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Business

TelexFree co-owner to stay in custody until trial

By Beth Healy | GLOBE STAFF MAY 20, 2014

TelexFree Inc. co-owner James M. Merrill will remain in custody pending trial, a federal judge in Worcester ordered on Tuesday.

According to the US attorney's office, Magistrate Judge David Hennessy made the ruling in the \$1 billion fraud case.

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Marlborough-based TelexFree and its principals have been charged with fraud in separate civil and criminal actions.

Merrill's partner, Carlos Wanzeler of Northborough, has fled to his native Brazil and is considered a fugitive by US authorities. Wanzeler's wife, Katia, tried to leave the country last week but was arrested in New York.

The judge said his decision was a close call, according to [a report](#) in the Telegram & Gazette of Worcester. The Ashland man's lawyer had argued that he was not a flight risk, but prosecutors said Merrill had access to hundreds of millions of dollars in accounts around the world and motivation to flee because, at age 53, he could in effect be facing life in prison.

Before being led away in handcuffs, the Worcester newspaper reported, Merrill turned to his wife and other supporters, shook his head repeatedly, and said, "The truth will come out." His wife, Kristin, broke down in tears, according to the report.

She had testified on Friday that Merrill was a family man who coached his children's soccer games and attended church.

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Merrill's lawyer, Beverly Chorbajian, said she objected to the ruling and planned to appeal.

TelexFree sought bankruptcy protection in April, days before state and federal securities regulators filed civil fraud charges against the company for allegedly running a global pyramid scheme.

According to the Department of Justice, the TelexFree case could be the largest pyramid scheme in US history, in terms of the number of people involved.

The company sold long-distance Internet phone service, but the bulk of its business, regulators said, was in recruiting hundreds of thousands of participants to open “accounts” that would pay generous returns. To reap those gains, members simply had to click ads on the TelexFree website, purportedly to promote the business.

Earlier this month, Merrill was arrested near Worcester by federal authorities. The US attorney in Boston, Carmen Ortiz, charged him with conspiracy to commit wire fraud.

Lawyers for Merrill and Wanzeler have portrayed them as running a legitimate business and said they filed for bankruptcy protection simply to reorganize.

The judge said on Tuesday that a network of promoters who bought into TelexFree early and made big profits could be in a position to help Merrill start a new life if he did run, according to the Telegram & Gazette. The judge noted that Wanzeler, too, could help Merrill.

Merrill and Wanzeler were longtime business partners and friends. They started working together in the 1990s, when Wanzeler and his immigrant family joined Merrill’s cleaning company. TelexFree would go on to prey largely on Brazilian immigrants, prosecutors have alleged.

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