Docket #0032 Date Filed: 9/11/2014

UNITED STATES BANKRUPTCY COURT

DISTRICT OF MASSACHUSETTS

In re:

TELEXFREE, LLC,

Debtor.

Case No. **14-40987**
Chapter 11

PAULO EDUARDO FERRARI -PUTATIVE CLAIMS REPRESENTATIVE ON BEHALF OF HIMSELF AND THOSE SIMILARLY SITUATED, RAFAELA SERRANO AS TRUSTEE OF THE TELEXFREE SETTLEMENT TRUST PURSUANT TO 26 USC SECTION 468B,

Plaintiffs,

v.

TELEXFREE, INC., f/k/a COMMON CENTS COMMUNICATIONS, INC.; TELEXFREE, LLC; TELEXFREE FINANCIAL, INC.; TELEXELECTRIC, LLLP; TELEX MOBILE, HOLDINGS, INC.; JAMES M. MERRILL; CARLOS N. WANZELER; ; STEVEN M. LABRIOLA; JOSEPH H. CRAFT, a/Ida JOE H. CRAFT; CRAFT FINANCIAL SOLUTIONS, LLC; CARLOS COSTA; GERALD P. NEHRA, individually and doing business as LAW OFFICES OF NERHA AND WAAK; GERALD P. NEHRA ATTORNEY AT LAW, PLLC; RICHARD W. WAAK, individually and doing business as LAW OFFICES OF NERHA AND WAAK; RICHARD W. WAAK, ATTORNEY AT LAW, PLLC; TD BANK, NA; CITIZENS FINANCIAL GROUP, INC.; CITIZENS BANK OF MASSACHUSETTS; FIDELITY CO-OPERATIVE BANK, doing business as FIDELITY BANK; MIDDLESEX SAVINGS BANK; GLOBAL PAYROLL GATEWAY INC.: INTERNATIONAL PAYOUT SYSTEMS INC.; PROPAY, INC., doing business as PROPAY.COM,; BANKS DOE; DOE INSIDE PROMOTERS; CREDIT PROCESSORS DOE and PARALEGAL DOE,

Defendants.

Adv. No. **14-04080**

1ST AMENDED CLASS ACTION COMPLAINT FOR, INTER ALIA, VIOLATIONS OF STATE AND FEDERAL SECURITIES LAWS DEMAND FOR TRIAL BY JURY

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FIRST AMENDED COMPLAINT

CLASS ACTION COMPLAINT FOR, INTER ALIA, VIOLATIONS OF STATE AND FEDERAL SECURITIES LAWS

Plaintiffs, Putative Class Representative Paulo Eduardo Ferrari on behalf of himself and all others similarly situated and Rafaela Serrano as Trustee of the TelexFree Settlement Trust pursuant to 26 USC Section 468B (hereafter 'Plaintiffs") bring this Class Action against Defendants TELEXFREE, INC., f/k/a COMMON CENTS COMMUNICATIONS, INC.,TELEXFREE, LLC,TELEXFREE FINANCIAL, INC., TELEXELECTRIC, LLP, TELEX MOBILE, HOLDINGS, INC., (collectively referred to herein as "TelexFree") and the other named Defendants and Doe Defendants.

INTRODUCTION

1. Plaintiffs seek compensation for economic loss sustained as a result of Defendants' conduct in carrying out an unlawful Ponzi pyramid scheme that included, *inter alia*, Defendants' fraudulent unregistered offer and sale of securities in the form of unregistered investment contracts constituting securities.

2. During all times relevant to this Complaint, TelexFree uniformly held itself out as a "multi-level marketing" company systematically selling local and international telephone service plans that use "voice over internet protocol" ("VoIP") technology through so-called "Promoters."

3. The TelexFree VoIP was not patented or proprietary.

4. The TelexFree VoIP offered nothing more than what was otherwise available free online.

5. In reality, TelexFree's offer and sale of investment contracts constituted a pyramid-type Ponzi scheme (the "Pyramid Ponzi Scheme").

6. To carry out their unlawful enterprise, TelexFree and their officers, agents, servants and employees sold fraudulent unregistered securities to the Putative Class Representatives, to beneficiaries of the 468B Trust, and of the class the Representative seeks to represent.

7. TelexFree sold unregistered securities in twenty-one states and internationally from its offices in Marlborough, Massachusetts.

8. TelexFree's unregistered securities were deceptively and uniformly identified to members of the putative class as "memberships."

9. TelexFree guaranteed returns of 200% or more per year.

10. In exchange for copying and placing duplicative and pre-written TelexFree ads on internet sites - a passive process that alone generates no revenue and requires essentially no effort on the part of the investors -and for recruiting other investors to pay the membership fees, TelexFree falsely held out that its investors, or "Promoters," could receive significant returns of over 200% annually.

11. TelexFree uniformly and systematically did not require Promoters to sell its VoIP product in order to qualify for payments prior to March 9, 2014.

12. TelexFree's scheme constitutes an unlawful pyramid scheme because the proceeds from the sale of TelexFree's VoIP product alone could not sustain the massive pay structure.

13. To keep TelexFree's Pyramid Ponzi Scheme liquid, a constant influx of new participants was required.

14. On June 19, 2013, the Brazilian Court in Acre issued an injunction putting "a stop to TelexFree's business operations, including the registration of new affiliate investors, acceptance of new investments and paying any returns owed on existing affiliate investments."

15. At all times material herein, TelexFree and its Officers James M. Merrill, Carlos N. Wanzeler, Steven M. Labriola, Carlos Costa, Joseph H. Craft, a/Ida Joe H. Craft (collectively, "Defendant Officers"), the Doe Insider Promoters, the Doe Paralegal, TelexFree's Retained Licensed Professionals, and Payment Processing Services Companies[5] knew that the Pyramid Ponzi Scheme was not sustainable, and that the representations on Telexfree's website and in its marketing materials were false, unfair, and deceptive including, but not limited to, those concerning the guaranteed returns.

16. Moreover, at all times material herein, TelexFree and its Defendant Officers, the Doe, Inside Promoters, Paralegal Doe, its banks, and its Retained Licensed Professionals knew that TelexFree was selling unregistered securities to the members of the putative classes.

17. Moreover, after the foregoing Defendant Officers, Doe Inside Promoters, Doe Paralegal, Banks, Payment Processing Services Companies, Retained Licensed Professionals knew that TelexFree was an illegal pyramid-type Ponzi scheme which involved the illegal sale of securities, they continued to aid, abet and further such illegal activities.

18. Despite the foregoing knowledge, TelexFree and the other Defendants continued to participate in the attraction and processing of new investors, continued to allow payments to process through TelexFree's accounts, allowed TelexFree to continue to illegally sell securities and further its illegal Pyramid Ponzi Scheme, and otherwise continued to further TelexFree's illegal activities.

19. The Defendants TelexFree, Inc., TelexFree, LLC and TelexFree Financial, Inc. abruptly sought bankruptcy protection under Chapter 11, admitting that they could not and cannot meet their obligations from VoIP revenues and seeking authority to reject all their current obligations to Promoters.

20. At all material times herein, Defendants have violated, *inter alia*, the antifraud and securities registration provisions of the federal and state securities laws.

21. At all material times herein and from at least in or about January 2012, TelexFree and the other Defendants unlawfully, willfully and knowingly used the means and instrumentalities of interstate commerce and the mails, directly and indirectly, in connection with the purchase and sale of unregistered securities.

22. TelexFree and the other Defendants used and employed manipulative and deceptive devices and contrivances in violation of MGL 11OA, Sec. 410; used means and instrumentalities, directly and indirectly, in connection with the purchase and sale of unregistered securities; and used and employed manipulative and deceptive devices and contrivances in violation of, *inter alia*, the Massachusetts Uniform Securities Act, MGL c. 11OA, Section 41 Ob, MGL 110A, Sec. 410(b) and MGL 93A.

23. TelexFree and the other Defendants also violated Title 17, Code of Federal Regulations, Section 240. 10b-5 by (a) employing devices, schemes, and artifices to defraud; (b)making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons.

24. TelexFree and the other Defendants willfully or knowingly established a pyramid- type Ponzi scheme by paying certain investors purported returns on investment.

25. Making use of this sophisticated pyramid scheme, TelexFree defrauded the members of the putative class out of funds exceeding $300,000,000.00 dollars in just a few short years.

26. Certain Defendants share joint and severable liability, including the Doe Inside Promoters, the licensed professionals such as the RLP Defendants, including certified public accountants and lawyers that specialized in sheltering so-called Multi-Level Marketing schemes having aided and abetted TelexFree's Pyramid Ponzi Scheme by providing TelexFree with legal and financial advice and assistance during the course of the fraud, despite knowledge of the fraudulent nature of TelexFree's operation.

27. The Payment Processing Services Companies and bank Defendants also share joint and several liability having aided and abetted the fraudulent and illegal activity by providing financial and payment processing services, also having knowledge of TelexFree's fraud.

28. Plaintiffs also make the following allegations upon information and belief and the investigation of their counsel, except as to their own actions and the facts that are a matter of public record.

JURISDICTION AND VENUE

29. This Court has jurisdiction as to the claims for relief sought herein under 28 U.S.C. §§ 157 and 1334 in Massachusetts District Court.

30. Venue is proper pursuant to 28 U.S.C. § 1409(a).

31. Certain of the claims for relief set forth herein are core proceedings pursuant to 28 U.S.C. § 157(b)(2)(A)and (0). To the extent the claims for relief set forth herein are not core proceedings, Plaintiffs do not consent to entry of final judgment by the bankruptcy court.

32. The District Court has original jurisdiction pursuant to 28 U.S.C. § 1332(d)(2). In the aggregate, Plaintiffs' claims and the claims of the other members of the Trust and Class exceed $5,000,000.00 exclusive of interest and costs, and there are numerous class members who are located in many if not all states in this country.

33. Venue is also proper pursuant to 28 U.S.D. § 1391 because:

A. TelexFree, LLC has a principal place of business in Massachusetts;

B. acts and transactions giving rise to this action occurred in this district, and

C. TelexFree, LLC is subject to personal jurisdiction in this district.

34. The District Court also has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § § 77t(b), 77t(d)(l) & 77v(a)], Sections 21(d)(l), 21 (d)(3)(A), 21(e) and 27 of the Securities Exchange Act 24 of 1934 ("Exchange Act") [15 U.S.C. § § 78u(d)(I), 78u(d)(3)(A), 78u(e) and 78aa], Section 1121 of the Lanham Act [15 U.S.C. § 1121], and Section 1965 of the Racketeer Influenced and Corrupt Organizations Act [18 U.S.C. § 1965].

35. Defendants have, directly or indirectly, made use of the means of instrumentalities of interstate commerce and of the mails in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

THE PARTIES

36. Plaintiff PAULO EDUARDO FERRARI (hereinafter sometimes referred to as "Ferrari"), is an individual who resides in Massachusetts. Ferrari, like many other victims of TelexFree's Pyramid Ponzi Scheme, tendered cash in exchange for a membership in TelexFree (a "TelexFree Membership") and its promised pre-March 9, 2014 return in investment (the Pre March 9, 2014 -Return on Investment").

37. Plaintiff RAFAELA SERRANO is a Massachusetts resident and Trustee of the **TELEXFREE SETTLEMENT TRUST** (Trust) at **EXHIBIT A,** as provided under 26 USC §468B. The Trust is for the Benefit of the persons who were damaged by the TelexFree Ponzi pyramid scheme. The Trust Decree was signed by a Justice of the Essex County Probate Court on August 20, 2014. See Attached at **EXHIBIT B**.

38. Ms. Rafaela G.P. Serrano is natural from Rio de Janeiro, Brazil. She is a Brazilian attorney and a Northeastern School of Law LL.M candidate. She has been living in the U.S. for over 7 years. She is the former president of the Brazilian Immigrant Center, in Boston, Massachusetts, which is the largest Brazilian workers and immigrants' rights nonprofit organization serving immigrants in the U.S. Ms. Serrano has been playing a leadership role within the immigrant community in Massachusetts and other states in the U.S. participating in training workers about their rights, safety, and leadership skills; lobbying and participate in law making/changing in Massachusetts; outreaching community members through radio shows and visits to churches. See Attached CV of RAFAELA SERRANO at **EXHIBIT C.**

39. Defendant TELEXFREE, INC. is a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts, having a last known principal place of business at 225 Cedar Hill Street, Suite 200, in Marlborough, County of Middlesex, Commonwealth of Massachusetts 01752.

40. TelexFree, Inc. was formerly known as COMMON CENTS COMMUNICATIONS, INC.

41. Defendant Paralegal Doe served as TelexFree, LLC's agent, servant or employee at all times relevant to this complaint.

42. At all times material herein, TelexFree, LLC also maintained offices in the Commonwealth of Massachusetts at 225 Cedar Hill Street, Suite 200, in Marlborough, County of Middlesex, Commonwealth of Massachusetts 01752 between 2012 and this date.

43. Defendant TELEXFREE FINANCIAL, INC. (hereinafter sometimes referred to as "TelexFree Financial") is a corporation duly organized and existing under the laws of the State of Florida, having its last known principal place of business at 2321 NW 37th Avenue, in 9 Coconut Creek, Florida 33063.

44. Defendant TELEXELECTRIC, LLLP (hereinafter sometimes referred to as 11 "TelexElectric") is a limited liability limited partnership duly organized and existing under the laws of the State of Nevada, and having its registered agent as BWFC Processing Center, LLC, 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169. 42. Defendant TELEX MOBILE, HOLDINGS, INC. (hereinafter sometimes referred to as "Telex Mobile") is a corporation duly organized and existing under the laws of the State of Nevada, and having its registered agent as BWFC Processing Center, LLC, 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169.

45. Defendant TELEX MOBILE, HOLDINGS, INC., (hereinafter sometimes referred to as "Telex Mobile") is a corporation duly organized and existing under the laws of the state of Nevada, and having its registered agent as BWFC Processing Center, LLC, 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169.

46. Defendant JAMES M. MERRILL (hereinafter sometimes referred to as "Merrill") is an individual now or formerly of 1 Coburn Drive in Ashland, County of Middlesex, Commonwealth of Massachusetts 01721.

47. At all times material herein, Co-Defendant Merrill was President, Secretary, and Director of TelexFree, Inc.

48. At all times material herein, Co-Defendant, Merrill was a Manager of TelexFree, LLC, and was listed with the Massachusetts Secretary of State Corporations Division as an authorized person to execute, acknowledge, deliver, and record any recordable instrument purporting to affect an interest in real property.

49. At all times material herein, Co-Defendant Merrill, was President, Secretary, and Director of TelexFree Financial.

50. Defendant CARLOS N. WANZELER (hereinafter sometimes referred to as "Wanzeler") is an individual now or formerly of 373 Howard Street, in Northborough, County of Worcester, Commonwealth of Massachusetts 01532.

51. At all times material herein, Co-Defendant Wanzeler was Treasurer and Director of TelexFree, Inc.

52. At all times material herein, Co-Defendant Wanzeler was a Manager of TelexFree, LLC.

53. At all times material herein, Co-Defendant Wanzeler was Vice-President, Treasurer, and Director of TelexFree Financial, and was listed with the Massachusetts Secretary of State Corporations Division as an authorized person to execute, acknowledge, deliver, and record any recordable instrument purporting to affect an interest in real property.

54. Defendant STEVEN M. LABRIOLA (hereinafter sometimes referred to as "Labriola") is an individual now or formerly of 21 Kiwanis Beach Road, in Upton, County of Worcester, Commonwealth of Massachusetts 01568.

55. The Articles of Incorporation for Common Cents Communications, Inc. filed with the Massachusetts Secretary of State's Office identify Labriola as a Director of the Corporation.

56. Defendant Labriola functions as the international sales director of TelexFree.

57. Defendant JOSEPH H. CRAFT, also known as JOE H. CRAFT, (hereinafter sometimes referred to as "Craft") is an individual now or formerly of 825 E. Main Street in Boonville, Indiana 47601 - 1885.

58. Defendant Craft is a Certified Public Accountant and maintains offices in Indiana and Kentucky under the name and style Joe H. Craft, CPA/PPS, CFP. In Indiana, he maintains offices at 825 E. Main Street in Boonville, Indiana 47601-1885.

59. At all material times herein, Defendant Craft serves as the Chief Financial Officer of Telex Free, Inc. and TelexFree, LLC, and was responsible for preparing or approving their financial statements.

60. Defendant CRAFT FINANCIAL SOLUTIONS, LLC (hereinafter sometimes referred to as "Craft Financial") is a limited liability company duly organized and existing under the laws of the state of Indiana, having a principal place of business at 825 E. Main Street in Boonville, Indiana 47601-1885.

61. Defendant Craft Financial is engaged in the business of providing accounting services and financial advice.

62. Defendant Craft is the sole member, manager, and registered agent for the Defendant Craft Financial, LLC.

63. Defendant CARLOS COSTA, (hereinafter sometimes referred to as "Costa") is an individual now or formerly of 44A McClintock Avenue, Unit A, in Worcester, County of Worcester, Commonwealth of Massachusetts 01604.

64. At all times material herein, Co-Defendant Costa was listed as Manager of TelexFree, LLC with the Massachusetts Secretary of State Corporations Division.

65. Defendant GERALD P. NEHRA (hereinafter sometimes referred to as "Nehra") is an individual now or formerly of Muskegon, Michigan.

66. Defendant Nehra maintains a second place of abode at 2149 Tall Oak Court, Sarasota, Florida 34232

67. Defendant Nehra is an attorney duly licensed to practice law in the State of Michigan with offices at 1710 Beach Street in Muskegon, Michigan 49441.

68. Defendant GERALD P. NEHRA, ATTORNEY AT LAW, PLLC, is a professional limited liability company engaged in the practice of law and duly organized and existing under the laws of the state of Michigan, having a principal place of business at 1710 Beach Street in Muskegon, Michigan 49441.

69. Defendant Gerald P. Nehra, Attorney at Law, PLLC, is engaged in the practice of law.

70. Defendant Nehra is the sole member, manager and registered agent for the Defendant Gerald P. Nehra, Attorney at Law, PLLC.

71. Defendant RICHARD W. WAAK (hereinafter sometimes referred to as "Waak") is an individual now or formerly of Muskegon, Michigan.

72. Defendant Waak is an attorney duly licensed to practice law in the State of Michigan with offices at 11300 East Shore Drive, Delton, Michigan 49046.

73. At all times material herein, Defendant Nehra was engaged in the practice of law with Co-Defendant Richard W. Waak, under the name LAW OFFICES OF NERHA AND WAAK.

74. At all times material herein, Defendant Waak was engaged in the practice of law with Co-Defendant Nehra, under the name Law Offices of Nehra and Walk, with primary offices at 11300 East Shore Drive, Delton, Michigan 49046, and secondary offices at 1710 Beach Street, in Muskegon, Michigan 49441.

75. Defendant RICHARD W. WAAK, ATTORNEY AT LAW, PLLC, is a professional limited liability company engaged in the practice of law and duly organized and existing under the laws of the state of Michigan, having a principal place of business at 11300 East Shore Drive, Delton, Michigan 49046.

76. Defendant Waak is the sole member, manager and registered agent of Defendant Richard W. Waak, Attorney at Law, PLLC.

77. The Law Offices of Nehra and Walk is a general partnership between Defendants Nehra, Waak, Gerald P. Nehra, Attorney at Law, PLLC, and Richard W. Walk, Attorney at Law, PLLC.

78. Defendant TD BANK, N.A. (hereinafter sometimes referred to as "TD Bank") is a national banking institution in the United States chartered and supervised by the federal Office of the Comptroller of the Currency.

79. TD Bank has a principal place of business at 15 Broad Street in Boston, County of Suffolk, Commonwealth of Massachusetts 02109.

80. At all times material herein, Defendant TD Bank provided banking services, maintained accounts, and received transfers of funds for or for the benefit of TelexFree.

81. Defendant CITIZENS FINANCIAL GROUP, INC. (hereinafter sometimes referred to as "Citizens Financial") is a corporation duly organized and existing under the laws of the State of Delaware, having its principal offices in Providence, Rhode Island.

82. Citizens Financial is a banking institution with offices at 28 State Street, Boston, County of Suffolk, Commonwealth of Massachusetts 02109.

83. At all times material herein, Defendant Citizens Financial provided banking services, maintained accounts, and received transfers of funds for or for the benefit of TelexFree.

84. Defendant CITIZENS BANK OF MASSACHUSETTS (hereinafter sometimes referred to as "Citizens Bank") is a subsidiary of Citizens Financial.

85. Citizens Bank conducts business in the Commonwealth of Massachusetts at 28 State Street, in Boston, County of Suffolk, Commonwealth of Massachusetts 02109.

86. At all times material herein, Defendant Citizens Bank provided banking services, maintained accounts, and received transfers of funds for or for the benefit of TelexFree.

87. Defendant FIDELITY CO-OPERATIVE BANK doing business as FIDELITY BANK (hereinafter sometimes referred to as "Fidelity Bank") is a Massachusetts Chattered Banking Institution, having its principal offices at 675 Main Street, in Fitchburg, County of Worcester, Commonwealth of Massachusetts 01420.

88. At all times material herein, Defendant Fidelity Bank provided banking services, maintained accounts, and received transfers of funds for or for the benefit of TelexFree.

89. Defendant MIDDLESEX SAVINGS BANK (hereinafter sometimes referred to as "Middlesex Savings") is a Massachusetts Chartered Banking Institution, having its principal offices at 6 Main Street, in Natick, County of Middlesex, Commonwealth of Massachusetts 01760.

90. At all times material herein, Defendant Middlesex Savings provided banking services, maintained accounts, and received transfers of funds for or for the benefit of TelexFree.

91. Defendant GLOBAL PAYROLL GATEWAY, INC. (hereinafter sometimes referred to as "GPG") is a corporation duly organized and existing under the laws of the State of California, having its principal offices at 18662 MacArthur Boulevard, Suite 200, in Irvine, California 92612.

92. Defendant GPG provides payment processing services for companies, and acted as a conduit for payment between TelexFree and its Promoters/Investors.

93. Defendant INTERNATIONAL PAYOUT SYSTEMS, INC. (hereinafter sometimes referred to as "IPS") is a corporation duly organized and existing under the laws of the State of Florida, having its principal offices at 2500 East Hallandale Beach Boulevard, Suite 800, Hallandale Beach, Florida 33009.

94. Defendant IPS provides payment processing services for companies and acted as a conduit for payment between TelexFree and its Promoters/Investors.

95. Defendant PROPAY, INC. (hereinafter sometimes referred to as "ProPay") is a corporation duly organized and existing under the laws of the State of Utah.

96. Defendant ProPay has its principal offices at 3400 North Ashton Boulevard, Lehi, Utah 84043 and also does business as PROPAY.COM.

97. Defendant ProPay provides payment-processing services for companies and acted as a conduit for payment between TelexFree and its Promoters/Investors.

98. It is believed that additional payment - processing services aided and abetted in TelexFree's Pyramid Ponzi scheme but their identities are as yet unknown. For ease of reference at this time they can only be referred to herein at this time as Defendant Payment - Processing Services Doe.

99. Disk a Vontade is operated out of a Massachusetts post office box. TelexFree and Disk a Vontade share key management, and prior to their activities as described herein, they shared Brazil as a target market.

100. Disk a Vontade's domain ("discavontade.com") is registered to Defendant Carlos Wanzeler.

101. Defendant James Merrill has attended Disk a Vontade events, including those held in Brazil.

102. The Putative Class Representatives and Trust seek to obtain damages, restitution and injunctive relief for the Class and Trust, as defined below, from Defendants.

GENERAL ALLEGATIONS

TELEXFREE, LLC

103. Telex Free, LLC was organized under the laws of the State of Nevada on July 19, 2012.

104. There is no distinction between the business operations of TelexFree, LLC and TelexFree, Inc.

105. At all material times herein, TelexFree LLC was identified as a limited liability corporation as registered with the Corporations Division of the Secretary to the Commonwealth of Massachusetts (Identification Number 001105166).

106. TelexFree, LLC registered with the Secretary of State for the Commonwealth of Massachusetts on April 18, 2013.

107. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, TelexFree, LLC operated a Massachusetts office at 225 Cedar Hill St., Suite 200, Marlborough, Massachusetts 01752.

108. At all material times herein, Co-Defendants Carlos Costa, James M. Merrill and Carlos N. Wanzeler were the Managers of TelexFree, LLC.

109. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, TelexFree, LLC's registered agent for the Commonwealth of Massachusetts was James Merrill whose address is identified as 225 Cedar Hill St. Suite 200, Marlborough, MA 01752.

110. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, Co-Defendants James Merrill, Carlos Wanzeler, Steven Labriola, Joseph H. Craft and Carlos Costa conducted the business of TelexFree, LLC in TelexFree's Massachusetts office.

111. TelexFree caused a copy the Business Entity Summary for TelexFree, LLC to be filed with the Corporations Division of the Secretary of the Commonwealth of Massachusetts.

112. Since mid-November 2013, TelexFree has transferred approximately $30 million from its operating accounts to accounts owned and controlled by TelexFree, its affiliated companies or the individual Defendants.

113. Tens of millions of additional investor funds received by TelexFree are unaccounted for presently.

TELEXFREE, INC f/k/a COMMON CENTS COMUNICATIONS, INC.

114. TelexFree, Inc. is a domestic profit corporation registered with the Corporations Division of the Secretary to the Commonwealth of Massachusetts (Identification Number 000832397).

115. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, TelexFree, Inc. maintained a principal office at 225 Cedar Hill St. Suite 200, Marlborough, MA 01752.

116. Co-Defendants James M. Merrill and Carlos N. Wanzeler are the officers and directors of TelexFree, Inc.

117. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, TelexFree, Inc.'s registered agent was Defendant James Merrill, who listed an address of 225 Cedar Hill St., Suite 200, Marlborough, MA 01752.

118. At all times material herein, and more particularly since February 15, 2012, Co- Defendants James Merrill, Carlos Wanzeler, Steven Labriola, Joseph H. Craft and Carlos Costa conducted the business of TelexFree, Inc. in the Marlborough, Massachusetts office.

119. TelexFree, Inc. was originally organized on December 31, 2002 under the name Common Cents Communications, Inc. ("CCCI"). CCCI's name was changed to TELEXFREE, INC on February 15, 2012.

120. TelexFree caused a copy of the Business Entity Summary for TelexFree, Inc. as filed with the Corporations Division of the Secretary of the Commonwealth of Massachusetts.

121. TelexFree, Inc. issued 275,000 shares of CNP class stock with a $0.00 value per share.

TELEXFREE FINANCIAL, INC.

122. TelexFree Financial was fraudulently set up for the purpose of sheltering funds rightfully belonging to the putative class and Trust Beneficiaries.

123. At all material times herein, Co-Defendants James M. Merrill and Carlos N. Wanzeler were officers and directors of TelexFree Financial, and Co-Defendant Carlos N. Wanzeler is its registered agent.

124. On December 30 and December 31, 2013, TelexFree Financial received wire transfers totaling $4,105,000 from TelexFree, Inc. and TelexFree, LLC.

RELATIONSHIP OF TELEXFREE, LLC, TELEXFREE, INC. AND TELEXFREE FINANCIAL, INC.

125. At all times material herein, and at least since February 15, 2012, there has been a high degree of operational interdependence among TelexFree, LLC, TelexFree, Inc., and TelexFree Financial, to the extent that the operations of these entities are indistinguishable.

126. At all times material herein, TelexFree, LLC, TelexFree, Inc., and TelexFree Financial shared common management and ownership.

127. More particularly and at all times material herein, and at least since February 15, 2012, Defendants Merrill, Wanzeler, Labriola, Craft and Costa have together owned and operated TelexFree, LLC, TelexFree, Inc., and TelexFree Financial without any distinction among these entities.

128. At all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, funds were freely transferred between and among TelexFree, LLC, TelexFree, Inc., and TelexFree Financial without any distinction among these entities.

129. At all times material herein, TelexFree, LLC, TelexFree, Inc. and TelexFree Financial have also shared common financial, strategic, legal, and human resources.

130. More particularly, at all times material herein, and at least between February 15, 2012 and approximately April 15, 2014, TelexFree, LLC, TelexFree, Inc. and TelexFree Financial:

a. Conducted business from the same business addresses;

b. Retained the same employees;

c. Conducted business using the same telephone lines;

d. Utilized the same copy machines in the course of business;

e. Utilized the same banks and bank accounts in the course of business;

f. Utilized the same payment processing service companies in the course of business;

g. Sought and received professional services from the same accountants; and

h. Sought and received professional services from the same attorneys.

131. As such, Defendants TelexFree, LLC, TelexFree, Inc. and TelexFree Financial are alter ego entities, which combine to form a single enterprise.

TELEXFREE'S UNLAWFUL, UNFAIR AND DECEPTIVE PYRAMID PONZI SCHEME

132. In January 2013, the Brazilian Bureau of Consumer Protection (known as Procon), began an investigation into TelexFree.

133. On March 14, 2013, the Ministry of Finance, after its investigation, declared that:

> The TelexFree business of selling packages of internet telephony (VoIP, its acronym in English), is not sustainable and suggests a Ponzi scheme, which is a crime against the popular economy.
>
> That is the conclusion of the Secretariat for Economic Monitoring of the Ministry of Finance in a statement on March 14, 2013.

134. On March 9, 2014, TelexFree changed its compensation plan, thereby requiring PPromoters to sell VoIP products to qualify for the payments that TelexFree had previously promised to pay them.

135. TelexFree's former officers or employees stated to the TelexFree transition team that under the Pre March 2014 standard form contract TelexFree owes its promoters over $5 billion dollars.

136. Following the March announcement TelexFree investors demanded TelexFree reimburse them over $150 million dollars.

137. The rule change generated a storm of protests from Promoters who were unable to recover their money On April **1,** 2014, dozens of Promoters descended upon TelexFree's Marlborough, Massachusetts office to protest this change and attempt to regain access to their money.

138. In furtherance of their unlawful enterprise, TelexFree mailed fraudulent 1099 (Miscellaneous Income) forms to investors, possibly to create the illusion that they had made payments to investors.

139. The 1099 forms were provided long after the mandated January 31, 2014 deadline, and some after the April 15, 2014 filing deadline.

140. TelexFree falsely represented that investors had received income they had in fact never received.

141. TelexFree did not generate sufficient funds from sales of their phone service to pay the returns on investments that they had contracted to pay.

142. Instead, the funds TelexFree used to pay the purported returns on investments were the principal investment funds (membership fees) tendered by subsequent TelexFree investors.

143. TelexFree's Contract at Section 2.6.5 (m) mandates that Promoters are not to use the term investment with respect to the registration costs.

144. Co-Defendant and Company Counsel Attorney Gerald P. Nehra, through his affiliated companies (Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and Richard W. Waak, Attorney at Law, PLLC), and under the direct supervision of Co-Defendants Richard W. Waak and Richard W. Waak Attorney at Law, PLLC provided this advice for the purpose of furthering perpetuating Defendants unlawful Pyramid Ponzi Scheme.

145. Specifically, TelexFree's Contract at Section 2.6.5 (m) specifically provides that the Promoter must not "use terms that distort the real meaning of products or the mechanism and functioning of multilevel marketing, including, without limitation, expressions that convey the idea of instant wealth for nothing in exchange, as well as speaking of registration costs as a 'financial investment.' Similarly, it is expressly prohibited to use the term 'INVESTMENT' at meetings and in promotional materials in general, orally or in writing."

TELEXFREE'S MANAGEMENT KNOWINGLY PERPETRATED THE UNLAWFUL TELEXFREE PYRAMID PONZI SCHEME AND CONSPIRACY

146. TelexElectric is a Nevada limited liability limited partnership formed on December 2, 2013 by Co-Defendants Merrill and Wanzeler.

147. According to its filing with the State of Nevada Secretary of State, Co-Defendants Merrill and Wanzler further list their address at 4705 S. Durango Drive, #100-J1 (post office box), Las Vegas, Nevada 89147, which is the same location as TelexFree, LLC.

148. Telex Mobile is a Nevada Corporation formed on November 26, 2013.

149. According to its filings with the State of Nevada Secretary of State Office, Telex Mobile identifies its officers and directors as:

> Co-Defendant James M. Merrill is President Secretary and Director, having an address at 4705 S. Durango Drive, #100-J1, Las Vegas Nevada 89147.
>
> Co-Defendant Carlos Wanzeler is Treasurer and Director, having an address at 4705 S. Durango Drive, #100-J1, Las Vegas Nevada 89147.

150. According to filings with the State of Nevada Secretary of State Office, both TelexElectric and Telex Mobile Holdings identify as their registered agent BWFC Processing Center, LLC 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169.

151. Defendant TelexFree, LLC, TelexFree, Inc., TelexFree Financial, TelexElectric, and TelexFree Mobile Holdings are alter ego entities, which combine to form a single enterprise.

152. TelexFree's financial statements reveal that TelexFree Electric received a $2,022,329.00 "loan" from TelexFree during the class period.

153. TelexFree's financial statements further reveal that TelexFree Mobile received a $500,870 "loan" from TelexFree during the class period.

154. TelexElectric was fraudulently set up for the purpose of sheltering funds rightfully belonging to the putative class.

155. These "loans" were in essence fraudulent transfers by TelexFree to evade claims by investors and creditors, and otherwise to unlawfully abscond with funds that rightfully belonged to creditors and investors.

TELEXFREE'S MANAGEMENT KNOWINGLY PERPETRATED THE UNLAWFUL TELEXFREE PYRAMID PONZI SCHEME AND CONSPIRACY

156. At all times material herein, Defendants Merrill, Wanzeler, Labriola, Craft and Costa (hereinafter sometimes collectively "TelexFree's Management") were responsible for the control and operation of TelexFree and its affiliated entities.

157. Moreover, TelexFree's Management not only controlled the activities and operations of TelexFree, but also knowingly and willfully conspired to perpetrate, and did in fact perpetrate, the TelexFree Pyramid Ponzi Scheme with full awareness of its fraudulent and illegal nature.

158. At all times material herein, Defendant Merrill served as the President, Secretary, and Director of TelexFree, Inc., a Manager of TelexFree, LLC, President, Secretary and Director of TelexFree Financial, General Partner of TelexElectric, and President, Secretary and Director of Telex Mobile Holdings.

159. In his capacities as Officer, Director, Manager and General Partner of the foregoing interrelated companies, Merrill exercised significant control over TelexFree's business operations.

160. More particularly, Merrill exercised significant control over the TelexFree Pyramid Ponzi Scheme.

161. Defendant Merrill has appeared in videos posted to the internet, in which he can be seen promoting TelexFree as a revenue opportunity for Promoters.

162. As of March 28, 2014, the TelexFree website included a biography of Merrill, which stated that Merrill was a 1985 graduate of Westfield State University in economics.

163. Also, as of March 28, 2013, the TelexFree website stated that Merrill is "well versed in one of the new technologies of the era (VoiP) [sic]."

164. As of April 28, 2014, the TelexFree Canadian website [9] continued to state that Merrill is a 1985 graduate of Westfield State University in economics and "[k]nowledgeable about a new era of technology(VoIP)."

165. According to testimony obtained by the Office of the Secretary of the Commonwealth of Massachusetts (hereinafter sometimes referred to as "SOC"), Merrill attended Westfield State University for a mere two years, without either receiving a degree or declaring a major.

166. Furthermore, in direct contravention to the representations of the TelexFree websites, Merrill testified to SOC that he had only a basic understanding of VolP technology.

167. At all times material herein, Defendant Wanzeler served as Treasurer and a Director of TelexFree, Inc., a Manager of TelexFree., LLC, Vice President, Treasurer, and a Director of TelexFree Financial, General Partner of TelexElectric and Treasurer and Director of Telex Mobile Holdings.

168. According to corporate filings on record with SOC, at all times material herein, Wanzeler has also served as the Chief Executive Officer of TelexFree, Inc.

169. In his capacities as Officer, Director, Manager and General Partner of the foregoing interrelated companies, Wanzeler exercised significant control over TelexFree's business operations.

170. More particularly, Wanzeler exercised significant control over the TelexFree Ponzi Scheme.

171. Defendant Wanzeler has also participated in marketing TelexFree to potential investors, appearing in videos posted to the Internet in which he can be seen promoting TelexFree as a revenue oppo1unity for Promoters.

172. At all times material herein, Defendant Labriola, served as the International Marketing Director for TelexFree, Inc.

173. Labriola was one of the original Directors of Common Cents Communications, Inc., and at all material times herein exercised significant control over TelexFree's business operations and the operations of its interrelated companies.

174. Defendant Labriola has also appeared in several videos promoting TelexFree which were posted on the internet, and has acted as TelexFree's spokesman to Investors during post-bankruptcy petition conference calls.

175. As a Director of TelexFree, Inc., Defendant Labriola, has exercised significant control over the TelexFree Pyramid Ponzi Scheme.

176. As International Marketing Director for TelexFree, Inc., Labriola has also actively and knowingly perpetrated the TelexFree fraud through the dissemination of false and misleading advertising and marketing communications.

177. At all times material herein, Defendant Craft, also known as Joe H. Craft, has been a certified public accountant and served as the Chief Financial Officer ("CFO") of Telex Free, Inc and TelexFree, LLC.

178. In his capacity as CFO of TelexFree, Craft has been responsible for, *inter alia,* preparing or approving TelexFree's financial statements, overseeing TelexFree's accounting methods and records, and otherwise exercising significant supervision and control over TelexFree.

179. On April 23, 2013, in response to a request for a profit-and-loss statement issued by the SOC, TelexFree produced a document purporting to be TelexFree's 2012 profit-and-loss statement.

180. TelexFree did not make use of usual and accepted Multi Level marketing accounting practices. For example they did not separate out income generated by sales of VoIP from income generated by other means.

181. On February 5, 2014, the SOC requested a second profit-and-loss statement from TelexFree for 2012, which TelexFree produced on February 26, 2014.

182. A comparison of these two profit-and-loss statements - each purporting to be TelexFree's profit-and-loss statement for 2012 - reveals massive discrepancies.

183. For example, the first statement provided by TelexFree lists Total Income for 2012 at $1,864,939.70, while the second lists Total Income for 2012 at $2,834,835.70.

184. As further examples, Agent Commission is listed at $520,582.95 in the first, versus $2, 105,925.61 in the second; Total Expenses are listed as $784,899 .22 in the first, versus $2,333,893.09 in the second; Net Operating Income is listed as $1,080,040.48 in the first, versus $478,251.56 in the second; and Net Income is listed as $1,066,313.39 in the first, versus $477,652.23 in the second.

185. The existence of duplicative accounting records containing egregious discrepancies is clear indicia of TelexFree's falsification of accounting records and failure to adhere to Generally Accepted Accounting Principals ("GAAP").

186. As Chief Financial Officer for TelexFree, Inc. and TelexFree, LLC, as well as a certified public accountant, Defendant Craft, knowingly perpetrated the TelexFree fraud by, *inter aha:*

a. Overseeing TelexFree's creation of falsified accounting records;

b. Failing to ensure that GAAP accounting methods were adopted and adhered to;

c. Fraudulently certifying TelexFree's business operations and accounting practices as good and lawful, despite actual knowledge of their unlawful and illegitimate nature;

d. Concealing the fact that the AdCentral Packages purveyed by TelexFree were actually securities; and

e. Concealing and absconding with investor assets.

187. At all times material herein, Defendant Costa, was listed as Manager of TelexFree, LLC with the Massachusetts Secretary of State Corporations Division.

188. Costa is one of the original founders of TelexFree.

189. At all times material herein, Costa was involved in the day-to-day management and oversight of TelexFree and was actively involved in and managed its Brazilian operations.

190. Costa has appeared on numerous websites and videos posted on the Internet promoting TelexFree and touting its huge financial return.

191. Costa was an outspoken advocate against the Brazilian Court's decision to enjoin TelexFree's Brazilian activities, and publicly supposed TelexFree's illegal and corrupt activities.

192. Costa is videoed displaying an Insurance Notification representing that it was proof of coverage for investors' returns; however, in actuality the document was a notification denying coverage.

TELEXFREE'S LAWYERS AIDED, ABBETTED AND PLAYED AN INTERGRAL PART IN TELEXFREE'S UNLAWFUL, UNFAIR AND DECEPTIVE PYRAMID PONZI SCHEME

193. Defendants Gerald P. Nehra and Richard W. Waak, along with the entities Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and Richard W. Waak, Attorney at Law, PLLC (hereafter sometimes collectively referred to as "Attorney Defendants") are self-proclaimed multi-level marketing ("MLM") specialist attorneys. (See, ' Nehra Endorsement at 7:55[10]

194. During the course of TelexFree's fraudulent scheme, the above-named Attorney Defendants acted as legal counsel to TelexFree.

195. Attorney Nehra had previously acted as counsel to other multi-level marketing firms, which were forced, closed by federal and/or state authorities due to fraudulent pyramid and Ponzi schemes, including Zeek Rewards and AdSurfDaily.

196. In fact, during the investigation of the AdSurfDaily scheme, Attorney Nehra filed an affidavit in court representing that AdSurfDaily was "not a Ponzi Scheme." Subsequently, in 2008, AdSurfDaily was forced to cease operations by federal authorities after being found to be a Ponzi scheme; a fact later admitted to by its principal. [13]

197. Attorney Nehra also previously served in an advisory capacity to Zeek Rewards. Zeek Rewards was later found to be an unlawful Ponzi scheme and was shut down by federal authorities.

198. Attorney Nehra's extensive experience in multi-level marketing, and particularly his involvement with the Ponzi schemes involving AdSurfDaily and Zeek Rewards, armed him with the knowledge of what constitutes violations of United States securities law. Indeed, Attorney Nehra was well aware that the use of semantics and obscured phraseology to obfuscate securities laws fails to legitimize TelexFree's illegal Pyramid Ponzi Scheme.

199. Attorney Waak also claims to have more than thirty years of experience in counseling MLM and direct-selling enterprises.

200. Attorney Waak claims to have managed the legal defense of multiple class action lawsuits involving claims for "pyramiding, securities fraud, false advertising and civil RICO."

201. Attorney Nehra and Attorney Waak are together the general partners of the Law Offices of Nehra and Waak.

202. On the website of the Law Offices of Nerha and Waak, Defendant Attorneys Nehra and Waak claim to specialize in counseling "domestic and foreign companies operating MLM (multi-level marketing) businesses in the United States."

203. Also, on the website of the Law Offices of Nerha and Waak, Attorneys Nehra and Waak boast "No Company that retained this firm BEFORE LAUNCH has been shut down by a regulator."

204. As general partners of the Law Offices of Nehra and Waak, Attorney Nehra and Attorney Waak are jointly and severally liable for torts and obligations of the firm.

205. During the time that the Law Offices of Nehra and Waak provided legal counsel to TelexFree, Attorney Waak was Principal Attorney of the law firm.

206. During this time, Attorney Waak, as Principal Attorney of the Law Offices of Nehra and Waak, was charged with oversight of the daily activities of the law firm.

207. During this time, Attorneys Nehra and Waak also maintained the Defendant Professional Limited Liability Companies, Gerald P. Nehra, Attorney at Law, PLLC and Richard W. Waak, Attorney at Law, PLLC, which, upon information and belief, also provided legal and counseling services to TelexFree.

208. Among the Attorney Defendants, and during the course of TelexFree's scheme, there was no clear distinction among the services provided to TelexFree by the Law Offices of Nehra and Waak, the individual Defendants, and their respective Professional Limited Liability Companies.

209. The Attorney Defendants' role and involvement in the TelexFree Pyramid Ponzi Scheme exceeded merely providing legal counsel because they knowingly acted to further and perpetuate TeleFree's illegal Pyramid Ponzi Scheme, which caused Plaintiffs, Trust, and the similarly situated Putative class members to suffer economic loss.

210. The Attorney Defendants had actual knowledge that the TelexFree Business Model was a fraudulent Pyramid Ponzi Scheme.

211. Seeking to personally profit from TelexFree's exploitation of the members of the putative class, Defendant Gerald P. Nehra drew upon his prior experience to aid, abet and play an integral part in TelexFree's unlawful, unfair and deceptive acts and practices during times relevant to this complaint.

212. Attorney Nehru counseled TelexFree on methods to evade United States securities laws that were intended to offer, in part, protection from pyramid Ponzi schemes; all to enrich himself financially and serve his own selfish interests.

213. Attorney Nehra further encouraged TelexFree Investors to unknowingly participate in the evasion of federal and state securities laws.

214. Defendant Nehra accomplished this by representing that his extensive experience as an MLM expert and his thorough research of TelexFree's business model allowed him to form a legal opinion that TelexFree was a legitimate business.

215. In making this professional opinion Defendant Nehra misrepresented TelexFree as a legitimate business concern.

216. For instance, by instructing Investors to avoid using the terms "investment" with reference to AdCentral Package TeleFree Contract, Paragraph 2.6.5(m)), he attempted to conceal, and encouraged others to conceal, the fact that TelexFree was involved in the sale of securities, and further attempted to strip Investors of the rights afforded them by federal and state securities laws.

217. In advising TelexFree Investors to act to avoid the protections offered by federal and state securities laws, Attorney Nehra never once advised the putative class member TelexFree Investors that so acting presented a risk to them, including the risk of participating in an unlawful scheme.

218. In advising TelexFree Investors to act to avoid the protections offered by federal and state securities laws, Attorney Nehra never once advised the putative class member TelexFree Investors that so acting was against their own interests or that it better served TelexFree and himself.

219. Attorney Nehra's acts of aiding, abetting and playing an integral part in TelexFree's unlawful, unfair and deceptive acts and practices exceed the scope of zealously representing TelexFree.

220. Defendant Gerald Nehra contributed in an indispensable way to TelexFree's continued unlawful operation in the United States because, as a duly licensed member of the bar, he publicly stated to Investors that, in his professional opinion, TelexFree's business model and operations complied with federal and state laws.

221. TelexFree and its Officers knowingly used Attorney Nehra's legal opinions and misrepresentations as a marketing tool to unfairly and deceptively further and advance their illegal Pyramid Ponzi Scheme.

222. Attorney Nehra knew his legal opinions and representations would be used by TelexFree as a marketing tool to fu1iher and advance their business model.

223. Attorney Nehra's opinions were packaged and promoted as part of TelexFree's total "post Brazilian shut down package" to the members of the putative class.

224. As described in greater detail throughout, in the early spring of 2013 TelexFree Brazil was found to be an illegal pyramid and Ponzi scheme.

225. TelexFree suffered a financial crisis when the funds of hundreds of thousands of Brazilian affiliate investors were frozen in company accounts by order of the Brazilian Court.

226. To keep its Pyramid Ponzi Scheme going, TelexFree needed a constant influx of new investor cash.

227. In spring 2013, TelexFree was forced to focus on new markets, including new Investors from the United States and Canada, because their Brazilian operation had been shuttered and all Brazilian assets were frozen. To enhance the credibility and marketability of their United States operation, TelexFree employed the Attorney Defendants as a guise to legalize their illegal and fraudulent methods, operation and business plan.

228. On the weekend of July 26th and 27, 2013, TelexFree held an event, which they dubbed a "super weekend," in Newpoli Beach, California. The focus of TelexFree's "super weekend" event included considerable efforts intended to reassure Investors that its United States operations and program were legitimate, lawful and wo1h putting their money behind.

229. Notwithstanding the fact that TelexFree's Brazilian bank accounts were frozen and all their Brazilian recruiting and Return on Investment payments had been suspended by court order in their largest affiliate market, Attorney Nehra advised attendees that the shut-down in Brazil would have no bearing on TelexFree's U.S. operations.

230. At this "super weekend" event, Attorney Nehra spoke at length to attending investors, assuring them of the legality of TelexFree's operation stating: "It is legally designed ...you are on very solid legal ground," and stating that TelexFree's operation had been "vetted by the Nehra and Waak law firm."

231. In fact when asked by a concerned affiliate about the injunction granted against the company, Attorney Nehra first deflected its relevance by stating: "Okay, I am the MLM specialist and attorney for TelexFree in the United States only. So I gotta duck the question."

232. Attorney Nehra left no doubt that he and his firm were acting as legal counsel to TelexFree to assist them in insuring their U.S. operations were lawfully conducted, knowing that, in fact, these operations were nothing more than an illegal Pyramid Ponzi Scheme.

233. Although, at all times material herein, Attorney Nehra emphatically assured Investors and potential Investors that, in his professional opinion, the TelexFree business model was legitimate and lawful, he had actual knowledge that TelexFree's operation was unlawful and illegitimate.

234. Furthermore, at all times material herein, Attorney Nehra assured Investors and potential Investors that, in his professional opinion, the TelexFree business model was legitimate, although he had actual knowledge that TelexFree Multilevel Marketing Network "Partnerships" involving TelexFree's AdCentral marketing packages were in fact unregistered securities. Attorney Nehra even provided advice on how to unlawfully circumvent federal and state securities laws.

235. In addition, and at all times material herein, Attorney Nehra assured Investors and potential Investors that, in his professional opinion, the TelexFree business model was legitimate and lawful, even though Attorney Nehra had specific knowledge of the ruling of the Brazilian Court and knowledge of and access to TelexFree's United States operations and their composition.

236. In fact, and more particularly, Attorney Nehra knew that:

a. TelexFree used the exact same business model in Brazil as they do in the United States and throughout the world;

b. The Brazilian court had made a specific finding of fraud and that TelexFree's United States operations and composition was an unlawful venture;

c. The Brazilian court described Telex business operations in terms of the quintessential pyramid scheme after TelexFree's own lawyers unwittingly admitted as much;

d. TelexFree's lawyer Djacir Falcao stated to the Brazilian comi that if the injunction continues the company may enter into bankruptcy: "Running the company really becomes difficult because of the court decision, so we will appeal," said Falcao.

e. Falcao tried to appeal to the Brazilian judges on the grounds that "should the company spend a few more days being prohi bited from signing up new investors, they would have no money to pay the old ones;"

f. A Brazilian judge rejected this argument and denied TelexFree's injunction appeal;

g. TelexFree's other appeals were rejected by the Brazilian courts;

h. One Brazilian judge remarked that the issue is that the earnings will be exhausted when the main source of revenue of the group (new affiliate registrations) stops;

i. The above scenario is typically the result of a pyramid scheme;

j. Judge Samoel Evangelista, 2nd Civil Chamber of the Court of Acre (TJ-AC), entered an order to keep the TelexFree funds frozen, to block future paymentsto TelexFree in Brazil and to enjoin TelexFree from signing on new investors in Brazil;

k. According to Brazilian Judge Thais Kalil, how TelexFree earnings are paid out was advantageous to the prosecutor's argument, in that adding publishers to the network is of more importance than actually trying to sell the VoIP product;

l. Judge Thais Kalil also wrote that "(t)he issue is that the earnings will be exhausted when the main source of revenue of the group (new affiliate registrations) stops. Many (affiliates) do not even have the opportunity to recover their initial investment (minimum U.S. $339) and this is detrimental."

237. Defendant Nehra's own comments make clear that he knew that TelexFree was an unlawful pyramid Ponzi scheme.

238. Defendant Nehra knew at all times relevant to his providing legal opinions and counsel at the request of TelexFree that TelexFree's conduct constituted a breach of duty to its Investors.

239. Defendant Nehra knew at all times relevant to his providing legal opinions and counsel at the request of TelexFree that his role was intended to give substantial assistance or encouragement to TelexFree to continue its unlawful business model.

240. Defendant Nehra knew at all times relevant to his providing legal opinions at the request of TelexFree that TelexFree intended to use Nehra prominently as a marketing tool on both their localized Brazilian (Portuguese) and Spanish (Spanish) website portals, in an effort to make TeleFree's illegal Pyramid Ponzi Scheme appear legitimate, thereby continuing and perpetuating the ongoing fraud.

241. TelexFree in fact did, with his knowledge, use Attorney P. Nehra and his legal opinions supporting their business model as lawful prominently as a marketing tool on both their localized Brazilian (Portuguese) and Spanish (Spanish) website portals.

242. Defendant Nehra, in order to serve his own pecuniary self-interests, willfully aided, abetted, counseled, induced, and/or procured TelexFree's violations of law regarding the proper segregation and maintenance of customer funds, and acted in concert and combination with Defendant TelexFree in such violations.

243. Defendant Nehra gave substantial assistance to TelexFree in accomplishing a tortious result, and Nehra's own conduct, separately considered, constitutes a breach of duty to Investors because, inter alia, he:

a. Knowingly misrepresented the legality and sustainability of TelexFree's operations to the detriment oflnvestors, and received fees from TelexFree for doing so;

b. Knowingl y obscured and obfuscated the illegal nature of TelexFree's scheme by the manipulative use of language, including, e.g., advising TelexFree that the use of the term "investment" must be avoided;

c. Breached his duty of professional care to investors, by failing to exerciseproper due diligence in investigating the legality of TelexFree's operations;

d. Advised and encouraged Investors to evade United States securities laws to the benefit of TelexFree and detriment of the Investors and the public; and

e. Engaged in a civil conspiracy to defraud TelexFree's investors by means of a Pyramid Ponzi Scheme, and, in fact, took a leading role in the scheme.

244. Attorney Waak, as general paiiner and Principal Attorney of the Law Offices of Nehra and Waak, was aware of, oversaw, and, upon information and belief, participated in Attorney Nehra's conduct with respect to the TelexFree Pyramid Ponzi Scheme.

245. Attorney Waak, as general partner and Principal Attorney of the Law Offices of Nehra and Waak, was aware of, oversaw, and, upon information and belief, participated in TelexFree Pyramid Ponzi Scheme.

TELEXFREE'S CERTIFIED PUBLIC ACCOUNTANT AIDED, ABBETTED AND PLAYED AN INTERGRAL PART IN TELEXFREE'S UNLAWFUL, UNFAIR AND DECEPTIVE PYRAMID PONZI SCHEME

246. As the Chief Financial Officer of TelexFree, Inc. and TelexFree, LLC, Defendant Craft, also known as Joe H. Craft, has been a ce1iified public accountant and served as the Chief Financial Officer ("CFO") of Telex Free, Inc. and TelexFree, LLC.

247. Defendant Craft is also the sole Member and Manager of Craft Financial, an Indiana-based limited liability company.

248. Defendants Craft and Craft Financial are indistinguishable with regards to their involvement with the TelexFree Pyramid Ponzi Scheme.

249. Defendants Craft and Craft Financial knowingly participated in and perpetuated TeleFree's illegal Pyramid Ponzi Scheme.

250. In his dual capacity as CFO and ce1iified public accountant of TelexFree, Defendants Craft and Craft Financial have been responsible for, inter alia, preparing or approving TelexFree's financial statements, overseeing TelexFree's accounting methods and records, and otherwise exercising significant supervision and control over TelexFree.

251. On April 23, 2013, in response to a request for a profit-and-loss statement issued by the SOC, TelexFree produced a document purporting to be TelexFree's 2012 profit-and-loss statement.

252. As stated, on February 5, 2014, the SOC requested a second profit-and-loss statement from TelexFree for 2012, which TelexFree produced on February 26, 2014.

253. As stated, a comparison of these two profit-and-loss statements - each purporting to be TelexFree's profit-and-loss statement for 2012 -reveals massive discrepancies.

254. For example, the first statement provided by TelexFree lists Total Income for 2012 at $1,864,939.70, while the second lists Total Income for 2012 at $2,834,835.70.

255. As further examples, Agent Commission is listed at $520,582.95 in the first, versus $2,105,925.61 in the second; Total Expenses are listed as $784,899.22 in the first, versus $2,333,893.09 in the second; Net Operating Income is listed as $1,080,040.48 in the first, versus

$478,251.56 in the second; and Net Income is listed as $1,066,313.39 in the first, versus $477,652.23 in the second.

256. The existence of duplicative accounting records containing egregious discrepancies is clear indicia of TelexFree's falsification of accounting records and failure to adhere to GAAP.

257. As CFO and certified public accountant for TelexFree, Inc. and TelexFree, LLC, as well as a certified public accountant, Defendants Craft and Craft Financial, knowingly perpetrated the TelexFree fraud by, inter alia:

a. Overseeing TelexFree's creation of falsified accounting records;

b. Failing to ensure that GAAP accounting methods were adopted and adhered to;

c. Fraudulently certifying TelexFree's business operations and accounting practices as good and lawful, despite actual knowledge of their unlawful and illegitimate nature; and

d. Conspiring with TeleFree's Officers to structure and perpetuate an illegal pyramid Ponzi scheme designed to defraud Investors and enrich themselves.

258. Defendants Craft and Craft Financial disseminated, and otherwise allowed to be disseminated, false and inaccurate financial information among Investors, knowing that such information was false an designed to continue and perpetuate the illegal Pyramid Ponzi Scheme.

259. In particular, Defendants Craft and Craft Financial authorized TelexFree to provide Investors with inaccurate and fraudulent 1099 (Miscellaneous Income) forms, in many cased long after the January 31, 2014 required deadline, and in an effort to misrepresent payments made to Investors and conceal assets.

260. The fact that these inaccurate 1099's are expected to be filed with the Internal Revenue Service and State Revenue Offices will impose further an undue and massive hardship upon investors.

261. Defendants also prepared false financial documents for affiliated TelexFree entities and prepared false tax returns for the affiliated TelexFree entities.

THE BANKING INSTITUTION AND FINANCIAL SERVICES PROVIDER DEFENDANTS KNOWINGLY AIDED AND ABETTED TELEXFREE'S SCHEME AND RECEIVED FRAUDULENT TRANSFERS OF FUNDS

262. During the course of the TelexFree Pyramid Ponzi Scheme, Defendants TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, IPS, and ProPay and the Does provided crucial financial services to TelexFree, which enabled TelexFree to carry on its Pyramid Ponzi scheme.

263. TelexFree's financial services providers, including the aforesaid banking institutions and payment processing services providers, knowingly aided and abetted TelexFree's Pyramid Ponzi Scheme by, inter alia:

a. Receiving transfers of funds from, and on behalf of, TelexFree in the course of TelexFree's fraudulent business, despite knowledge of the fraudulent nature of TelexFree's business enterprise;

b. Receiving transfers of funds from TelexFree, its affilitated entities, and its executive officers, which transfers deepened TelexFree's insolvency, despite having knowledge of TelexFree's actual or imminent insolvency at the time of such transfers;

c. Processing payments to, and on behalf of, TelexFree, including its affiliated entities and Management, in the course of TelexFree's fraudulent business, despite knowledge of the fraudulent nature of TelexFree's business enterprise; and

d. Otherwise enabling the TelexFree Pyramid Ponzi Scheme to expand and continue by providing necessary financial services to TelexFree, despite actual knowledge of fraud on the part of TelexFree.

264. Defendants, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, the "Doe" banks and Middlesex Savings (hereinafter sometimes collectively referred to as "Banking Institution Defendants") possessed actual knowledge of the fraudulent nature of TelexFree's business operation, since at least June 2013.

265. Despite knowledge of the fraudulent nature of TelexFree's business operations, the Banking Institution Defendants continued to provide TelexFree with banking services.

266. In particular, upon information and belief, the Banking Institution Defendants received funds from Investors, which funds were then held for the benefit of TelexFree, its affiliated entities, and its Management.

267. Furthermore, the Banking Institution Defendants also received large transfers of funds from TelexFree, its affiliated entities, and its Management, during which time TelexFree was insolvent, despite knowledge of the fraudulent nature of TelexFree's business operations, thereby deepening TelexFree's insolvency and assisting TelexFree and its Management in concealing assets.

268. Defendants GPG, IPS, the "Doe" payment processors and ProPay (hereinafter sometimes collectively referred to as "Payment Processing Services Compan ies" or "PPSC Defendants") possessed actual knowledge of the fraudulent nature of TelexFree's business operations since at least June 2013.

269. Despite knowledge of the fraudulent nature of TelexFree's business operations, the PPSC Defendants continued to provide TelexFree with payment processing services.

270. More particularly, the PPSC Defendants processed payments by Investors to TelexFree in the course of TelexFree's fraudulent business operations, which funds were then held for the benefit of TelexFree, its affiliated entities, and its Management.

271. Upon information and belief, the PPSC Defendants also processed large transfers of funds from TelexFree, its affiliated entities, and its Management, to Banking Institution Defendants and other receivers, during which time TelexFree was insolvent, despite knowledge of the fraudulent nature of TelexFree's business operations, thereby deepening TelexFree's insolvency and assisting TelexFree and its Management in concealing assets.

272. The PPSC Defendants received payment of substantial fees in return for providing these services.

273. More particularly, IPS provided TelexFree with a service titled "e-Wallet," which was used by TelexFree to process electronic transfers of funds by Investors to TelexFree.

274. According to a TelexFree balance sheet, dated December 31, 2013, posted by the Washington State Utilities and Transportation Commission, as of December 31, 2013, TelexFree claimed $31,640, 192.30 in assets then held by IPS (under the brand name "e-Wallet") on behalf of TelexFree.

275. Defendant GPG also processed electronic transfers of funds by Investors to TelexFree.

276. Defendant ProPay, which also does business as Propay.com, also processed such electronic transfers of funds on behalf of TelexFree.

277. Furthermore, upon information and belief, ProPay processed transfers of funds by and on behalf of TelexFree, its affiliated entities, and its Management, during which time TelexFree was insolvent.

278. Propay did this despite the knowledge of the fraudulent nature of TelexFree's business operations, thereby deepening TelexFree's insolvency and assisting TelexFree and its Management in concealing assets.

TELEXFREE

279. TelexFree, LLC or TelexFree, Inc. (hereafter referred to as "TelexFree") is a marketer of telecommunications and advertising primarily targeting the hard-working Brazilian - American and Dominican- American communities.

280. Other minority groups have also been victimized.

281. TelexFree is currently under investigation for offering fraudulent and unregistered securities by running a multi-level marketing scheme.

282. This scheme borrows elements from the once common phone card frauds of the mid-2000's, while supercharging its reach through an elaborate internet-marketing machine.

283. Using various interrelated business operations, fraudulent practices, schemes, bank accounts and entities, TelexFree claims it has raised nearly $1,000,000,000.00 worldwide.

284. TelexFree has not received $1,000,000,000.00 worldwide.

285. As with all Ponzi or pyramid Schemes, TelexFree operations are untenable without a continuous influx of new capital.

286. Indeed, the financial basis of the TelexFree scheme centers on the recruitment of additional participants and placing online adve1isements - not the sales of TelexFree Voice over Internet Protocol computer programs (hereinafter "VoIP Program(s)").

287. Class Members were fraudulently induced to invest in at least two other "scam" business opportunities involving the offer or sale of unregistered securities in Massachusetts, namely, 1) TelexFree's passive income scheme, and 2) an offer to invest in TelexFree's hotel program.

288. Despite the fact that upon the advice of their legal counsels, TelexFree referred to the members of the putative class as Associates and Promoters, Plaintiffs, Trust, and all members of the putative class member are considered under federal and state securities law as "Investors".

TELEXFREE'S PONZI SCHEME IS A PYRAMID

289. In January 2013, the Brazilian Bureau of Consumer Protection (known as Procon), began a investigation into TelexFree. In its January 11, 2013 press release, Procon indicated that it had *"detected evidence of crimes":*

> The investigation initiated by civil prosecution of Consumer Protection (no. 01/2013) shows several controversial issues and possible crimes that put consumers at risk in time to accept that kind of deal. Among the possibilities, there is a breach in the Federal Law No. 1.25. art. 2, according to which it is a crime:

> "Obtaining or attempting to obtain illicit gains at the expense of the people or of undetermined number of people through speculation or processes fraudulent ('snowball', 'chains', ' pichardismo' and any other equivalent)" including Ponzi pyramid".
>
> There is also the possible violation of the Code of Consumer Protection (CDC), with false advertising, failure of product information and company, abuse of weakness or ignorance of consumers and conditions unreasonable disadvantage, among others.

290. Procon subsequently initiated an official complaint and notified the "State Prosecutors Office, the Minister of Finance and the Federal Police." The Ministry of Finance, after its investigation, declared that:

> The Telexfree business of selling packages of internet telephony (VoIP, its acronym in English), is not sustainable and suggests a Ponzi scheme, which is a crime against the popular economy.
>
> That is the conclusion of the Secretariat for Economic Monitoring of the Ministry of Finance.

291. As the matter processed through the Brazilian Court System, the Ministry of Finance was ordered to refrain from issuing further statements about the matter. In a blatantly misleading and deceptive act, TelexFree circulated through its affiliates the following misrepresentation of the order:

> It's official! The investigation on TelexFree has been absolved of what Behind MLM has researched and posted.

292. On June 19, 2013, the Brazilian Court in Acre issued an injunction putting "a stop to TelexFree's business operations, including the registration of new affiliate investors, acceptance of new investments and paying any returns owed on existing affiliate investments."

293. At all times material herein, the other Defendants knew that TelexFree was and illegal Pyramid Ponzi Scheme which involved the illegal sale of securities, but continued to aid, abet and further such illegal activities. Despite the foregoing knowledge, TelexFree and the other Defendants continued to participate in the attraction and processing of new investors, continued to allow payments to process through TelexFree's accounts, allowed TelexFree to continue to illegally sell securities and further its illegal Pyramid Ponzi Scheme, and otherwise continued to further TelexFree's illegal activities.

294. On March 9, 2014, TelexFree changed its compensation plan, thereby requiring Promoters to sell its VoIP product in order to qualify for the payments that TelexFree had previously promised to pay them. The rule change generated a storm of protests from Promoters who were unable to recover their money.

295. On April 1, 2014, dozens of Promoters descended upon TelexFree's Marlborough, Massachusetts office to protest this change and attempt to regain access to their money. Local media covering interviewed one Promoter who admitted that the VoIP service is "almost impossible to sell".[28] On April 14, 2014, Defendants TelexFree, Inc., TelexFree, LLC and TelexFree Financial abruptly sought bankruptcy protection in Nevada under Chapter 11,admitting that they cannot meet their obligations from VoIP revenues and seeking authority to reject all its current obligations to promoters.

296. At all relevant times herein, Defendants engaged in: (a) fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10 (b) of the Exchange Act of 1934 ("Exchange Act") and Rule 1Ob-5 thereunder; (b) fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act"); and (c) the offer or sale of unregistered securities, in violation of Section 5 of the Securities Act.

297. In addition, TelexFree and the other Defendants unlawfully, willfully and knowingly used means and instrumentalities, directly and indirectly, in connection with the purchase and sale of unregistered securities; and used and employed manipulative and deceptive devices and contrivances in violation of, *inter alia,* the Massachusetts Uniform Securities Act, M.G.L. c.110A, Section 410b.

298. Plaintiffs make the following allegations upon information and belief and the investigation of their counsel, except as to their own actions and the facts that are a matter of public record:

299. TelexFree's business purportedly centers on the sale of its VoIP Program, 99 TelexFree, despite the fact that TelexFree's president testified to having limited knowledge of VoIP and never having been in the telecom business.

300. A VoIP computer program, such as 99TelexFree, allows an individual to place phone calls over the Internet.

301. In effect, an individual can use VoIP as a substitute for traditional landline phone services.

302. Using technology borrowed from Disk A Vontade, a nearly identical venture with common management, TelexFree rebranded the VoIP Program, offering it for a flat monthly fee of $49.90.

303. Unlike Disk A Vontade operations, however, TelexFree coupled the VoIP Program with a wildly lucrative and fraudulent scheme (hereinafter the "Passive Income Scheme").

304. The core of the Passive Income Scheme centers on the investment of either $289.00 or $1,375.00.

305. A participant who invests $289.00 receives one advertisement kit and ten VoIP Programs.

306. A participant who invests $1,375.00 receives five adve1isement kits and fifty VoIP Programs.

307. The TelexFree advertisement kit enables participants to generate a return by posting pre-written advertisements, to pre-determined websites, through an automated TelexFree system.

308. A participant's daily use of the adve1iisement kits generates investment returns without the need for any VoIP Program sales.

309. As testified to, posting advertisements is an effortless process that takes only a few minutes per advertisement.

310. Indeed, many participants pay third parties to post adve1isements - completely outsourcing any required work at a minimal cost.

311. By merely posting one adve1isement each day of the week, the TelexFree participant receives an additional VoIP Program.

312. The participant can sell the additional VoIP Program to TelexFree for $20.00.

313. Thus, over the course of the year, a participant who initially invests $289.00 and does nothing more than place one adve1iisement per day can receive profit of at least $681.00 - a return in excess of 200%.

314. Alternatively, a participant who initially invests $1,375.00 and does nothing more than place five advertisements per day can receive profit of at least $3,675.00 - a return in excess of 250%.

315. This feature alone has attracted thousands of individuals to invest in TelexFree.

316. The Passive Income Scheme generates further returns for participants through various bonus structures and recruitment commissions.

317. TelexFree tailors each of the additional income streams to incentivize recruitment.

318. By merely recruiting one individual into the TelexFree scheme, a participant can receive as much as $100.00.

319. By recruiting multiple individuals, TelexFree participants become eligible for revenue sharing bonuses of up to 3% of the TelexFree's VoIP Program sales.

320. Hidden among TelexFree's bonus structure and recruitment commissions is the fact that TelexFree participants may self-qualify.

321. Indeed, as testified by participants, a participant may invest in more than one advertisement kit and personally purchase the VoIP Program to earn bonuses.

322. Thus, a participant may purchase a VoIP Program, never use the program, and still qualify for additional income.

323. Without ever selling any VoIP Program, the participant receives a return far in excess of the 200-250% guaranteed return.

324. To drum up interest in recruiting, TelexFree held extravaganzas complete with a rock concert atmosphere and wild cheering, including the "wave."

325. Until recently, the TelexFree website and TelexFree presentations included pictures of cash and luxury property.

326. In one such presentation, TelexFree touted the Passive Income Scheme as "the opportunity of a lifetime."

327. Through such fantasies, reserved only for those at the top of the Passive Income Scheme, TelexFree induced investments drawn from participants' earnest earnings and savings.

328. Troublingly, TelexFree allowed certain participants to join the scheme despite prior run-ins with the law.

329. TelexFree prominently highlighted one such participant, Defendant Rodrigues, as the top promoter in the world on the TelexFree website.

330. Rodrigues, a self-proclaimed millionaire, had previously operated a similar multilevel marketing phone card fraud shuttered by the SEC in 2006.

331. TelexFree's revenue from VoIP Programs sales alone is inadequate to satisfy participant returns.

332. In 2012 and 2013, TelexFree identified 4,845,576 VoIP Program transactions totaling $238,395,353.80.

333. Net revenue received by TelexFree from VoIP Program sales was significantly less due to substantial commission payments.

334. Importantly, TelexFree founder Wanzeler could not identify the number of individuals purchasing only a VoIP Program without also becoming a participant.

335. Wanzeler provided wildly varied estimates when challenged to identify the number of VoIP Programs sold to non-participants.

336. Over the same period, TelexFree had 783,771 investments of either $289.00 or $1,375.00 totaling $880,189,455.32.

337. Assuming that each participant invested only $289.00 and did no more than post one advertisement per day, TelexFree owed participants a total of $799,446,420.00.

338. Alternatively, if each participant invested only $1,375.00 and did no more than post five advertisements per day, TelexFree owed $3,997,232, 100.00 to its participants.

339. According to data provided by TelexFree, $1,375.00 investments accounted for 88% of transactions through Massachusetts-based participants.

340. Even assuming that only 50% of all participant investments were for $1,375.00, TelexFree would still owe $2,398,897,200.00 - a number that far exceeds TelexFree's repo1ied total revenues over the same period.

341. This figure of almost $2.4 billion does not even include bonuses, recruitment commissions, and revenue sharing.

342. The inclusion of these additional payments' would create an even greater disparity between the VoIP Program revenue and guaranteed money paid out of the Passive Income Scheme to participants.

343. In addition to the Passive Income Scheme, TelexFree, through a Brazilian affiliate, offered an investment in a Best Western Hotel.

344. As described by TelexFree's president, the Best Western Hotel opportunity was an important marketing tool to bolster TelexFree credibility worldwide.

345. TelexFree management facilitated the offer of the Best Western Hotel opportunity through the inclusion of the Best Western Hotel opportunity on the front page of the TelexFree website accessible in the Commonwealth.

346. Through a prominently placed website banner and video, TelexFree presented an investment opportunity with a guaranteed yearly return of over 8%.

347. The Best Western Hotel opportunity video remained on the United States-based TelexFree website for months despite the fact that the president of TelexFree was aware of the video and requested TelexFree's website staff to remove the video.

348. In fact, the difference between U.S. TelexFree operations and Brazilian operations is a distinction without a difference.

349. As described by TelexFree management, the ownership interests in TelexFree, Inc. (Massachusetts-based), TelexFree LLC (Nevada-based) and Ympactus (Brazilian-based), overlap.

350. Both Defendants Merrill and Wanzeler, self-proclaimed founders of TelexFree, hold 50% ownership interest in the United States entities and 20% and 40% interests, respectively, in the Brazilian entity.

351. Defendant Costa, head of Brazilian operations and longtime friend of Wanzeler, was an owner of TelexFree, LLC.

352. In late 2013, Costa withdrew his ownership for what Merrill characterized as "legal reasons."

353. Furthermore, TelexFree entities use the same website and back office support, merely providing identical information in multiple languages.

354. Perhaps most telling, both Merrill and Wanzeler testified to transferring at least $3,000,000.00 to Costa long after Brazilian authorities shut down Ympactus operations.

355. Over two years of operations, TelexFree has employed multiple financial accounts, including domestic and international bank accounts and various online payment processors, to facilitate the fraudulent offer or sale of securities in the Commonwealth of Massachusetts.

356. Almost all financial institutions have terminated their relationship with TelexFree after only a few months of business.

357. Recently, frantic emails between TelexFree management and financial institutions paint an entirely bleak picture of continuing TelexFree financial operations.

358. TelexFree operations have become a risk that financial institutions are no longer willing to bear.

359. As described by one financial institution, "[n]o US Bank or Processor . . . will accept your [TelexFree] business given that you are on month five of the Visa Chargeback monitoring program. You are one of only three merchants in the USA on month five so you are a real hot-potato as they say."

360. Recently, on March 9, 2014, TelexFree management made several changes to its once wildly popular Passive Income Scheme.

361. A central component of the new changes affect the ease of participant withdrawals.

362. TelexFree participants are no longer able to withdraw money, even money already "earned," without making a specified number of retail sales and recruiting a number of new investors.

363. Certain TelexFree participants have frantically contacted the Division suspecting that these changes are the harbinger of TelexFree's collapse.

364. Not only is it now more difficult to withdraw money from TelexFree, TelexFree has also switched its compensation plan from one that pays participants in dollars to one that operates on TelexFree "credits."

365. These credits appear to be nothing more than IOUs. To this end, on April 14, 2014, TelexFree filed for Chapter 11 bankruptcy protection in Nevada.

DISK A VONTADE

366. Disk a Vontade is operated out of a Massachusetts post office box. TelexFree and Disk a Vontade share key management and prior to their activities as described herein, they shared Brazil as a target market.

367. Disk a Vontade's domain ("discavontade.com") is registered to Defendant Carlos Wanzeler.

368. Defendant James Merrill has attended Disk a Vontade events including those held in Brazil.

TELEXFREE ELECTRIC

369. Defendants Merrill and Wanzeler are the general pminers of TelexElectric.

370. TelexFree Electric received a fraudulent $2,022,329.00 "loan" from TelexFree following the closure of TelexFree Brazil by the Brazilian Courts.

TELEXFREE MOBILE

371. TelexFree Mobile received a fraudulent $500,870 "loan" from TelexFree. **- DOE INSIDER PROMOTERS**

372. Although they remain unknown to the Putative Class Representatives and will remain unknown until discovery has been exchanged, certain promoters were provided with inside information by Defendants and in fact acted as agents servants of the Defendants.

373. The Putative Class Representatives seek to obtain damages, restitution and injunctive relief for the Class, as defined, below, from Defendants.

CLASS ACTION ALLEGATIONS

374. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, Plaintiffs bring this action on their own behalf, and on behalf of all other persons similarly situated ("the Class"). The Class that Plaintiffs seek to represent is:

> All persons who tendered funds to TelexFree between 1/1/2012 and April 15, 2014 and who did not recoup the amount of money they originally invested. Excluded from the Class are the Defendants and their officers, directors, and employees of Defendant; any entity in which Defendant have a controlling interest; the co conspirators, so called insider promoters, legal representatives, attorneys, heirs, and assigns of the Defendants.

375. Plaintiffs meet the requirements of Federal Rules of Civil Procedures 23(a) because the members of the Class are so numerous that the joinder of all members is impractical. While the exact number of Class members is unknown to Plaintiffs at this time, based on information and belief, it is in the hundreds of thousands.

376. Plaintiffs meet the requirements of Federal Rules of Civil Procedures 23(a) because there is a well-defined community of interest among the members of the Class, common questions of law and fact predominate, Plaintiffs' claims are typical of the members of the Class, and Plaintiffs can fairly and adequately represent the interests of the Class.

377. This action satisfies the requirements of Federal Rule of Civil Procedure 23(b)(3) because it involves questions of law and fact common to the member of the Class that predominate or any questions affecting only individual members, including, but not limited to:

a. Whether the contract under which TelexFree claims to invoke the application of Nevada law is illegal and unenforceable as a matter of law.

b. Whether the contract under which TelexFree claims to invoke the application of Nevada law is otherwise void and unenforceable as a matter of law.

c. Whether TelexFree ran a Pyramid Ponzi Scheme;

d. Whether TelexFree ran a lawful Multi-Level Marketing program;

e. Whether TelexFree offered and sold securities in the form of unregistered investment contracts constituting securities.

f. Whether the other Defendants aided and abetted TelexFree in the sale of unregistered securities in violation of the law;

g. Whether Defendant Officers, Doe Inside Promoters, Doe Paralegal, Banks, Payment Processing Services Companies, Retained Licensed Professionals knew that TelexFree was an illegal pyramid-type Ponzi scheme which involved the illegal sale of securities, continued to aid, abet and further such illegal activities or are otherwise liable for the economic loss suffered by the Putative Class.

h. Whether TelexFree's financial services providers, including the aforesaid banking institutions and payment processing services providers, knowingly aided and abetted TelexFree's Pyramid Ponzi Scheme. Whether Massachusetts Blue Sky Laws will apply to the claims of the Putative Class;

i. Whether TelexFree and the other Defendants used and employed manipulative and deceptive devices and contrivances in violation of MGL 11OA, Sec. 41O; used means and instrumentalities, directly and indirectly, in connection with the purchase and sale of unregistered securities; and used and employed manipulative and deceptive devices and contrivances in violation of, *inter alia,* the Massachusetts Uniform Securities Act, MGL c. 110A, Section 410b, MGL l lOA, Sec. 410(b) and MGL 93A.

j. Whether TelexFree and the other Defendants also violated Title 17, Code of Federal Regulations, Section 240.l Ob-5 by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons.

k. Whether Defendant's violated Section 1965 of the Racketeer Influenced and Corrupt Organizations Act [18 U.S.C. § 1965]; m. Whether TelexFree mailed fraudulent and inaccurate 1099 (Miscellaneous Income) forms to investors; n. Whether the 1099 (Miscellaneous Income) forms should be declared void as a matter of law or otherwise because they were provided long after the mandated January 31, 2014 deadline, and some after the April 15, 2014 filing deadline.

l. Whether Plaintiff and the Class are entitled to damages, civil penalties, punitive damages, and/or injunctive relief. Plaintiffs' claims are typical of those of other Class members because Plaintiffs' information, like that of every other class member, was misused and/or disclosed by Target.

378. Plaintiffs will fairly and accurately represent the interests of the Class.

379. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Target and would lead to repetitive adjudication of common questions of law and fact. Accordingly, class treatment is superior to any other method for adjudicating the controversy. Plaintiffs know of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action under Rule 23(b)(3).

380. Damages for any individual class member are likely insufficient to justify the cost of individual litigation, so that in the absence of class treatment, Target's violations of law inflicting substantial damages in the aggregate would go un-remedied without certification of the Class.

381. Target has acted or refused to act on grounds that apply generally to the class, as alleged above, and certification is proper under Rule 23(b)(2).

FIRST CLAIM FOR RELIEF

VIOLATIONS OF SECTION lO(B) OF THE SECURITIES AND EXCHANGE ACT OF 1934 AND SECURITIES AND EXCHANGE COMMISSION RULE lOB-5 -AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA,AND OTHERS.

382. Plaintiffs incorporate by reference the allegations contained in Paragraphs l -302 as if fully restated herein.

383. During the class period, Defendants, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a scheme and a continuous course of conduct to make materially false and misleading statements about the TelexFree investment dealings, financial condition and operations and to conceal adverse material information about these investments.

384. Defendants employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and courses of conduct, as alleged herein, including the following: (1) making or participating in the making of untrue statements of material facts; (2) omitting to state the material facts necessary to make the statements about the investments not misleading; and (3) engaging in transactions, practices, and a course of business which operated as a fraud and deceit upon investors during the Class Period.

385. Each of the said Defendants offered and sold securities by means of fraudulent misrepresentations and intentional omissions of material facts concerning the securities.

386. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such misrepresentations and/or omissions were done knowingly or recklessly for the purpose and effect of concealing the true infom1ation about the investments, including their financial condition and operations.

387. Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments. Because of their control and/or association with the investment, Defendants were active and culpable participants in the fraudulent scheme.

388. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

389. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time, without the knowledge and complicity of Defendants.

390. As a result of the dissemination of materially false and misleading information and the failure to disclose material facts, as set forth above, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

391. In ignorance of the materially false and misleading nature of the reports and statements described above, Plaintiffs and the other Class members relied, to their detriment, on Defendants for complete and accurate information about these investments.

392. By virtue of the foregoing, Defendants have violated Section l O(b) of the Exchange Act, and Rule 10 b-5 promulgated thereunder, and Plaintiffs and the Class have been damaged thereby, in an amount to be proven at trial.

SECOND CLAIM FOR RELIEF

VIOLATIONS OF SECTION 20(A) OF THE SECURITIES AND EXCHANGE ACT 1934 AND SECTION 15 OF THE SECURITIES ACT OF 1933 AGAINST DEFENDANTS MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, WAAK, NEHRA, LAW OFFICES OF NEHRA AND WAAK, AND GERALD P.NEHRA, ATTORNEY AT LAW, PLLC

393. Plaintiffs incorporate by reference the allegations contained in Paragraphs l - 313 as if as fully restated herein.

394. At the time of the wrongs alleged herein, Defendants Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC, were each a controlling person of TelexFree within the meaning of Section 20(a) of the Exchange Act.

395. By reason of their respective positions of authority, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC had the power and authority to influence and control, and did influence and control, the decision-making and activities of TelexFree and the affiliated TelexFree Entities and caused them to engage in the wrongful conduct described herein. Defendants, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC, exercised control to cause the dissemination of false and misleading statements and omissions of material facts.

396. Defendants Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC also materially aided in the sale of TelexFree AdCentral packages, which constitute securities, by actively promoting such.

397. By virtue of their positions as controlling persons, and as a result of the aforementioned conduct, Defendants are liable under Section 20(a) of the Exchange Act.

THIRD CLAIM FOR RELIEF

VIOLATIONS OF SECTIONS 5 AND 12(A)(L) OF THE SECURITIES ACT OF 1933 AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, AND OTHERS.

398. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1- 318 as if fully restated.

399. The Securities Act prohibits sale or delivery after sale of an unregistered security.

400. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others failed to file a true Registration Statement for TelexFree under the 13 1933 Act.

401. A Registration Statement must include the following: (1) the entity's properties 15 and business, (2) a full description of the offered security, (3) information about the management of the entity, and (4) a financial statement certified by an independent auditor. None of these were provided.

402. By omitting this information, Defendants filed a false Form D.

403. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider 3 Promoter Does and others also did not apply for or receive an exemption under Regulation D.

404. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider 5 Promoter Does and others failed to provide to Plaintiffs access to the information that they were required to provide, including audited financial statements.

405. Plaintiffs purchased these securities without knowledge of the failure of Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others to file the required Registration Statement or receive an exemption therefrom.

406. Plaintiffs would not have purchased the securities if Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others provided the information required in a Registration Statement.

407. By virtue of the foregoing, Plaintiffs have been damaged and are entitled to 27 damages, including rescission, and other relief for violations by Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others of Sections 5 and 12(a)(l) of the Securities Act of 1933 alleged herein.

FOURTH CLAIM FOR RELIEF

VIOLATIONS OF SECTION 11 OF THE SECURITIES ACT OF 1933 AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, WAAK, NEHRA, LAW OFFICES OF NEHRA AND WAAK, AND GERALD P. NEHRA, ATTORNEY AT LAW, PLLC

408. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1-328 as if fully restated herein.

409. During the class period, Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC, fraudulently failed to convey facts material to the TelexFree AdCentral investment packages by failing to produce and file a Registration Statement.

410. In particular, the said Defendants intentionally avoided the requirement to produce a Registration Statement, and intentionally avoided disclosing that the AdCentral packages were, in fact, investments, and that financial returns on the AdCentral investments were derived from the proceeds received from the purchase of such investments, and not from the sale of the VoIP product.

411. Said Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein.

412. Such misrepresentations and/or omissions were done knowingly for the purpose and effect of concealing the true information about the investments, including their financial condition and operation.

413. Said Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments.

414. Because of their control and/or association with the investment, Defendants were active and culpable participants in the fraudulent scheme.

415. Said Defendants knew and recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

416. The ongoing fraudulent scheme described herein could not have been perpetrated 1O over a substantial period of time without the knowledge and complicity of the Defendants.

417. As a result of failure to disclose material facts, as set forth above, including their failure to file the requisite registration material, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

418. By virtue of the foregoing, said Defendants have violated Section 11 of the Securities Act, and Plaintiffs and the Class have been damaged thereby, in an amount to be proven at trial.

FIFTH CLAIM FOR RELIEF

VIOLATIONS OF SECTION 12(A)(2) OF THE SECURITIES ACT OF 1933 AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, AND OTHERS

419. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 339 as if fully restated herein.

420. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others participated in the sale of securities to Plaintiffs that were unregistered and not exempt from registration.

421. At the time of their investments, Plaintiffs had no knowledge that the investments offered by Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others were subject to registration requirements.

422. In fact, Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others knew or reasonably should have known that the TelexFree Agreement Contract and investment scheme was subject to the registration requirement of the Securities Act.

423. Both the Telex Contract and related materials distributed to Plaintiffs and the oral communications with Plaintiffs contained material omissions and misstatements.

424. Plaintiffs had no knowledge of the falsity of these statements or of the material omissions in the written materials including, but not limited to, Monthly Accounting Statements prepared by the accounting Defendants and other misrepresentations made by Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others as described above. Plaintiffs reasonably believed such statements were true.

425. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others knew, or in the exercise of reasonable diligence, should have known, of the untruths and omissions.

426. Plaintiffs would not have purchased the securities if they had this knowledge.

427. As a result of these investments, Plaintiffs have been damaged.

428. Plaintiffs are entitled to rescind their purchases and recover the value of their interest in TelexFree. Plaintiffs seek rescission of their purchase of membership interests in TelexFree.

SIXTH CLAIM FOR RELIEF

VIOLATIONS OF MASSACHUSETTS GENERAL LAWS, CHAPTER llOA, SECTION 410(A) AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, RODRIGUES, DE LA ROSA, CROSBY, AND SLOAN

429. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 349 as if fully restated herein.

430. During the Class Period, Defendants Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Costa, the Insider Promoter Does and others offered and sold securities to the 28 Plaintiffs by means of a scheme and a continuous course of conduct to make materially false and misleading statements about the TelexFree investment dealings, financial condition and operations and to conceal adverse material information about these investments.

431. Said Defendants employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and courses of conduct, as alleged herein, including the following: (1) making or participating in the making of untrue statements of material facts; (2) omitting to state the material facts necessary to make the statements about the investments not misleading; and (3) engaging in transactions, practices, and a course of business which operated as a fraud and deceit upon investors during the Class Period.

432. Each of the said Defendants offered and sold securities by means of fraudulent misrepresentations and intentional omissions of material facts concerning the securities.

433. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such misrepresentations and/or omissions were done knowingly or recklessly for the purpose and effect of concealing the true information about the investments, including their financial condition and operations.

434. Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments. Because of their control and/or association with the investment, Defendants were active and culpable participants in the fraudulent scheme.

435. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

436. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time without the knowledge and complicity of the said Defendants.

437. As a result of the dissemination of materially false and misleading information and the failure to disclose material facts, as set forth above, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period. others, directly and through their agents, servants, employees and/or representatives, did

438. In ignorance of the materially false and misleading nature of the reports and statements described above, Plaintiffs and the other Class members relied, to their detriment, on Defendants for complete and accurate information about these investments.

439. By virtue of the foregoing, Defendants have violated Section 410(a) of the Massachusetts Uniform Securities Act, M.G.L. c. 11OA, and Plaintiffs have been damaged thereby, in an amount to be proven at trial.

SEVENTH CLAIM FOR RELIEF

VIOLATIONS OF MASSACHUSETTS GENERAL LAWS, CHAPTER HOA, SECTION 410(B) AGAINST DEFENDANTS MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, LAW OFFICES OF NEHRA AND WAAK, AND GERALD P. NEHRA, ATTORNEY AT LAW, PLLC, AND OTHERS.

440. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 360 as if as fully restated herein.

441. At the time of the wrongs alleged herein, Defendants Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and others were each a controlling person, partner, officer, director, person occupying a similar status, or employee materially aiding in the sale of securities, of TelexFree within the meaning of Section 41O(b) of the Massachusetts Uniform Securities Act, M.G.L. c. l lOA.

442. By reason of their respective positions of authority, Merrill, Wanzeler, Labriola, 22 Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and others had the power and authority to influence and control, and did influence and control, the decision-making and activities of TelexFree and the affiliated TelexFree entities and caused them to engage in the wrongful conduct described herein. Defendants Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC exercised control to cause the dissemination of false and misleading statements and omissions of material facts.

443. By virtue of their positions as controlling person and top-level promoters, and as a result of the aforementioned conduct, Defendants are liable under Section 20(a) of the Exchange Act.

444. Plaintiffs seek the award of actual damages on behalf of the Class.

EIGHTH CLAIM FOR RELIEF

NEGLIGENCE AGAINST ALL DEFENDANTS

445. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 365 as if fully restated herein.

446. At all times material herein, Defendants owned a duty to Plaintiffs to act with a level of care to avoid misstating TelexFree's financial information or its returns; and to comply with all applicable laws concerning TelexFree, including, without limitation, federal and state securities laws.

447. By virtue of misstating and omitting relevant financial information, including the returns to Promoter/Investors, TelexFree breached its duty of care owed to Plaintiffs, the Putative Class Plaintiffs and similarly situated Plaintiffs.

448. As a direct and proximate result of Defendants' negligence and carelessness, Plaintiffs, the Putative Class Plaintiffs and similarly situated Plaintiffs have been caused to suffer and sustain damages and losses.

NINTH CLAIM FOR RELIEF

NEGLIGENT MISREPRESENTATION AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, COSTA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, LAW OFFICES OF NEHRA AND WAAK, AND GERALD P., ATTORNEY AT LAW, PLLC, RODRIGUES, DE LA ROSA, CROSBY, AND SLOAN

449. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 442 as if fully restated herein.

450. Defendants, TelexFree, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and others, directly and through their agents, servants, employees and/or representatives, did negligently make false representations of material fact to the said Plaintiffs, with said misrepresentations being made for the purpose of obtaining and/or wrongfully appropriating and converting money from Plaintiffs.

451. Said Defendants made negligent representations although Defendants knew, or should have known, that such representations were false.

452. Said representations and statements were material and were relied upon by the said Plaintiffs, inducing them to furnish money to Defendants.

453. In consequence of said reliance on the negligent misrepresentations, the said Plaintiffs have suffered great financial losses, and have also incurred considerable expenses and loss of income, and have otherwise been greatly damaged.

TENTH CLAIM FOR RELIEF

INTENTIONAL MISREPRESENTATION AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, COSTA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, LAW OFFICES OF NEHRA AND WAAK, GERALD P.NEHRA, ATTORNEY AT LAW, PLLC AND OTHERS.

454. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 447 as if fully restated herein.

455. Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, Rodrigues, and others directly and through their agents, servants, employees and/or representatives, did intentionally make false representations of material fact to the said Plaintiffs with said misrepresentations being made for the purpose of obtaining and/or wrongfully appropriating and converting money from Plaintiffs.]

456. Defendants made said intentional misrepresentations although Defendants knew that such representations were false.

457. Said representations and statements were material and were relied upon by the said Plaintiffs, inducing them to furnish money to Defendants.

458. In consequence of said reliance on the intentional misrepresentations, the said Plaintiffs have suffered great financial losses, and have also incurred considerable expenses and loss of income, and have otherwise been greatly damaged.

ELEVENTH CLAIM FOR RELIEF

PROFESSIONAL MALPRACTICE AGAINST DEFENDANTS CRAFT, CRAFT FINANCIAL, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC AND RICHARD W. WAAK, ATTORNEY AT LAW, PLLC

459. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 379 as if fully restated herein.

460. At all times material herein, Defendant Craft, Craft Financial, Nehra, Waak, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC and Richard W. Waak, Attorney at Law, PLLC, were the providers of professional accounting and legal services.

461. The said Defendants had a duty to perform these services in conformance with the skill and knowledge normally possessed by members of the accounting and legal professions, using good, known, and accepted customs and practices of the these professions.

462. The said Defendants breached their duty to Plaintiffs by negligently certifying and representing to Plaintiffs and the public that the business model and operations of TelexFree were legal, proper, and economically viable and sustainable, when in fact TelexFree's business model and operations constituted an illegal and unsustainable Ponzi scheme.

463. The said Defendants further failed to exercise proper due diligence in the discharge of their investigatory duties as certified public accountants and attorneys of TelexFree.

464. Furthermore, Defendants Craft and Craft Financial negligently failed to ensure that TelexFree maintained proper accounting records.

465. As a result of the professional negligence of said Defendants, Plaintiffs and the public were misled to belief that TelexFree were legal, proper, and economically viable and sustainable.

466. As a direct and proximate consequence of the aforementioned negligence of the said Defendants, Plaintiffs sustained injuries and losses.

TWELFTH CLAIM FOR RELIEF

BREACH OF FIDUCIARY DUTY AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, COSTA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC AND RICHARD W. WAAK, ATTORNEY AT LAW, PLLC

467. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 – 387 as if fully restated herein.

468. Defendants TelexFree, Merrill, Wanzeler, Labriola, Costa, Craft, Craft Financial, Costa, Nehra, Waak, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC and Richard W. Waak, Attorney at Law, PLLC and others owe to Plaintiffs, a duty of utmost good faith and fair dealing.

469. The said Defendants violated their duty by actively misrepresenting and fraudulently failing to convey facts material to the TelexFree AdCentral investment packages, including:

(a) Providing false and misleading information as to the nature of TelexFree business operation;

(b) Misrepresenting the financial statements;

(c) Providing false and misleading information as to the value of the AdCentral Package;

(d) Providing false and misleading information as to the method and source from which income was derived;

(e) Providing false and misleading information as to the legality of TelexFree's business model;

(f) Providing false and misleading information as to the sustainability of the returns to Promoter/Investors;

(g) Providing false and misleading information regarding the investigation in Brazil and subsequent closure of TelexFree's Brazilian operations,

(h) Knowingly participating in false and deceptive information televised over the internet and other media;

(i) Concealing the fact that the AdCentral Packages were actually securities

(j) Failing to comply with federal and state securities laws; and

(k) Employing legal and accountant counsel to mask their illegal and fraudulent activities in an effort to further and perpetuate such illegal fraudulent activities.

470. Said Defendants had actual knowledge of the fraudulent and deceptive misrepresentations and omissions of material facts set forth herein.

471. Such misrepresentations and/or omissions were done knowingly for the purpose and effect of concealing the true information about the investments, including their financial condition and operations.

472. Said Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments.

473. Because of their control and/or association with the investment, Defendants were active and culpable participants in the fraudulent scheme.

474. Said Defendants knew and recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

475. Said Defendants, through the aforesaid fraudulent and deceptive misrepresentations and omissions of material facts, breached their fiduciary duties of care and loyalty to Plaintiffs.

476. As a result of the foregoing breach of fiduciary duty by Defendants, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

THIRTEENTH CLAIM FOR RELIEF

BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, COSTA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC AND RICHARD W. WAAK, ATTORNEY AT LAW, PLLC AND OTHERS

477. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 – 397 as if fully restated herein.

478. Defendants owed to Plaintiffs a duty of utmost good faith and fair dealing, and thereby were obligated to consider the welfare of Plaintiffs and refrain from acting for purely selfish motives or private gain.

479. Defendants violated their duty by actively misrepresenting and fraudulently failing to convey facts material to the TelexFree AdCentral investment packages, including:

(a) Providing false and misleading inf01mation as to the nature of TelexFree business operation;

(b) Misrepresenting the financial statements; providing false and misleading information as to the value of the AdCentral Package.

(c) Providing false and misleading information as to the legality of TelexFree's business model;

(d) Providing false and misleading information as to the sustainability of the returns to Promoter/Investors;

(e) Providing false and misleading information regarding the investigation in Brazil and subsequent closure of TelexFree's Brazilian operations,

(f) Knowingly participating in false and deceptive information televised over the internet and other media;

(g) Concealing the fact that the AdCentral Packages were actually securities;

(h) Failing to comply with federal and state securities laws; and

(i) Employing legal and accountant counsel to mask their illegal and fraudulent activities in an effort to further and perpetuate such illegal fraudulent activities.

480. Said Defendants had actual knowledge of the fraudulent and deceptive misrepresentations and omissions of material facts set forth herein.

481. Such misrepresentations and/or omissions were done knowingly for the purpose and effect of concealing the true information about the investments, including their financial condition and operations.

482. Said Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments.

483. Because of their control and/or association with the investment, Defendants were 14 active and culpable participants in the fraudulent scheme.

484. Said Defendants knew and recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

485. Said Defendants, through the aforesaid fraudulent and deceptive misrepresentations and omissions of material facts, breached their covenant of good faith and fair dealing owed to the Plaintiffs.

486. As a result of the foregoing breach of the covenant of good faith and fair dealing by Defendants, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

FOURTEENTH CLAIM FOR RELIEF

UNJUST ENRICHMENT AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, AND OTHERS.

487. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 – 407 as if fully restated herein.

488. Plaintiffs furnished funds, directly or indirectly, to Defendants TelexFree, Men-ill, Wanzeler, Labriola, Craft, Costa, and others, which funds were accepted by Defendants without protest or defect.

489. Said Defendants have unlawfully and in bad faith denied Plaintiffs access to such funds, and have instead retained the benefit of such funds for themselves.

490. As a direct and proximate result of the foregoing actions of Defendants, as herein above set forth, the said Defendants are, and continue to be, unjustly enriched.

FIFTEENTH CLAIM FOR RELIEF

FRAUD AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, COSTA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC AND RICHARD W. WAAK, ATTORNEY AT LAW, PLLC, RODRIGUES, DELA ROSA, CROSBY, AND SLOAN

491. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 411 as if fully restated herein.

492. Defendants TelexFree, Merrill, Wanzeler, Labriola, Costa, Craft, Craft Financial, Costa, Nehra, Waak, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC and Richard W. Waak, Attorney at Law, PLLC, and others fraudulently misrepresented and intentionally failed to convey to Plaintiffs facts material to the TelexFree AdCentral investment packages.

493. Said Defendants' fraudulent misrepresentations and omissions include, *inter alia:*

(a) Providing false and misleading information as to the nature of TelexFree business operation;

(b) Misrepresenting the financial statements

(c) Providing false and misleading information as to the legality of TelexFree's business model;

(d) Providing false and misleading information as to the sustainability of the returns to Promoter/Investors;

(e) Providing false and misleading information regarding the investigation in Brazil and subsequent closure of TelexFree's Brazilian operations,

(f) Knowingly participating in false and deceptive information televised over the internet and other media;

(g) Concealing the fact that the AdCentral Packages were actually securities;

(h) Failing to comply with federal and state securities laws; and

(i) Employing legal and accountant counsel to mask their illegal and fraudulent activities in an effort to further and perpetuate such illegal fraudulent activities.

(j) Providing false information about how income is derived.

494. Defendants had actual knowledge of the fraudulent and deceptive misrepresentations and omissions of material facts set herein.

495. Such misrepresentations and/or omissions were done knowingly for the purpose and effect of concealing the true information about the investments, including their financial condition and operations.

496. Defendants received information reflecting the true facts regarding the investment and TelexFree's business practices, exercised control over and/or receipt of the materially misleading misstatements and/or their association with the investment and made them privy to confidential proprietary information concerning these investments.

497. Because of their control and/or association with the investment, Defendants were active and culpable participants in the fraudulent scheme.

498. Defendants knew and recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to Investors.

499. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time, without the knowledge and complicity of Defendants.

500. As a result of the foregoing fraud perpetrated by Defendants, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

SIXTEENTH CLAIM FOR RELIEF

AIDING AND ABETTING FRAUD AGAINST DEFENDANTS MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC, TD BANK, CITIZENS FINANCIAL, CITIZENS BANK, FIDELITY BANK, MIDDLESEX SAVINGS, GPG, IPS, PROPAY AND THE DOE DEFENDANTS

501. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 421 as if fully restated herein.

502. Defendants Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, WAAK, Nehra, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, IPS, ProPay and the Doe defendants actively and substantially assisted in the commission of the TelexFree fraud.

503. Defendants rendered such substantial assistance despite their knowledge that TelexFree's operations constituted an illegal and unsustainable pyramid Ponzi scheme and financial fraud.

504. Such substantial assistance rendered by said Defendants despite their knowledge of the fraudulent nature of TelexFree's operations, include, *inter alia:*

(a) Managing and controlling TelexFree and its affiliated entities;

(b) Providing accounting services to TelexFree;

(c) Providing legal services to TelexFree;

(d) Publicly certifying that TelexFree's business model and operations were legal, proper, and economically viable and sustainable;

(e) Providing banking services for TelexFree and its management;

(f) Promoting TelexFree AdCentral packages;

(g) Processing payments to, from, and on behalf of TelexFree and its affiliated entities; and

(h) Process payments for transfers of funds which deepened TelexFree's insolvency.

505. As a direct and proximate result of TelexFree's fraud, to which the said Defendants provided substantial assistance, Plaintiffs sustained damages and losses.

SEVENTEENTH CLAIM FOR RELIEF

COMMON LAW FRAUDULENT TRANSFER AGAINST DEFENDANTS TELEXFREE, TELEXELECTRIC, TELEX MOBILE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, TD BANK, CITIZENS FINANCIAL, CITIZENS BANK, FIDELITY BANK, MIDDLESEX SAVINGS, GPG, IPS, PROPAY AND THE DOE DEFENDANTS.

506. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 -426 as if fully restated herein.

507. Plaintiffs, at all times material herein, were and are creditors of Defendant TelexFree.

508. Defendants Merrill, Wanzeler, Labriola, Craft, Costa, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, IPS, ProPay, and the Doe Defendants have knowingly made or accepted transfers of funds owed to Plaintiffs.

509. Such transfers were made or accepted with intent to hinder, delay, and/or defraud Plaintiffs.

510. More particularly, such transfers were made in an attempt to dissipate, convert and conceal funds that are lawfully due to Plaintiffs.

511. As a result of such fraudulent transfers, Plaintiffs have suffered, or will imminently suffer, damages and losses.

EIGHTEENTH CLAIM FOR RELIEF

DEEPENING INSOLVENCY AGAINST DEFENDANTS TELEXFREE, TELEXELECTRIC, TELEX MOBILE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA, TD BANK, CITIZENS FINANCIAL, CITIZENS BANK, FIDELITY BANK, MIDDLESEX SAVINGS, GPG, IPS, PROPAY AND THE DOE DEFENDANTS

512. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 432 as if fully restated herein.

513. Plaintiffs, at all times material herein, were and are creditors of Defendant, TelexFree.

514. Defendants, Merrill, Wanzeler, Labriola, Craft, Costa, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, IPS, ProPay and the Doe Defendants have knowingly made or accepted transfers of funds owed to Plaintiffs, which transfers deepened TelexFree's insolvency.

515. Such transfers were made in an attempt to dissipate, convert and conceal funds that are lawfully due to Plaintiffs.

516. Such transfers have greatly decreased the probable extent of recovery by Plaintiff creditors.

517. As a result of such fraudulent transfers, Plaintiffs have suffered, or will imminently suffer, damages and losses.

NINETEENTH CLAIM FOR RELIEF

CIVIL CONSPIRACY AGAINST DEFENDANTS TELEXFREE, TELEXELECTRIC, TELEX MOBILE, MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, WAAK, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC AND RICHARD W. WAAK, ATTORNEY AT LAW, PLLC.

518. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 438 as if fully restated herein.

519. Defendants have combined to enter into a civil conspiracy, for an unlawful purpose and using unlawful means, with the intent of so combining to unlawfully defraud Plaintiffs out of funds.

520. In consequence of the foregoing, Plaintiffs sustained damages and losses.

TWENTIETH CLAIM FOR RELIEF

CONVERSION AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, COSTA AND OTHERS.

521. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 441 as if fully restated herein.

522. Defendants have unlawfully converted Plaintiffs' funds, by obtaining the same through knowing misrepresentations made to Plaintiffs and the public.

523. Defendants continue to retain funds unlawfully converted from Plaintiffs.

524. In consequence of the foregoing, Plaintiffs sustained damages and losses.

TWENTY-FIRST CLAIM FOR RELIEF

VIOLATIONS OF MASSACHUSETTS GENERAL LAWS, CHAPTER 93A, SECTION 2 AGAINST DEFENDANTS TELEXFREE, TELEXELECTRIC, TELEX MOBILE, MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC, RICHARD W. WAAK, ATTORNEY AT LAW, PLLC, TD BANK, CITIZENS FINANCIAL, CITIZENS BANK, FIDELITY BANK, MIDDLESEX SAVINGS, GPG, IPS, PRO PAY.

525. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 -445 as if fully restated herein.

526. At all times material herein, Defendants, TelexFree, TelexElectric, Telex Mobile, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Nehra, Waak, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, Richard W. Waak, Attorney at Law, PLLC, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, IPS, ProPay, and the Does were engaged in Trade and Commerce as defined by Massachusetts General Laws Chapter 93A, Section 1.

527. At all times material herein, Plaintiffs were engaged in Trade and Commerce as defined by Massachusetts General Laws Chapter 93A, Section 1.

528. The foregoing transactions, actions and inactions of the said Defendants constitute unfair and deceptive acts and practices as defined by, and in violation of, Massachusetts General Laws, Chapter 93A § 11.

529. In consequence of the said Defendants' unfair and deceptive acts and practices, Plaintiffs have suffered great financial losses, and have also incurred considerable expenses and loss of income, and have otherwise been greatly damaged.

TWENTY-SECOND CLAIM FOR RELIEF

VIOLATIONS OF THE RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT, UNITED STATES CODE, TITLE 18, SECTION 1962 AGAINST DEFENDANTS TELEXFREE, TELEXELECTRIC, TELEX MOBILE, MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, NEHRA, WAAK, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC, RICHARD W. WAAK, ATTORNEY AT LAW, PLLC, TD BANK, CITIZENS FINANCIAL, CITIZENS BANK, FIDELITY BANK, MIDDLESEX SAVINGS, GPG, IPS, PROPAY AND THE DOE DEFENDANTS.

530. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 450 as if fully restated herein.

531. At all times material herein, Defendants TelexFree, TelexElectric, Telex Mobile, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Nehra, Waak, Law Offices of Nehra and Waak, Gerald P. Nehra, Attorney at Law, PLLC, and Richard W. Waak, Attorney at Law, PLLC, TD Bank, Citizens Financial, Citizens Bank, Fidelity Bank, Middlesex Savings, GPG, JPS, ProPay and the Doe defendants were associated in an enterprise as defined by 18 U.S.C. 1961(4).

532. Such enterprise was engaged in unlawful and illegal activities, including, *inter alia,* securities fraud and financial fraud, as set forth more fully throughout this Complaint, and which made use of the means and instrumentalities of interstate commerce and which crossed jurisdictional lines.

533. Throughout their involvement with such enterprise, the said Defendants engaged in a pattern of securities fraud, financial fraud, and other illegal and wrongful behavior, comprising numerous instances of such illegal and wrongful behavior.

534. Such illegal and wrongful behavior constitutes "racketeering activity" as defined by 18 U.S.C. 1961(1).

535. The said Defendants were aware of the illegal and fraudulent nature of the enterprise.

536. The said Defendants each actively participated in the enterprise and its pattern of racketeering activity.

537. The said Defendants each received income, directly or indirectly, as a result of the enterprise and its pattern of racketeering activity.

538. The said Defendants did further conspire to engage in such pattern of racketeering activity.

539. In consequence of the said Defendants' unlawful enterprise and pattern of racketeering activity Plaintiffs have suffered great financial losses, and have also incurred considerable expenses and loss of income, and have otherwise been greatly damaged.

TWENTY-THIRD CLAIM FOR RELIEF

VIOLATIONS OF THE LANHAM ACT, UNITED STATES CODE, TITLE 15, SECTION 1125 AGAINST DEFENDANTS TELEXFREE, MERRILL, WANZELER, LABRIOLA, CRAFT, CRAFT FINANCIAL, COSTA, WAAK, NEHRA, LAW OFFICES OF NEHRA AND WAAK, GERALD P. NEHRA, ATTORNEY AT LAW, PLLC.

540. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 - 460 as if fully restated herein.

541. As set forth more particularly throughout this Complaint, and in direct violation of the Lanham Act, 15 U.S.C. § 1125, the Defendants TelexFree, Merrill, Wanzeler, Labriola, Craft, Craft Financial, Costa, Waak, Nehra, Law Offices of Nehra and Waak, and Gerald P. Nehra, Attorney at Law, PLLC have used false or misleading descriptions of material fact, and false and/or misleading representation of material fact, in promoting and selling TelexFree's AdCentral investment packages and VoIP products.

542. In so doing, Defendants made use of the means and instrumentalities of interstate commerce and crossed jurisdictional lines.

543. Said Defendants have also used false and/or misleading descriptions of material fact, and false or misleading representations of material fact, in characterizing the nature of TelexFree's business operations, returns on investment, and the legality of the investments.

544. Said Defendants' false and/or misleading descriptions of material fact, and false or misleading representations of material fact, did actually deceive, or have the tendency to deceive, both Plaintiffs and the public.

545. As direct and proximate result of the false and misleading advertisements disseminated by Defendants, Investors paid artificially inflated prices for worthless membership interests in the investment during the Class Period.

CONCLUSION

WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for judgment as follows:

1. Declaring this action to be a Class Action properly maintained pursuant to the Federal Rules of Civil Procedure and certifying Plaintiffs as the class representatives;
2. Funding the Court Supervised Settlement Trust to ensure an equitable division of monies;

3. Awarding Plaintiffs and Class members rescission and/or compensatory damages against Defendants for all damages sustained as a result of their wrongdoing, in an amount to be proven at trial, including interest;
4. For an award of actual damages, compensatory damages, statutory damages;
5. Award Punitive Damages;
6. Any other relief the Court deems proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a jury trial of their claims to the extent authorized by law.

Respectfully submitted,

/s/ Orestes Brown

Orestes Brown, Esq.
BBO# 566431
900 Cummings Center
Suite 207T
Beverly, MA 01915
Phone: 978.927.8000
Fax: 978.922.6464
obrown@metaxasbrown.com

DECLARATION OF TRUST
FOR THE
TELEXFREE SETTLEMENT TRUST

1. NAME, PURPOSE, ORGANIZER, BENEFICIARIES OF THE TRUST

1.01 Name. This trust shall be known as the TELEXFREE SETTLEMENT TRUST (also referred to herein as Trust).

1.02 Purpose. The Trust is for the benefit of the persons or entities damaged by the so-called TelexFree Ponzi pyramid scheme and alleged fraudulent offer of securities who are listed on **Attachment 1** (Beneficiaries). It is the purpose of the Trust to act as a court approved Qualified Settlement Fund pursuant to 26 USC §468B of the Internal Revenue Code and the regulations promulgated thereunder. It is intended that the Trust: assists in the identification, organization, and aggregation of the claims arising out of the TelexFree controversy; works with Trust Counsel regarding the prosecution and resolution of such claims; and acts as a Court appointed Trust to accept, hold, manage, and distribute to the Beneficiaries any funds received through settlement or other resolution of the Beneficiaries' claims. It is the Trust's purpose to provide a legally recognized safe harbor for the Beneficiaries to undertake, as allowed by law, any appropriate financial and tax planning regarding their respective entitlements to any distributions from the Trust. The funds to be received are any and all payments directly or indirectly made by the Transferors listed on **Attachment 2** intended to satisfy the claims of the Beneficiaries. The purpose of the TELEXFREE SETTLEMENT TRUST is to satisfy actual or potential claims of any kind arising out of the matters described in this section whether based in tort, breach of

contract, or violation of law, as defined by U.S. Treas. Reg. Section 1.468B-1 concerning Qualified Settlement Funds under Internal Revenue Code Section 468B. Payments made by the Transferors to the TELEXFREE SETTLEMENT TRUST includes payments made directly or indirectly to the TELEXFREE SETTLEMENT TRUST by the Transferors. Indirect payments includes payments made by court order or from any IOLTA account of any counsel for the Beneficiaries that are intended to satisfy the obligations of the Transferors regarding the settlement of the claims of the Beneficiaries, and the claim for fees and expenses of their counsel, that are the subject of the transactions described herein. The Trust shall also be available for the purpose of satisfying any fees due Trust Counsel for their representation of Beneficiaries regarding the Claims and their resolution.

1.03 Organizer. Rafaela Serrano shall be known as the "Organizer" of the Trust. The Organizer shall be responsible for obtaining approval of the Trust by the Essex County Probate Court in the Commonwealth of Massachusetts (hereinafter referred to as the Court).

1.04 Beneficiary. The Beneficiaries of this Trust are the Claimants listed in **Attachment 1**.

2. SITUS OF THE TRUST

The situs of the Trust shall be considered Essex County, Commonwealth of Massachusetts. The situs of the Trust may be moved, in the discretion of the duly appointed Trustee (described in Section 6 below) in order to avoid liabilities because of civil unrest, natural disasters or changes

in economic or legal framework which would or may impair or impede the timely or cost-effective accomplishment of the purposes of the Trust.

3. CORPUS OF THE TRUST

All contributions to the TELEXFREE SETTLEMENT TRUST, together with the earnings thereon, shall be held as a trust fund to accomplish the purpose of the Trust. The Corpus of the Trust shall include:

(a) All payments made to the Trust by the Transferors directly or indirectly ie through an attorney's IOLTA account, or by Court Order;

(b) All rights and similar things of every kind, nature and description transferred to the Trust pursuant to Court Order or otherwise belonging to the Trust;

(c) Any amount deposited in the Trust; and

(d) All income derived from any of the above assets of the Trust.

4. IRREVOCABILITY OF THE TRUST

The Trust shall be irrevocable. The Transferors shall not alter, amend, revoke, or terminate the Trust. The Transferors shall have no power or authority to direct the Trustee or Institutional Trustee to return any of the Corpus of the Trust to the Transferors.

5. TERMINATION OF THE TRUST

5.01 Time of Termination of the Trust. The Trust may be terminated upon the earlier of: (i) the date on which no assets remain in the Trust; or (ii) the date on which the Trust has discharged

all obligations required of the Trust by the Court Order or any future order of the Court. Whenever the Trustee determines that the Trust may be properly terminated pursuant to this provision, the Trustee may submit a petition for termination of the Trust to the Court. After reviewing the petition, the Court may terminate the Trust, or may order that the Trust undertake such further actions, as the Court deems necessary and appropriate.

5.02 Distribution of Trust Upon Termination. Upon termination of the Trust as set forth in Section 5.01, the Trustee and Institutional Trustee shall liquidate any remaining assets of the Trust and distribute any such liquidated assets as directed by, and under the supervision of, the Court.

6. TRUST MANAGEMENT

6.01 Trustee, Institutional Trustee and Financial Planner. The Trustee shall have overall responsibility for the Administration of the Trust other than administration regarding finances and the custody and care of funds. All matters regarding financial administration, financial management, and custody and care of Trust funds shall be by the Institutional Trustee. The Trustee and the Institutional Trustee shall have available to them the assistance and advice of the Financial Planner. The powers and duties of the Trustee, Institutional Trustee and Financial Planner shall be as provided for and defined in **Section 7** below.

6.02 Consent to Act. The Trustee, Institutional Trustee, and the Financial Planner by execution of this Declaration of Trust do hereby agree and consent to act in their respective capacities.

7. EXPRESS POWERS OF TRUSTEE, INSTITUTIONAL TRUSTEE AND FINANCIAL PLANNER

7.01 Administration; Fund Management; and Fund Custody. The Trustee shall be responsible for identifying, organizing, administering, and communicating with the Beneficiaries, coordinating and working with Trust Counsel regarding the prosecution and resolution of the Beneficiaries' claims, and reporting through Trust Counsel to the Court regarding these matters as are necessary to carry out the Trustee's responsibilities. The Institutional Trustee shall be an appropriate duly licensed Trust institution empowered to conduct and have responsibility for financial administration, financial accounting, financial reporting, fund management, and custody and care of funds. The Financial Planner shall be an appropriate licensed person qualified to provide assistance and advice to the Trustee and Institutional Trustee regarding providing financial planning advice and services to the Beneficiaries as are requested by the Beneficiaries or deemed appropriate by the Trustee or Institutional Trustee. The Trustee and Institutional Trustee shall be vested with the powers indicated below as are necessary and appropriate to effectuate the purpose of the Trust.

7.02 Trust Administration. The Trustee shall have responsibility for the overall administration of the Trust including: providing timely and necessary reporting regarding Trust matters to the Beneficiaries and, when necessary and appropriate, to the Court; determining, with the advice and assistance of Trust Counsel, the interest and entitlement of Beneficiaries and the entitlement of others to Trust assets, and the amount of any Trust distributions; providing timely and

appropriate information to the Beneficiaries regarding their interest and entitlement to Trust funds; determining the nature and aiding in the efficient resolution of any claims or disputes regarding the distribution of Trust funds; and engaging in any necessary and appropriate act to ensure compliance with the purpose and terms of the Trust including obtaining and complying with any and all necessary Court orders. At all times, the Trustee shall endeavor to ensure that any distribution to the Beneficiaries shall be fair and equitable and in accordance with a plan in which the Beneficiaries have had full and fair opportunity to consider and provide their assent.

7.03 Fund Management. The Institutional Trustee shall be empowered to conduct and have responsibility for the financial management of the Trust funds including the Trust Corpus and income in accordance with the purpose and terms of the Trust including the reasonable and customary management responsibilities of accounting, regulatory compliance, and reporting of a duly licensed Institutional Trust including the preparation and filing of any appropriate state or federal notice regarding the distribution of any Trust funds.

7.04 Fund Custody. The Institutional Trustee shall be empowered to and have the responsibility for receiving, holding, and dispensing funds in accordance with the purpose and terms of the Trust.

7.05 Preservation of Principal. The Trust Corpus shall be held, managed, invested and reinvested in the appropriate US government guaranteed securities in a manner designed to

preserve the accrued income and principal of the Trust and to ensure that distributions can be made in a timely manner.

7.06 Retention of Administrator. The Trustee is empowered to engage the services of an appropriate administrator to ensure the efficient carrying out of the Trustee's administrative functions if such services are deemed necessary and appropriate by the Trustee.

7.07 Retention of Trust Counsel. The Trustee is empowered to engage the services of a duly licensed attorney(s) to ensure the efficient carrying out of the Trustee's administrative functions and the efficient, appropriate, and necessary prosecution or resolution of the Beneficiaries' claims. The Trustee is empowered to engage Trust Counsel on a contingency fee basis on terms that are consistent with the accepted norms and standards for the engagement of such counsel.

7.08 Resolution of Disputes. The Trustee is empowered to resolve through negotiation or mediation any and all disputes arising out of the administration of the Trust. In the event of a dispute that is amenable to arbitration, the Trustee is empowered to act as an arbitrator or enter into binding arbitration, as the case may be, regarding the resolution of the dispute. In the event of a dispute that is amenable to the appointment of a Special Master, the Trustee upon application and approval by the Court is empowered to appoint a Special Master regarding the resolution of the dispute.

7.09 Execution of Documents of Transfer. The Trustee is empowered to execute, acknowledge and deliver in the name of the Trust any and all documents and instruments that may be necessary or appropriate to carry out the powers herein granted.

7.10 Execution of Contracts and Agreements. The Trustee is empowered to execute, acknowledge and deliver any and all contracts or agreements in the name of the Trust and its Beneficiaries including any release of any parties regarding any claims that are the subject of the matters described in Section 1.02 above.

7.11 Payment of Expenses of the Trust. The Trustee and Institutional Trustee is empowered to incur on behalf of the Trust, and pay from the assets of the Trust, all reasonable and necessary expenses incurred by the Trustee or Institutional Trustee in the ordinary course of their duties and in maintaining and administering the Trust including, without limitation, the fees and costs associated with or incurred to maintain and administer the Trust.

7.12 Extension of Obligations. The Trustee is empowered to renew or extend the time for performance of any obligation owed to the Trust for such periods of time and on such terms as the Trustee deems advisable.

7.13 Litigation or Other Proceedings. The Trustee is empowered, in the name of the Trust or on behalf of the Beneficiaries, to institute, conduct, defend, and settle and compromise any

litigation or other proceeding in any court of law or equity or any administrative or regulatory forum arising out of or concerning the claims that are the subject of this Trust.

7.14 Compliance With Law. The Trustee is empowered to comply with all requirements imposed by applicable law, rule or regulation.

7.15 Discretion in Exercise of Powers. The Trustee is empowered to do any and all other things that the Trustee deems necessary or appropriate to effectuate the purpose of the Trust or to maintain and administer the Trust.

7.16 Grant of Powers Limited. The Trustee shall not be empowered to dispose of the Corpus of the Trust for less than adequate and full consideration in money or money's worth unless expressly authorized by the Court following a duly noticed petition.

7.17 Modification of The Declaration of Trust. The Trustee shall be empowered to petition the Court for modification of the provisions of this Declaration of Trust if the Trustee determines that such modifications are necessary to conform to legal and/or administrative requirements.

8. TRUSTEE/INSTITUTIONAL TRUSTEE/FINANCIAL PLANNER COMPENSATION

8.

The Trustee, Institutional Trustee and Financial Planner shall be entitled to receive as compensation from the monetary assets of the Trust such amounts as are described in **Exhibit 1** attached as it exists or may be amended from time to time during the term of this Declaration of

Trust. Such amendments, if any, may be requested by the Trustee by written application of the Trustee to the Court.

9. SUCCESSOR TRUSTEE/ INSTITUTIONAL TRUSTEE/FINANCIAL PLANNER

9.01 Trustee/Institutional Trustee/Financial Planner Resignation/Removal and Appointment of Successor. The Trustee, Institutional Trustee or the Financial Planner may resign at any time by written notice delivered to the Court. Such resignation shall be effective upon the written acceptance of the resignation of the Trustee, Institutional Trustee or Financial Planner by the Court. The Trustee, Institutional Trustee or Financial Planner may be removed by the Court at any time for good cause. Upon acceptance by the Court of the resignation or the entry of an Order removing the Trustee, Institutional Trustee or Financial Planner, the Court shall appoint a successor. No bond or other security shall be required of the Trustee, Institutional Trustee or Financial Planner or any successor in any jurisdiction. The resigned or removed party shall, by the earliest date possible, deliver to the successor any and all Trust assets in the possession of the resigned or removed party along with any and all pertinent records.

9.02 Appointment of Successor. Upon application by the Trustee to the Court or by the Court on its own initiative a successor Trustee, Institutional Trustee or Financial Planner shall be appointed. In no event, shall the resignation or the removal become effective unless and until a successor has been duly appointed by the Court. The resigned or removed party shall, by the

earliest date possible, deliver to the successor any and all Trust assets in the possession of the resigned or removed party along with any and all pertinent records.

9.03 Powers and Duties of Successor. Each successor shall have all of the rights, powers, duties, authority, and privileges as if initially named as a the party succeeded to hereunder. Each successor shall be exempt from any liability related to the acts or omissions of the preceding party prior to the appointment of the successor.

9.04 Preservation of Record of Changes to Appointments. A copy of each instrument of resignation, removal, appointment and acceptance of appointment shall be attached and made a part of this Declaration of Trust.

10. IMMUNITY AND INDEMNIFICATION OF TRUSTEE

10.01 Generally. The Trustee acts as a trustee only and not personally. All persons shall therefore look solely to the Trust, and not the Trustee personally, for compensation with respect to any contract, obligation or liability made or incurred by the Trustee in good faith. The Trustee shall be liable only for its own acts or omissions resulting from its own gross negligence or willful misconduct. The Trustee may purchase and maintain insurance coverage for the Trustee against any such liability for gross negligence.

10.02 Duty to Defend, Indemnify and Hold Harmless. The Trust shall defend, indemnify and hold the Trustee harmless from and against any and all uninsured claims, liabilities, costs, damages or expenses arising from any contract, obligation or liability made or incurred by the Trustee in good faith. Nothing in this Section 10.02 shall be construed or interpreted to limit in any way the protections and immunities, if any, afforded to the Trustee pursuant to federal and/or state statutory and common law. Notwithstanding the foregoing, this indemnification, obligation of defense and covenant to hold harmless shall not apply to any liability arising from a criminal proceeding where the Trustee had reasonable cause to believe that the conduct in question was unlawful.

11. REPORTING BY TRUSTEE/INSTITUTIONAL TRUSTEE

In carrying out its powers and duties, the Trustee and Institutional Trustee is hereby specifically directed to do the following:

11.01 Financial Reports. The Institutional Trustee shall prepare and keep on behalf of the Trust financial reports describing the history of financial management of the Trust funds in a usual and customary manner and form that will allow the Trustee to provide such reports on a timely basis as may be required in order for the Trust to engage in the ordinary course of its affairs. The reports shall be prepared on an accrual basis, and shall be in accordance with Generally Accepted Accounting Principles.

11.02 Additional Reporting to the Court. The Trustee or Institutional Trustee shall report to the Court, verbally or in writing, with respect to any matter arising from the administration of the

Trust that the Trustee or Institutional Trustee deems advisable to bring to the attention of the Court.

11.03 Business Records. The Trustee and Institutional Trustee shall create and maintain usual and customary records in the ordinary course of their respective activities arising from the Court Order, this Declaration of Trust or future orders of the Court. Copies of the records shall be provided to the Court upon its request, subject to any privileges or other protections. Any privileged or otherwise protected material shall be provided under seal to the Court for *in camera* review.

12. ASSIGNMENT OR ENCUMBRANCE OF TRUST

12.01 No interest in the Trust shall be assigned or transferred in any manner unless approved by the Court. In addition, the assets, interests, or property of the Trust shall not be voluntarily or involuntarily subject to any type of encumbrance, lien, or attachment, to the maximum extent allowable by law. This shall include, but not be limited to, encumbrances, interests, or attachments associated with any claims of any purported creditor, in or outside of bankruptcy or other insolvency statutory schemes, under any federal, state or local laws.

13. TRANSFEROR

13.01 Any person or entity that: 1) directly makes a payment to the Trust or indirectly as a result of court order or by payment to a Claimant's attorney's IOLTA or Trust account; or 2) makes a payment to a qualified settlement fund described in Seciton 1.02 above, intending the satisfaction of any obligation or undertaking regarding the settlement of any claims described in

Section 1.02 above shall be deemed a Transferor within the meaning of that term as used by U.S. Treas. Reg. Section 1.468B-1 concerning Qualified Settlement Funds under Internal Revenue Code Section 468B. Each Transferor shall be listed as such on **Attachment 2**. The Transferor shall have no rights with respect to the Trust. The Transferor shall have no obligations with respect to the Trust except those reporting obligations described in Section 14.05 below.

14. SECTION 468B QUALIFIED SETTLEMENT FUND

14.01 Generally. It is the intent of the parties to this Declaration of Trust that all steps be taken by the Trustee and Institutional Trustee to ensure that the Trust established by the Court will qualify as, and remain, a "Designated" or "Segregated" settlement fund within the meaning of Section 468B of the Internal Revenue Code, 26 U.S.C. Section 468B, and the regulations promulgated pursuant thereto and codified at 26 C.F.R. Section 1.468B-1. Each Transferor shall be classified as a "transferor" within the meaning of Treasury Regulations Section 1.468B-1(d)(1), 26 C.F.R. § 1.468B-1(d)(1) . The Institutional Trustee shall be classified as the "administrator" within the meaning of Treasury Regulation Section 1.468B-2(k)(3), 26 C.F.R. § 1.468B-2(k)(3). Accordingly, the Institutional Trustee shall elect to apply settlement fund rules, if appropriate, by filing a "Section 1.468B-5(b)(2) Election."

14.02 Economic Performance. It is further intended that the transfers to the Trust will satisfy the "all events test" and the "economic performance" requirement of Section 461(h)(1) of the Internal Revenue Code, 26 U.S.C. Section 461(h)(1), and Treasury Regulation Section 1.461-1(a)(2), 26 C.F.R. Section 1.461-1(a)(2). As such, the Transferor shall not be taxed on the

income of the Trust. The Trust shall be taxed on its modified gross income, excluding the sums, or cash equivalents of things, transferred to it. In computing the Trust's modified gross income, deductions shall be allowed for, *inter alia*, administrative costs and other incidental deductible expenses incurred in connection with the operation of the Trust, including, without limitation, state and local taxes and legal, accounting, and actuarial fees relating to the operation of the Trust.

14.03 Employer Identification Number. Upon establishment of the Trust, the Institutional Trustee shall apply for an employer identification number for the Trust pursuant to Internal Revenue Service Form SS-4 and in accordance with Treasury Regulation Section 1.468B-2(k)(4), 26 C.F.R. Section 1.46B-2(k)(4).

14.04 Relation-Back Election. If applicable, the Institutional Trustee shall use its best efforts to ensure that the Transferor shall cooperate in filing a relation-back election under Treasury Regulation Section 1.468B-1(j)(2), 26 C.F.R. Section 1.468B-1(j)(2), to treat the Trust as coming into existence as a settlement fund as of the earliest possible date.

14.05 Reporting Requirements. The Institutional Trustee shall cause to be filed, on behalf of the Trust, all required federal, state, and local tax returns in accordance with the provisions of Treasury Regulations Section 1.468B-2(k)(1), 26 C.F.R. Section 1.468B-2(k)(1). The Institutional Trustee may retain an independent, certified public accountant to consult with and advise the Institutional Trustee with respect to the preparation of the returns. The Institutional

Trustee shall use its best efforts to ensure the Transferor (or some other person on behalf the Transferor) shall supply to the Trustee and to the Internal Revenue Service the statement described in Treasury Regulation Section 1.468B-3(e)(2), 26 C.F.R. Section 1.468B-3(e)(2), no later than February 15th of the year following each calendar year in which the Transferor (or some other person on behalf of the Transferor) makes a transfer to the Trust.

14.06 Designated Fund. The Trustee and Institutional Trustee shall be empowered to take all such actions, including such actions as may be inconsistent with those expressly set forth above, as it deems necessary to ensure that the Trust is treated as a "Designated" or "Segregated" settlement fund under Section 468B of the Internal Revenue Code, 26 U.S.C. Section 468B, and the regulations promulgated pursuant thereto and codified at 26 C.F.R. Section 1.468B-1. Further, the Trustee/Institutional Trustee may amend, either in whole or in part, any administrative provision of this Declaration of Trust which causes unanticipated tax consequences or liabilities inconsistent with the foregoing.

15. MISCELLANEOUS PROVISIONS

15.01 Interpretation. As used in this Declaration of Trust, words in the singular include the plural and words in the plural include the singular. The masculine and neuter genders shall be deemed to include the masculine, feminine and neuter. The descriptive heading for each paragraph and subparagraph of this Declaration of Trust shall be used to accomplish the intent and purpose of the Trust and not be used to affect the legal efficacy of this Declaration of Trust.

15.02 Notices. All notices or deliveries required or permitted hereunder shall be in writing and shall be deemed given: (i) when personally delivered; (ii) when actually received by means of facsimile transmission; (iii) when received by overnight express courier delivery; (iv) when delivered and receipted for by certified mail, postage prepaid, return receipt requested (or in the event of attempted delivery and refusal of acceptance, then on the date of the first attempted delivery).

15.03 Choice of Law. This Declaration of Trust shall be administered, governed by, construed, and enforced according to the laws of the Commonwealth of Massachusetts except that all matters of federal tax law and this Trust's compliance with Section 468B of the Internal Revenue Code and Treasury Regulations thereunder, shall be governed by federal income tax law.

15.04 Invalidity and Unenforceability. If any term or provision of this Trust shall be invalid or unenforceable, the remainder of this Declaration of Trust shall not be affected thereby, and each remaining term and provision of this Declaration of Trust shall be valid and enforced to the fullest extent permitted by law.

15.05 Severability. If the fulfillment of any obligation imposed by this Declaration of Trust will result in a violation of law, then *ipso facto*, the obligation to be fulfilled shall be reduced by the least amount necessary to allow compliance with the law.

15.06 Entirety of Agreement. This Declaration of Trust supersedes any and all prior oral discussions and agreements with respect to the subject matter hereof. This Declaration of Trust, together with the Exhibits and Attachments hereto and the Court Order, contain the sole and entire agreement and understanding with respect to the matters addressed therein.

15.07 Binding Agreement. The individuals executing this Declaration of Trust and any Exhibits or Attachments hereby covenants, warrants and represents that: (i) such individuals are duly authorized to execute this Declaration of Trust on behalf of the party indicated, (ii) this Declaration of Trust is binding upon such parties, (iii) the execution of this Declaration of Trust will not result in any breach or constitute a default under any obligation, undertaking, contract, or agreement to which such party may be bound.

15.08 Counterparts. This Declaration of Trust may be executed in two or more counterparts, with the same effect as if all signatures on such counterparts appeared on one document, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.09 Independent Legal and Tax Counsel. The Parties have been, or have had the opportunity to be, represented by counsel and advisors (collectively referred to as "Counsel") of its own selection.

IT IS SPECIFICALLY ACKNOWLEDGED AND UNDERSTOOD THAT THIS DECLARATION OF TRUST HAS NOT BEEN SUBMITTED TO, NOR REVIEWED OR APPROVED BY, THE INTERNAL REVENUE SERVICE OR THE TAXING AUTHORITIES OF ANY STATE OR TERRITORY OF THE UNITED STATES OF AMERICA.

15.10 Continuing Jurisdiction; Registered Agent. The Court shall retain full jurisdiction over the Trust for purposes of ensuring its compliance with the Court Order, this Declaration of Trust and any future order of the Court. The Trustee shall appoint either the Secretary of State or another specified registered agent located in the Commonwealth of Massachusetts for the purpose of personal service of process upon the Trust.

WITNESS the execution hereof of this Declaration of Trust by the Organizer and Trustee, on the date indicated below.

By: _____ Dated:

Name: Rafaela Serrano
Organizer/Trustee

Address:

WITNESS the execution hereof of this Declaration of Trust by the Institutional Trustee, on the date indicated below.

ATG Trust Company

By: _____ Dated:

Robert Lopardo, President
ATG Trust Company
One South Wacker, 24th Floor
Chicago, IL 60606-4654
(877) 674-7878 or (312) 338-7878)
Fax: (312) 338-1594

WITNESS the execution hereof of this Declaration of Trust by the Financial Planner, on the date indicated below.

By: _____ Dated:
Mark Wahlstrom, Financial Planner

Wahlstrom & Associates
Suite 103
7701 East Gray Road
Scottsdale, AZ 85260
O: 480-478-0050
F: 480-478-0626
www.wahlstromandassociates.com

APPROVED

THIS ___ DAY OF OF _____, 2014

The Honorable _____

[SEAL]

EXHIBIT 1

**TO THE DECLARATION OF TRUST
FOR THE TELEXFREE SETTLEMENT TRUST**

**UNDER SECTION 468B OF THE INTERNAL REVENUE CODE
26 U.S.C. SECTION 468B**

**COMPENSATION SCHEDULE FOR
TRUSTEE, INSTITUTIONAL TRUSTEE AND FINANCIAL PLANNER**

For the duration of the Trust, or until such further order of the Court, the compensation of the Trustee, Institutional Trustee, and Financial Planner shall be as follows:

I. TRUSTEE

In addition to reimbursement for ordinary and necessary expenses, the Trustee shall be entitled to be compensated on a deferred basis out of any recovery to the Trust as follows:

$100/hr

II. INSTITUTIONAL TRUSTEE

In addition to reimbursement for ordinary and necessary expenses, the Institutional Trustee shall be compensated as follows:

Charges

Account Set Up	$2,500.00
Sub-Account Set Up	$ 500.00 per sub-account
Check/Wire Fee	$ 35.00 per transaction

Trust Management Fees

The Trust Management Fee shall be .75% basis points or earned yield on assets, whichever is the lesser. Any earnings above .75% basis will accrue to the benefit of the Trust.

III. FINANCIAL PLANNER

In addition to reimbursement for ordinary and necessary expenses, The Financial Planner shall be entitled to receive any ordinary and customary brokerage commissions on any insurance or investment vehicle that a Beneficiary elects to place with the Planner.

ATTACHMENT 1

TO THE DECLARATION OF TRUST
FOR THE TELEXFREE SETTLEMENT TRUST

UNDER SECTION 468B OF THE INTERNAL REVENUE CODE
26 U.S.C. SECTION 468B

SCHEDULE OF BENEFICIARIES

The following persons and entities constitute the Beneficiaries of the Trust:

ATTACHMENT 2

TO THE DECLARATION OF TRUST
FOR THE TELEXFREE SETTLEMENT TRUST

UNDER SECTION 468B OF THE INTERNAL REVENUE CODE
26 U.S.C. SECTION 468B

TRANSFERORS

The following persons or entities constitute Transferors of the Trust:

BENEFICIARY SIGNATORY

TO THE DECLARATION OF TRUST
FOR THE TELEXFREE SETTLEMENT TRUST

A. **NAME OF INDIVIDUAL**
[Print Name] _____

B. **ADDRESS:** _____

_____

_____

By my signature I agree to become a Beneficiary of the Trust and work cooperatively with the other Beneficiaries for our mutual benefit and to carry out the purposes of the Trust.

Executed by the Person named above:

[Signature] _____

Dated:

D

COMMONWEALTH OF MASSACHUSETTS

ESSEX COUNTY **PROBATE COURT**
DOCKET NO. ES14E0083QC

In The Matter of
THE TELEFREE SETTLEMENT TRUST

~~PROPOSED~~ ~~ORDER~~ Decree

FOR APPROVAL OF THE
TELEXFREE SETTLEMENT TRUST

Upon hearing and consideration of the grounds and having reviewed the papers and pleadings submitted, the Court Orders as follows:

A. The establishment of the **TELEXFREE Settlement Trust** at **Exhibit A** is approved by the Court as a Trust vehicle for the receipt of settlement funds for the Beneficiaries' benefit as provided by 26 USC §468B;

B. Rafaela Serrano is appointed to act as Trustee;

C. ATG is approved by the Court to act as the Institutional Trustee;

D. Mark Wahlstrom of Wahlstrom Associates is approved by the Court to act as the Financial Planner;

E. The Trust is approved to receive any payments made by the Transferors directly or indirectly through an IOLTA account of the Beneficiaries' counsel whose purpose is to settle any claims of the Beneficiaries and their counsel arising out of the matters that are the subject of the Trust;

Dated: August 20 2014

So Ordered:

Hon. _____, J

Justice of the Essex County Probate Court

I, Pamela Casey O'Brien, Register of Probate Court for Essex County do hereby certify that the foregoing is a true copy of a document on file in this court.

IN WITNESS, Whereof, I have set my hand and affixed the seal of said Court this AUG 2 0 2014

ESSEX, SS Pamela Casey O'Brien PROBATE COURT

CERTIFIED REGISTER OF PROBATE A TRUE COPY

Scanned by CamScanner

Rafaela Garreta Prats Serrano

rafaelaggss@gmail.com

EDUCATION

Northeastern University School of Law, Boston, MA
Master of Laws, expected August 2014

Focus of Study: American Laws and International Business Laws
Honors: Commencement Speaker; Nominee for Outstanding Northeastern University Graduate Student Award in the Community Service; Fellow with NULaw Lab (writing a comparative analysis of the employment and labor laws of Brazil and the United States applicable to domestic workers)
Activities: CAIR – Committee Against Institutional Racism LLM's Representative; Academic and Student's Affairs Committee LLM's Representative; Black Law Students Association Member; Latin American Law Student Association Member.

Bunker Hill Community College, Boston, MA, USA
Paralegal Certificate, May 2013 (G.P.A 3.79)

Universidade Estacio de Sa, Menezes Cortes, Rio de Janeiro, Brazil
Bachelor of Laws, March 2007

Unidade Escolar Fundacao Osorio, Rio de Janeiro, Brazil
Technician in Management, December 1999

BAR ADMISSIONS

Brazilian Bar Association Section of Rio de Janeiro, 2007 – Present
Intend to sit for the Massachusetts and New York Bar Examinations in February 2015

EXPERIENCE

Mello Frota Advogados, Rio de Janeiro, Brazil
Partner-Attorney (September 2012 – Present): Represent foreign clients and companies before the Brazilian government and administrative offices. Oversee contract negotiations, and give legal opinions regarding Brazilian and international contracts and business transactions. Promoted from Associate Attorney *(September 2010 – 2012).*

Tarter Krinsky & Drogin LLP, New York, NY
Legal Intern (March 2014 – May 2014): Researched cases, statutes and regulations; wrote legal documents (letters, motions and memoranda); conferred with attorneys regarding cases, participates in legal consultations, attended to Court appearances, translated documents and interpreted legal consultations from both English and Portuguese languages; participated in meetings with clients at the Firm and clients' office; participated in debate and strategy sessions; met with the National Relations Labor Board; and organized files. Worked mostly with the Labor and Employment and Immigration Practice Groups.

Brazilian Immigrant Center, Boston, MA
Board of Directors (September 2009 - August 2013):
Elevated to President of the Board of Directors from June 2011 – August 2013. Oversaw the strategic goals and objectives of the organization. Partnered with the Executive Director to achieve the organization's mission. Ensured that the Board of Directors fulfilled its responsibilities for the governance of the organization, including budget decisions, and implementation of its policies and procedures. Reviewed grant proposals prepared by staff for future programing and client services. Presided at all meetings of the Members of the Organization, the Board of Directors, and the Executive Committee and ensured decisions were made in a timely manner and translated into meaningful actions. Collaborated with the Executive Director, officers, and committee chairs to develop agendas for meetings of the Board of Directors and Executive Committees. Represented the organization and its members to outside organizations, the industry, government and public agencies, the media, and the public. Developed relationships with the community. Attended trainings at East Boston Saving Bank on non-profit development and fundraising. Held position of Vice President, Board of Directors from June 2010 – May 2011. Elected to the Board in September 2009.

Perez Gardini, Boston, MA
Paralegal Intern/Volunteer (September 2010 – June 2013)
Conducted factual and legal research about immigration issues in the US Court of Appeals for the First Circuit and US Supreme Court. Interviewed clients, prepared forms, and gathered documents for immigration cases such as Family Based Petitions, VAWA, Waivers, Asylums, Naturalizations, DACAs, Reliefs in Removal. Prepared immigrant and nonimmigrant visa packages and drafted legal memoranda and briefs. Interpreted interviews with USCIS's offices and translated documents from both English and Portuguese languages.

Garreta Prats, Rio de Janeiro, Brazil
Solo Practitioner, (April 2007 – September 2010)
Represented foreign clients and companies before the Brazilian government and administrative offices. Oversaw contract negotiations, and gave legal opinions regarding contracts and business transactions.

Giorgio Santoni Advogados Asociados, Rio de Janeiro, Brazil
Legal Intern, June 2005 - October 2005
Conducted factual and legal research about Brazilian civil and taxation law. Drafted pleadings, motions and briefs. Interviewed and met with clients, and followed up with court decisions and case status.

Federal Public Defenders Office, Rio de Janeiro, Brazil
*Legal Intern***,** November 2003 – November 2004
Conducted factual and legal research about Brazilian federal and constitutional law, drafted pleadings, motions and briefs, interviewed and met with clients, and followed up court decisions and case status.

LANGUAGES: Portuguese (Native); English (Fluent); Spanish (conversational)

PROFESSIONAL MEMBERSHIPS & LICENSES

Membership: Brazilian Bar Association, Rio de Janeiro Section (2007-Present); American Bar Association, Law Student Division (2013- Present); National Black Law Student Association; Woman Institute for Leadership Development (2011 – Present); Department of Labor - Lead-Safe Renovation Training Providers (2012-Present)
Licenses: OSHA/MA (Lic. No. 11-002624065); Lead-Safe Renovation, Repair and Painting/MA (Lic. No. R-I-18459-10-02317)

TEACHING AND PRESENTATION EXPERIENCE

Occupational Safety and Health Administration, USA – Fall Protection Presentation, May 2012 – Present

Environmental Training Institute, LLC, Woburn, MA
Environmental Protection Agency and Department of Labor's Lead-Safe Renovation Trainer, April 2012 – Present

WILD (Women's Institute for Leadership Development), Boston, MA
Legal Rights in the Workplace – Workshop presenter, June 2014
Introduction to Popular Education (leadership skills training presentation), June 2011 and 2012

Domestic Worker Convention/Care Congress June 2012 - Workshop presenter on Domestic Workers' Labor Rights

Community/Church Outreach, Workshops on Workers' Rights, Boston, MA **–** Workshop presenter on minimum wage, Worker's Compensation, overtime, and domestic workers' rights), May 2010 to Present.

Brazil Show – Radio show WLYN 1360AM, Lynn MA, Co-host (Weekly on-air presenter, answering questions regarding Brazilian Laws, Immigration matters, politics and daily news) February 2010 to June 2010

PUBLICATIONS

Successful Abroad, forthcoming book.

We are Important – The importance of the Brazilian Immigrant Community: The Brazilian Times Newspaper, ed. 1098, Boston, MA (March 6, 2013).

The Brunet – the reality of racism in Brazilian Community: Bate Papo TV and Magazine, Boston, MA (February 2013).

Brazilian Woman in Brazilian Community: Bate Papo TV and Magazine, Boston, MA (March 2011).

Debts Follow Us: A Semana-Newspaper, ed. 368, Boston, MA (July 11-17, 2010).

TRAINING AND WORKSHOPS

The New York Immigration Coalition in collaboration with The New York State Department of State Office for New Americans, Syracuse, NY, June 2013 **(**40-hour Immigration Law Training to Prepare for Board of Immigration Appeals Recognition and Accreditation. Obtain certificate at completion of training).

PAIR – Political Asylum Immigration Representation Project, and EOIR-Executive Office for Immigration Review Pro Bono Training, AILA-American Immigration Lawyers Association – New England Chapter CLE, Boston, MA, October 2012

AILA-American Immigration Lawyers Association **(**USCIS Final Rule on Provisional Unlawful Presence Waivers, USCIS final rule allowing certain immediate relatives of U.S. citizens who are physically present in U.S. to request a provisional unlawful presence waiver prior to departing the U.S. for consular processing, effective 3/4/13) Boston, MA, 2013.

*9th Annual AILA New England Immigration Law Conference**:** Winning Immigration Strategies in a Challenging Environment*, AILA-American Immigration Lawyers Association – New England Chapter CLE, Boston, MA, 2012.

Commonwealth Seminar, Opening the Doors of the State House, The Metropolitan Area Planning Council, Boston, MA, 2010 (Legislative training, networking opportunities with policymakers, and public service job opportunities for diverse leaders in MA).

US Department of Labor District Workshop on Workers' Rights, Wages and Hours, Boston, MA, September 2010