

B104 (FORM 104) (08/07)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)		ADVERSARY PROCEEDING NUMBER (Court Use Only)
PLAINTIFFS Stephen B. Darr as Trustee of the Estates of Telexfree, LLC, Telexfree, Inc. and Telexfree Financial, Inc.		DEFENDANTS Rita Dos Santos, Individually and as Putative Class Representative
ATTORNEYS (Firm Name, Address, and Telephone No.) Charles R. Bennett, Jr., Murphy & King, P.C., One Beacon Street, Boston, MA 02108 617-423-0400		ATTORNEYS (If Known)
PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input checked="" type="checkbox"/> Trustee		PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input checked="" type="checkbox"/> Other <input type="checkbox"/> Trustee
CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) For declaration that District Court action is void as a violation of the automatic stay (11 U.S.C. Section 362). For injunctive relief (11 U.S.C. Section 105).		
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 <input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input type="checkbox"/> 12-Recovery of money/property - §547 preference <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input type="checkbox"/> 14-Recovery of money/property - other FRBP 7001(2) – Validity, Priority or Extent of Lien <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property FRBP 7001(3) – Approval of Sale of Property <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h) FRBP 7001(4) – Objection/Revocation of Discharge <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e) FRBP 7001(5) – Revocation of Confirmation <input type="checkbox"/> 51-Revocation of confirmation FRBP 7001(6) – Dischargeability <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny (continued next column)		FRBP 7001(6) – Dischargeability (continued) <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support) <input type="checkbox"/> 65-Dischargeability - other FRBP 7001(7) – Injunctive Relief <input type="checkbox"/> 71-Injunctive relief – imposition of stay 2 <input checked="" type="checkbox"/> 72-Injunctive relief – other FRBP 7001(8) Subordination of Claim or Interest <input type="checkbox"/> 81-Subordination of claim or interest FRBP 7001(9) Declaratory Judgment 1 <input checked="" type="checkbox"/> 91-Declaratory judgment FRBP 7001(10) Determination of Removed Action <input type="checkbox"/> 01-Determination of removed claim or cause Other <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et. seq.</i> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)
<input type="checkbox"/> Check if this case involves a substantive issue of state law		<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23
<input type="checkbox"/> Check if a jury trial is demanded in complaint		Demand \$
Other Relief Sought		



144098715120200000000001

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR Telexfree, LLC, Telexfree, Inc., Telexfree Financial, Inc.		BANKRUPTCY CASE NO. 14-40987-MSH
DISTRICT IN WHICH CASE IS PENDING Massachusetts	DIVISION OFFICE Central	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)		
/s/ Charles R. Bennett, Jr., Esq.		
DATE October 7, 2015	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Charles R. Bennett, Jr., Esq.	

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
CENTRAL DIVISION**

In re:

TELEXFREE, LLC,
TELEXFREE, INC. and
TELEXFREE FINANCIAL, INC.,

TelexFree.

Chapter 11 Cases

14-40987-MSH
14-40988-MSH
14-40989-MSH

Jointly Administered

STEPHEN B. DARR AS TRUSTEE
OF THE ESTATES OF TELEXFREE, LLC,
TELEXFREE, INC. and TELEXFREE
FINANCIAL, INC.,

Plaintiffs,

v.

RITA DOS SANTOS, INDIVIDUALLY AND
AS PUTATIVE CLASS REPRESENTATIVE,

Defendant.

Adversary Proceeding
No.

VERIFIED COMPLAINT

Introduction

Stephen B. Darr, as he is the Trustee (the “Trustee”) of the Chapter 11 estates of TelexFree, LLC, TelexFree, Inc. and TelexFree Financial, Inc. (collectively, the “Debtors”), brings this action to enjoin Rita Dos Santos, individually and as putative plaintiff class representative, for the prosecution of certain claims against a class of individuals who are determined to be “Net Winners” on behalf of participants in the Debtors’ scheme who are “Net Losers” and made payments to such Net Winners (“Unjust Enrichment Action”). Count I of this Complaint seeks a declaration that prosecution of the Unjust Enrichment Action against Net

Winners on a theory of unjust enrichment is violative of the automatic stay imposed by § 362 of the Bankruptcy Code in that the Unjust Enrichment Action is exercising control on or over property of the estates, being the estates' right to recover the same monies as fraudulent transfers and/or preferences. Court II of the Complaint seeks an injunction pursuant to Bankruptcy Code § 105(a) to enjoin and restrain Dos Santos from prosecuting so much of the class action that seeks to recover against Net Winners on a theory of unjust enrichment.

A necessary element of the Unjust Enrichment Action is the determination of who are "Net Winners." A determination of Net Winner is a fundamental determination to be made by the Bankruptcy Court. A determination of Net Winner is inextricably linked to the bankruptcy claims allowance process and, as such, the determination of the Net Winner is exclusively within the jurisdiction of the Bankruptcy Court. Whether one is a Net Winner or Net Loser will determine if the individual can share in bankruptcy distributions and on what basis. A determination of who are the Net Winners and Net Losers cannot be made without considering all of the transactions involved in the Debtors' pyramid scheme, including the transactions between the Debtors and the participants, along with the transactions between the participants. No aspect is more crucial to ensuring fairness of distribution than a complete analysis of all the financial transactions involved in the scheme to ensure an accurate determination of Net Winners and Net Losers. The Unjust Enrichment Action directly interferes with the Bankruptcy Court's jurisdiction to make a Net Winner determination because it seeks the same determination in another forum. To permit a parallel action that only accounts for some but not all of the transactions will result in confusion, duplication of effort, increased costs, interference with the administration of the bankruptcy case and create the potential for conflicting determination.

As detailed below, a participant in the Debtors' scheme could earn credits by, among other things, placing valueless advertisements on Internet sites, recruiting other participants, or selling VoIP plans. The credits could be redeemed for cash payment from the Debtors or to buy additional membership plans for the participant or on behalf of others. In those situations where the credits were used to buy a membership for another, the transaction typically consisted of (a) participant recruits new participant, (b) Debtor issues an invoice to recruited participant for the cost of the membership, (c) recruited participant pays recruiting participant cash in the amount of the invoice, and (d) the Debtors would redeem the recruiting participant's credits to satisfy the recruited participant's invoice (these transactions will hereinafter be referred to as "Triangular Transactions"). The Bankruptcy Court should determine who are the Net Winners and in doing so, whether the money received by recruiting participants from recruited participants in a Triangular Transaction, along with amounts paid by the Debtors, should be included in that determination. The Bankruptcy Court will determine whether the money paid by the recruited participant to a recruiting participant is recoverable by the Trustee as a fraudulent transfer or preferential transfer pursuant to §§ 547 and 548 of the Bankruptcy Code. Those payments made in connection with a Triangular Transaction are the same payments that the Unjust Enrichment Action seeks to recover.

Under Count II, the Trustee seeks to enjoin Dos Santos from prosecuting the class action claim pursuant to Bankruptcy Code § 105(a), because, for the reasons set forth above, the Unjust Enrichment Action would interfere with the Bankruptcy Court's determination of claims, which, with the Trustee's rights to pursue avoidable transfers under Bankruptcy Code §§547 and 548, are the core matters. Accordingly, the continued prosecution of the Unjust Enrichment Action would directly impact a determination as to the allowance of claims in the bankruptcy estates and

the distributions thereon. Further, in order to ensure the efficient and consistent administration of the bankruptcy estates, the treatment of creditors, to preserve the Bankruptcy Court's jurisdiction, and to avoid potentially conflicting rulings, the Court should exercise its equitable powers and restrain Dos Santos from obtaining class certification of a class of Defendants consisting of Net Winners and prosecuting Count IV of the Unjust Enrichment Action against the Net Winners.

Parties

1. The Plaintiff is Stephen B. Darr, as he is the duly appointed and acting Trustee of the Chapter 11 estates of TelexFree, LLC, TelexFree, Inc. and TelexFree Financial, Inc. (collectively, the "Debtors"), who has a usual place of business within this District.

2. The Defendant, Rita Dos Santos ("Dos Santos") is an individual who resides in Massachusetts within this District. Dos Santos is alleged to be a creditor of the Debtors and a representative of those individuals who invested in the Debtors' scheme as part of a transaction whereby those participants paid money to a recruiting participant, were issued an invoice by the Debtors, and the recruiting participant used his/her accumulate credits to satisfy the invoice.

Jurisdiction

3. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. § 1334(b). This adversary proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

4. Venue in this district is proper pursuant to 28 U.S.C. § 1409.

Background

5. 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 with the Bankruptcy Court for the District of Nevada.

6. On 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 (“SEC Action”). The SEC Action alleged, among other things, that the Debtors were engaged in an illegal Ponzi/pyramid scheme. Substantially contemporaneously with the commencement of the SEC Action, Homeland Security Investigations seized the Debtors’ assets, books and records. The United States has also commenced criminal proceedings against Carlos Wanzeler and James Merrill, the principals of the Debtors. Mr. Wanzeler has fled the country, and Mr. Merrill was released from jail upon posting of an appropriate bond, and his movements are limited and activities monitored.

7. On May 6, 2014, the Nevada Bankruptcy Court, acting on a motion by the SEC, Ordered that the cases be transferred to the Bankruptcy Court for the District of Massachusetts. The cases were transferred to this District on May 9, 2014.

8. On May 30, 2014, this Court, on the motion of the United States Trustee to appoint a Chapter 11 Trustee, allowed the motion of the United States Trustee. The Trustee was appointed on June 6, 2014.

Ponzi/Pyramid Scheme

9. The Debtors ostensibly operated a multi-level marketing plan (“MLMP”) engaged in the sale of voice over internet protocol (“VoIP”) services. Individuals who wished to participate in the Debtors’ MLMP were required to pay a membership fee. Each plan provided

for a means by which the participant member could earn credits by, among other things, placing advertisements, recruiting other participants or selling VoIP plans.

10. Depending upon which plan a participant chose to purchase, the Debtors represented that a participant could earn credits which would translate to a guaranteed return on their initial investment of between 200% and 265% per annum.

11. A participant could redeem accumulated credits from the Debtors for cash or use the credits to purchase an additional membership plan either for the participant or on behalf of others.

12. During the period of the Debtors' operation, invoices associated with the sale of membership plans (and VoIP packages) had a face value of over \$3 billion. However, of that amount, \$360 million (or approximately 12%) was paid in cash to the Debtors. The balance of these invoices were satisfied either by intra-participant transactions or transactions by which a recruiting participant would (a) recruit a new participant into the scheme; (b) the Debtors would issue an invoice to the recruited participant reflecting the membership fee and contract fee for the plan being acquired by the recruited participant; (c) the recruited participant, instead of paying cash to the Debtors in satisfaction of the invoice, would pay the cash to the recruiting participant; and (d) the recruiting participant would satisfy the invoice issued to the recruited participant by the Debtors redeeming accumulated credits (as previously defined, "Triangular Transactions").

13. While the Debtors asserted that they were operating a multi-level marketing plan, the Debtors were in fact engaged in a Ponzi/pyramid scheme.

14. The continuation of the Debtors' business relied exclusively upon their ability to continue the recruiting of later participants as opposed to the sale of a VoIP product, however,

given the Debtors' virtual total reliance on the sale of memberships as opposed to a sale of the VoIP products, the collapse of the Debtors' business was inevitable.

15. The unsustainability of the Debtors' business is highlighted when considered in light of a calculation of the Debtors' twelve-month trailing liability; that is, the amount due participants over the following year on account of guaranteed returns for placing valueless advertisements on Internet sites.

16. This liability to participants based upon the guaranteed return grew exponentially in the year prior to the petition, eventually rising to more than \$5 billion as of the Petition Date.

17. Further indicia of a Ponzi/pyramid scheme, is acceleration of trailing liability as the scheme approaches saturation. In the Debtors' cases trailing liability more than tripled in the five months leading up to the Chapter 11, far outpacing any cash generated from the sale of VoIP packages.

18. The \$5 billion of trailing liability that existed is more than 700 times the \$6,600,000 cash receipts generated from the sale of the VoIP packages since the inception of the Debtors' business.

Determination of Claims

19. The Debtors' books and records recorded participant transactions not by the name of the individual participant but by "User Accounts." User Accounts were linked to email accounts, but a participant could have multiple User Accounts and many email accounts were associated with numerous (hundreds and sometimes thousands) of User Accounts. The User Accounts reflect (1) the plan purchased, (2) any amounts paid to the owner of the User Account, (3) credits earned by the owner of the User Account, and (4) credits redeemed by the owner of the User Account. The Trustee has sought a determination from this Court that a claim or

portion of a claim of a participant for accumulated credits in a participant's User Account as of the Petition Date should be disallowed.

20. The participant would accumulate credits based upon the posting of advertisements, recruiting of new participants, or sale of VoIP programs.

21. Participants were promised astronomical returns on their initial investment merely by the repetitive posting of Internet advertisements, which served no legitimate purpose, because anyone who used TelexFree as an Internet search term would be led to the Debtors' own Web site, and the repetitive posting or similar advertising had no discernable value.

22. As an example, one Web site, adpost.com, contained more than 33,000 postings submitted by participants of TelexFree, while another, classifiedsgiant.com, contained more than 25,000 postings.

23. The credits issued to the participants for placing advertisements were not reasonable compensation for the performance of legitimate services.

24. Participants did not draft the advertisements or perform any design services for the configuration, and the placing of the ads could be, and often was, outsourced to a third party for a nominal fee.

25. Additionally, credits accumulated for the sale of VoIP packages generated insignificant value to the Debtors and the requirements were easily circumvented by the participants.

26. Accordingly, claims premised upon accumulated credits in the participant's User Account on the Petition Date are analogous to claims based upon fictitious profits and, as such, should be disallowed in calculating a claimant's claim.

27. The Trustee will seek a determination that claims should be allowed only on a net equity basis, meaning that claims should be determined by (a) the amount paid by the participant to the Debtors or to another participant in accordance with a Triangular Transaction, and less (1) any money received by the participant from the Debtors in the form of bonuses, commissions or cash payments for redemption of credits, and (2) less any money received by the participant pursuant to the Triangular Transactions described in paragraph 12, above.

28. To the extent the Net Equity determination results in a participant receiving more money than they invested, the Trustee will seek to recover from these Net Winners. The Trustee will seek to recover these amounts as a fraudulent conveyance pursuant to § 548 and/or preferential payments pursuant to § 547 of the Bankruptcy Code.

Trustee's Avoidance Actions

29. In substance, a Triangular Transaction was a transaction among the Debtors, a recruiting participant and a recruited participant pursuant to which the Debtors authorized monies due the Debtors from the recruited participants for payments of invoices to be paid to the recruiting participants in exchange for the reduction of the recruiting participants' accumulated credits.

30. A Triangular Transaction should be viewed as a single transaction, resulting in a transfer of money from the Debtors to the existing participants in exchange for redemption of valueless accumulated credits.

31. Triangular Transactions, pursuant to which the accumulated credits were being redeemed and the recruiting participants obtained money from a recruited participant, are fraudulent transfers of the Debtors' property, to wit, money due from the recruited participants, and, as such, claims to recover these sums constitute property of the estates.

32. In addition to being fraudulent transfers, to the extent that these Triangular Transactions were consummated within ninety days of the bankruptcy proceeding, the transfers to recruiting participants constitute a preference to the participant who was able to redeem credits in exchange for the cash payments. As such, the transfers are recoverable by the estates and represent property of the estates.

Dos Santos Claim

33. On October 22, 2014, Dos Santos and others commenced an action in the United States District Court for the District of Massachusetts asserting various claims against, among others, the principals of the Debtors, major promoters and various financial institutions, asserting claims for violation of M.G.L. c. 93A, and aiding and abetting violation of M.G.L. c. 93A (the “Consolidated Complaint”)

34. The Consolidated Complaint was amended twice. On September 23, 2015, Dos Santos moved to file a Third Consolidated Amended Complaint. The proposed Third Consolidated Amended Complaint adds a count which asserts a claim by Dos Santos on her behalf and on behalf of all similarly situated individuals who made a payment to an individual Defendant who was a Net Winner, e.g., an individual who received more money from his/her participation in the TelexFree scheme than he/she paid into TelexFree, regardless of whether the payment was from the Debtors or another participant, and who received at least one payment from another participant.

35. The Unjust Enrichment Action characterizes the new claim as one of unjust enrichment.

36. The payments the Unjust Enrichment Action seeks to recover, in a defendant class action, are the same payments made in connection with the Triangular Transactions against

which the Trustee will also be seeking to recover on behalf of all creditors of the Debtors' bankruptcy estates.

37. While the Unjust Enrichment Action purportedly limits the claim to seeking recompense solely for monies paid by Dos Santos and similarly situated individuals to members of the defendant class, which class is defined as Net Winners, who received at least one payment from a participant in connection with the Triangular Transactions, the Unjust Enrichment Action is pursuing individuals who are included in the broad class of individuals to be pursued by the Trustee. Further, the Trustee's recovery will benefit a larger class of Net Losers than found with the Dos Santos plaintiff class. As such, the Unjust Enrichment Action seeks to exercise domain and control over property of the Debtors' estates; e.g., transfer of the Debtors' property to a class of Net Winners.

38. The Unjust Enrichment Action seeks to make such recoveries on behalf of Dos Santos and all similarly situated individuals. As such, she seeks class certification asserting a generalized claim as opposed to a particularized claim relating solely to her injuries.

COUNT I (Declaratory Relief)

39. The Trustee realleges and repeats the allegations contained in paragraphs 1 through 38 above and by reference incorporates them herein.

40. The Trustee seeks a declaration that the Unjust Enrichment Action violates the automatic stay under 11 U.S.C. § 362(a) and, therefore, the Unjust Enrichment Action is *void ab initio*. This declaratory relief is warranted for, but not limited to, the following reasons:

- a. By seeking to recover damages from Net Winners who received payments from participants, the Unjust Enrichment Action improperly contravenes the claims administration process;

- b. By seeking to recover damages from Net Winners who received payments from participants, the Unjust Enrichment Action interferes with the Trustee's exclusive right to seek recovery of fraudulently transferred property in direct violation of 11 U.S.C. § 362(a)(1) and (6).

41. The Unjust Enrichment Action further improperly seeks to obtain possession of the Debtors' property in direct violation of 11 U.S.C. § 362(a)(3).

42. To the extent that Dos Santos contests the Trustee's assertion that her action interferes with property of the estates, an actual controversy exists pursuant to which the Trustee is entitled to a declaration with respect to his property interest in the claims, and that the actions by Dos Santos are in contravention of 11 U.S.C. § 362(a).

43. To the extent that Dos Santos does not contest that the Unjust Enrichment Action interferes with and seeks to exercise control over property of the Debtors' bankruptcy estates, the Trustee is entitled to a judgment declaring her Third Consolidated Amended Complaint void *ab initio*.

44. Even if the transfer between an earlier participant and a new participant is not property of the estates, the Trustee is further entitled to a declaratory judgment that the Unjust Enrichment Action interferes with the efficient and orderly claims administration process and the effective and equitable administration of the Debtors' estates.

COUNT II
(Preliminary Injunction)

45. The Trustee realleges and repeats the allegations contained in paragraphs 1 through 44 above and by reference incorporates them herein.

46. The Trustee requests that this Court enter an order enjoining Dos Santos, pursuant to 11 U.S.C. § 105(a), restraining and enjoining Dos Santos from further prosecution of the Unjust Enrichment Action.

47. The Trustee requests that the Court enjoin the prosecution of the Unjust Enrichment Action for, without limitation, the following reasons:

- a. The Unjust Enrichment Action improperly infringes on the jurisdiction of this Court;
- b. The issues in the Unjust Enrichment Action arise out of the bankruptcy proceedings, and any funds recovered in those actions have a strong likelihood of consisting of property of the estates recoverable by the Trustee pursuant to 11 U.S.C. §§ 547 and 548. As such, the proper forum for litigation of those issues raised in the Unjust Enrichment Action is in this Court and by the Trustee;
- c. The prosecution of the Unjust Enrichment Action interferes with the efficient and effective administration of the estates, determination of claims and distributions inasmuch as the calculation of claims is inextricably linked to a determination of Net Winners and Net Losers, which should be determined by considering the transfers made within the context of the Triangular Transactions as part of the claim allowance process conducted by the Bankruptcy Court;
- d. The continued prosecution of the Unjust Enrichment Action would interfere with the Trustee's efforts both to prosecute fraudulent conveyance and

preference actions and to obtain resolution of those actions on behalf of all of the creditors of the Debtors;

- e. There is an inadequate remedy at law to protect and preserve the assets of the estates, and the injunction will serve to preserve and protect the property of the estates and the Trustee's efforts to effectively collect property of the estates for the benefit of all victims who have filed claims.;
- f. An injunction will maximize judicial economy, will avoid the possibility of inconsistent decisions, and will ensure the preservation of uniformity of decision; and
- g. The injunction will not harm the public interest and is, in fact, in the best interests of the Debtors' creditors and orderly administration of the claims administration process.

48. The Trustee believes the injunction requested herein is necessary and appropriate to carry out his duties in accordance with the provisions of the Bankruptcy Code and that further prosecution of the Unjust Enrichment Action prior to completion of the Trustee's actions would seriously impair and potentially defeat the Court's ability to administer the estates.

WHEREFORE, the Trustee respectfully prays that this Court enter a judgment in favor of the Trustee against Rita Dos Santos, individually and as a putative class representative, as follows:

1. After notice and hearing, issue a temporary restraining order to halt the further prosecution of the Unjust Enrichment Action until such time as this Court has ruled on the Trustee's request for a declaratory judgment and any preliminary injunction;

2. After notice and hearing, enjoining and restraining Dos Santos and those acting in concert or participation with her or on her behalf and any of the other parties, in accordance with § 105(a) of the Bankruptcy Code, from further prosecuting the Unjust Enrichment Action or any other action against the “Net Winners” pending a completion of the Trustee’s review and prosecution of claims;
3. Declaring that the Unjust Enrichment Action violates the automatic stay under 11 U.S.C. § 362(a) and, therefore, *void ab initio*; and

4. Granting the Trustee such other and further relief as the Court deems just and proper.

Signed under the pains and penalties of perjury this 7th day of October, 2015.



Stephen B. Darr, Trustee of the Estates
of TelexFree, LLC, TelexFree, Inc.
and TelexFree Financial, Inc.

STEPHEN B. DARR AS TRUSTEE
OF THE ESTATES OF TELEXFREE,
LLC, TELEXFREE, INC. and
TELEXFREE FINANCIAL, INC.

By his attorneys,

Dated: October 7, 2015

/s/ Charles R. Bennett, Jr.

Harold B. Murphy (BBO #326610)
Charles R. Bennett, Jr. (BBO #037380)
Murphy & King, Professional Corporation
One Beacon Street
Boston, MA 02108
(617) 423-0400
CBennett@murphyking.com
HMurphy@murphyking.com

695687