

**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
PRICEWATERHOUSECOOPERS, LLP RESPECTING SETTLEMENT OF CLAIMS**

This Stipulation is entered into this 14th day of March, 2016 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 PricewaterhouseCoopers LLP ("PwC" and, together with the Debtors, the "Parties"). This Stipulation is conditioned in its entirety on entry of a Final Order as defined below.

I. RECITALS

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, by order dated April 24, 2014, the cases were jointly administered;

Whereas, on May 6, 2014, the Nevada Bankruptcy Court entered an order approving a motion by the Securities and Exchange Commission ("SEC") to transfer venue of the cases to the



United States Bankruptcy Court for the District of Massachusetts. The cases were transferred on May 9, 2014;

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

Whereas, the Debtors stated that they operated a telecommunications business that used multi-level marketing to assist in the distribution of voice over internet protocol telephone services but by order dated November 25, 2015, as amended on December 21, 2015, the Court entered an order finding that the Debtors were operating a Ponzi and pyramid scheme;

Whereas, in January 2014, the Debtors engaged PwC to provide tax consulting and tax structuring advice;

Whereas, during the period from January 1, 2014 through the Petition Date, PwC rendered services and received payments as set forth below:

Date of Invoice	Period of Service	Invoice Terms	Amount of Invoice	Amount Paid	Date of Payment
Feb. 17, 2014	Jan 2014	15 days	\$29,970.00	\$29,970.00	Feb. 19, 2014
Mar. 24, 2014	Feb 2014	15 days	\$35,365.66	\$35,365.66	Apr 3, 2014
Apr. 15, 2014	Mar 2014	15 days	\$50,000.00	\$50,000.00	Apr 11, 2014
Total			<u>\$115,335.66</u>	<u>\$115,335.66</u>	

Whereas, the Trustee has potential claims against PwC, including claims for recovery of the foregoing payments totaling \$115,335.66 (the “Transfers”) as being preferential pursuant to 11 U.S.C. §547 and has also raised issues regarding the value of the services that were provided by PwC to TelexFree, LLC and whether such payments could be recovered as fraudulent transfers;

Whereas, the Parties have conferred and, in an effort to avoid the costs, risks and delays attendant with litigation, hereby agree and stipulate as follows:

II. STIPULATION

1. Effective upon the Bankruptcy Court entry of a Final Order¹ approving this Stipulation (the "Approval Order"):
 - (i) PwC agrees to pay the sum of \$115,335.66 to the Trustee in full settlement of any and all of the Trustee's potential claims against PwC including, without limitation, any claims pursuant to 11 U.S.C. §§ 544, 547, 548, 550, and 551;
 - (ii) PwC shall pay the sum of \$115,335.66 no later than five business days following the date that the Approval Order becomes a Final Order, by check made payable to Stephen B. Darr, Chapter 11 Trustee, provided that by such date the Trustee has transmitted to PwC an appropriate w-9. PwC makes no representations as to the tax consequences (if any) of this payment;
 - (iii) The Trustee shall execute a release in favor of PwC in the form attached hereto;
 - (iv) PwC waives all claims against the Trustee and the Estates, including but not limited to any right to a nonpriority unsecured claim pursuant to 11 U.S.C. §502(h) as a result of the repayment of the Transfers.

¹ For purposes of this Stipulation, "Final Order" shall mean an order or judgment of the Bankruptcy Court as entered on its docket that has not been reversed, stayed pursuant to Rule 8005 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") or any other applicable rule of civil or appellate procedure, modified or amended, and as to which the time to appeal, petition for *certiorari*, or seek reargument or rehearing has expired and as to which no notice of appeal, petition for *certiorari*, or motion for reargument or rehearing was timely filed, or, if a notice of appeal, petition for *certiorari*, or motion for reargument or rehearing was timely filed the order or judgment of the Bankruptcy Court has been affirmed by the highest court to which the order or judgment was appealed or from which the reargument or rehearing was sought, or *certiorari* has been denied, and the time to file any further appeal or to petition for *certiorari* or to seek further reargument or rehearing has expired.

2. Subject to the entry of a Final Order as required by paragraph 1 above, this Stipulation shall be binding upon and inure to the benefit of the Parties, their successors and assigns.

3. This Stipulation constitutes a compromise of a potential dispute between the Parties. PwC is entering into this Stipulation solely to eliminate the uncertainty, burden, and expense of further protracted litigation. This Stipulation shall not be construed or deemed to be evidence of any liability on the part of PwC, or as an admission or concession of liability by PwC.

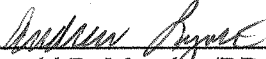
4. This Stipulation shall be governed by and construed in accordance with the substantive law of the Commonwealth of Massachusetts, without regard to the conflict of laws principles thereof, and shall have the force and effect of an instrument executed and delivered under seal under the law of the Commonwealth of Massachusetts.

5. This Stipulation 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.

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

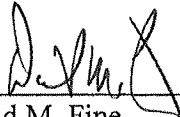
IN WITNESS WHEREOF, the undersigned Parties have executed this Stipulation as of the date first set forth above.

STEPHEN B. DARR,
CHAPTER 11 TRUSTEE,
By his attorneys,



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

PRICEWATERHOUSECOOPERS LLP,
By:



David M. Fine
King & Spalding LLP
1185 Avenue of the Americas
New York, NY 10036-4003
(212) 556-2170

703832