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22 **UNITED STATES BANKRUPTCY COURT**
23 **FOR THE DISTRICT OF NEVADA**

24 In re:

25 TELEXFREE, LLC,

26 Affects this Debtor

27 Affects all Debtors

28 Affects TELEXFREE, INC.

Affects TELEXFREE FINANCIAL, INC

) Case No.: BK-S-14-12524-abl

) [Chapter 11]

) **[PROPOSED]**

) **Jointly Administered with:**

) 14-12525-abl TelexFree, Inc.

) 14-12526-abl TelexFree Financial, Inc

) **U.S. SECURITIES AND EXCHANGE
COMMISSION'S APPLICATION FOR
ORDER SHORTENING TIME TO HEAR
MOTION FOR CHANGE OF VENUE;
DECLARATION OF SANDRA W. LAVIGNA**

) Date: N/A

) Time: N/A



1 The United States Securities and Exchange Commission (“Commission”) hereby submits its
2 Application for Order Shortening Time (the “Application”) requesting this Court hear the
3 Commission’s Motion for Change of Venue (the “Venue Motion”) as hereinafter described on
4 shortened time. The shortened time is necessary because of concern that since proceedings in the
5 bankruptcy cases should be taking place in Massachusetts (the location of the Debtors’ owners,
6 assets, important witnesses and other proceedings against these Debtors and persons associated with
7 them) no further proceedings should be going forward in these cases here. Should the Venue Motion
8 be granted, it is the bankruptcy judge in Massachusetts who would be making rulings. To the extent
9 proceedings continue in Nevada until a regular-notice hearing on the Venue Motion, and should the
10 Venue Motion be granted, there may also be a risk of rulings being entered in the interim that conflict
11 with law in the First Circuit, or that would vary from the preferences of the Massachusetts bankruptcy
12 judge, whose positions and views would be informed by local concerns.

13 This Application is made and based upon Bankruptcy Rule 9006, the following Memorandum
14 of Points and Authorities, the following Declaration of Sandra W. Lavigna (the “Lavigna
15 Declaration”), the Attorney Information Sheet filed contemporaneously with this Application, and the
16 papers and pleadings on file with this Court, judicial notice of which is respectfully requested.

17 WHEREFORE, the Commission respectfully requests that this Court grant this Application
18 and issue an Order Shortening Time to hear the Commission’s Venue Motion so that it may be heard
19 on April 30, 2014, if convenient with the Court, or for another date that is prior to the hearings
20 scheduled for May 2, 2014, and for such other and further relief as the Court deems just and proper.

21 Dated: April 23, 2014

22
23 /s/ Sandra W. Lavigna
24 Sandra W. Lavigna
25 Senior Bankruptcy Counsel
26 U.S. Securities and Exchange Commission
27
28

MEMORANDUM OF POINTS AND AUTHORITIES**I.****BACKGROUND**

The bankruptcy cases of the above-captioned debtors, TelexFree, LLC, TelexFree, Inc. and TelexFree Financial, Inc. (“Debtors”), were commenced in this District late on Sunday evening, April 13, 2014. On Tuesday, April 15, 2014, the Commonwealth of Massachusetts, Office of the Secretary of the Commonwealth, Securities Division, filed an action against TelexFree, Inc. and TelexFree, LLC. Also on Tuesday, April 15, 2014, the Department of Homeland Security executed a search warrant on the Marlborough, Massachusetts office of TelexFree, Inc. and TelexFree, LLC. On that same day, the U. S. Securities and Exchange Commission filed an emergency civil enforcement action against the Debtors and others in the U. S. District Court for the District of Massachusetts (No. 1:14-cv-11858-DJC), the Honorable Denise Casper, District Judge, presiding. As more fully set forth in the Venue Motion and Exhibit 1 thereto, the Commission’s Complaint alleges that debtors TelexFree, Inc., TelexFree, LLC and eight individual defendants operated a fraudulent pyramid scheme through the TelexFree entities. The Commission also filed a motion for a Temporary Restraining Order, and on April 16, 2014, the District Court entered the order.

Subsequently, this court held an April 17 hearing on the Debtors’ first-day motions but continued several of the motions to May 2, 2014, after argument and in light of the prohibitions of the Temporary Restraining Order, among other things. Several of these motions seek affirmative relief that will influence the bankruptcy cases as they move forward.

II.**THE VENUE MOTION**

The Venue Motion seeks transfer of these Debtors’ cases to the District of Massachusetts, Central Division, pursuant to 28 U. S. C. § 1412: “A district court may transfer a case or proceeding under title 11 to a district court for another district, in the interest of justice or for the convenience of the parties.” The Commission believes that facts supporting both elements of this statute dictate transfer of these cases to Massachusetts. As fully set forth in the Venue Motion, not only are two actions against these debtors (and others) pending in Massachusetts, the companies’ business

1 operations took place in Massachusetts, the owners and other witnesses are in Massachusetts, and
2 there are many more victims of the fraudulent scheme in Massachusetts than in Nevada. Also, as
3 briefed in the Venue Motion, current Ninth Circuit law would operate to prevent a Nevada
4 bankruptcy judge from entering final orders in any fraudulent conveyance actions brought by the
5 estate against persons who are not claimants against the estate, thus requiring coordination with a
6 District Court. If the Debtors' cases continue in Nevada, that District Court would have to become
7 familiar with the issues pertaining to this pyramid scheme when the District Court in Massachusetts is
8 already familiar, a waste of judicial resources.

9 **III.**
10 **ARGUMENT**

11 Section 105 allows this Court to issue such orders as are necessary to carry out the provisions
12 of this title. Bankruptcy Rule 9006(c)(1) generally permits a Bankruptcy Court, for cause shown and
13 in its discretion, to reduce the period during which any notice is given in accordance with the
14 Bankruptcy Rules. Bankruptcy Rule 9006(c)(1) provides as follows:

15 Except as provided in paragraph (2) of this subdivision, when an act is
16 required or allowed to be done at or within a specified time by these
17 rules or by a notice given thereunder or by order of court, the court for
18 cause shown may in its discretion with or without motion or notice
order the period reduced.

19 Local Rule 9006 provides further authority for shortening the time for a hearing.
20 According to Local Rule 9006(b), every motion for an order shortening time must be
21 accompanied by an affidavit stating the reasons for expedited hearing; those reasons are set
22 forth in the Lavigna Declaration attached hereto.

23 Local Rule 9006 requires the moving party to submit an Attorney Information Sheet
24 indicating whether opposing counsel was provided with notice, whether opposing counsel
25 consented to the hearing on an order shortening time, the date counsel was provided with
26 notice and how notice was provided or attempted to be provided. An Attorney Information
27 Sheet is filed contemporaneously with this Application.

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1 The Commission respectfully urges the court to exercise its discretion to shorten time
2 for hearing on the Venue Motion. Should the Venue Motion be granted, and should
3 proceedings be continued in Nevada during an interim period before the hearing on the
4 Venue Motion, there is a risk of rulings being entered in Nevada that might conflict with law
5 in the First Circuit, or that would vary from the preferences of the Massachusetts bankruptcy
6 judge, whose positions and views would be informed by local (Massachusetts) concerns.

7 WHEREFORE, the Commission respectfully requests that the Court grant this
8 Application and issue an order shortening time to hear the Motion for Transfer of Venue to
9 April 30, 2014, or at another time convenient with the court but prior to the continued first-
10 day hearings.

11 Dated this 23rd day of April, 2014.

UNITED STATES SECURITIES AND EXCHANGE
COMMISSION

/s/ Sandra W. Lavigna

Sandra W. Lavigna
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DECLARATION OF SANDRA W. LAVIGNA

I, Sandra W. Lavigna, declare as follows:

1. I am an attorney at law, duly licensed and entitled to practice law in all the courts of the State of California and in all the Districts of California. I am Senior Bankruptcy Counsel in the Los Angeles Regional Office of the U. S. Securities and Exchange Commission.

2. As demonstrated by the exhibits that accompany the Venue Motion, the Commission filed its Complaint against these Debtors and others on April 15, 2014 in the District Court for the District of Massachusetts. That court entered its Temporary Restraining Order on April 16, 2014. Among other things, the Temporary Restraining Order froze the assets of the Defendants, including the Debtors. Also on April 15, 2014, and as demonstrated by the exhibits attached to the Venue Motion, the Department of Home Security executed a search warrant on the Debtors' Massachusetts offices, and the Commonwealth of Massachusetts, Office of the Secretary of the Commonwealth, Securities Division, filed its Administrative Complaint against TelexFree, Inc. and TelexFree, LLC.

3. The Commission believes that venue is more proper in Massachusetts, since that is the location of the Debtor's owners, assets (including those seized by the Department of Homeland Security), important witnesses, at least two actions against the Debtors, and many of the victims of the Debtors' pyramid scheme, as alleged in the Commission's Complaint.

4. The Commission is also concerned that, should the bankruptcy cases continue to proceed in Nevada during the regular-notice interim period, and should the Venue Motion be granted, there is a risk of rulings being entered that conflict with law in the First Circuit, or that would vary from the preference of the Massachusetts bankruptcy judge, whose views will be informed by local concerns.

I declare under penalty of perjury of the laws of the United States that the foregoing is true to the best of my knowledge and belief.

Dated: April 23, 2014.

/s/ Sandra W. Lavigna
Sandra W. Lavigna

CERTIFICATE OF SERVICE

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 5670 Wilshire Blvd., 11th Floor, Los Angeles, California 90036-3648.

A true and correct copy of the foregoing document described as **U.S. SECURITIES AND EXCHANGE COMMISSION'S APPLICATION FOR ORDER SHORTENING TIME TO HEAR MOTION FOR TRANSFER OF VENUE; DECLARATION OF SANDRA W. LAVIGNA** will be served or was served in the manner indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **April 23, 2014**, the Attorney of record checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page.

II. SERVED BY U.S. MAIL OR OVERNIGHT DELIVERY:

On **April 23, 2014**, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

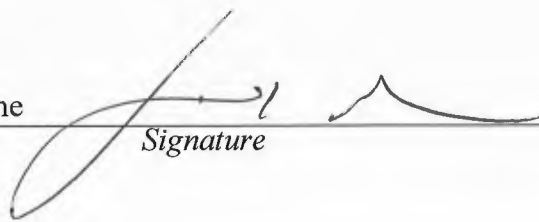
THE HONORABLE AUGUST B. LANDIS
Judge, United States Bankruptcy Court
District of Nevada (Las Vegas)
Foley Federal Building
300 Las Vegas Boulevard South
Las Vegas, NV 89101

Service information continued on attached page.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

April 23, 2014
Date

Louie M. Adame
Type Name



Signature

Mailing Information for Case 14-12524-abl

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive email notice/service for this case.

- **THOMAS H. FELL**
BANKRUPTCYNOTICES@GORDONSILVER.COM;bknotices@gordonsilver.com
- **GREGORY E GARMAN** bankruptcynotices@gordonsilver.com,
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- **MATTHEW HINKER** hinkerm@gtlaw.com
- **NANCY A. MITCHELL** mitchelln@gtlaw.com
- **TERESA M. PILATOWICZ** Bankruptcynotices@gordonsilver.com,
bknotices@gordonsilver.com
- **U.S. TRUSTEE - LV - 11** USTPRegion17.lv.ecf@usdoj.gov

Manual Notice List

The following is the list of **parties** who are **not** on the list to receive email notice/service for this case (who therefore require manual noticing/service). You may wish to use your mouse to select and copy this list into your word processing program in order to create notices or labels for these recipients.

JOSEPH P. DAVIS
GREENBERG TRAUIG, LLP
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BOSTON, MA 02110

MARIA J. DICONZA
GREENBERG TRAUIG, LLP
METLIFE BUILDING, 200 PARK AVE
NEW YORK, NY 10166

Creditor List

Click the link above to produce a complete list of **creditors** only.

List of Creditors

Click on the link above to produce a list of **all** creditors and **all** parties in the case. User may sort in columns or raw data format.