

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
CENTRAL DIVISION**

In Re:

**TELEXFREE, LLC ,
TELEXFREE, INC.,
TELEXFREE FINANCIAL, INC.,**

Debtors.

Chapter 11

Case No. 14-40987-MSH

Case No. 14-40988-MSH

Case No. 14-40989-MSH

Jointly Administered

**MOTION TO APPROVE STIPULATION BETWEEN CHAPTER 11 TRUSTEE AND
CIL CEDAR, LLC RESPECTING SETTLEMENT OF CLAIMS**

Stephen B. Darr, the duly appointed Chapter 11 trustee (the "Trustee") of the bankruptcy estates (the "Estates") of TelexFree, LLC, TelexFree, Inc., and TelexFree Financial, Inc. (collectively, the "Debtors"), respectfully requests that the Court enter an order approving the attached stipulation (the "Stipulation") by and between the Trustee and CIL Cedar, LLC ("Landlord" and, together with the Debtors, the "Parties"). The Stipulation will resolve the claims of the Landlord against the Estates, provide for the Trustee's orderly surrender of the Debtors' former principal place of business, and facilitate the disposition of certain furnishings and fixtures located at the former place of business that the Trustee has determined to be of insubstantial value. In further support of this motion, the Trustee states as follows:

I. BACKGROUND

1. On November 22, 2013, the Debtors entered into a lease (the "Lease") with Landlord of nonresidential real property located at 225 Cedar Hill Street, Suite 118, Marlborough, MA 01752 (the "Premises").

2. The Lease has a term of January 1, 2014 through March 31, 2015 (the "Lease Term"). Under the terms of the Lease, the Landlord is entitled to base rent of \$5,944 per month



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plus certain additional amounts for operating expenses, utilities, and taxes, and is holding a security deposit equal to one month's base rent (the "Security Deposit").

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

4. The Debtors initially operated as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

5. The cases have since been jointly administered.

6. On or about April 15, 2014, the Securities and Exchange Commission ("SEC") commenced an action against the Debtors and others in the United States District Court for the District of Massachusetts, alleging among other things that the Debtors were engaged in an illegal pyramid scheme and were raising funds through the fraudulent and unregistered offering of securities.

7. On or about April 22, 2014, the Office of the United States Trustee filed a motion for the appointment of a Chapter 11 Trustee.

8. On April 23, 2014, the SEC filed a motion to transfer venue of the cases to the United States Bankruptcy Court for the District of Massachusetts. By order dated May 6, 2014, the motion to change venue was approved. The cases were transferred on May 9, 2014.

9. On or about May 1, 2014, the Debtors ceased payment of their obligations under the Lease.

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

11. The Debtors continue to store personal property at the Premises.

12. The Debtors have an interest in certain furnishing and fixtures (“FF&E”) located at the Premises, consisting principally of approximately 23 desks, 57 chairs, partition materials, cabinets, various personal computer components, and other office materials of various ages and condition.¹

13. The Trustee and the Landlord have entered into negotiations respecting termination of the Lease and fixing the claims of the Landlord.

14. As a result of those negotiations, the Parties have agreed to enter into the Stipulation.

II. STIPULATION

15. Effective upon Bankruptcy Court approval of this Stipulation:

- (i) The Trustee shall transfer by bill of sale all right, title, and interest of the Estates in the FF&E without warranty or representation.
- (ii) The Lease shall be deemed terminated and the Trustee shall be deemed to have vacated the Premises.
- (iii) The Landlord shall be entitled to apply the Security Deposit to the outstanding amounts due under the Lease.

16. The transfer to the Landlord of the FF&E and the application of the Security Deposit as set forth above shall be in full and complete satisfaction of all claims of any kind of the Landlord against the Trustee or the Estates arising under or relating to the Lease and/or the Debtors or Trustee’s use and occupancy of the Premises.

¹ A complete listing of the FF&E is attached to the Stipulation.

III. BASIS FOR STIPULATION

17. The Stipulation is beneficial to the Estates and should be approved by the Court.

18. There are at least four (4) months of base rent and other charges due under the terms of the Lease. The Trustee has had the FF&E inspected by an experienced auctioneer and has been informed that the net realizable value from the liquidation of the FF&E would be less than the base rent that has accrued under the Lease.

19. The Trustee has no continuing need for the Premises. The Stipulation will eliminate potential administrative expenses and other claims of the Landlord under the Lease on terms favorable to the Estates. Moreover, it will obviate any obligation of the Trustee to dispose of the FF&E, thereby conserving additional administrative costs. Accordingly, good cause exists for the requested relief.

IV. NOTICE

20. The Trustee has served this motion and will serve any notice of hearing or objection deadline in connection therewith upon (a) the Office of the United States Trustee, (b) creditors named on the Debtor's list of the thirty largest general unsecured claims against the Debtor; (c) all parties that have filed a notice of appearance in this case; and (d) the Landlord. Such notice is appropriate and sufficient based upon the nature of the Stipulation and the circumstances of these cases.

Wherefore, the Trustee prays that the Court:

1. Approve the notice of the Stipulation as set forth herein;
2. Approve the Stipulation and authorize the Trustee to take all actions necessary to implement same; and

3. Grant such other relief as is just and proper.

STEPHEN P. DARR,
CHAPTER 11 TRUSTEE,

By his attorneys,

/s/ Andrew G. Lizotte

Harold B. Murphy (BBO #362610)
Charles R. Bennett, Jr. (BBO #037380)
Andrew G. Lizotte (BBO #559609)
Christopher M. Condon (BBO #652430)
Murphy & King, Professional Corporation
One Beacon Street
Boston, Massachusetts 02108
Telephone: (617) 423-0400
Facsimile: (617) 423-0498
Email: ALizotte@murphyking.com

Dated: August 12, 2014

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EXHIBIT 1

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
CENTRAL DIVISION

In Re:)	
)	
)	Chapter 11
)	
TELEXFREE, LLC ,)	Case No. 14-40987-MSH
TELEXFREE, INC.,)	Case No. 14-40988-MSH
TELEXFREE FINANCIAL, INC.,)	Case No. 14-40989-MSH
)	
Debtors.)	Jointly Administered
)	

STIPULATION BETWEEN CHAPTER 11 TRUSTEE AND CIL CEDAR, LLC
RESPECTING SETTLEMENT OF CLAIMS

This Stipulation is entered into this 7th day of August, 2014 by and between Stephen B. Darr, the duly appointed Chapter 11 trustee (the "Trustee") of the bankruptcy estates (the "Estates") of TelexFree, LLC, TelexFree, Inc., and TelexFree Financial, Inc. (collectively, the "Debtors") and CIL Cedar, LLC ("Landlord" and, together with the Debtors, the "Parties").

I. RECITALS

Whereas, on November 22, 2013, the Debtors entered into a lease (the "Lease") with Landlord of nonresidential real property located at 225 Cedar Hill Street, Suite 118, Marlborough, MA 01752 (the "Premises");

Whereas, the Lease has a term of January 1, 2014 through March 31, 2015 (the "Lease Term") and a base rent of \$5,944 per month;

Whereas, under the terms of the Lease, the Landlord is entitled to base rent of \$5,944 per month plus certain additional amounts for operating expenses, utilities, and taxes, and is holding a security deposit equal to one month's base rent (the "Security Deposit");

HE

Whereas, on April 13, 2014 (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") with the United States Bankruptcy Court for the District of Nevada;

Whereas, the Debtors initially operated as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

Whereas, the cases have since been jointly administered;

Whereas, on or about April 15, 2014, the Securities and Exchange Commission ("SEC") commenced an action against the Debtors and others in the United States District Court for the District of Massachusetts, alleging among other things that the Debtors were engaged in an illegal pyramid scheme and were raising funds through the fraudulent and unregistered offering of securities;

Whereas, on or about April 22, 2014, the Office of the United States Trustee filed a motion for the appointment of a Chapter 11 Trustee;

Whereas, on April 23, 2014, the SEC filed a motion to transfer venue of the cases to the United States Bankruptcy Court for the District of Massachusetts. By order dated May 6, 2014, the motion to change venue was approved. The cases were transferred on May 9, 2014;

Whereas, on May 30, 2014, this Court approved the motion to appoint a Chapter 11 trustee, and the Trustee was appointed on June 6, 2014;

Whereas, the Debtors continue to store personal property at the Premises;

Whereas, the Debtors have an interest in certain furnishing and fixtures located at the Premises, consisting principally of desks and chairs, office partition materials for offices, and personal computers, of various ages and condition as is set forth on Exhibit A to this Stipulation (the "FF&E");

Whereas, the Trustee and the Landlord have entered into negotiations respecting termination of the Lease and fixing the claims of the Landlord;

Now therefore, as a result of these negotiations, and for good and valuable consideration the receipt of which is hereby acknowledged, the Parties agree and stipulate as follows:

II. STIPULATION

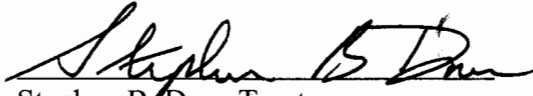
1. Effective upon Bankruptcy Court approval of this Stipulation:
 - (i) The Trustee shall transfer by bill of sale all right, title, and interest of the Estates in the FF&E without warranty or representation.
 - (ii) The Lease shall be deemed terminated and the Trustee shall be deemed to have vacated the Premises.
 - (iii) The Landlord shall be entitled to apply the Security Deposit to the outstanding amounts due under the Lease.
2. The transfer to the Landlord of the FF&E and the application of the Security Deposit as set forth above shall be in full and complete satisfaction of all claims of any kind of the Landlord against the Trustee or the Estates arising under or relating to the Lease and/or the Debtors or Trustee's use and occupancy of the Premises.
3. This Stipulation shall be binding upon and inure to the benefit of the Parties, their successors and assigns.
4. This Stipulation shall be governed by and construed in accordance with the substantive law of the Commonwealth of Massachusetts, without regard to the conflict of laws principles thereof, and shall have the force and effect of an instrument executed and delivered under seal under the law of the Commonwealth of Massachusetts.
5. This Stipulation shall be subject to Bankruptcy Court approval.

6. This Stipulation may be executed in counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument. This Stipulation may be executed by facsimile or portable document facsimile.

7. The Bankruptcy Court shall retain jurisdiction to resolve any dispute arising under or in connection with this Stipulation.

IN WITNESS WHEREOF, the undersigned Parties have executed this Stipulation as of the date first set forth above.

STEPHEN B. DARR,
CHAPTER 11 TRUSTEE,

A handwritten signature in black ink, appearing to read "Stephen B. Darr", is written over a horizontal line.

Stephen B. Darr, Trustee
265 Franklin Street
Boston, MA 02110
Telephone: (617) 235-1415
Facsimile: (617) 443-1910
Email: sdarr@mesirowfinancial.com

CIL CEDAR, LLC,

By:

673779

6. This Stipulation may be executed in counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument. This Stipulation may be executed by facsimile or portable document facsimile.

7. The Bankruptcy Court shall retain jurisdiction to resolve any dispute arising under or in connection with this Stipulation.

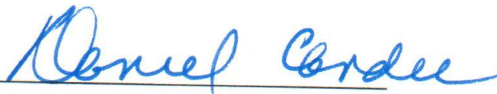
IN WITNESS WHEREOF, the undersigned Parties have executed this Stipulation as of the date first set forth above.

STEPHEN B. DARR,
CHAPTER 11 TRUSTEE,

Stephen B. Darr, Trustee
265 Franklin Street, 16th Floor
Boston, MA 02110
Telephone: (617) 235-1415
Facsimile: (617) 443-1910
Email: sdarr@mesirovfinancial.com

CIL CEDAR, LLC,

By:


VICE PRESIDENT & MANAGER

673779