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## Victims in TelexFree pyramid scheme can expect some money back, bankruptcy official says

WORCESTER – Victims of pyramid scheme TelexFree Inc. will get back some of their money, but not all of it, the trustee overseeing the defunct company's assets said Wednesday.

Stephen B. Darr told people attending a TelexFree bankruptcy hearing at Mechanics Hall that federal officials have recovered more than \$100 million in assets connected to the former Marlboro business, but that it will not be enough to fully reimburse all those around the world likely to make claims.

"I don't believe you will get 100 percent of your money back," Mr. Darr said.

Mr. Darr and other officials connected to the TelexFree bankruptcy case spoke and answered questions for more than an hour before a group of fewer than 100 people during the hearing, which was held at Mechanics Hall because bankruptcy officials were expecting a bigger crowd.

[TelexFree collapsed](#) and filed for bankruptcy in April 2014 amid state and federal investigations, and an estimated 1.9 million people worldwide may have participated in it.

The company sold Internet telephone service, but investigators say most of the \$360 million that TelexFree collected from 2012 to 2014 came from people who paid to promote the business by placing advertisements on websites and recruiting other participants. A bankruptcy judge has declared TelexFree a pyramid and Ponzi scheme.

TelexFree principals James M. Merrill and Carlos N. Wanzeler are facing federal fraud charges in connection with the scheme. Mr. Merrill, an Ashland resident who has pleaded not guilty, is free on bail awaiting an October trial. Mr. Wanzeler allegedly fled to his native Brazil.

A class action lawsuit against TelexFree and its principals also is underway, and bankruptcy trustee Mr. Darr has filed an action to recover money from about 93,000 TelexFree participants worldwide who received more than they paid in to the scheme.

Some who participated in TelexFree say they lost thousands of dollars and are anxious to recover what they can. Several came to the bankruptcy hearing representing other victims. One man traveled from Orlando, Florida.

Javier Guevara of Worcester said he borrowed money to participate in TelexFree, only to see it close nine days later. Now he is paying interest on the loan and wondering how much of his money he will recover.

"They say it's going to be a percentage," Mr. Guevara said. "I'd like to know what it is."

Bankruptcy officials expect to launch an online claims portal about April 1. TelexFree participants will have at least 90 days to register, check information about their TelexFree accounts and submit claims, according to Mr. Darr.

Many of the U.S. participants in TelexFree are immigrants, so bankruptcy officials had Spanish and Portuguese translators on hand for the hearing. Participants will be able to file claims in Spanish, Portuguese or English.

That process, entirely electronic, gave some people pause because a number of victims have limited or no access to computers.

"Many people worked through relatives and friends," said Nadine Cohen, managing attorney of the consumer rights unit at Greater Boston Legal Services. "I'm just concerned about those people."

Others questioned how complicated it will be to file claims.

"It wasn't a big process to give them money," Sandra Fleuran of Worcester said of TelexFree. "I don't want a big process to get it out."

Although some participants pushed Wednesday for a longer period to submit claims, others argued for a quicker process.

At least one factor will delay any payouts. Bankruptcy officials said they do not expect to pay claims until after Mr. Merrill's trial.

Bankruptcy officials had filed a motion last week to compel Mr. Merrill to testify at the hearing, but he did not. Robert M. Goldstein, a lawyer for Mr. Merrill, said in a bankruptcy court filing Monday that if compelled to appear, Mr. Merrill would invoke his Fifth Amendment right to not answer any questions.



James Merrill of Ashland, right, co-owner of TelexFree Inc., talks with his lawyer, Robert M. Goldstein, outside U.S. District Court in Worcester after his arraignment in July 2014. T&G File Photo

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