

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS

In re:

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

Debtors.

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

Plaintiff,

v.

ISG TELECOM CONSULTANTS, LLC,

Defendant.

Chapter 11 Cases

14-40987-MSH

14-40988-MSH

14-40989-MSH

Jointly Administered

Adversary Proceeding
No. 16-4029

**SETTLEMENT AGREEMENT AMONG CHAPTER 11 TRUSTEE, ISG TELECOM
CONSULTANTS, LLC, AND JOSEPH ISAACS**

This stipulation (the “Stipulation”) is entered into on this 17th day of January, 2017, by and among Stephen Darr, the duly appointed Chapter 11 Trustee (the “Trustee”) of TelexFree, LLC, TelexFree, Inc. and TelexFree Financial, Inc. (“TelexFree” or the “Debtors”), ISG Telecom Consultants, LLC (“ISG”), the Defendant herein, and Joseph Isaacs the principal of ISG (“Isaacs”). The Trustee, ISG and Isaacs (sometimes collectively referred to as the “Parties”) stipulate and agree as follows:



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RECITALS

A. 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.

B. 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.

C. On May 30, 2014, the 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.

D. 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 (“Participants”). The Debtors operated a massive Ponzi and pyramid scheme which involved more than a million Participants from multiple countries.

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

F. In early 2014, the Debtors retained ISG to register the VoIP phone service and mobile telephone service with various public utility agencies and to perform related services.

G. The mobile telephone application being built was intended to be a joint venture between Infinium Wireless and Telex Mobile, LLC. The owners of Telex Mobile, LLC were Carlos Wanzeler and James Merrill, the Debtors' principals.

H. During the first four months of 2014, the Debtors made payments to ISG totaling approximately \$575,000¹ for the foregoing services.

I. On or about April 1, 2016, the Trustee commenced this action against ISG seeking avoidance of the foregoing payments as fraudulent and/or preferential transfers pursuant to 11 U.S.C. §§547, 548, 550, 551.

J. ISG has denied any liability and has claimed that it is unable to pay any judgment.

K. ISG and Isaacs have provided financial information to the Trustee respecting their financial condition and ability to pay a judgment.

L. The Parties have since had discussions and exchanged information regarding the merits of the Trustee's claims and any defenses. As a result of these discussions, and in order to avoid the costs, delays and uncertainty of litigation, the Parties have entered into this Stipulation.

NOW THEREFORE, the Parties hereby stipulate and agree, subject to the approval of the Court, as follows:

STIPULATION

1. ISG shall pay the sum of \$50,000.00 ("Settlement Amount") to the Trustee upon entry of the order approving the Stipulation. ISG and Isaacs have paid the Settlement Amount to their counsel, who will hold such funds in escrow pending Court approval of the Stipulation.

2. ISG and Isaacs shall waive, release, and discharge any and all claims they may have against the Trustee, the Debtors or the Debtors' estates.

¹ During the course of discovery, the Trustee determined that a payment in the amount of \$175,000 that was listed on the Debtors' records as having been paid to ISG was in fact paid to another party. This accounts for the discrepancy between the amount asserted in the Complaint and the amount set forth herein.

3. The Trustee shall release any claims he may have against ISG and Isaacs, other than the obligations under the terms of this Stipulation, including the continuing obligations under paragraph 5 herein.

4. Upon Court approval of this Stipulation and payment of the Settlement Amount, this adversary proceeding shall be dismissed.

5. If any of the financial information provided by ISG and Isaacs to the Trustee is later demonstrated to be materially misleading, the Trustee: shall not be bound by the release granted herein to ISG and Isaacs; may retain the Settlement Amount; and may pursue additional recovery against ISG and any mediate transferees.

6. While the Trustee shall retain no causes of action against ISG and Isaacs, nothing contained in the Stipulation shall impair, release, or discharge claims that have been or could be asserted, whether or not such claims have to date been asserted, by the plaintiffs in the multi-district litigation pending in the United States District Court for the District of Massachusetts, *captioned* In re TelexFree Securities Litigation, MDL No. 4:14-md-2566- TSH. For the avoidance of doubt, the Trustee agrees he shall not attempt to assert any claims or causes of action against ISG and Isaacs in this multi-district litigation or otherwise. Nothing in this release grants the plaintiffs in the multi-district litigation any claims or causes of action that they would otherwise not have absent the Stipulation.

7. This Stipulation shall be binding upon and inure to the benefit of the Parties, and their respective administrators, representatives, successors and assigns.

8. This Stipulation constitutes the complete and exclusive agreement of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties with respect to such subject

matter.

9. This Stipulation shall be governed by and construed in accordance with the Bankruptcy Code (11 U.S.C. § 101 *et seq.*) and the substantive law of the Commonwealth of Massachusetts, and shall have the force and effect of an instrument executed and delivered under seal under the law of the Commonwealth of Massachusetts.

10. 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 format (“pdf”).

11. Each party represents and warrants that it has had an opportunity to fully review the provisions of this Stipulation with attorneys of its own choice as a result of which the Parties hereto acknowledge and agree (a) that any rule of law that provides that ambiguities are to be construed against the drafting party shall not be employed in the interpretation of this Stipulation and (b) that each party signing this Stipulation is entering into this Stipulation knowingly, voluntarily and of its own free will.

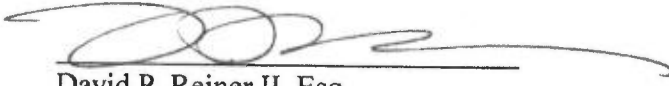
12. The Court shall retain jurisdiction to resolve any dispute arising under or in connection with this Stipulation.

13. This Stipulation shall have no force or effect unless it is approved by the Court.

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


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