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**STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: TelexFree, Inc.
225 Cedar Hill St., Suite 200
Marlborough, MA 01752

DESIST AND REFRAIN ORDER

(For violations of section 25401 of the Corporations Code)

The California Commissioner of Business Oversight finds that:

1. At all relevant times herein, TelexFree, Inc. (“TelexFree”), is an active status Massachusetts corporation operating from Marlboro, Massachusetts, with a principal place of business at 225 Cedar Hill St., Marlboro, Massachusetts 01752.

2. Beginning in at least June 2013 and continuing through April 2014, TelexFree offered and sold securities in the form of investment contracts in TelexFree VoIP (“Voice Over IP”) “packages” in this state.

3. TelexFree offered and sold its VoIP packages primarily over the internet. TelexFree’s VoIP packages cost between \$289.00 and \$1,375.00 per package.

4. TelexFree claimed to have relationships with major technology companies like Google and Apple.

5. The majority of people who purchased the VoIP package did not purchase it for the ability to place voice calls over the internet. The primary motivation of these investors’ purchases was the right to receive future returns from TelexFree.

6. In short, TelexFree promised investors a future income stream based on their purchase of an investment in VoIP packages. TelexFree claimed that a person who purchased an investment in a VoIP package could earn over 200% in returns with no effort.

7. Telling of the fact that TelexFree’s VoIP packages were purchased for the right to earn passive income and *not* for telecommunication services, TelexFree touted its VoIP packages as “the opportunity of a lifetime” and marketed the packages as a chance to “make money.”

1 8. TelexFree made internet presentations showcasing other persons who had purchased
2 multiple TelexFree VoIP packages and had allegedly earned millions of dollars in passive income.

3 9. In addition to internet advertising, TelexFree also paid significant referral bonuses to
4 owners of the VoIP packages who recruited new purchasers.

5 10. From January 2012 to December 2013, TelexFree paid over 75% of its gross
6 revenues back to investors as commission for referring new investors.

7 11. TelexFree did not make significant revenue from the sale of actual VoIP services
8 that were not bundled with passive income opportunities.

9 12. On April 13, 2014, TelexFree declared bankruptcy under Chapter 11 in the United
10 States Bankruptcy Court for the District of Massachusetts (“Bankruptcy Court”). On June 6, 2014,
11 the Bankruptcy Court appointed a Chapter 11 trustee and the bankruptcy is currently pending in the
12 Bankruptcy Court under case number 14-40987.

13 13. In connection with the offer and sale of these securities in the form of investment
14 contracts in VoIP packages, TelexFree made, or caused to be made, misrepresentations of material
15 fact or omitted to state material facts necessary in order to make the statements made, in the light of
16 the circumstances under which they were made, not misleading, in violation of sections 25401 of
17 the Corporations Code. These misrepresentations and omissions included, but are not limited to the
18 following:

19 a. TelexFree failed to disclose that it had no other significant sources of
20 income, such as from sales of actual VoIP services or similar technology, but for its sale of passive
21 income opportunities in the form of investment contracts in VoIP packages;

22 b. TelexFree failed to disclose that it had no ability to fulfill its promises of
23 passive income unless it continually recruited new investors;

24 c. TelexFree failed to disclose that the great majority of its revenues were
25 subsequently paid out as referral or recruitment bonuses.

26 d. TelexFree misrepresented relationships with well-known technology
27 companies, like Apple and Google; and
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e. TelexFree made untrue statements about the educational and professional background of its officers and directors.

Based on the foregoing findings, the California Commissioner of Business Oversight is of the opinion that the securities in the form of investment contracts offered and sold by TelexFree, Inc. were offered and sold in this state by means of written or oral communications that included untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of section 25401 of the Corporations Code.

Pursuant to section 25532 of the Corporations Code, TelexFree, Inc. are hereby ordered to desist and refrain from offering or selling any security in the State of California, including, but not limited to, investment contracts in VoIP packages by means of written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: August 6, 2015
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division