

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In The Matter of the Application of)	
TELEXFREE, LLC for Registration to)	<u>File No. DA-2014-0229</u>
Provide Interconnected Voice over)	
Internet Protocol Service)	

**MOTION TO REVOKE
INTERCONNECTED VOICE OVER
INTERNET PROTOCOL REGISTRATION**

COMES NOW the Staff of the Missouri Public Service Commission and for its Motion states:

1. On February 20, 2014, TELEXFREE, LLC (“the Company”) pursuant to §392.550 RSMo, filed an application for registration to offer and provide statewide Interconnected Voice over Internet Protocol in the State of Missouri.

2. On March 12, 2014, the Commission granted the application and registered TELEXFREE.

3. As the attached documentation will demonstrate, the Staff has grave concerns that allowing the registration to continue may not only assist in the perpetuation of a fraud on investors, but is rendered unnecessary by the company’s inability to provide service to Missouri customers.

4. The Commission has the authority under §392.550(6) RSMo Supp. 2013 to revoke the registration of any IVolP provider that is unable to comply with any of the requirements of that section; with the possible exception of some filing

requirements, it appears that the company is unable to comply with any of the requirements of the section.

WHEREFORE, the Staff moves that the Commission revoke the IVolP registration of TELEXFREE, LLC.

Respectfully submitted,



Colleen M. Dale
Senior Counsel
Missouri Bar No. 31624
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4255 (Telephone)
cully.dale@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 22nd day of May, 2014.



In the Matter of the Application of)
TelexFree, LLC for Registration) Case No. DA-2014-0229
To Provide Interconnected Voice over)
Internet Protocol Service)

STATE OF MISSOURI)
) ss:
COUNTY OF COLE)

I am currently employed as Manager of the Telecommunications Unit for the Missouri Public Service Commission. This affidavit recommends Commission action to revoke the IVoIP registration for TelexFree, LLC. This recommendation has been prompted by the April 18, 2014 filing made in this case by Joseph Isaacs on behalf of ISG-Telecom. Mr. Isaacs' filing indicates the company "...misrepresented their intentions, their business model, their customer base and the source of all of their revenue..." Mr. Isaacs indicated the affidavit signed by Jim Merrill is not truthful. Mr Isaacs states he can no longer consult to this type of entity and states, "Please disassociate my firm with these alleged crooks."

Attached to Mr. Isaacs' letter are two filings initiating two separate proceedings against the company. A complaint was filed on April 15, 2014 by the Security and Exchange Commission against TelexFree, LLC and associated companies along with various principals and promoters of the company.¹ On this same date the Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth filed an administrative complaint.² Both complaints contend the company is involved in an illegal pyramid scheme promising big returns for buying into the company.

The United States Department of Justice along with the Federal Bureau of Investigation announced on May 9, 2014 charges have been filed in a federal criminal complaint charging two

¹ Security and Exchange Commission v. TelexFree, Inc. et al., Civil Action No. 1:14-cv-11858-DJC (United States District Court for the District of Massachusetts).

² Administrative Complaint; Massachusetts Office of the Secretary of the Commonwealth, Securities Division; In the Matter of TelexFree, Inc. f/k/a Common Cents Communications, Inc., and TelexFree, LLC; Docket No. 2014-0004.

principals of TelexFree James M. Merrill and Carlos N. Wanseler with conspiracy to commit wire fraud.³ The associated press release perhaps best summarizes TelexFree's pyramid scheme as follows:

*"According to the complaint affidavit, TeleFree, Inc., and TelexFree LLC (collectively, "TelexFree") provided "voice-over-internet-protocol" ("VOIP") telephone services, for which customers can sign up via a web site maintained by TelexFree. It is alleged that TelexFree was actually a pyramid scheme and that between January 2012 and March 2014, TelexFree purported to aggressively market its VOIP service by recruiting thousands of "promoters" to post ads for the product on the Internet. Each promoter was required to "buy in" to TelexFree at a certain price, after which they were compensated by TelexFree, under a complex compensation structure, on a weekly basis so long as they posted ads for TelexFree's VOIP service on the Internet. It is alleged that the ad-posting requirements were a meaningless exercise, in which promoters cut and pasted ads into various classified ad sites provided by TelexFree which were already saturated with ads posted by earlier participants...."*⁴

The release goes on to say 99% of TelexFree's revenues came from new people buying into the scheme and less than 1% of company revenues were derived from VOIP service revenues.

Various arrest warrants have recently been sought for individuals associated with TelexFree LLC. Based on Staff discussions with one of the attorneys in the Massachusetts Securities Division Enforcement Section filing the administrative complaint against TelexFree LLC, James Merrill is currently being held in custody while Carlos N. Wanzeler has reportedly fled the country for, presumably, Brazil. Other individuals are being pursued as material witnesses to the ongoing investigation.⁵ According to a press release issued by the United States Securities and Exchange Commission, the Department of Justice has executed 37 seizure warrants seizing assets relating to the fraudulent pyramid scheme. On April 16, 2014 the U.S. District Court in Boston ordered the assets of the company to be frozen to prevent the potential dissipation of investor assets. On April 30 and May 8 and 9, 2014 that Court entered preliminary injunctions extending the asset freeze to various individuals associated with TelexFree LLC.

TelexFree filed for Chapter 11 bankruptcy in Nevada's United States Bankruptcy Court on April 13, 2014.⁶ The bankruptcy cases relating to the various TelexFree affiliate companies

³ United States v. Carlos Nataniel Wanseler and James Matthew Merrill, Case No. 14-MJ-4172-DHH (United States District Court for the District of Massachusetts).

⁴ Press Release May 9, 2014 <http://www.justice.gov/usao/ma/news/2014/May/MerrillJamesPR.html>

⁵ As an example see the May 14, 2014 Affidavit filed in United States District Court for the District of Massachusetts by Paul J Melican who is a Special Agent for Homeland Security Investigations. Mr. Melican's Affidavit provides additional information about the pyramid "Ponzi"-type scheme conducted by TelexFree LLC and also describes a flurry of recent activity by various individuals associated with TelexFree LLC to transfer significant sums of money from various bank accounts and then flee the country.

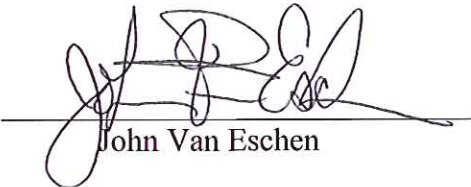
⁶ Case 14-12524-abl. United States Bankruptcy Court District of Nevada.

have since been transferred to the Massachusetts Bankruptcy court system.⁷ According to TelexFree's website the company has suspended all business activity as it tries to address issues in Bankruptcy Court and pending proceedings by the SEC and other government agencies. The company further states, "...Since we are not currently in a position to support our network, it is likely Customers will experience either interruption or discontinuation of service..."⁸

Missouri law allows the Missouri Commission to revoke or suspend the registration of any provider of IVoIP service.⁹ Based on this provision I recommend the Commission revoke the registration to provide IVoIP service granted to TelexFree, LLC in March 2014. Based on the legal proceedings against this company, TelexFree, LLC is non-compliant with the following IVoIP requirements:

- Section 392.550.3(3): That the applicant is legally, financially, and technically qualified to provide IVoIP services.
- Section 392.550.3(4): That the applicant is ready, willing, able, and will comply with all applicable state and federal laws and regulations imposed upon providers of IVoIP service.
- Section 392.550.3(8): That the applicant has established a process for handling inquiries from customers concerning billing issues, service issues and other consumer-related complaints.

The facts herein are true and correct to the best of my knowledge and belief.


John Van Eschen

Subscribed and affirmed before me this 22nd day of May, 2014.




NOTARY PUBLIC

⁷ Order. Chapter 11 Case No. 14-40987. United States Bankruptcy Court District of Massachusetts Central Division; May 8, 2014. (Note: The three companies of TelexFree, LLC; TelexFree, Inc. and TelexFree Financial, Inc. filed for bankruptcy; however, only TelexFree, LLC has received authorization from the Missouri Public Service Commission.)

⁸ www.telexfree.com

⁹ Section 392.550(6) RSMo.