

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

<hr/>)
SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.	Case No. 1:14-civ-11858-NMG)
)
TELEXFREE, INC.,)
TELEXFREE, LLC,)
JAMES M. MERRILL,)
CARLOS N. WANZELER,)
STEVEN M. LABRIOLA,)
JOSEPH H. CRAFT,)
SANDERLEY RODRIGUES DE VASCONCELOS,)
SANTIAGO DE LA ROSA,)
RANDY CROSBY and)
FAITH R. SLOAN,)
)
Defendants,)
)
and)
)
TELEXFREE FINANCIAL, INC.,)
TELEXELECTRIC, LLLP and)
TELEX MOBILE HOLDINGS, INC.,)
)
Relief Defendants.)
<hr/>)

CONSENT OF DEFENDANT SANTIAGO DE LA ROSA

1. Defendant Santiago De la Rosa (“Defendant”) acknowledges having been served with the complaint in this action, enters a general appearance, and admits the Court’s jurisdiction over Defendant and over the subject matter of this action.
2. Defendant hereby admits to the facts contained in Annex A, attached hereto, and consents to the entry of the Final Judgment in the form attached hereto (the “Final Judgment”) and incorporated by reference herein, which, among other things:

- (a) permanently restrains and enjoins Defendant from violation of Section 5 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77e];
- (b) permanently restrains and enjoins Defendant from offering, operating, or participating in any marketing or sales program in which a participant is compensated or promised compensation solely or primarily (1) for inducing another person to become a participant in the program, or (2) if such induced person induces another to become a participant in the program;
- (c) orders Defendant to pay disgorgement of \$1,527,770, with prejudgment interest thereon in the amount of \$218,264.91, for a total of \$1,746,034.91 pursuant to Section 20(d)(2) of the Securities Act, with payment in excess of \$1,092,013.00 to be waived in accordance with paragraphs 2.d, 2.e, 3, and 4 below
- (d) provides that, within sixty (30) days of entry of the Final Judgment, the following institutions shall transfer to the Trustee in the TelexFree bankruptcy all assets held in the following accounts:

#	Name(s) on Account	Bank	Account No.
1	Santiago De La Rosa	East Boston Savings Bank	XXXXXX5995
	Santiago De La Rosa	East Boston Savings Bank	xxxxx7974
2	Magica Media Corp.	SMC Management	XXw23

- (e) Orders Defendant within sixty (60) days of entry of the Final Judgment, to transfer \$100,000 to the Trustee:

3. Defendant acknowledges that the Court is not imposing a civil penalty and is not requiring payment in excess of \$1,092,013.00 towards his disgorgement obligation based

on the sworn representations in his Statement of Financial Condition dated October 11, 2017, and other documents and information submitted to the Commission. Defendant agrees that, if at any time following the entry of the Final Judgment, the Commission obtains information indicating that his sworn representations to the Commission concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to him, petition the Court for an order requiring him to pay the unpaid portion of his disgorgement obligation, with post-judgment interest pursuant to 28 U.S.C. §1961, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In any such petition, the Commission may move the Court to consider all available remedies, including but not limited to ordering Defendant to pay funds or assets, directing the forfeiture of any assets, or imposing sanctions for contempt of the Final Judgment. The Commission may also request additional discovery.

Defendant may not, by way of defense to such petition: (1) challenge the validity of this Consent or the Final Judgment; (2) contest the allegations in the Amended Complaint; (3) assert that payment of disgorgement, prejudgment interest, post-judgment interest, or a civil penalty should not be ordered; (4) contest the amount of disgorgement, prejudgment interest, or post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including but not limited to any statute of limitations defense.

4. The Final Judgment will also order East Boston Bank and SMC Management, after transferring the funds to the Commission, to immediately lift any hold or freeze instituted pursuant to the Temporary Restraining Order that currently restrains any funds or other assets in the name, for the direct or indirect benefit, or under the direct or indirect control of Defendant or over which Defendant exercises actual or apparent investment or other authority, in whatever form such assets may presently exist and wherever located
5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.
6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.
7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.
8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.
9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

4. The Final Judgment will also order East Boston Bank and SMC Management, after transferring the funds to the Commission, to immediately lift any hold or freeze instituted pursuant to the Temporary Restraining Order that currently restrains any funds or other assets in the name, for the direct or indirect benefit, or under the direct or indirect control of Defendant or over which Defendant exercises actual or apparent investment or other authority, in whatever form such assets may presently exist and wherever located
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10. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that he shall not be permitted to contest the factual allegations of the complaint in this action.
11. Defendant understands and agrees to comply with the terms of 17 C.F.R. §202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings." As part of Defendant's agreement to comply with the terms of Section 202.5(e), Defendant: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any

allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) will not make or permit to be made any public statement to the effect that Defendant does not admit the allegations of the complaint, or that this Consent contains no admission of the allegations; (iii) upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint; and (iv) stipulates for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, that the allegations in the complaint are true, and further, that any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Defendant under the Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Defendant of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19). If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For

allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) will not make or permit to be made any public statement to the effect that Defendant does not admit the allegations of the complaint, or that this Consent contains no admission of the allegations; (iii) upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint; and (iv) stipulates for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, that the allegations in the complaint are true, and further, that any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Defendant under the Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Defendant of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19). If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

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these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.
14. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.
15. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: .

05/14/18


Santiago De la Rosa

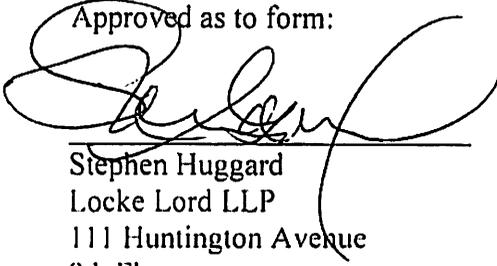
On 14th, 2018, May, a person known to me,
personally appeared before me and acknowledged executing the foregoing Consent.

Andrea E. Kudla

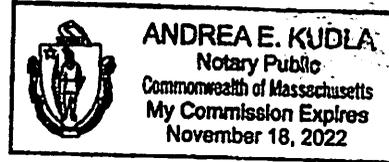
Notary Public

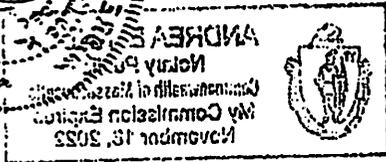
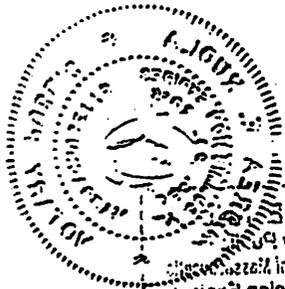
Commission expires:

Approved as to form:



Stephen Huggard
Locke Lord LLP
111 Huntington Avenue
9th Floor
Boston MA 02199-7613





ANNEX A

Defendant Santiago De la Rosa admits to the facts set forth below and acknowledges that his conduct violated the federal securities laws:

1. TelexFree, Inc. and TelexFree, LLC (collectively, “TelexFree”) offered and sold securities without ever registering any class of securities under the Securities Act of 1933 (“Securities Act”).

2. TelexFree was a “multi-level marketing” company with its headquarters in Marlborough, Massachusetts that purported to be in the business of selling telephone service plans that use “voice over internet” (“VoIP”) technology. From April 2012 to April 2014, TelexFree with the assistance of promoters such as Santiago De la Rosa raised more than \$3 billion. The securities took the form of “memberships” that promised substantial returns – 200% per year or more – for becoming “promoters” of the business. TelexFree promised to pay investors for placing ads on obscure classified ad sites on the internet and recruiting other investors to do the same. Prior to March 9, 2014, TelexFree did not require investors to sell the VoIP service in order to qualify for payments.

3. Despite the misleading appearance of having a legitimate VoIP business, TelexFree was an elaborate Ponzi and pyramid scheme.

4. TelexFree, Inc. was a Massachusetts corporation with its principal place of business in Marlborough, Massachusetts. TelexFree, LLC was a Nevada limited liability company with its principal place of business at the same address in Marlborough. On April 13, 2014, TelexFree, Inc. and TelexFree, LLC filed for bankruptcy under Chapter 11.

5. Santiago De la Rosa lives in Lynn, Massachusetts. At all relevant times, he was a prominent promoter of TelexFree, especially among in the Dominican immigrant community in Massachusetts and elsewhere.

6. TelexFree purported to be in the business of providing a VoIP service that cost \$49.90 per month. Customers registered their phone numbers with TelexFree and received software that enabled their computers to place phone calls through the company's computer servers in Marlborough.

7. The primary business of TelexFree, however, was recruiting new investors and paying them to promote the company by placing internet ads and recruiting more investors.

8. To reach prospective investors, TelexFree relied on the company website, websites operated by promoters, videos posted on the internet (primarily on the "YouTube" website), and large gatherings at hotels and resorts.

9. TelexFree charged \$50 for an investor to become a "member" or "partner". Until it changed its compensation plan on March 9, 2014, TelexFree had two membership options:

a. "AdCentral": \$339 for a one-year contract (\$50 membership fee plus \$289 contract fee). Investors received ten one-month packages of the VoIP service at the outset and were required to place one internet ad per day. For each week they placed all the ads, they received one more VoIP package. Investors who posted the ads were promised \$20 per week, or \$1,040 for the year (*i.e.*, a return of 207% on an investment of \$339).

b. "AdCentral Family": \$1,425 for a one-year contract (\$50 membership fee plus \$1,375 contract fee). Investors received fifty one-month packages of VoIP service at the outset and were required to place five internet ads per day. For each week they placed all the

ads, they received five more VoIP packages. Investors who posted the ads were promised \$100 per week, or \$5,200 for the year (*i.e.*, a return of 265% on an investment of \$1,425).

10. TelexFree had a multi-level marketing structure, with several bonus plans for investors who recruited new investors:

- a. \$20 for each new AdCentral investor and \$100 for each new AdCentral Family investor.
- b. \$20 for each investor (or “member”) in an investor’s “network”, up to a maximum of \$440, as long as the investor had recruited two members (thereby creating a “binary” network structure).
- c. 2% of all payments to each member in an investor’s network with at least one VoIP customer (which could be the members themselves), down to six “levels”.
- d. 2% of TelexFree’s net monthly billing, up to a maximum of \$39,600, for an AdCentral Family investor who recruited ten new AdCentral Family members, each of whom sold five VoIP packages (to themselves or to others).

11. TelexFree also offered commissions for selling the VoIP service:

- a. 90% (or \$44.90) for the initial sale of a monthly VoIP package at \$49.90.
- b. 10% (or \$4.99) per month for each direct member who renewed the monthly VoIP service and 2% (or \$0.99) per month for each indirect member who renewed the service, down to six levels of the investor’s network.
- c. 2% of all sales of the VoIP service by direct or indirect members in an investor’s network, down to six levels.

12. Before the compensation plan was changed on March 9, 2014, there was no requirement that AdCentral investors actually sell the VoIP service in order to receive the

promised weekly payments. The only requirement for receiving the payments was to post internet ads (one per day for each AdCentral contract and five per day for each AdCentral Family contract).

13. The ads were written by TelexFree and available on the “back office” portion of the company website. The ads offered a 60-minute free trial of the VoIP service. The “back office” contained links to external websites where the ads could be posted. Using a computer, the investor copied the ad, pasted it on the external website, and returned to the “back office” to “validate” that the ad had been posted. As a marketing presentation on the company website summarized the process: “1. Choose ad. 2. Publishing Spaces. 3. Validate Your Ad.” In fact, promoters who wanted to post many ads per day could use third-party services that automated the posting and validating process for a small fee.

14. Unlike television or newspaper ads, the TelexFree ads were not aimed at the general public. Instead, the ads were placed primarily on websites dedicated to classified ads.

15. On March 9, 2014, De la Rosa, among others, appeared at a conference at the Marriott Copley Place Hotel in Boston to announce that TelexFree was changing its compensation plan. Under the new plan, investors could not receive any payments unless they actually sold five monthly VoIP packages. (When it filed for bankruptcy one month later, a representative of TelexFree stated that the company adopted the new compensation plan after “questions” had been raised about the old plan.) De la Rosa also appeared in videos touting the supposed benefits of the new plan. Nevertheless, the new plan generated a storm of protests from investors, many of whom posted angry internet messages or videos.

16. Late on Sunday, April 13, 2014, defendants TelexFree, Inc. and TelexFree, LLC and relief defendant TelexFree Financial filed for bankruptcy in Nevada under Chapter 11, claiming to have liabilities of as much as \$600 million but assets of approximately \$100 million.

17. De la Rosa met Sanderley Rodrigues, another TelexFree promoter in July 2012 and began recruiting for TelexFree in November 2012. He became a prominent promoter of TelexFree, especially within the Dominican community in Massachusetts and elsewhere. He appeared at public events and in promotional videos that were posted on YouTube. Many of his videos were in Spanish.

18. De la Rosa provided the voiceover for a slide presentation that was posted on YouTube on December 12, 2012 with the title “Telexfree Presentación en Español Santiago De La Rosa.” The presentation contained a detailed description of the two types of AdCentral memberships, the process for placing internet ads, and the various bonus and commission plans. In the video, De la Rosa stated (as translated from Spanish into English):

The business opportunity has finally arrived where you don't have to make monthly payments, you don't have to make deliveries or buy anything. Simply work from the comfort of your own home making ads for this wonderful company that is TelexFree.

19. De la Rosa can be seen in a video that was posted on YouTube on July 21, 2013 with the title “Testimonio Santiago de la Rosa Vision telexfree.” In the video, De la Rosa made the following statements (as translated from Spanish into English):

How did Telexfree change my life? 360 degrees, only five months ago my family only had 100 dollars in savings.

I can't say I am a millionaire or multi-millionaire, but will be in the next couple of months.

Now we have an account in the bank with more than six figures.

How is TelexFree different from other marketing networks? The first network where you can decide what salary you want and make it happen. If you want \$500 dollars per week you can make it happen by buying five AdCentral Family.

20. De la Rosa can be seen in the YouTube video identified above that was posted on August 17, 2013. He spoke in Spanish with simultaneous translation into English. In the video, De la Rosa stated that he bought his first AdCentral Family contract in July 2012, but by November 2012, his income “had dropped drastically” and he was parking his car at his mother-in-law’s house to avoid having it towed. He stated that he began actively trying to recruit for TelexFree that month, but when he was invited to meet friends in Florida, he could not afford the \$80 charge to check his luggage. He then recounted his success as a promoter and stated:

I think it’s very easy to do this opportunity here at TelexFree. Everybody should understand if you want to grow a lot in this business. First thing. You need to learn the basics of the business. How to place an ad. How to register a client. How to register a promoter. Become a professional in those three things.

21. De la Rosa can be seen in a video that was posted on YouTube on September 19, 2013 with the title “Santiago De La Rosa – TelexFree Long Island Recomendado!!” The video contained a detailed description of the AdCentral Family plan. In the video, De la Rosa stated (in English):

Every day 365 days a year you place an ad.

If you cannot sell the product that they give you, the company buys it back from you for \$20.

\$50 plus \$289 that \$339 and the company pays you 20 times 52 = \$1,040.

22. De la Rosa provided the voiceover for a slide presentation that was posted on YouTube on October 16, 2013 with the title “TelexFree Business Presentación – En Español con

Santiago De La Rosa.” In the video, De la Rosa stated (as translated from Spanish into English), “Posting the daily ads is easy, simply copy and paste.”

23. On March 9, 2014, De la Rosa appeared onstage at the event in Boston where TelexFree announced the new compensation plan that required each investor to have five VoIP customers. He can be seen in a video of the event that was posted on YouTube on April 7, 2014 with the title “TelexFree International LIVE FROM BOSTON, March 9 – 2014, p.1.” In the video, De la Rosa stated, “We don’t imagine the big amount of income we will make on the customer side. It’s easy.”

24. De la Rosa can be heard in a video that was posted on YouTube on April 1, 2014 with the title “April 1 TelexFree Update Call (No Joke) Old Contracts Get Your Customers.” In the video, De la Rosa tried to reassure investors despite the change to the compensation plan:

The company will pay you until your contracts expire.

Everybody be sure that nobody gonna lose their money.

Everybody’s going to be happy.

25. De la Rosa directly or indirectly: used the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as to which no registration statement has been in effect and for which no exemption from registration has been available; and made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell securities as to which no registration statement has been filed and for which no exemption from registration has been available.

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
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v.)	Case No. 1:14-civ-11858-NMG
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TELEXFREE, INC.,)	
TELEXFREE, LLC,)	
JAMES M. MERRILL,)	
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SANTIAGO DE LA ROSA,)	
RANDY CROSBY and)	
FAITH R. SLOAN,)	
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Defendants,)	
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and)	
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TELEXFREE FINANCIAL, INC.,)	
TELEXELECTRIC, LLLP and)	
TELEX MOBILE HOLDINGS, INC.,)	
)	
Relief Defendants.)	

FINAL JUDGMENT AS TO DEFENDANT SANTIAGO DE LA ROSA

The Securities and Exchange Commission having filed a Complaint and Defendant Santiago De la Rosa (“De La Rosa” or “Defendant”) having entered a general appearance; consented to the Court’s jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment; waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment; and Defendant having admitted to the facts set forth in Annex A to the Consent of Santiago De la Rosa (“the Consent”); and the Consent and

Annex A being hereby incorporated by reference with the same force and effect as if fully set forth herein.

I.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. §77e] by, directly or indirectly, in the absence of any applicable exemption:

- (a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;
- (b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or
- (c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. §77h].

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in

Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant is enjoined from offering, operating, or participating in any marketing or sales program in which a participant is compensated or promised compensation solely or primarily (1) for inducing another person to become a participant in the program, or (2) if such induced person induces another to become a participant in the program.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of \$1,527,770, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$218,264.91, for a total of \$1,746,034.91. Based on the sworn representations in Defendant's Statement of Financial Condition dated October 11, 2017 and other documents and information submitted to the Commission, however, the Court is not ordering him to pay a civil penalty, and payment of all but \$1,092,013.00 of the disgorgement and prejudgment interest thereon is waived subject to the remainder of this section and sections IV, V, and VI below.

The determination not to impose a civil penalty and to waive payment of all but \$1,092,013.00 of the disgorgement and pre-judgment interest is contingent upon the accuracy and completeness of Defendant's Statement of Financial Condition. If at any time following the

entry of this Final Judgment the Commission obtains information indicating that Defendant's representations to the Commission concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendant, petition the Court for an order requiring Defendant to pay the unpaid portion of the disgorgement, pre-judgment and post-judgment interest thereon, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendant to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment. The Commission may also request additional discovery. Defendant may not, by way of defense to such petition: (1) challenge the validity of the Consent or this Final Judgment; (2) contest the allegations in the Complaint filed by the Commission; (3) assert that payment of disgorgement, pre-judgment and post-judgment interest or a civil penalty should not be ordered; (4) contest the amount of disgorgement and pre-judgment and post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense. Defendant shall also pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

IV.

Pursuant to Section 308(a) of Sarbanes-Oxley Act of 2002, as amended by the Dodd Frank Act of 2010, a Fair Fund is established for the disgorgement, pre-judgment interest, and

penalties referenced in this paragraph for distribution to harmed investors. The judgment shall be deemed satisfied upon compliance with the terms of this Judgment and with the terms of the Settlement Agreement by and among De la Rosa, Madelyn Guerrero, and Stephen Darr, the Chapter 11 Trustee of TelexFree LLC, TelexFree, Inc., and TelexFree Financial, Inc. (the "Trustee") filed in the adversary case entitled *Darr v. Argueta*, Adv. Proc.16-4006, presently pending in the United States Bankruptcy Court for the District of Massachusetts as part of *In re TelexFree, Inc.*, Case 14-04006 (Bankr. D.Mass.) ("the TelexFree bankruptcy"). "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." No other administrative claims shall be charged against the funds attributable to the SEC's claim.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, within thirty (30) days of entry of this Final Judgment, the following institutions shall transfer to the Trustee all assets held in the following accounts:

#	Name(s) on Account	Bank	Account No.
1	Santiago De La Rosa	East Boston Savings Bank	XXXXXX5995
	Santiago De La Rosa	East Boston Savings Bank	xxxxx7974
2	Magica Media Corp.	SMC Management	XXw23

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that within sixty (60) days of entry of this Final judgment, Defendant will transfer \$100,000 to the Trustee.

Defendant may transmit payment electronically to the TelexFree Trustee, by wire. Defendant may also pay by certified check, bank cashier's check, or United States postal money order payable to TelexFree, LLC, which shall be delivered or mailed to:

Stephen Darr, TelexFree Trustee
Huron Consulting Group
100 High Street, Suite 2301
Boston, MA 02110

and shall be accompanied by a letter identifying the case title, civil action number, and name of the Court; De la Rosa as defendant in the action; and specifying that payment is made pursuant to this Final Judgment.

In addition, a duplicate of the above letter shall be delivered or mailed to:

Deena R. Bernstein
U.S. Securities and Exchange
33 Arch St, 24th Floor
Boston, MA 02110.

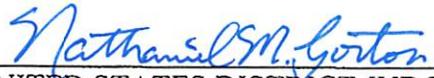
VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VIII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: Aug. 13, 2018



UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,)

Plaintiff,)

v.)

Case No. 1:14-civ-11858-NMG

TELEXFREE, INC.,)
TELEXFREE, LLC,)
JAMES M. MERRILL,)
CARLOS N. WANZELER,)
STEVEN M. LABRIOLA,)
JOSEPH H. CRAFT,)
SANDERLEY RODRIGUES DE VASCONCELOS,)
SANTIAGO DE LA ROSA,)
RANDY CROSBY and)
FAITH R. SLOAN,)

Defendants,)

and)

TELEXFREE FINANCIAL, INC.,)
TELEXELECTRIC, LLLP and)
TELEX MOBILE HOLDINGS, INC.,)

Relief Defendants.)

FINAL JUDGMENT AS TO DEFENDANT SANTIAGO DE LA ROSA

The Securities and Exchange Commission having filed a Complaint and Defendant Santiago De la Rosa (“De La Rosa” or “Defendant”) having entered a general appearance; consented to the Court’s jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment; waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment; and Defendant having admitted to the facts set forth in Annex A to the Consent of Santiago De la Rosa (“the Consent”); and the Consent and

Annex A being hereby incorporated by reference with the same force and effect as if fully set forth herein.

I.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. §77e] by, directly or indirectly, in the absence of any applicable exemption:

- (a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;
- (b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or
- (c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. §77h].

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in

Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant is enjoined from offering, operating, or participating in any marketing or sales program in which a participant is compensated or promised compensation solely or primarily (1) for inducing another person to become a participant in the program, or (2) if such induced person induces another to become a participant in the program.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of \$1,527,770, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$218,264.91, for a total of \$1,746,034.91. Based on the sworn representations in Defendant's Statement of Financial Condition dated October 11, 2017 and other documents and information submitted to the Commission, however, the Court is not ordering him to pay a civil penalty, and payment of all but \$1,092,013.00 of the disgorgement and prejudgment interest thereon is waived subject to the remainder of this section and sections IV, V, and VI below.

The determination not to impose a civil penalty and to waive payment of all but \$1,092,013.00 of the disgorgement and pre-judgment interest is contingent upon the accuracy and completeness of Defendant's Statement of Financial Condition. If at any time following the

entry of this Final Judgment the Commission obtains information indicating that Defendant's representations to the Commission concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendant, petition the Court for an order requiring Defendant to pay the unpaid portion of the disgorgement, pre-judgment and post-judgment interest thereon, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendant to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment. The Commission may also request additional discovery. Defendant may not, by way of defense to such petition: (1) challenge the validity of the Consent or this Final Judgment; (2) contest the allegations in the Complaint filed by the Commission; (3) assert that payment of disgorgement, pre-judgment and post-judgment interest or a civil penalty should not be ordered; (4) contest the amount of disgorgement and pre-judgment and post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense. Defendant shall also pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

IV.

Pursuant to Section 308(a) of Sarbanes-Oxley Act of 2002, as amended by the Dodd Frank Act of 2010, a Fair Fund is established for the disgorgement, pre-judgment interest, and

penalties referenced in this paragraph for distribution to harmed investors. The judgment shall be deemed satisfied upon compliance with the terms of this Judgment and with the terms of the Settlement Agreement by and among De la Rosa, Madelyn Guerrero, and Stephen Darr, the Chapter 11 Trustee of TelexFree LLC, TelexFree, Inc., and TelexFree Financial, Inc. (the "Trustee") filed in the adversary case entitled *Darr v. Argueta*, Adv. Proc.16-4006, presently pending in the United States Bankruptcy Court for the District of Massachusetts as part of *In re TelexFree, Inc.*, Case 14-04006 (Bankr. D.Mass.) ("the TelexFree bankruptcy"). "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." No other administrative claims shall be charged against the funds attributable to the SEC's claim.

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	Santiago De La Rosa	East Boston Savings Bank	xxxxx7974
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Stephen Darr, TelexFree Trustee
Huron Consulting Group
100 High Street, Suite 2301
Boston, MA 02110

and shall be accompanied by a letter identifying the case title, civil action number, and name of the Court; De la Rosa as defendant in the action; and specifying that payment is made pursuant to this Final Judgment.

In addition, a duplicate of the above letter shall be delivered or mailed to:

Deena R. Bernstein
U.S. Securities and Exchange
33 Arch St, 24th Floor
Boston, MA 02110.

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VIII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: Aug. 13, 2018



UNITED STATES DISTRICT JUDGE