

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.
)	
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 N. CROSBY and)	
FAITH R. SLOAN,)	
)	
Defendants,)	
)	
and)	
)	
TELEXFREE FINANCIAL, INC.,)	
TELEXELECTRIC, LLC and)	
TELEX MOBILE HOLDINGS, INC.,)	
)	
Relief Defendants.)	
)	

SUPPLEMENTAL DECLARATON OF SCOTT STANLEY, ESQ.

Scott Stanley, Esq. hereby declares, pursuant to 28 U.S.C. §1746, that the following is true and correct:

1. I am an attorney and a member in good standing of the bar of the State of New York. I am a Staff Attorney in the Boston Regional Office of plaintiff Securities and Exchange Commission ("the Commission"). I make this supplemental declaration based upon my personal

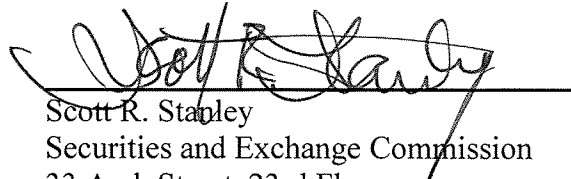
knowledge as set forth below and in support of the Commission's *ex parte* motion for emergency relief.

2. I spoke today with John Soares, a Special Agent of the Department Homeland Security, Homeland Security Investigations ("HSI"), about the execution of a search warrant on the offices of TelexFree, Inc. and TelexFree, LLC (collectively "TelexFree") at 225 Cedar Hill Street in Marlborough, Massachusetts on April 15, 2014. During the exercise of the search warrant, a Bristol County Deputy Sherriff encountered Joseph H. Craft, the Chief Financial Officer of TelexFree, entering an office and attempting to grab a laptop and bag. Craft stated that he was a "consultant" helping TelexFree prepare for bankruptcy and that the laptop and bag were personal items. The Deputy Sherriff told Craft that he could not take the laptop and bag and that these items would subject to the search. HSI Agents searched the bag and identified ten Wells Fargo Bank, N.A. cashier's checks totaling \$37,948,296. Copies of these checks are attached as Exhibit 1. Nine of the checks were dated April 11, 2014 and were remitted to James M. Merrill, the former President and current 50% owner of TelexFree. Of these checks, five were made out to TelexFree, LLC totaling \$25,548,809, and one was made out to Katia B. Wanzeler (whom I understand to be Carlos Wanzeler's wife) in the amount of \$2,000,635. One of the ten checks was dated April 3, 2014, and was remitted to Carlos Wanzeler, co-owner and treasurer of TelexFree, Inc., and co-owner of TelexFree, LLC. This check was made out to TelexFree Dominicana SRL in the amount of \$10,398,000.

3. On or about April 16, 2014, I spoke with a representative of Waddell & Reed Financial, Inc. She told me that, on April 15, 2014, at 7:30 a.m., James M. Merrill, submitted an unsolicited order to sell \$1,150,000 of his mutual fund holdings at Waddell & Reed and to

transfer the funds to the Middlesex Savings Bank. A copy of the order ticket is attached as Exhibit 2.

Executed this 16th day of April 2014.



Scott R. Stanley
Securities and Exchange Commission
33 Arch Street, 23rd Floor
Boston, MA 02110

EXHIBIT 1

000013 CHECK # 8	11-24 11/24/13	CASHIER'S CHECK	SERIAL #: 6597300416 ACCOUNT #: 4961-513125
Payor: JAMES M MERRILL Payee: JAMES M MERRILL Purchase Account: 1106677589 Operator ID: 6001853 Funding Source: Paper Remit			April 11, 2014
PAY TO THE ORDER OF ***JC REAL ESTATE INVESTMENT CO***			
Seventy-four dollars and 91 cents		**\$74.91**	
Payee Address: Name: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL 1-800-294-5132		NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOLEN OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE. AS A CONDITION TO CANCELLATION AND REISSUANCE, YOU AGREE TO REIMBURSE THE BANK AND TO SIGN AN INSTRUMENT AGREEMENT AND SIGN.	VOID IF OVER US \$ 75.00 NON-NEGOTIABLE
Purchaser Copy			

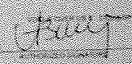
000013 CHECK # 8	11-24 11/24/13	CASHIER'S CHECK	6597300416
Payor: JAMES M MERRILL Payee: JAMES M MERRILL Purchase Account: 1106677589 Operator ID: 6001853 Funding Source: Paper Remit			April 11, 2014
PAY TO THE ORDER OF ***JC REAL ESTATE INVESTMENT CO***			
Seventy-four dollars and 91 cents		**\$74.91**	
Payee Address: Name: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL 1-800-294-5132		VOID IF OVER US \$ 75.00 <i>Richard King</i> CONTROLLER	
6597300416 12100024864861 513125*			

04.15.2014 14.45

000013 CHECK # 8	11-24 11/24/13	CASHIER'S CHECK	SERIAL #: 6597301169 ACCOUNT #: 4961-509677
Payor: JAMES M MERRILL Payee: JAMES M MERRILL Purchase Account: 1106677589 Operator ID: 6001853 Funding Source: Paper Remit			April 11, 2014
PAY TO THE ORDER OF ***TELEXFREE, LLC***			
Sixteen million nine hundred seventy thousand seven hundred fourteen dollars and 14 cents		**\$16,970,714.14**	
Payee Address: Name: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL 1-800-294-5132		NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOLEN OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE. AS A CONDITION TO CANCELLATION AND REISSUANCE, YOU AGREE TO REIMBURSE THE BANK AND TO SIGN AN INSTRUMENT AGREEMENT AND SIGN.	VOID IF OVER US \$ 16,970,714.14 NON-NEGOTIABLE
Purchaser Copy			

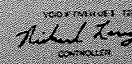
000013 CHECK # 8	11-24 11/24/13	CASHIER'S CHECK	6597301169
Payor: JAMES M MERRILL Payee: JAMES M MERRILL Purchase Account: 1106677589 Operator ID: 6001853 Funding Source: Paper Remit			April 11, 2014
PAY TO THE ORDER OF ***TELEXFREE, LLC***			
Sixteen million nine hundred seventy thousand seven hundred fourteen dollars and 14 cents		**\$16,970,714.14**	
Payee Address: Name: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL 1-800-294-5132		<i>Charles M. Merrill</i> AUTHORITY SIGNATURE	<i>Charles</i> AUTHORITY SIGNATURE
6597301169 12100024864861 509677*			

04.15.2014 14.45

CASHIER'S CHECK SERIAL # 6597301173 ACCOUNT# 4861513153 April 11, 2014 ***Twenty-seven thousand eight hundred fifty-five dollars and 57 cents*** **\$27,855.57** FROM ADDRESS: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 584-3122		PAY TO THE ORDER OF ***TELEXFREE, LLC*** NOTICE TO PURCHASER - IF THIS INSTRUMENT IS LOST, DESTROYED OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE, AS A CONDITION TO CANCELLATION AND REISSUANCE, WELLS FARGO BANK MAY REQUIRE A FEE AND REISSUE AN AFFIDAVIT OF LOSS AND BOARD.
Purchaser Copy SERIAL # 6597301173 CASHIER'S CHECK 6597301173 April 11, 2014 ***Twenty-seven thousand eight hundred fifty-five dollars and 57 cents*** **\$27,855.57** FROM ADDRESS: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 584-3122		NON-NEGOTIABLE  JAMES M. McNEILL CONTROLLER

6597301173 121210002484661 513156*

04.15.2014 14.45

CASHIER'S CHECK SERIAL # 6597300715 ACCOUNT# 4861513153 April 11, 2014 ***Seven hundred twenty-eight dollars and 44 cents*** **\$728.44** FROM ADDRESS: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 584-3122		PAY TO THE ORDER OF ***JC REAL ESTATE MANAGEMENT CO *** NOTICE TO PURCHASER - IF THIS INSTRUMENT IS LOST, DESTROYED OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE, AS A CONDITION TO CANCELLATION AND REISSUANCE, WELLS FARGO BANK MAY REQUIRE A FEE AND REISSUE AN AFFIDAVIT OF LOSS AND BOARD.
Purchaser Copy SERIAL # 6597300715 CASHIER'S CHECK 6597300715 April 11, 2014 ***Seven hundred twenty-eight dollars and 44 cents*** **\$728.44** FROM ADDRESS: WELLS FARGO BANK, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 584-3122		NON-NEGOTIABLE  JAMES M. McNEILL CONTROLLER

6597300715 121210002484661 513133*

04.15.2014 14.45

CASHIER'S CHECK SERIAL # 6597300418 ACCOUNT# 4801-013120 April 11, 2014 ***Fifty dollars and 03 cents*** **\$50.03** NON-NEGOTIABLE		PAYER NAME JAMES M. MCNEILL JAMES M. MCNEILL 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	PAY TO THE ORDER OF ***JC REAL ESTATE MANAGEMENT CO *** PAYEE ADDRESS WELLS FARGO BANK, N.A. 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOPPED OR DESTROYED, THE PAYEE REQUESTS CANCELLATION AND REISSUANCE OF A NEW INSTRUMENT. CANCELLATION REQUESTS MUST BE ACCOMPANIED BY A FEE AND FEE AND REISSUANCE REQUESTS MUST BE ACCOMPANIED BY A FEE
Purchaser Copy				
CASHIER'S CHECK SERIAL # 6597300418 ACCOUNT# 4801-013120 April 11, 2014 ***Fifty dollars and 03 cents*** **\$50.03** NON-NEGOTIABLE		PAYER NAME JAMES M. MCNEILL JAMES M. MCNEILL 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	PAY TO THE ORDER OF ***JC REAL ESTATE MANAGEMENT CO *** PAYEE ADDRESS WELLS FARGO BANK, N.A. 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOPPED OR DESTROYED, THE PAYEE REQUESTS CANCELLATION AND REISSUANCE OF A NEW INSTRUMENT. CANCELLATION REQUESTS MUST BE ACCOMPANIED BY A FEE AND FEE AND REISSUANCE REQUESTS MUST BE ACCOMPANIED BY A FEE
Purchaser Copy				

04.15.2014 14.45

CASHIER'S CHECK SERIAL # 6597301168 ACCOUNT# 4551-506077 April 11, 2014 ***Six million one hundred fifty-two thousand three hundred forty-one dollars and 44 cents*** **\$6,152,341.44** NON-NEGOTIABLE		PAYER NAME JAMES M. MCNEILL JAMES M. MCNEILL 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	PAY TO THE ORDER OF ***TELEFREE, LLC*** PAYEE ADDRESS WELLS FARGO BANK, N.A. 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOPPED OR DESTROYED, THE PAYEE REQUESTS CANCELLATION AND REISSUANCE OF A NEW INSTRUMENT. CANCELLATION REQUESTS MUST BE ACCOMPANIED BY A FEE AND FEE AND REISSUANCE REQUESTS MUST BE ACCOMPANIED BY A FEE
Purchaser Copy				
CASHIER'S CHECK SERIAL # 6597301168 ACCOUNT# 4551-506077 April 11, 2014 ***Six million one hundred fifty-two thousand three hundred forty-one dollars and 44 cents*** **\$6,152,341.44** NON-NEGOTIABLE		PAYER NAME JAMES M. MCNEILL JAMES M. MCNEILL 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	PAY TO THE ORDER OF ***TELEFREE, LLC*** PAYEE ADDRESS WELLS FARGO BANK, N.A. 18100 1ST EAST SAN FORD, CT 06424 FOR INQUIRIES CALL (401) 594-1122	NOTICE TO PURCHASER: IF THIS INSTRUMENT IS LOST, STOPPED OR DESTROYED, THE PAYEE REQUESTS CANCELLATION AND REISSUANCE OF A NEW INSTRUMENT. CANCELLATION REQUESTS MUST BE ACCOMPANIED BY A FEE AND FEE AND REISSUANCE REQUESTS MUST BE ACCOMPANIED BY A FEE
Purchaser Copy				

04.15.2014 14.45

000013 Office All #	11-24 121581	CASHIER'S CHECK	SERIAL # 6597301166 ACCOUNT# 4061-509677
Name: JAMES M MERRILL Purchaser: JAMES M MERRILL Purchaser Address: 170077081 Operator ID: 0001853 Purchaser Account: 0001853 Paying Branch: Paper Network PAY TO THE ORDER OF ***TELEXFREE, LLC***		April 11, 2014 ***One million nine hundred sixty-eight thousand seven hundred seventy-seven dollars and 06 cents*** **\$1,968,777.06** Payee Address: Wells Fargo Bank, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 294-3122	
NOTICE TO PURCHASER - IF THIS INSTRUMENT IS LOST, STOLEN OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE. WELLS FARGO BANK MAY APPROVE A FEE AND REQUIRE AN INDEMNITY AGREEMENT AND SURETY.		VOID IF OVERLAP \$ 1,968,777.06 NON-NEGOTIABLE	
Purchaser Copy			

04.15.2014 14.46

000013 Office All #	11-24 121581	CASHIER'S CHECK	SERIAL # 6597301167 ACCOUNT# 4061-509677
Name: JAMES M MERRILL Purchaser: JAMES M MERRILL Purchaser Address: 170077081 Operator ID: 0001853 Purchaser Account: 0001853 Paying Branch: Paper Network PAY TO THE ORDER OF ***TELEXFREE, LLC***		April 11, 2014 ***Four hundred twenty-nine thousand one hundred twenty dollars and 31 cents*** **\$429,120.31** Payee Address: Wells Fargo Bank, N.A. 18 MAIN ST EAST HARTFORD, CT 06118 FOR INQUIRIES CALL (860) 294-3122	
NOTICE TO PURCHASER - IF THIS INSTRUMENT IS LOST, STOLEN OR DESTROYED, YOU MAY REQUEST CANCELLATION AND REISSUANCE. WELLS FARGO BANK MAY APPROVE A FEE AND REQUIRE AN INDEMNITY AGREEMENT AND SURETY.		VOID IF OVERLAP \$ 429,120.31 NON-NEGOTIABLE	
Purchaser Copy			

04.15.2014 14.46

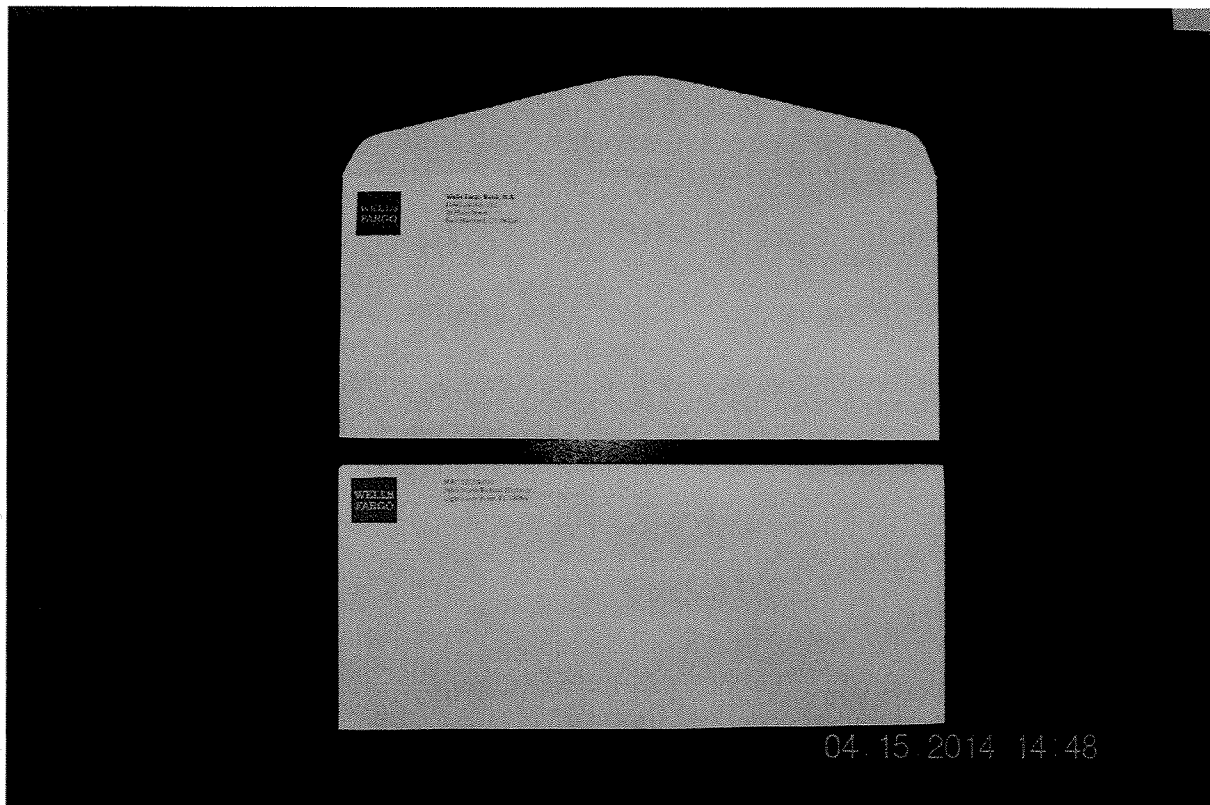


EXHIBIT 2

FOIA CONFIDENTIAL TREATMENT REQUEST
CONFIDENTIAL TREATMENT REQUESTED BY WADDELL & REED, INC.**SELL**

HOME OFFICE BATCH #500

**ADVISOR MEDALIST**
Waddell & Reed, Inc.**Advisor Initiated Order Ticket**
WADDELL & REED AND IVY FUNDS ONLY☐ This is a MAP/
MAPPlus/SPA account.
The field DSP
signature is not
required.☐ Solicited☒ Unsolicited

Account Number

3614 1090

Client Name

JIM & KRISTEN MERRILL

Order Receipt Date

4/15/2014

Order Receipt Time

7:30 AM

Order taken by (if different than advisor)

1 REDEMPTION INSTRUCTIONS**1A TRANSACTION INSTRUCTIONS**

- This form cannot be used to terminate an Investment Advisor account.
- This form cannot be used when redeeming 401(k), Profit Sharing, Money Purchase, Defined Benefit, 403(b) and 457 Plan accounts.
- 10% Federal Tax will be withheld from this redemption unless indicated otherwise in section 2.
- Percentage-based transactions must equal 100% if the intent is to close the fund/account.

Provide Bank Name and last four digits of the bank account number if selecting ACH or Wire payment method.

Bank Name MIDDLESEX SAVINGS BANKLast Four Digits of Bank Account 6876

Select Payment Method: (check one)

☐ ACH ☐ Check ☐ FedEx (\$15.00 fee) ☒ Wire (\$10.00 fee)

Fund Number(s)	Amount (Indicate all, dollars, shares or percentage.)	Retirement Plan Account Type of Distribution
750	<input checked="" type="checkbox"/> ALL <input type="checkbox"/> \$ <input type="checkbox"/> SH <input type="checkbox"/> %	
303	<input checked="" type="checkbox"/> ALL <input type="checkbox"/> \$ <input type="checkbox"/> SH <input type="checkbox"/> %	
348	<input checked="" type="checkbox"/> ALL <input type="checkbox"/> \$ <input type="checkbox"/> SH <input type="checkbox"/> %	
309	<input checked="" type="checkbox"/> ALL <input type="checkbox"/> \$ <input type="checkbox"/> SH <input type="checkbox"/> %	

CONTINUED

360 ALL

362 ALL

603 \$ 1,150,000 ☒**1B SPECIFIC LOT IDENTIFICATION**

- To change your Cost Basis Accounting Method prior to this transaction, please include the Cost Basis Accounting Method Election, Form # WR01CS2014.
- If your current Cost Basis Accounting Method is the Specific Lot Depletion method, provide instruction on which shares to redeem. If insufficient or unavailable shares are selected, the transaction will be processed using your secondary accounting method.

Specific Lot Depletion (please list):

Date of Purchase	Number of Shares	Date of Purchase	Number of Shares	Date of Purchase	Number of Shares

2 FEDERAL & STATE INCOME TAX WITHHOLDING

- State income tax may be withheld on certain types of distributions if your tax residence address is within certain states that require withholding and if federal income tax is also being withheld from your distribution. For a current list of states for which this applies, please refer to www.waddell.com >Individual Investors>Account Resources>Withholding of State Income Tax.
- If neither block is selected, Federal Income Tax will be withheld at a rate of 10%.
- Federal and State income tax withholding is not applicable to Coverdell ESA accounts.
- Redemption amounts will be treated as "Net" amount unless indicated as "Gross".
- Redemption will be processed at "Net" unless "Gross" is specified with the exception of Required Minimum Distributions (RMD). RMD's will be processed at "Gross" unless "Net" is specified.

Check one:

- ☐ The undersigned directs that no Federal Income Tax shall be withheld.
- ☐ The undersigned directs that Federal Income Tax be withheld at the rate of _____ %.

Check one:

- ☐ Gross - Redemption amounts requested are before tax withholding and will be reduced by the applicable tax withholding.
- ☐ Net - Redemption amounts requested are after tax withholding and will be increased so the requested amount is received.

WR01CS0020 (01/14) Version 1.2

1 of 2

SEC MERRILL/TELEFREE 001222

FOIA CONFIDENTIAL TREATMENT REQUEST
CONFIDENTIAL TREATMENT REQUESTED BY WADDELL & REED, INC.**3 ORDER INFORMATION**☒ Order submitted via fax ☐ Order submitted via phone (Provide requested information below)

Name of Client Services Representative _____ Time of Order Entry _____

Date of Trade (if different than Order Receipt Date) _____ Confirmation No. _____

I have reviewed the recommended transactions, and have determined they are suitable based upon the client's financial position, investment experience, objectives and needs.

Signature of Advisor  _____ Printed Name CHRISTOPHER PAZIENZA Date 4/15/2014 Advisor No. 49768

I have reviewed the transaction set forth above.

Designated Supervising Principal Signature _____ Advisor No. _____ Printed Name _____ Date _____