

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.

CRAFT FINANCIAL SOLUTIONS, LLC,
CRAFT TRUST FINANCIAL, LLC a/k/a
CRAFT TRUST SERVICES, LLC,
JOSEPH CRAFT,

Defendant.

Chapter 11 Cases

14-40987-MSH

14-40988-MSH

14-40989-MSH

Jointly Administered

Adversary Proceeding

No. 16-4035

**STIPULATION OF SETTLEMENT AMONG CHAPTER 11 TRUSTEE AND CRAFT
FINANCIAL SOLUTIONS, CRAFT TRUST FINANCIAL AND JOSEPH CRAFT**

This stipulation (the "Stipulation") is entered into on this 12th day of July, 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"), and Craft Financial Solutions, LLC ("CFS"), Craft Trust Financial, LLC, a/k/a Craft Trust Services, LLC ("CTF") and Joseph Craft ("Craft" and, together with CFS and CTF, the "Defendants"). The Trustee and the Defendants (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, 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.

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, 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. Craft is the managing member and principal owner of CFS and CTF. Craft is and has been a certified public accountant licensed to practice in the states of Indiana and Kentucky. Craft was represented as chief financial officer for the Debtors for several months prior to the Petition Date. TelexFree compensated Craft through CFS and CTF.

G. The Defendants provided accounting, investment, and tax services to the Debtors.

H. During the two years prior to the Petition Date, TelexFree paid the Defendants the aggregate sum of approximately \$613,000 (the “Transfers”).

I. On or about April 4, 2016, the Trustee commenced this action against the Defendants, asserting that the Transfers could be recovered as fraudulent transfers. The Trustee also sued the Defendants for recovery of preferential transfers allegedly made within one year of the Petition Date and for claims arising from aiding and abetting commission of tortious conduct by TelexFree.

J. The Defendants have provided the Trustee with an accounting of the disposition of the Transfers. Approximately \$370,000 was transferred to or for the benefit of Sunwind Energy Doyle North, LLC, Sunwind Energy Solutions LLLP, and Sunwind Energy Group LLLP (together, “Sunwind”) in connection with a wind farm development project in Kansas. Craft is a principal of Sunwind. Of this amount, approximately \$250,000 was seized by federal authorities in connection with the shutdown of the TelexFree scheme (the “Sunwind Funds”).

The Sunwind Funds are the same funds referenced in paragraph 1(f) of the Settlement Agreement by and among the Trustee and Sunwind filed on June 7, 2016 (docket entry no. 13 in adversary proceeding number 16-4019). Pursuant to that settlement, Sunwind agreed to cause the Sunwind Funds to be paid to the Trustee upon their release by the government.

K. On April 15, 2014, the Securities and Exchange Commission (“SEC”) commenced an action in the United States District Court for the District of Massachusetts against the Debtors and several insiders, including Craft, case no. 1:14-cv-11858-DJC (the “SEC Action”). The SEC asserted claims against Craft for ill-gotten gains associated with participation in the TelexFree fraud in the amount of \$272,812, together with prejudgment

interest in the amount of \$25,896 and a civil penalty in the amount of \$50,000, for a total of \$348,708 (the "SEC Obligation").

L. The SEC and the Trustee have identified certain property in which the Defendants, or entities controlled by the Defendants, maintain an interest, as further set forth herein.

M. The Trustee, the SEC, and the Defendants have entered into negotiations respecting a settlement of the SEC Obligation and the claims asserted by the Trustee against the Defendants in the adversary proceeding. As a result of these negotiations, the SEC has accepted Craft's proposal of settlement, subject to the entry of a proposed final judgment ("SEC Judgment"), and the Trustee and the Defendants have entered into this Stipulation. Now therefore, for good and valuable consideration, the parties agree and stipulate as follows:

Stipulation of Settlement

1. The Defendants release any interest in the Sunwind Funds. Upon release of the Sunwind Funds that were seized by the federal governmental, the Defendants shall cause such funds to be immediately paid to the Trustee.

2. In addition to the Sunwind Funds, the Defendants shall be jointly and severally liable to pay the amount of the SEC Obligation to the Trustee as set forth below.

3. The Defendants, on behalf of themselves and Audie Craft, Craft Accounting Services, The Lakewood Trust, Genesis International Enterprises, BWFC Processing Center, LLC, Oak Revocable Trust, Ace LLP, Southern Wholesale Media, Benjamin Craft, and Audra Craft, hereby release any interest in the following financial accounts, and the assets in such accounts shall be paid to the Trustee:

#	Name(s) on Account	Bank	Account No.
1	Joseph and Audie Craft	Bank of America	xxxx8903
2	Craft Accounting Services	Bank of America	xxxx9545
3	DBA Craft Accounting Services	Bank of America	xxxx9943
4	The Lakewood Trust	Bank of America	xxxx5784
5	Genesis International Enterprises	Bank of America	xxxx8610
6	BWFC Processing Center LLC	Banterra Bank	xxxx5292
7	Oak Revocable Trust	Banterra Bank	xxxx5446
8	Ace LLP	Banterra Bank	xxxx0903
9	Southern Wholesale Media	Banterra Bank	xxxx6464
10	Craft Trust Services, LLC	Banterra Bank	xxxx6545
11	Joseph and Audie Craft	Banterra Bank	xxxx2688
12	Benjamin P Craft or Audra or Joseph H Craft	Banterra Bank	xxxx3330
13	Joseph Craft	Wells Fargo	xxxx7493
14	Joseph Craft	Wells Fargo	xxxx0984

4. The Defendants release any interest in the funds held in the Dwyer LLC IOLTA account for the benefit of Craft, in the account ending in xxxx9024, which amounts shall be paid to the Trustee.

5. Within sixty (60) days of entry of the SEC Judgment, the Defendants shall pay to the Trustee any portion of the SEC Obligation not satisfied pursuant to paragraphs 3 and 4 herein, and excluding the Sunwind Funds.

6. Upon full compliance by the Defendants with the terms of the SEC Judgment and the terms of the Stipulation, the Trustee shall release the Defendants of any and all claims that the Trustee may have against the Defendants.

7. The Defendants release and waive any and all claims they may have against the Trustee or the TelexFree estates.

8. The effectiveness of the Stipulation shall be contingent upon, and subject to, the

entry of the SEC Judgment.

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

10. The Trustee shall not assess any costs or expenses against the assets recovered pursuant to this settlement, other than the Trustee's commission, and the fees and expenses associated with the liquidation and distribution of the assets and proceeds thereof recovered in the settlement, including reasonable attorneys' fees.

11. 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.

12. 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.

13. 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").

14. 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.

15. The terms provided herein shall be in full settlement of the claims asserted by the Trustee in this adversary proceeding. 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 the Defendants 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.


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

17. 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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