

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
MONTANA STATE AUDITOR**

IN THE MATTER OF:)	CASE NO. SEC-2014-106
)	
)	
TELEXFREE, INC. f/k/a COMMON CENTS COMMUNICATIONS, INC.;)	FINAL AGENCY DECISION BY
TELEXFREE, LLC; JAMES MERRILL;)	DEFAULT AND PERMANENT
AND CARLOS WANZELER,)	CEASE AND DESIST ORDER
)	
Respondents)	
)	

The Office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI), by and through counsel, has moved that final agency decision by default be entered against Respondents TelexFREE, Inc. f/k/a Common Cents Communications, Inc.; TelexFREE, LLC; James Merrell; and Carlos Wanzeler (collectively, Respondents) for failure to appear or otherwise defend in the above-entitled case.

A Notice of Proposed Agency Action and Opportunity for Hearing (Notice) was issued on April 23, 2014. A Temporary Cease and Desist Order and Opportunity for Hearing (Order) was issued on April 23, 2014. Service was made on Respondents by certified mail, pursuant to Mont. Code Ann. § 30-10-107(8).

No response or request for hearing, either verbal or written, was received from Respondents by the CSI within 15 days of receipt of the Notice and Order, the amount of time fixed to request a hearing on the matters.

The Commissioner of Securities and Insurance, Montana State Auditor (Commissioner), may fine Respondents up to \$5,000 per each violation of the Act, in addition to other penalties CSI staff has asserted that fines of \$15,000 are appropriate and should be imposed separately upon each of Respondents. Additionally, CSI staff asserts that the Commissioner should issue an order directing Respondents to permanently cease and desist from transacting business in Montana as a multilevel distribution company. An Affidavit supporting these requests is attached. Having considered the evidence and exhibits the Commissioner makes the following determinations:

FINDINGS OF FACT

1. TelexFREE, Inc. is a for-profit corporation organized under the laws of the Commonwealth of Massachusetts. Co-founder Carlos Wanzeler incorporated the entity on December 31, 2002, under the name Common Cents Communications, Inc. Wanzeler amended the name to TelexFREE, Inc on February 15, 2012.
2. TelexFREE, LLC is a limited liability company organized under the laws of the State of Nevada. TelexFREE, LLC registered with the Montana Secretary of State on July 19, 2012.
3. Carlos Wanzeler is a co-founder of TelexFREE, Inc. and TelexFREE, LLC. He served as the Chief Executive Officer of TelexFREE, Inc., and Manager of TelexFREE, LLC.
4. James Merrill is a co-founder of TelexFREE, LLC. He served as President, Secretary, Director, and Registered Agent of TelexFREE, Inc; and Manager and Registered Agent for TelexFREE, LLC.

5. Respondents operated what they represented to be a multilevel distribution company (TelexFREE). According to Respondents, TelexFREE offered participants the opportunity to sell a Voice over Internet Protocol software product.

6. Until mid-April 2014, the TelexFREE program also included a purportedly lucrative passive income component involving the purchase of “AdCentral” memberships. Respondents claimed this membership allowed participants to earn income by posting pre-drafted advertisements on pre-selected internet sites. Participants were also compensated upfront for recruiting other AdCentral members, and could allegedly earn residual income through downline revenue sharing.

7. On July 22, 2013, Respondents filed a Form MLD-1 with the CSI in an attempt to register TelexFREE as a multilevel distribution company conducting business in Montana. The form Respondents submitted was obsolete and no longer accepted by the CSI.

8. According to Respondents’ records, Respondents had already solicited and obtained Montana participants for several months prior to the July 22, 2013, MLD-1 filing.

9. On August 6, 2013, the CSI requested in writing that Respondents provide the following information in support of the registration form:

- a. A list of all TelexFREE Montana participants, including name, address, phone number, consideration paid to date, compensation received to date, initial date of participation, and name and address of the individual sponsoring each participant;
- b. Copies of all agreements, solicitation documentation, sales materials, marketing materials, brochures, any policy and procedure manual, any customer receipts, and any other information made available to prospective participants;
- c. A sample TelexFREE start-up kit; and

d. A list, including the date, time, and location, of any recruitment, demonstration, or other meeting involving TelexFREE held in Montana since January 1, 2012.

10. On October 9, 2013, Respondents' attorney provided the following information:

a. An incomplete spreadsheet of Montana TelexFREE participants. The spreadsheet did not include each participant's sponsor, telephone number, or compensation received to date;

b. A link to the TelexFREE website, www.telexfree.com. The website purportedly contained all agreements, solicitation documentation, sales materials, marketing materials, brochures, any policy and procedure manual, any customer receipt, and any other information made available to and maintained for present and prospective TelexFREE participants;

c. A statement that TelexFREE did not provide startup kits; and

d. A statement that one Billings, Montana, participant was holding meetings regarding TelexFREE twice weekly

11. The CSI subsequently learned that Respondents' spreadsheet not only failed to provide all requested fields of information, but also failed to accurately disclose all consideration paid to date by at least one participant.

12. In October of 2013, the CSI notified Respondents that they needed to file the correct Form MLD to register in Montana.

13. On October 24, 2013, Respondents' attorney notified the CSI that Respondents were in the process of gathering information to re-submit their application and, in the meantime, had ceased offering the TelexFREE program in Montana.

14. Despite Respondents' assertion that they no longer offered the TelexFREE program to Montanans, the CSI subsequently received information to the contrary. For example, one Montana participant alone made five TelexFREE purchases following the date Respondents claimed to have stopped offering the program in Montana.

15. On February 25, 2014, the CSI again requested supporting documentation from Respondents. Respondents' attorney told the CSI that Respondents would not complete the registration process, again stating that TelexFREE was not offering its program to Montanans.

16. At the time this action was filed, the CSI had identified 34 Montana TelexFREE participants who collectively paid over \$70,000 into the TelexFREE program.

17. On April 14, 2014, TelexFREE, Inc. and TelexFREE, LLC filed for Chapter 11 bankruptcy in the state of Nevada.

18. On April 15, 2014, the Securities and Exchange Commission filed a complaint in federal district court against Respondents and related parties. The complaint alleged that TelexFREE is an illegal pyramid scheme, that Respondents illegally issued securities to participants, and that Respondents otherwise engaged in securities violations.

19. On April 15, 2014, the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth filed an administrative complaint against TelexFREE, Inc. and TelexFREE, LLC. The complaint alleged that TelexFREE is an illegal pyramid and Ponzi scheme, that Respondents illegally issued securities to participants, and that Respondents otherwise engaged in securities violations.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over this matter pursuant to § 30-10-101 et seq.

2. A “person” is an individual, a corporation, a partnership, or an association. § 30-10-103(16).

3. Respondents are persons as defined under § 30-10-103(16).

4. It is unlawful for a person to transact business in Montana as a multilevel distribution company unless the person is registered or subject to an exemption. § 30-10-216(1).

5. The CSI may, by order, deny the registration of any multilevel distribution company if the Commissioner finds that the order is in the public interest and that the registrant has filed a registration application that is incomplete in any material respect or contained a materially false or misleading statement. § 30-10-216(6)(a)

6. It is unlawful for any person to knowingly make or cause to be made, in any document filed with the CSI, any materially false or misleading statement. § 30-10-302.

7. Respondents violated § 30-10-216(1) when they offered and sold the TelexFREE program to Montana participants while not being registered with the CSI.

8. Respondents violated § 30-10-216(6)(a) when they submitted a supplemental registration spreadsheet that did not include all requested fields of information, and that failed to accurately disclose all consideration paid to date by Montana participants.

9. Respondents violated § 30-10-302 when they submitted a supplemental registration information spreadsheet that failed to accurately disclose all consideration paid to date by Montana participants.

10. Respondents violated § 30-10-302 when they represented in writing to the CSI that Respondents had ceased operations in Montana when, in fact, they continued offering TelexFREE to Montana participants.

Based upon the foregoing, the Commissioner enters the following:

ORDER

1. Respondents are ordered to permanently cease and desist from transacting business in Montana as a multilevel distribution company.
2. Each Respondent is individually fined \$5,000 for violating § 30-10-216(1).
3. Each Respondent is individually fined \$5,000 for violating § 30-10-216(6)(a).
4. Each Respondent is individually fined \$5,000 for violating § 30-10-302.
5. All fines shall be due 10 days following the signing of this Order. Fines must be made payable to the State of Montana and sent to the Office of the Montana State Auditor, Commissioner of Securities and Insurance, 840 Helena Avenue, Helena, MT 59601.

DATED this 20th day of October, 2015.



LYNNE EGAN
Deputy Securities Commissioner

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was sent to Respondents on the 20th day of October, 2015, by certified mail, to the following:

TelexFREE, Inc.
Stephen Darr
Huron Consulting Group
125 Summer Street
Boston, MA 02110

TelexFREE, LLC
Stephen Darr
Huron Consulting Group
125 Summer Street
Boston, MA 02110

Carlos Wanzeler
41 Mount Avenue
Worcester, MA 01606

Robert M. Goldstein, Esq.
20 Park Plaza, Suite 1000
Boston, MA 02116

A handwritten signature in blue ink, appearing to read "Jose Manuel", is written over a horizontal line.