Docket #0001 Date Filed: 4/1/2016

B104 (FORM 104) (08/07)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)	ADVERSARY PROCEEDING NUMBER (Court Use Only)

PLAINTIFFS	DEFENDANTS
Stephen Darr, as he is the Trustee of the Chapter 11 Estates of Each of the Debtors	Hanna-Shea Consulting, LLC
ATTORNEYS (Firm Name, Address, and Telephone No.) Andrew G. Lizotte, Murphy & King, P.C., One Beacon Street, Boston, MA 02108	**ATTORNEYS** (If Known)
PARTY (Check One Box Only) □ Debtor □ U.S. Trustee/Bankruptcy Admin □ Creditor □ Other ☑ Trustee	**PARTY** (Check One Box Only) □ Debtor □ U.S. Trustee/Bankruptcy Admin □ Creditor ☑ Other □ Trustee

CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)

To recover payments made to the Defendant within 90 days of the bankruptcy filing as fraudulent transfers, or, in the alternative, as preferential transfers.

NATURE OF SUIT

(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)

FRBP 7001(1) – Recovery of Money/Property
- ☐ 11-Recovery of money/property - §542 turnover of property
- ☒ 12-Recovery of money/property - §547 preference
- ☒ 13-Recovery of money/property - §548 fraudulent transfer
- ☐ 14-Recovery of money/property - other

FRBP 7001(2) – Validity, Priority or Extent of Lien
- ☐ 21-Validity, priority or extent of lien or other interest in property

FRBP 7001(3) – Approval of Sale of Property
- ☐ 31-Approval of sale of property of estate and of a co-owner - §363(h)

FRBP 7001(4) – Objection/Revocation of Discharge
- ☐ 41-Objection / revocation of discharge - §727(c),(d),(e)

FRBP 7001(5) – Revocation of Confirmation
- ☐ 51-Revocation of confirmation

FRBP 7001(6) – Dischargeability
- ☐ 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims
- ☐ 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud
- ☐ 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny

(continued next column)

FRBP 7001(6) – Dischargeability (continued)
- ☐ 61-Dischargeability - §523(a)(5), domestic support
- ☐ 68-Dischargeability - §523(a)(6), willful and malicious injury
- ☐ 63-Dischargeability - §523(a)(8), student loan
- ☐ 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)
- ☐ 65-Dischargeability - other

FRBP 7001(7) – Injunctive Relief
- ☐ 71-Injunctive relief – imposition of stay
- ☐ 72-Injunctive relief – other

FRBP 7001(8) Subordination of Claim or Interest
- ☐ 81-Subordination of claim or interest

FRBP 7001(9) Declaratory Judgment
- ☐ 91-Declaratory judgment

FRBP 7001(10) Determination of Removed Action
- ☐ 01-Determination of removed claim or cause

Other
- ☐ SS-SIPA Case – 15 U.S.C. §§78aaa *et.seq.*
- ☐ 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

□ Check if this case involves a substantive issue of state law	□ Check if this is asserted to be a class action under FRCP 23
□ Check if a jury trial is demanded in complaint	Demand $

Other Relief Sought

1440987160513000000000111

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR Telexfree, LLC, Telexfree, Inc., and Telexfree Financial, Inc.	BANKRUPTCY CASE NO. 14-40987-MSH	
DISTRICT IN WHICH CASE IS PENDING Massachusetts	DIVISION OFFICE Western	NAME OF JUDGE Hoffman
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF) 		
DATE April 1, 2016	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Andrew G. Lizotte	

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 104, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 104 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and **Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS

In re: TELEXFREE, LLC, TELEXFREE, INC. and TELEXFREE FINANCIAL, INC., Debtors.	Chapter 11 Cases 14-40987-MSH 14-40988-MSH 14-40989-MSH Jointly Administered
STEPHEN DARR, AS HE IS THE TRUSTEE OF THE CHAPTER 11 ESTATES OF EACH OF THE DEBTORS, Plaintiff, v. HANNA-SHEA CONSULTING, LLC, Defendant.	Adversary Proceeding No. 16-

COMPLAINT

Introduction

Stephen Darr is the duly appointed and acting trustee (the "Trustee") of the Chapter 11 bankruptcy estates ("Estates") of TelexFree, Inc. ("Inc."), TelexFree, LLC ("LLC") and TelexFree Financial, Inc. ("Financial" and, collectively, the "Debtors"). As Trustee, Mr. Darr brings this adversary proceeding to recover payments made to the Defendant within ninety (90) days of the bankruptcy filings as fraudulent transfers or, in the alternative, as preferential transfers.

Parties and Jurisdiction

1. The Trustee, who is the duly appointed Chapter 11 trustee of the Debtors, has a principal place of business in Boston, Massachusetts.

2. The Defendant is a limited liability company with a place of business at 2040 S. Alma School Road, Suite 1-255, Chandler, AZ 85286.

3. This adversary proceeding is brought pursuant to §§ 547, 548, 550 and 551 of Title 11 of the United States Code for the avoidance and recovery of fraudulent conveyances and preferential transfers.

4. This Court has jurisdiction over the adversary proceeding pursuant to 28 U.S.C. § 1334.

5. This adversary proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A)(F)(H) and (O).

6. Venue in this district is proper under 28 U.S.C. § 1409.

Statement of Facts

7. This case involves a massive Ponzi and pyramid scheme operated by the Debtors, which involved more than a million participants ("Participants") from multiple countries. The Debtors ostensibly operated a "multi-level marketing" company with its headquarters in Marlborough, Massachusetts. It represented itself as being in the business of selling telephone service plans that use "voice over internet protocol" ("VoIP") technology. The sale of VoIP, however, constituted only a minor portion of their business; the Debtors' actual business was the recruitment of Participants.

8. From April 2012 to April 2014, individuals throughout the world, including many Participants of the Brazilian and Dominican immigrant communities in the United States, purchased membership plans with a transaction value of approximately $3,000,000,000. The

memberships promised substantial returns – 200% per year or more – for becoming "promoters" of the business. The Debtors promised to pay Participants for placing ads on obscure classified ad sites on the internet and recruiting other Participants to do the same. The membership fees from Participants constituted approximately ninety-nine percent (99%) of the monies taken in by the Debtors.

9. When in March of 2014, the Debtors changed their compensation plan so that Participants would be required to sell the VoIP service in order to qualify for bonuses and commissions, the scheme collapsed resulting in the bankruptcy filings.

10. On April 13, 2014 (the "Petition Date"), the Debtors filed voluntary Chapter 11 petitions with the United States Bankruptcy Court for the District of Nevada.

11. By order dated May 6, 2014, the Nevada Bankruptcy Court approved a motion to change venue filed by the Securities and Exchange Commission. The cases were transferred to this Court on May 9, 2014.

12. On May 30, 2014, this Court approved the motion of the Office of the United States Trustee to appoint a Chapter 11 trustee, and the Trustee was appointed on June 6, 2014.

13. On November 25, 2015, the Court, on motion by the Trustee and after notice, entered an Order, as amended on December 21, 2015, that the Debtors were engaged in a Ponzi and pyramid scheme and that this ruling was the law of the case in each of the jointly administered cases.

14. The Defendant, upon information and belief, provides executive placement services for companies purportedly engaged in direct sales.

15. During the ninety (90) days preceding the Petition Date, the Debtors made the following payment to the Defendant (the "Transfers"):

(i) payment dated March 24, 2014 in the amount of $10,000.00;

(ii) payment dated April 11, 2014 in the amount of $10,000.00.

COUNT ONE

Fraudulent Transfer -- Constructive – 11 U.S.C. §§ 548, 550 and 551

16. The Trustee realleges and repeats the allegations contained in the foregoing paragraphs and by reference incorporates them herein.

17. The aforementioned payment constitutes "transfers," as that term is defined in 11 U.S.C. § 548, of an asset or interest in an asset of the Debtors.

18. The Transfers were made within two years of the Petition Date.

19. The Transfers were made while the Debtors were insolvent.

20. The Transfers were made for less than reasonably equivalent value.

21. The Transfers constitute fraudulent transfers avoidable by the Trustee pursuant to § 548(a)(1)(B) of the Bankruptcy Code and recoverable from the Defendant pursuant to §§ 550 and 551 of the Bankruptcy Code.

22. As a result of the foregoing, the Trustee is entitled to a judgment against the Defendant: (a) avoiding and preserving the Transfers, (b) directing that the Transfers be set aside, and (c) recovering the Transfers in the amount of $20,000.00 from the Defendant for the benefit of the Estates.

COUNT TWO

Fraudulent Transfer – Actual Intent – 11 U.S.C. §§ 548, 550 and 551

23. The Trustee realleges and repeats the allegations contained in the foregoing paragraphs and by reference incorporates them herein.

24. The Transfers were made within two years of the Petition Date.

25. The Transfers were made with the actual intent to hinder, delay or defraud some or all of the Debtors' then existing and/or future creditors.

26. The Transfers constitute fraudulent transfers avoidable by the Trustee pursuant to 11 U.S.C. § 548(a)(1)(A) and recoverable from the Defendant pursuant to §§550 and 551 of the Bankruptcy Code.

27. As a result of the foregoing, the Trustee is entitled to a judgment against the Defendant: (a) avoiding and preserving the Transfers, (b) directing that the Transfers be set aside, and (c) recovering the amount of $20,000.00 from the Defendant for the benefit of the Estates.

COUNT THREE

Preferences – 11 U.S.C. §§ 547, 550 and 551

28. The Trustee realleges and repeats the allegations contained in the foregoing paragraphs and by reference incorporates them herein.

29. Within ninety (90) days of the Petition Date, the Debtors paid the Transfers to the Defendant.

30. The Transfers were made:

(a) to or for the benefit of the Defendant, who claims to be a creditor at the time of the Transfers;

(b) for or on account of an antecedent debt owed by the Debtors before such Transfers were made;

(c) while the Debtors were insolvent;

(d) within 90 days of the Petition Date; and

(e) enabling the Defendant to receive more than the Defendant would receive if the cases were under Chapter 7, the Transfers were not made, and the Defendant

received payment of such debt to the extent provided by the provisions of Title 11 of the United States Code.

31. The Transfers constitute preferential transfers avoidable by the Trustee pursuant to 11 U.S.C. § 547 and recoverable from the Defendant pursuant to §§550 and 551 of the Bankruptcy Code.

32. As a result of the foregoing, the Trustee is entitled to a judgment against the Defendant: (a) avoiding and preserving the preferential transfers, (b) directing that the preferential transfers be set aside, and (c) recovering the amount of $20,000.00 from the Defendant for the benefit of the Estates.

WHEREFORE, Stephen Darr as he is the Trustee of the Chapter 11 Estates of the Debtors respectfully prays that the Court enter judgment for him against the Defendant as follows:

1. On Count One: (a) avoiding and preserving the Transfers as fraudulent transfers, (b) directing the Transfers be set aside and (c) recovering $20,000.00 from the Defendant for the benefit of the Estates;

2. On Count Two: (a) avoiding and preserving the Transfers as fraudulent transfers, (b) directing the Transfers be set aside and (c) recovering $20,000.00 from the Defendant for the benefit of the Estates;

3. On Count Three: (a) avoiding the payment received by the Defendant as preferential payments, and (b) recovering $20,000.00 for the benefit of the Estates;

4. And for such other and further relief as this Court deems just and proper.

STEPHEN DARR AS HE IS THE
TRUSTEE OF THE CHAPTER 11
ESTATES OF EACH OF THE DEBTORS
By his attorneys,

/s/ Andrew G. Lizotte

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