and County of Denver as to all Defendants, because Defendants’ deceptive trade practices and transactions involving deceptive trade practices occurred in the City and County of Denver. Further, venue is proper as to all Defendants because Defendants Magazine Connection, Magazine Club, Readers Source, and Henry Aragon have had their principal place of business in the City and County of Denver from at least April 2009 through the present. Further, venue is proper as to all Defendants because the Secretary of State filings of Defendants Family Publications and I.N.C. list principal office street addresses in Denver.

### **RELEVANT TIMES**

40. The conduct giving rise to the claims for relief in this Complaint was occurring on or around 2003 and continues through the present date. Plaintiff therefore timely files this action pursuant to C.R.S. section 6-1-115 because Plaintiff commenced the action within three years of the date on which false, misleading, and deceptive acts or practices occurred, and such practices were part of a continuing series of false, misleading, and deceptive practices.

### **ACTS OF AGENTS**

41. Whenever reference is made in this Complaint to any act or practice of Defendants, such allegation shall be deemed to mean that the principals, owners, employees, independent contractors, agents, and representatives of such Defendants performed, directed, or authorized such act or practice on behalf of said Defendants, while actively engaged in the scope of their duties.

### **PERSONAL LIABILITY**

42. This action is brought against corporate Defendants Rocky Mountain Readers Service, Magazine/One, Promo Readers Service, Readers Choice Service, All City Circulations, Magazine Connection, Magazine Club, Readers Source, Haragon Holdings, Family Publications, Increase Publications, I.N.C., N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, First Premier, H.J.H., and World Wide Readers Service.



43. This action is also brought against Raymond Makatura, Robert Makatura, Lucille Makatura, Lucille Aragon, Dorothy Gonzales, Henry Aragon, Nicholas Harper, and Rita Rohleder, individually.

44. Defendant Raymond Makatura has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendants Rocky Mountain Readers Service, Magazine/One, Family Publications, Increase Publications, I.N.C., N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates Crown Marketing, First Premier, Class Media, and H.J.H.

45. Defendant Robert Makatura has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendants Rocky Mountain Readers Service, Magazine/One, Promo Readers Service, Family Publications, Increase Publications, I.N.C., N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, First Premier, Class Media, and H.J.H.

46. Defendant Lucille Makatura has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendant Promo Readers Service. Ms. Makatura has also directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendants Readers Source and Readers Choice.

47. Defendant Lucille Aragon has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Readers Choice Service and All City Circulations. Ms. Aragon has also directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Readers Source.

48. Defendant Dorothy Gonzales has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Readers Choice Service. Ms. Gonzales has also directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendant Promo Readers Service.

49. Defendant Henry Aragon has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Magazine Connection, Magazine Club, Readers Source, and Haragon Holdings.

50. Defendant Nicholas Harper at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendants Rocky Mountain Readers Service, Magazine/One, Family Publications, Increase Publications, I.N.C., N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, First Premier, and H.J.H.

51. Defendant Rita Rohleder has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct by Defendants Rocky

Mountain Readers Service, Magazine/One, Family Publications, Increase Publications, I.N.C., N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, First Premier, and H.J.H.

52. Defendant Michael Brian Patterson has at all relevant times directly controlled, authorized, approved, and cooperated or participated in the unlawful conduct of World Wide Readers Service, Magazine Connection, Magazine Club and Readers Source.

### **PUBLIC INTEREST**

53. Through the deceptive trade practices of their business, vocation, or occupation, Defendants, through their owners, officers, members, and agents, have deceived and misled thousands of consumers into duplicative and expensive magazine subscriptions, and deceived consumers into providing their credit card information.

54. Defendants prey upon the most vulnerable in society, including the elderly and people whose sole source of income is disability insurance.

55. In addition to harming consumers, Defendants' deceptive trade practices have injured legitimate businesses who have acted in accordance with the law and without the unfair advantage of the deception used by Defendants.

56. Accordingly, these legal proceedings are in the public interest.

### **STATUTORY BACKGROUND**

57. The Colorado Consumer Protection Act ("CCPA") prohibits certain enumerated deceptive trade practices as set forth in C.R.S. § 6-1-105(1) in the course of any person's business, vocation, or occupation.

58. As relevant here, a person engages in a deceptive trade practice when he/she "[k]nowingly makes a false representation as to affiliation, connection, or association with or certification by another." C.R.S. § 6-1-105(1)(c).

59. As relevant here, a person engages in a deceptive trade practice when he/she "[k]nowingly makes a false representation as to the source, sponsorship, approval, or certification of goods, services, or property." C.R.S. § 6-1-105(1)(b).

60. As relevant here, a person engages in a deceptive trade practice when he/she "[k]nowingly makes a false representation as to the characteristics, ingredients, uses, benefits, alterations, or quantities of goods, food, services, or property or a false representation as to the sponsorship, approval, status, affiliation, or connection of a person therewith." C.R.S. § 6-1-105(1)(e).

61. As relevant here, a person engages in a deceptive trade practice when he/she “[m]akes false or misleading statements of fact concerning the price of goods, services, or property or the reasons for, existence of, or amounts of price reductions.” C.R.S. § 6-1-105(1)(l).

62. As relevant here, a person engages in a deceptive trade practice when he/she “[f]ails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter into a transaction.” C.R.S. § 6-1-105(1)(u).

63. As relevant here, a person engages in a deceptive trade practice when he/she [a]dvertises or otherwise represents that goods or services are guaranteed without clearly and conspicuously disclosing the nature and extent of the guarantee, any material conditions or limitations in the guarantee which are imposed by the guarantor, the manner in which the guarantor will perform, and the identity of such guarantor. C.R.S. § 6-1-105(r).

64. The Colorado Consumer Protection Act authorizes the Attorney General under C.R.S. § 6-1-110(1) to obtain injunctive relief and orders or judgments as may be necessary to prevent the use or employment by such person of any such deceptive trade practice or which may be necessary to completely compensate or restore to the original position of any person injured by means of any such practice or to prevent any unjust enrichment by any person through the use or employment of any deceptive trade practice.

65. The Colorado Consumer Protection Act authorizes civil penalties under C.R.S. § 6-1-112 for violations for each consumer or transaction involved, and the Court shall award attorney fees and costs under C.R.S. § 6-1-113(4) in all actions where the Attorney General successfully enforces the Colorado Consumer Protection Act.

## **FACTUAL ALLEGATIONS**

### **I. Introduction**

66. Defendants sell magazine subscriptions over the telephone.

67. Defendants take orders from consumers and pass those orders along to a third party, which is sometimes referred to as a “clearinghouse.” Defendants collect money directly from consumers and enter into contracts with clearinghouses under which Defendants agree to pay for the consumers’ magazines as they are ordered. In turn, the clearinghouse passes the magazine orders on to a magazine publisher or, in some cases, to another clearinghouse that has an agreement with a magazine publisher. Under the terms of Defendants’ contracts with clearinghouses, Defendants are independent contractors.

68. Defendants have no contractual relationship with any magazine publisher and do not order magazines directly from magazine publishers. Defendants do not have any direct

business relationship with any magazine publisher.

## **II. The Defendants' Sale of Magazine Packages**

### **A. Overview**

69. Defendants Rocky Mountain Readers Service, Magazine/One, Promo Readers Service, Readers Choice Service, All City Circulations, Magazine Connection, Magazine Club, Readers Source, and World Wide Readers Service (hereinafter collectively referred to as "Package Defendants") sell magazine "packages" over the telephone.

70. The typical package sold by the Package Defendants covers five magazines and lasts for five years, at a cost that runs from \$800 to \$1,298. However, most of the magazines generally run for one, two, or three years. The Package Defendants falsely represent to consumers that the consumers can replace any of the five magazines with another magazine at any time during the five years of service.

71. The Package Defendants bill their customers through automatic monthly withdrawals from consumers' credit card or checking accounts. Under the only payment plan offered by Defendants, the consumer pays for three or four months of "service" with each monthly payment. Thus, the payments are front-loaded to the early months of the "contract."

72. The Package Defendants purchase lists of consumers who subscribe to magazines. These "lead lists," as they are called, contain information about consumers, such as the consumers' address and telephone number. The more information a lead list provides about the consumers, the more valuable that list is to the Package Defendants. The Package Defendants seek out lead lists that contain the magazines the consumer is currently receiving and financial information, such as full or partial credit card or electronic debit numbers the consumer has used to purchase magazines in the past. Defendants acquire their lead lists from "lead brokers" and also share their lead lists among themselves.

### **B. Defendants Employ a Three-Step Process to Deceive Consumers into Oral "Contracts"**

73. The Package Defendants' sales calls are carefully orchestrated into three steps. In the first two steps, the Package Defendants pretend that they are the consumer's current magazine provider and deceive the consumer into providing her credit card number or electronic debit information. The Package Defendants also use the first two steps to prime the consumer for the third step: a recorded "verification" that Defendants will later claim is an oral contract under which the consumer has agreed to purchase the Defendants' new magazine package.

74. The Package Defendants utilize a distinct script for each of the three steps. While the scripts used by each Package Defendant may differ slightly from one another, they use essentially the same script for each step.

## 1. The First Step – the “Sales Pitch”

75. The Package Defendants’ first step is sometimes referred to as the “Sales Pitch.” This step is completed by a low-level and relatively unskilled telemarketer. This telemarketer calls a consumer and begins by falsely telling the consumer that he is calling “with” a magazine publisher or other entity that is providing magazines to the consumer. The Package Defendants use slightly different variations of this misrepresentation. For example, one of Defendant Promo Readers Service’s scripts begins, “I’m with the circulation department with the publishers that send out your magazines.” **Exhibit A**. Defendant Magazine Connection’s script begins, “I’m with the credit department with the publishers that send out your magazines.” **Exhibit B**. The script used by Defendants Readers Choice Service and All City Circulations begins, “I’m with the Credit & Collection Department. . . . I’m working with the distributors that that send out your magazines.” **Exhibit C**.

76. Next, the Package Defendants falsely tell the consumer that Defendants had been going through their “files” and noticed that the consumer’s magazines were “set to terminate prematurely.” See **Exhibits A, B, and C**. The script advises the consumer that “other companies” might be calling to sell the consumer more magazines, and twice warns the consumer *not* to order more magazines. *Id.* The script then probes the consumer for personal and financial information, such as her occupation, marital status, the credit card she uses, and whether she has a checking account. *Id.*

## 2. The Second Step – the “Capping” or “Close”

77. If a consumer answers the questions in the Sales Pitch, the telemarketer passes the consumer along to a more experienced and skilled telemarketer, who conducts the second step of the scam. The Package Defendants refer to the second step as the “Capping” or the “Close.” The scripts used by Defendants Magazine Connection and Promo Readers, attached hereto as **Exhibits D and E**, respectively, are representative of the scripts used by all Package Defendants.

78. To begin the second step, the more experienced telemarketer, who is referred to as the “Capper,” tells the consumer, “All I’m doing is checking up” on the first telemarketer. The Capper then falsely tells the consumer that she is “a preferred customer” and is already receiving magazines from the Package Defendant. See **Exhibit D** at M011447 and **Exhibit E** at MAG-PRSb:03522. Next, the Capper falsely tells the consumer that he is calling to lower the consumer’s monthly payments and to let the consumer know that the Defendant will be sending the consumer its “new listing” of magazines. *Id.* In fact, the Capper is calling the consumer to sell him or her a brand new magazine package.

79. Next, the Capper begins the process of tricking the consumer into disclosing her financial information. The script reads, “Now you are going through your credit card, is that a regular card or a debit card?” **Exhibit D** at M011447 and **Exhibit E** at MAG-PRSb:03522. For consumers who are paying with their credit card, the script states, “Starting today you’ll pay no

interest, or finance charges, and this is no longer going to affect your balance.” For consumers who are paying with their debit card, the script states, “Starting today we[’]re doing something special for you, we[’]re going to send out a reminder card 10 days before its deducted so you don’t forget.” **Exhibit D** at M011447-48 and **Exhibit E** at MAG-PRSb:03522-23. Both of these statements falsely imply a pre-existing relationship between the consumer and the Package Defendant.

80. The Capper then tells the consumer that the Package Defendant is going to place a “privacy block” on the consumer’s account, because “we’ve been getting a lot of phone calls from our customers stating that they’re getting calls from other companies trying to get them to buy more.” **Exhibit D** at M011448 and **Exhibit E** at MAG-PRSb:03523. The Capper then asks the consumer to provide her credit card number, expiration date, and three-digit Card Verification Value (“CVV”) number located on the back of the consumer’s credit card. The Capper tells the consumer that he will use the CVV number “to put a privacy block on there for you.” *Id.*

81. The Package Defendants do not place a “privacy block” on any consumer’s account. Rather, Defendants use the CVV number to begin making charges to the consumer’s credit card or debit account.

82. The Package Defendants know that the consumers they are calling are frequently on other companies’ lead lists, including the lists of other Package Defendants. Thus, they know that the consumers are likely receiving multiple calls from magazine telemarketers. In this context, Defendants’ “privacy block” stratagem is particularly effective.

83. Only after the Capper secures a consumer’s financial information is there any discussion about specific magazines. This discussion begins with the Capper’s attempt to figure out what magazines the consumer is already receiving. The script reads, “Now on your magazines, have you received your \_\_\_\_? The publishers wanted to make sure you are receiving [everything] you’re supposed to. Off the top of your head which titles have you seen come through the door so far?” **Exhibit D** at M011449 and **Exhibit E** at MAG-PRSb:03523. The script then instructs the Capper to “give magazines.” *Id.*

84. Next, the Capper falsely tells the consumer that “the publishers are handling the billing” for the package in a manner that requires the consumer to pay for multiple months with each monthly payment. **Exhibit D** at M011449 and **Exhibit E** at MAG-PRSb:03524. However, it is not the publishers, but the Package Defendants, who handle the billing in this manner.

85. After explaining how “the publishers are handling the billing,” the Capper states, “So I just saved you a couple hundred dollars.” **Exhibit D** at M011449 and **Exhibit E** at MAG-PRSb:03524. This statement is false and misleading on a number of levels. First, the Capper is not “taking [the consumer’s] payments down,” as he has stated, but is instead signing the consumer up for a brand new magazine package – and a roughly \$1,000 “contract.” Further, on its face, the script’s payment plan does not create any reduction in the price to be paid by the

consumer. In fact, it increases the consumer's "monthly payment" and total cost, as that payment and cost was described at the beginning of the second step, *see* **Exhibit D** at M011447 and **Exhibit E** at MAG-PRsb:03522. Also, the prices charged by the Package Defendants are far higher than a consumer could receive by ordering magazines directly from the publisher.

### **3. The Third Step – The Recorded “Verification”**

86. Having convinced the consumer that he was calling simply to inform her of the “new listing,” lower her monthly payments, and place a “privacy block” on her account, the Capper then moves on to the third step – the recorded “verification.” The Package Defendants will later claim that this “verification” is an oral contract that obligates the consumer to pay up to \$1,298 for magazines.

87. The Package Defendants employ many tactics in order to get a “clean” verification. For example, some Cappers inform consumers that they can't ask questions during the verification because the verification must be limited to a certain amount of time (*i.e.* 45 seconds). Cappers can also start and stop the recorder when necessary to make false representations to the consumer off tape. The Package Defendants also “redo” unsatisfactory verifications by calling consumers back and convincing them to “verify” the order again.

#### **C. Other Deceptive Practices of the Package Defendants**

88. Once a consumer is on one of the Package Defendants' call lists, the Package Defendants make repeated calls to the consumer, sometimes calling the consumer several times per day. Defendants' phone calls to consumers are frequently harassing and intimidating in nature.

89. The Package Defendants also falsely state and imply to consumers that all five magazines in the five-magazine package will run for five years. However, in most cases, only one or two of the magazine subscriptions run for five years. The remaining magazines run for a shorter time period, usually one to two years.

90. The Package Defendants falsely and misleadingly state and imply that the consumer's monthly payments will be lower than they actually will be.

91. The Package Defendants also claim that their “service” is guaranteed. However, the Package Defendants' contracts with their clearinghouses clearly inform them that the continued availability of any magazine *cannot* be guaranteed. Further, Defendants fail to conspicuously disclose to consumers the nature and extent of their guarantee, any material conditions or limitations they have imposed in the guarantee, and the manner in which they would make good on their guarantee.

92. The Package Defendants' scripts are designed to allow them to collect as much money as possible before the consumer discovers that he or she has been signed up for a new

“contract.” In the second step of the sales process, right after telling the consumer that he is lowering the consumer’s monthly payment, the Capper tells the consumer that from “now on your monthly amount will show up separately” on the consumer’s credit card statement. **Exhibit D** at M011448 and **Exhibit E** at MAG-PRsb:03522. This is the Package Defendants’ explanation for why new charges will appear on the consumer’s credit-card statement even though the consumer did not want a new magazine package. Also, as noted above, the Package Defendants falsely state that the “way the publishers handle the billing” requires that payments be front loaded – each of the consumer’s monthly payments pays for three or four years of “service.”

93. The Package Defendants do not always order the magazines they tell the consumer they will order.

94. The Package Defendants sometimes sell different packages, such as four- or six-magazine packages and sometimes make minor adjustments to the prices they quote customers. The Package Defendants have always made certain core categories of misrepresentations to consumers, including false statements designed to make the consumer believe that the Package Defendants are currently providing magazines to the consumer, false statements about purported business relationships with magazine publishers and distributors, and false and misleading statements relating to price reductions and the prices they are offering.

95. One script used by Defendant Promo Readers Service informs consumers, “Now, you do have a free gift coming to you- It’s \$1,000 in grocery coupons.” **Exhibit A**.

96. No consumer ever receives a free gift of \$1,000 in grocery coupons. Instead, consumers are sent a mailing containing “(100) one hundred \$10.00 Grocery Coupon Certificates.” In order to receive a \$10 grocery coupon, the consumer must pay \$2 and fill out and return a complex “order form,” which includes 48 separate boxes that must be completed in their entirety and without error. No more than one “order form” can be received in any one mailing. Thus, in order to receive \$1,000 in grocery coupons, the consumer would have to fill out and submit – without error – 100 separate “order forms” and make 100 separate payments of \$2. None of this is disclosed to consumers at the time of sale. **Exhibit F**.

#### **D. Defendants Profit By Offering an “Early Buyout” of Their Contracts**

97. After finalizing the recorded “verification,” the Package Defendants begin to make monthly withdrawals from the consumer’s credit card or checking account.

98. The Package Defendants inform consumers that cancellation is not possible and that the consumers are contractually obligated for the full amount of the package.

99. As part of their regular business practice, the Package Defendants offer consumers the option of paying off their account in full, or at a discounted price of several hundred dollars. This option is highly profitable for the Package Defendants. Also, even though



they have previously told consumers they cannot cancel, the Package Defendants tell consumers who call to complaint that they can cancel for an expensive cancelation fee.

**E. After Signing a Consumer Up for One “Contract,” the Package Defendants Call the Consumer Again and Redeploy Their Deceptive Scripts**

100. Within one to six months after signing a consumer up for a package, the Package Defendants contact the consumer again and attempt to add another four or five year “package” to the consumer’s account. Some Defendants refer to these calls as “add ons.”

101. The Package Defendants use the same scripts for “add-ons” as they do for their initial sales, including the representations that the Defendant is affiliated or associated with the publisher or other company that is providing magazines to the consumer, the advice not to order any more magazines, the phony “price reductions,” and the assurance that Defendants will put a “privacy block” on the consumer’s account.

102. After a successful “add-on” call, the Package Defendants are collecting payments on two “contracts,” each worth approximately \$1,000.

103. Consumers who have been signed up for “add ons” sometimes notice the double billing on their credit card or bank statements. When consumers call to complain, they are told that they have two binding contracts and are offered the option of paying one or both of the accounts in full, sometimes at a discounted price of several hundred dollars for each “contract.”

**F. The Package Defendants Perpetuate Their Scheme By Sharing Their Customer Lists With Each Other**

104. The Package Defendants use their telemarketing calls to gather detailed information about consumers. The information that Defendants gather includes the consumer’s name, date of birth, bank and credit card account numbers, partial or complete social security numbers, employment status, employer name, employer phone number, income, marital status, whether the consumer owns or rents his/her residence, and how long the consumer has been living at his/her current residence.

105. Once they have gathered this valuable information, the Package Defendants sell and otherwise share this information among themselves and others. The Package Defendants then call one another’s customers and attempt to sign them up for more magazine “contracts,” using the same scripts that are described above.

106. The Package Defendants’ sharing of detailed customer information facilitates their tactic of leading consumers to believe that Defendants are currently providing magazines to the consumers and that the consumers already owe Defendants money.

### **G. Defendant World Wide Readers Service**

107. Defendant World Wide Readers Service differs slightly from the other Package Defendants. World Wide Readers Service primarily purchases subscription orders from Defendants Magazine Connection and Magazine Club, and has purchased subscription orders from Defendant Readers Source in the past.

108. When World Wide Readers Service purchases an order, it purchases the right to collect all payments due on that order. It also generates a letter that purports to confirm the customer's order.

109. Defendant Michael Brian Patterson, President and owner of World Wide Readers Service, has reviewed the scripts used at Magazine Connection and Magazine Club and understands that they obtain their orders by deceiving customers into thinking they are updating existing magazine subscriptions rather than purchasing new ones.

110. Defendant World Wide Readers Service cooperates in and profits from this deception. In both 2009 and 2010, World Wide Readers Service grossed just over a million dollars.

111. Once World Wide Readers Service has purchased an order, it aggressively collects on the order and insists that the consumer knowingly signed up for a new contract. If the consumer refuses to pay or disputes the charge with their credit card company, World Wide Readers Service sends the customer to a collections agency and demands the full value of the "contract."

112. Additionally, even though World Wide Readers Service states in its confirmation letter that the customer may cancel within seven days of receipt of the letter, numerous customers have attempted to cancel their subscription within the allotted time period only to be continually charged by World Wide Service.

113. World Wide Readers Service also books its own orders and sells the same or similar packages sold by the other Package Defendants. In the verifications for these orders, the caller does not advise the consumer that they are entering into a new contract for magazines.

114. Defendant World Wide Readers Service employs the same deceptive tactics as the other Package Defendants in securing orders including, but not limited to, acting as though World Wide Readers Service is merely calling to discuss an existing subscription rather than securing a new one and falsely telling the consumer that they are bringing the consumer's payments down rather than signing her up for more payments.

### **III. Defendants' Sale of Renewals to Single Magazines**

115. A second layer to Defendants' scam is the sale of renewal subscriptions to single

magazines. Defendants Family Publications, Increase Publications, I.N.C. & Associates, N R And Assoc., Neighborhood Readers and Associates, National Readers and Associates, Crown Marketing, Class Media, First Premier, Rocky Mountain Readers Service, and Magazine/One<sup>1</sup> (hereinafter collectively referred to as “Single-Magazine Defendants”) purchase lead lists containing the names and telephone numbers of consumers who subscribe to certain magazines. They then call these consumers and attempt to sell renewals to the magazines. The Single-Magazine Defendants attempt to sell renewals to several dozen different magazines.

116. While the Single-Magazine Defendants use many different corporate names, their operations are centrally controlled at 4100 Wadsworth Blvd., Wheat Ridge, Colorado 80033. Some Single-Magazine Defendants operate out of 4100 Wadsworth Blvd., and others house telemarketers in other office buildings. Defendants’ employees refer to the building at 4100 Wadsworth Blvd. as “corporate.”

117. The Single-Magazine Defendants’ business operations are controlled by Defendants Raymond Makatura, Robert Makatura, Nicholas Harper, and Rita Rohleder.

**A. The Single-Magazine Defendants’ Deceptive Sales Pitch**

118. The Single-Magazine Defendants’ sales pitch contains multiple false statements that are designed to lead the consumer to believe that the Defendant has a direct business association with the magazine publisher currently sending out the consumer’s magazines.

119. The Single-Magazine Defendants use identical scripts. The Single-Magazine Defendants’ sales script is attached hereto as **Exhibit G**. The script begins, “This is \_\_\_ with Magazine Services, calling in regard to your \_\_\_ magazine.” *Id.* The script does not identify the actual corporate name of the Defendant, *i.e.*, Family Publications or Magazine/One.

120. Next, the Single-Magazine Defendants falsely state, “I see you’re receiving your issues on time and in good condition.” However, Defendants have no knowledge of whether any consumer is receiving any issues, or whether any issues the consumer is receiving are arriving on time or in good condition.

121. Then, the Single-Magazine Defendants falsely state:

The publishers recently added you to a preferred customer file.  
This authorizes us to drop the price of your next \_\_\_\_\_ renewal by  
.50 cents a copy, all the way down to just \_\_\_\_\_ an issue. Now  
that’s 70% off the regular rate.

---

<sup>1</sup> Defendants Rocky Mountain Readers Service and Magazine/One sell both single-magazine renewals and packages.

**Exhibit G.**

122. There is no “preferred customer file.” No publisher has ever informed the Single-Magazine Defendants of any “preferred customer file,” much less any “recent add[itions]” to such a file. Instead, Defendants procure their call lists from lead brokers – third parties who sell consumer information. However, the Single-Magazine Defendants have consistently made the above representation to every consumer for years, and for every magazine they are selling.

123. The false representation about “drop[ping] the price of your next \_\_\_\_ renewal by .50 cents a copy” has also been made by the Single-Magazine Defendants to *every* consumer the Single-Magazine Defendants call. Again, the Single-Magazine Defendants make this representation regardless of which magazine they are selling and what the consumer’s current subscription rate is. The same is true of the representation that Defendants’ offered renewal price is “70% off the regular rate.” In fact, the Single-Magazine Defendants have no way of knowing if either of these statements is true.

124. The script used by all of Single-Magazine Defendants provides the same phony “order number” – J156 – to every consumer. **Exhibit G.**

125. The Single-Magazine Defendants also provide their sales force with written “Rebuttals” – answers to certain questions that consumers frequently ask. The Single-Magazine Defendants’ “Rebuttals” are attached hereto as **Exhibit H.**

126. The first “Rebuttal” is the Single Magazine Defendant’s response to a consumer who says, “I’m on the Federal Do Not Call List!” **Exhibit H.** In an attempt to dissuade consumers from reporting Defendants for do-not-call violations, the Rebuttal falsely tells the consumer that the Single-Magazine Defendant is “contracted out” by the magazine they are trying to sell. Thus, the Rebuttal leads the consumer to believe that Defendants already have a business relationship with them. The Rebuttal also makes false and misleading statements about a “preferred rate” for the consumer and impending increases in subscription prices. *Id.*

127. The second Rebuttal is for the question, “Are you calling from the Publisher?” This Rebuttal conceals the corporate identity of the Single-Magazine Defendant, stating instead that “I work with the Magazine Services.” **Exhibit H.** This Rebuttal also falsely tells the consumer, “We are contracted to take care of their preferred account renewals, before they raise the prices on the magazine.” The Single-Magazine Defendants are not “contracted out” by anyone – much less magazine publishers – to “take care of their preferred account renewals.” As with the representations about discounts from the “regular rate,” this Rebuttal’s false and misleading statement about increases to the subscription rate has been made to *every* consumer for several years, regardless of which magazine Defendants are selling on any given day.

128. Defendants Robert Makatura, Raymond Makatura, and Nick Harper emphasize to their employees that, if a consumer asks the name of the company, they are to respond, “Magazine Services.”

129. The Rebuttal to the question, “When does my current service expire,” again falsely and misleadingly tells the consumer of an upcoming increase of the subscription price, and tells the consumer that the Single-Magazine Defendants will “[l]ock[] you into the discounted rate.” **Exhibit H**.

130. False statements about an association with publishers and false and misleading statements about discounted rates and impending price increases are hallmarks of the Single-Magazine Defendants’ sales pitch. For instance, the Attorney General’s review of audio recordings produced by the Single Magazine Defendants shows that they regularly make false references to “promotional periods” that the consumer should take advantage of, when no such “promotional period” exists.

131. The Single-Magazine Defendants also permit and encourage their employees to make misrepresentations beyond those found on the scripts. For example, employees of these Defendants regularly tell consumers that Defendants are the publishers of the magazine Defendants are trying to sell. One salesperson earned a reputation around the company for her tactics in selling *Rachel Ray* magazine. This salesperson would tell consumers that she just saw Rachel Ray in the office.

132. The Single-Magazine Defendants also make the false and misleading statements with regard to “\$100 Rebate Card” and “\$1,000 in grocery coupons” that are described herein in ¶¶ 95-96 and 150-154. The Single-Magazine Defendants, as well as Defendants Promo Readers Service and All City Circulations, make such misrepresentations in connection with the sale of a “consumer discount program” that is operated and controlled by Defendants Raymond Makatura, Robert Makatura, and Rita Rohleder.

**B. The Single-Magazine Defendants Develop “Lead Lists” to be Used by the Package Defendants**

133. The Single-Magazine Defendants maintain information about every consumer they sell magazines to. Such information includes the magazine(s) the consumer is receiving and the consumer’s financial information.

134. The Single-Magazine Defendants compile their customer information and sell or otherwise share it with the Package Defendants. For example, Defendant Robert Makatura, who controls the Single-Magazine Defendants, provides leads to be used by Package Defendant Promo Readers Service, which Robert Makatura co-owns with his wife, Defendant Lucille Makatura. Robert Makatura also provides consumer information to his stepdaughters, Defendants Lucille Aragon and Dorothy Gonzales, for use by Package Defendants Readers Choice Service and All City Circulations, and his stepson, Defendant Henry Aragon, for use by Package Defendants Magazine Connection, Magazine Club, and Readers Source.

#### **IV. Defendants Create a Sales Environment that Encourages Their Employees to Make False and Misleading Statements**

135. In addition to using misleading scripts to sell magazines, Defendants deliberately create a sales atmosphere that encourages their employees to make other misrepresentations beyond those that are found on their scripts.

136. Defendants deliberately hire people with criminal records and who must remain employed as a condition of probation. Defendants have a sales quota and inform their telemarketers that they will be fired if they do not meet the quota. Defendants regularly fire telemarketers who do not meet the sales quota.

137. Defendants' telemarketers earn a commission or bonus for every successful sale.

138. As a result of this atmosphere, Defendants' sales personnel will say and do anything to make a sale, and frequently make false representations about price and the payment plan that are not on Defendants' script.

139. While the owners and operators of Defendants instruct their employees to stay "on script," they know that their employees diverge from the scripts and reward employees who do so with commissions and bonuses for their sales.

#### **V. Defendants Conceal and Misrepresent Their True Identity**

140. Defendants purposely conceal their identities from consumers during phone calls and in credit-card billing statements.

141. Employees of Defendants Magazine/One, Rocky Mountain Readers Service, and the Single-Magazine Defendants are instructed to identify the company as "Magazine Services."

142. Defendants Readers Choice Service and All City Circulations frequently identify themselves to consumers as "Readers Services."

143. Defendant Promo Readers Service also sometimes identifies itself to consumers as "Readers Service" or "Readers Services."

144. The scripts of Defendants Magazine Connection, Magazine Club, Readers Source, Promo Readers Service, and Magazine/One refer consumers to the same phony "confirmation number" for their orders: L-31. Defendants Readers Choice Service, Magazine Connection, Magazine Club, and Readers Source send collection letters to consumers that are signed by the same fake person, "Verdina Maxwell."

145. Once they are billing a consumer, Defendants employ multiple techniques to keep consumers in the dark about which company is billing them. For instance, Package Defendants

have set up their credit-card merchant accounts so that payments debited by Defendants do not state Defendants' name, but rather state, "Magazines," or some other generic term that does not identify the Defendant.

146. Moreover, each Package Defendant's corporate name is generic and easily confused with the names of other Defendants and other companies that sell similar magazine-subscription packages. This furthers the Defendants' overall strategy of misleading consumers into believing that they have an existing business relationship with Defendants.

## **VI. Defendants' New Scripts**

147. In December 2010, two Attorney General investigators visited the places of business of Defendants Promo Readers Service, All City Circulations, World Wide Readers Service, and I.N.C. During these visits, the investigators requested copies of Defendants' sales scripts, which some Defendants provided to the investigators.

148. The Attorney General subsequently served subpoenas on these Defendants. In an attempt to mislead the Attorney General and cover up their illegal conduct, Defendants Magazine/One, Readers Choice Service, All City Circulations, Promo Readers Service, and all of the Single-Magazine Defendants produced scripts that had not been in use prior to the investigators' visit. Defendant World Wide Readers Service withheld its true script and produced a script that makes no sense in the context of what it sells.

149. However, inadvertent recordings of the Defendants' sales and capping calls as well as testimony from the Defendants' current and former employees confirm that, prior to the Attorney General's investigation, the scripts in use at these companies were the ones detailed in Sections II and III above. This is further confirmed by the fact that employees of Package Defendants Readers Choice Service, All City Circulations, and Readers Source regularly travelled to the office of Package Defendant Promo Readers Service so that the "Cappers" from Promo Readers Service could train them on the deceptive stratagems described in Section II, above.

### **A. The New Scripts of Certain Package Defendants**

150. Defendants' newly created scripts still contain false and misleading representations. The newly created scripts of Package Defendants Magazine/One, Promo Readers Service and All City Circulations tell consumers, "As our way of saying 'hello' . . . we are going to send you a \$100 rebate card that you can spend at stores like Walmart, Sears, and Target." Defendant Magazine/One also makes this offer on its Website.

151. Defendants Magazine/One, Promo Readers Service and All City Circulations do not send consumers a \$100 rebate card that can be spent at stores. In fact, no consumer ever receives any money or any rebates for any store.

152. Instead, these Defendants send consumers a form that they must fill out and return to Defendants in order to receive ten “Redemption Vouchers.” The Redemption Vouchers are sent out by Consumer Network of America, the “consumer discount program” owned and controlled by Defendants Robert and Raymond Makatura and Rita Rohleder. According to the instructions that accompany the Redemption Vouchers, *see Exhibit I*, the program works as follows. Each Redemption Voucher permits the consumer to receive a \$10 gift card for every \$100 spent on non-grocery items. Each Redemption Voucher is only valid for one specific month chosen by Defendants, *i.e.*, July 2011. Defendants date the Vouchers for ten consecutive months, *i.e.*, July 2011 – April 2012. *Id.* at 7836.

153. For example, if a consumer spent at least \$100 on non-grocery items at Target in July 2011, she could submit her receipts along with the July 2011 Redemption Voucher to receive a \$10 gift card to Target. If the consumer spent another \$100 on non-grocery items in August 2011, the consumer could submit those receipts along with the August 2011 Redemption Voucher, and be entitled to another \$10 gift card. However, if the consumer failed to spend \$100 on non-grocery items in July or August, the consumer would forfeit the \$10 gift card for that month.

154. In other words, Defendants offer the *possibility* of receiving ten \$10 gift cards. However, in order to receive these gift cards, the consumer would have to spend at least \$100 on non-grocery items, ten times, in ten consecutive months chosen by Defendants – and fill out the Voucher and submit their receipts for each month to the satisfaction of Defendants. None of this is disclosed to consumers at the time of sale.

155. The newly created scripts of Defendants Magazine/One, Promo Readers Service, and All City Circulations falsely tell consumers that all five magazines in the package run for five years, when in fact most of them run for fewer years.

## **B. The Single-Magazine Defendants’ New Scripts**

156. The Single-Magazine Defendants’ newly created scripts still contain false and misleading statements. The scripts falsely state, “I see you’re receiving your issues on time and in good condition,” when Defendants have no knowledge of whether any consumer is receiving any issues, or whether any issues the consumer is receiving are arriving on time or in good condition.

157. The scripts falsely state that the Defendants “added [the consumer] to a preferred customer file” and that “this authorizes us to drop the price of your next renewal by .50 cents a copy . . . . Now that’s 70% off the regular rate.”

158. Even if Defendants have used the scripts described in this Section VI, they are still selling magazines to consumers using false and misleading statements.



**FIRST CLAIM FOR RELIEF**

(Knowingly makes a false representation as to affiliation, connection, or association with or certification by another in violation of C.R.S. § 6-1-105(1)(c))  
(All Defendants)

159. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

160. Through the conduct described in this Complaint and in the course of their business, vocation, or occupation, Defendants have knowingly made false representations as to affiliation, connection, or association with or certification by another.

161. By means of the above-described conduct, Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

**SECOND CLAIM FOR RELIEF**

(Knowingly makes a false representation as to the source, sponsorship, approval, or certification of goods, services, or property in violation of C.R.S. § 6-1-105(1)(b))  
(All Defendants)

162. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

163. Through the conduct described in this Complaint and in the course of their business, vocation, or occupation, Defendants have knowingly made false representations as to the source, sponsorship, approval, or certification of goods, services, or property.

164. By means of the above-described conduct, Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

**THIRD CLAIM FOR RELIEF**

(Knowingly makes a false representation as to the characteristics, ingredients, uses, benefits, alterations, or quantities of goods, food, services, or property or a false representation as to the sponsorship, approval, status, affiliation, or connection of a person therewith in violation of C.R.S. § 6-1-105(1)(e))  
(All Defendants)

165. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

166. Through the conduct described in this Complaint and in the course of their business, occupation, or vocation, Defendants have knowingly made false representations as to the sponsorship, approval, status, affiliation, or connection of a person with goods, services, or property.

167. Through the conduct described in this Complaint and in the course of their business, occupation, or vocation, Defendants have knowingly made false representations as to the characteristics, uses, and benefits of goods or property.

168. By means of the above-described conduct, Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

#### **FOURTH CLAIM FOR RELIEF**

(Makes false or misleading statements of fact concerning the price of goods, services, or property or the reasons for, existence of, or amounts of price reductions in violation of C.R.S. § 6-1-105(1)(l))  
(All Defendants)

169. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

170. Through the conduct described in this Complaint and in the course of their business, vocation, or occupation, Defendants have made false or misleading statements of fact concerning the price of goods, services, or property or the reasons for, existence of, or amounts of price reductions.

171. By means of the above-described conduct, Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

#### **FIFTH CLAIM FOR RELIEF**

Fails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter into a transaction in violation of C.R.S. § 6-1-105(1)(u).  
(All Defendants)

172. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

173. Through the conduct described in this Complaint and in the course of their business, vocation, or occupation, Defendants have failed to disclose material information concerning goods, services, or property at the time of sale. Such failures to disclose material information were intended by Defendants to induce consumers to enter into a transaction with Defendants.

174. After making multiple statements to consumers that would lead them to believe that the Package Defendants are affiliated, associated or connected with magazine publishers or other entities that are providing the consumer magazines, the Package Defendants fail to inform

the consumer that no such affiliation, connection, or association exists.

175. After making multiple statements to consumers that would lead them to believe that the Package Defendants are calling about an account the consumer already has with the Package Defendants, the Package Defendants fail to inform consumers that they are offering the consumer a new magazine subscription package.

176. The Package Defendants fail to inform consumers that not all magazines subscriptions in their five-year package run for five years.

177. Defendants Promo Readers Service, All City Circulations, and the Single-Magazine Defendants fail to inform consumers of the true nature of the “100 Rebate Card” they offer and the restrictions and limitations on this offer.

178. Defendants Promo Readers Service, the Single-Magazine Defendants, and Consumer Network fail to inform consumers of the true nature of the “\$1,000 in grocery coupons” they offer and the restrictions and limitations on actually receiving any grocery coupons.

179. After making multiple statements to consumers that would lead them to believe that Defendants are affiliated, associated or connected with magazine publishers, the Single-Magazine Defendants fail to inform the consumer that no such affiliation, connection, or association exists.

180. After telling consumers that they will lower the price of their “next renewal,” the Single-Magazine Defendants state to consumers that the price they are offering is “70% off the regular rate.” Defendants fail to disclose that the “regular rate” they refer to is the newsstand price, and not the subscription price the consumer is currently paying.

181. By means of the above-described conduct, Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

#### **SIXTH CLAIM FOR RELIEF**

(Advertises or otherwise represents that goods or services are guaranteed without clearly and conspicuously disclosing the nature and extent of the guarantee, any material conditions or limitations in the guarantee which are imposed by the guarantor, the manner in which the guarantor will perform, and the identity of such guarantor in violation of C.R.S. § 6-1-105(1)(r))  
(Package Defendants)

182. Plaintiff incorporates herein by reference all allegations contained in paragraphs 1 - 158 of this Complaint.

183. Through the conduct described in this Complaint and in the course of their business, vocation, or occupation, the Package Defendants have represented that their “service”

is guaranteed without clearly and conspicuously disclosing the nature and extent of the guarantee, any material conditions or limitations in the guarantee which are imposed by the guarantor, and the manner in which the guarantor will perform.

184. By means of the above-described conduct, the Defendants have deceived, misled, and unlawfully acquired money from consumers from Colorado and other States.

### **RELIEF REQUESTED**

WHEREFORE, Plaintiff requests that the Defendants be preliminarily and permanently enjoined from engaging in telephone or internet solicitations in Colorado and from doing any of the wrongful acts referenced in this Complaint or any other act in violation of the Colorado Consumer Protection Act, C.R.S. §§ 6-1-101 – 6-1-1121, relating to the sale of magazine subscriptions or magazine subscription services.

In addition, Plaintiff prays for judgment against the Defendants, personally, jointly and severally, for the following relief:

- A. An order that Defendants' conduct violates the Colorado Consumer Protection Act, including sections 6-1-105(1)(c), 6-1-105(1)(b), 6-1-105(1)(e), 6-1-105(1)(l), 6-1-105(1)(u), and 6-1-105(1)(r).;
- B. A judgment pursuant to C.R.S. § 6-1-110(1) against Defendants to completely compensate or restore to the original position of any person injured by means of Defendants' deceptive practices;
- C. An order pursuant to C.R.S. § 6-1-110(1) requiring Defendants to disgorge all unjust proceeds derived from their deceptive practices to prevent unjust enrichment;
- D. An order pursuant to C.R.S. § 6-1-110(1) for an injunction or other orders or judgments relating to deceptive practices;
- E. An order pursuant to C.R.S. § 6-1-112(1)(a) for civil penalties payable to the general fund of this state of not more than two thousand dollars for each such violation of any provision of the Colorado Consumer Protection Act with respect to each consumer or transaction involved not to exceed five hundred thousand dollars for any related series of violations;
- F. An order pursuant to C.R.S. § 6-1-112(1)(c) for civil penalties payable to the general fund of this state of not more than ten thousand dollars for each violation of any provision of the Colorado Consumer Protection Act with respect to each elderly person;

- G. An order pursuant to C.R.S. § 6-1-113(4) requiring Defendants to pay the costs and attorney fees incurred by the Attorney General; and
- H. Any such further relief as this Court may deem just and proper to effectuate the purposes of the Colorado Consumer Protection Act.

Respectfully submitted this 4<sup>th</sup> day of October 2011,

JOHN W. SUTHERS  
Attorney General

*/s/ Mark T. Bailey*

---

MARK T. BAILEY\*  
Assistant Attorney General  
ALISSA GARDENSWARTZ\*  
Assistant Attorney General  
JAY B. SIMONSON\*  
First Assistant Attorney General

Attorneys for Plaintiff  
\*Counsel of Record

Plaintiff's Address:  
State Services Building  
1525 Sherman Street  
Denver, Colorado 80203

*Pursuant to C.R.C.P. 121, § 1-26(7), the original of this document with original signatures is maintained at the offices of the Colorado Attorney General, 1525 Sherman Street, Denver, Colorado 80203, and will be made available for inspection upon request.*