

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
CENTRAL DIVISION

In re:

TELEXFREE, LLC,
TELEXFREE, INC.
TELEXFREE FINANCIAL, INC.

Debtors.

Chapter 11 Cases

14-40987-MSH
14-40988-MSH
14-40989-MSH

Jointly Administered

**APPLICATION BY STEPHEN B. DARR, CHAPTER 11 TRUSTEE, TO RETAIN
KURTZMAN CARSON CONSULTANTS, LLC AS CLAIMS AND NOTICING AGENT
(Expedited Determination Requested)**

Stephen B. Darr, the duly appointed Chapter 11 trustee (the "Trustee") of the bankruptcy estates (the "Estates") of TelexFree, LLC, TelexFree, Inc., and TelexFree Financial, Inc. (collectively, the "Debtors") respectfully requests that this Court enter an order authorizing the Trustee's retention of Kurtzman Carson Consultants, LLC ("KCC") as claims and noticing agent, in accordance with 28 U.S.C. §156 and Rule 2002 of the Federal Rules of Bankruptcy Procedure ("FRBP").

KCC was initially retained by the Debtors to serve as claims and noticing agent prior to the appointment of the Trustee. After independently concluding that a claims and noticing agent was essential to the administration of the cases, the Trustee solicited competitive bids for the position and engaged in negotiations with individual bidders. As a result of these efforts, the Trustee has elected to retain KCC, albeit on terms and conditions substantially more favorable to the Estates than the terms and conditions in KCC's initial engagement agreement. The modified terms and conditions shall be in effect retroactively as of the Petition Date and will result in



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substantial savings to the Estates, while still providing the necessary services to ensure the orderly administration of the cases.

In further support of this application, the Trustee states as follows:

JURISDICTION

1. The Court has jurisdiction to consider and determine this application pursuant to 28 U.S.C. § 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

PROCEDURAL BACKGROUND

2. On April 13, 2014 (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") with the United States Bankruptcy Court for the District of Nevada.

3. The Debtors initially operated as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

4. On the Petition Date, the Debtors filed a motion for joint administration of the cases, with TelexFree, LLC as the lead case. By order dated April 24, 2014, the order for joint administration was approved.

5. The Debtors stated that they operated a telecommunications business that used multi-level marketing to assist in the distribution of voice over internet protocol telephone services. Individuals were allegedly promised substantial returns for placing TelexFree advertisements and for recruiting additional individuals.

6. On or about April 15, 2014, the Securities and Exchange Commission ("SEC") commenced an action against the Debtors and others in the United States District Court for the District of Massachusetts, alleging among other things that the Debtors were engaged in an illegal pyramid scheme and were raising funds through the fraudulent and unregistered offering of

securities. At or around this time, the SEC and the Office of the United States Attorney (“USA”) conducted a seizure of records at the Debtor’s former headquarters in Marlboro, Massachusetts.

7. On or about April 22, 2014, the Office of the United States Trustee (“UST”) filed a motion for the appointment of a Chapter 11 Trustee.

8. On April 23, 2014, the SEC filed a motion to transfer venue of the cases to the United States Bankruptcy Court for the District of Massachusetts. By order dated May 6, 2014, the motion to change venue was approved. The cases were transferred on May 9, 2014.

9. On May 30, 2014, this Court approved the motion to appoint a Chapter 11 trustee, and the Trustee was appointed on June 6, 2014 (the “Trustee Appointment Date”).

HISTORY OF KCC’S INVOLVEMENT

10. On April 14, 2014, the Debtors filed an application (the “Initial Application”) to retain KCC as claims and noticing agent.

11. On April 21, 2014, the UST filed an objection to the Initial Application. In its objection, the UST asserted, among other things, that: there was no evidence that KCC’s retention was the result of competitive bidding; that KCC should not have the right to open bank accounts on behalf of the Debtors; and that KCC’s retainer should be applied against invoices in the ordinary course and not serve as a security retainer.

12. On April 24, 2014, the Bankruptcy Court for the District of Nevada entered an order authorizing KCC’s retention on an interim basis.

13. On April 30, 2014, the Debtors filed a reply to the UST objection to the Initial Application.

14. By order dated May 30, 2014, the Bankruptcy Court for the District of Massachusetts approved KCC’s retention, subject to certain modifications [docket entry 231].

TRUSTEE'S RETENTION OF CLAIMS AND NOTICING AGENT

15. Based upon his investigation to date, the Trustee has determined that the potential claimants in these cases may be upwards of one million individuals, located in several countries. Given the scope of services that may be required in connection with noticing, claims administration, and solicitation, the Trustee has concluded that the services of a claims and noticing agent are essential.

16. The Trustee has reviewed the objection previously filed by the UST to KCC's retention, in particular regarding the reasonableness of the fees and expenses sought to be charged, and has solicited proposals from multiple claims and noticing agents, including Epiq, Rust Omni, KCC, and BMC. After receiving the proposals, the Trustee conferred further with prospective applicants to further refine and improve their proposals.

17. As a result of these efforts, the Trustee has received a modified proposal from KCC, which is attached as Exhibit "B" hereto. The adjustments to the prior rate structure are substantial and are expected to result in savings that may equal or exceed \$1,000,000. Among the significant modifications are the following:

- (i) KCC has modified its data storage charges from \$.10 per creditor per month to \$.05 per creditor per month; however, these charges are now capped at an aggregate amount of \$28,380 for the life of the cases. This modification alone may result in savings in excess of \$1,000,000 depending upon the number of claimants in the cases;
- (ii) Hourly consulting charges were reduced by approximately ten to twenty percent (10-20%);

(iii) Electronic imaging charges were deleted and online claims processing charges were substantially reduced;

(iv) KCC will waive any charges for the use of a virtual data room.

18. Further, KCC has agreed to make the rate modifications retroactive to the Petition Date.

19. Additionally, as further set forth below, KCC has agreed to modify the treatment of its retainer, such that the retainer shall be applied to its earliest invoices, rather than being held as security for any unpaid balance at the conclusion of the cases.

20. The modified terms of KCC's retention are equal to or superior to the terms offered by other claims and noticing agents performing similar services and are a material improvement over the initial KCC contract.

RELIEF REQUESTED

21. 28 U.S.C. §156(c), which governs the staffing and expenses of a bankruptcy court, expressly authorizes the Court to use "facilities" or "services" other than the Clerk's office for administration of bankruptcy cases. It provides that "Any court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the costs of such facilities or services are paid for out of the assets of the estate and are not charged to the United States. The utilization of such facilities or services shall be subject to such conditions and limitations as the pertinent circuit council may prescribe." 28 U.S.C. §156(c).

22. Complementing 28 U.S.C. §156(c), FRBP 2002, which generally regulates the notices that must be provided to creditors and other parties-in-interest in a bankruptcy case,

provides that the Court may direct that a person other than the Clerk of the Court give notice of the various matters described therein. *See* FRBP 2002.

23. The Trustee's retention and employment of KCC as claims and noticing agent is expressly authorized under 28 U.S.C. §156(c) and FRBP 2002, and the Trustee believes that engaging KCC in such capacity will facilitate the service of FRBP 2002 notices, and streamline the claims administration process.

24. Accordingly, on July 25, 2014, the Trustee and KCC entered into the KCC Agreement for Services (the "Modified Engagement Agreement"), a true and correct copy of which is attached as Exhibit "A", along with a redlined copy of the Fee Structure (Exhibit "B") reflecting modifications from KCC's prior rate structure.

25. The Trustee requests that the Court enter an order, pursuant to 28 U.S.C. §156(c) and FRBP 2002, authorizing the retention and employment of KCC as claims and noticing agent in the Chapter 11 cases, with the terms and conditions set forth in the Modified Engagement Agreement and Fee Structure being in effect retroactive to the Petition Date.

26. The Trustee respectfully submits that the fees and expenses to be incurred by KCC under the Modified Engagement Agreement are administrative in nature and not subject to standard fee application procedures for professionals.

SCOPE OF SERVICES

27. KCC shall provide noticing, claims processing, and balloting administration services at the direction of the Trustee and in coordination with the Clerk of the Court under the terms of the Modified Engagement Agreement including, without limitation:

- (i) Preparing and serving required notices in the Chapter 11 cases, including:

- (a) notice of the commencement of the Chapter 11 cases and the initial meeting of creditors under Section 341 of the Bankruptcy Code;
- (b) a notice of the claims bar date;
- (c) notices of objections to claims and objections to transfers of claims;
- (d) notices of hearings on motions filed by UST;
- (e) notices of transfers of claims;
- (f) notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
- (g) such other miscellaneous notices as the Trustee or Court may deem necessary or appropriate for an orderly administration of the Chapter 11 cases;
- (ii) Within seven days after the mailing of a particular notice, filing with the Court a copy of the notice served with a certificate of service attached indicating the name and complete address of each party served;
- (iii) Receiving, examining, and maintaining copies of all proofs of claim and proofs of interest filed in the Chapter 11 cases;
- (iv) Maintaining official claims registers in the Chapter 11 cases by docketing all proofs of claim and proofs of interest in a claims database that includes the following information for each such claim or interest asserted:
 - (a) the name and address of the claimant or interest holder and any agent thereof, if the proof of claim or proof of interest was filed by an agent;
 - (b) the date the proof of claim or proof of interest was received by KCC and/or the Court;
 - (c) the claim number assigned to the proof of claim or proof of interest;

- (d) the asserted amount and classification of the claim; and
- (e) the applicable Debtor against which the claim or interest is asserted;
- (v) Recording all transfers of claims pursuant to Bankruptcy Rule 3001(e);
- (vi) Revising the creditor matrix after the objection period expires;
- (vii) Recording any order entered by the Court which may affect a claim by making a notation on the claims register;
- (viii) Monitoring the Court's docket for any claims related pleading filed and making necessary notations on the claims register;
- (ix) Maintaining a separate claims register for each debtor if the Chapter 11 cases are jointly administered;
- (x) Maintaining an up-to-date mailing list of all creditors and all entities who have filed proofs of claim or proofs of interest and/or request for notices in the cases and providing such list to the Court or any interested party upon request (within 48 hours);
- (xi) Providing access to the public for examination of claims and the claims register at no charge to the public;
- (xii) Forwarding all claims, an updated claims register and an updated mailing list to the Court within ten (10) days of entry of an order converting a case or within thirty (30) days of entry of a final decree;
- (xiii) Implementing necessary security measures to ensure the completeness and integrity of the claims registers;
- (xiv) Complying with applicable federal, state, municipal, and local statutes, ordinances, rules, regulations, orders, and other requirements;

(xv) Promptly complying with such further conditions and requirements as the Clerk's Office or the Court may at any time prescribe;

(xvi) Providing such other claims processing, noticing, and administrative services as may be requested from time to time by the Trustee; and

(xvii) At the conclusion of these chapter 11 cases, boxing and transporting all original documents in proper format, as specified by the Clerk's Office, to the Federal Records Center.

QUALIFICATIONS OF KCC

28. KCC is a bankruptcy administrator that specializes in providing comprehensive Chapter 11 administrative services including noticing, claims processing, balloting and other related services critical to the effective administration of Chapter 11 cases. KCC has developed efficient and cost-effective methods to properly handle the voluminous mailings associated with notices, claims processing, and balloting portions of Chapter 11 cases to ensure the orderly and fair treatment of creditors, equity security holders, and all parties-in-interest. Further, KCC will work with the Clerk's office to ensure that such methodology conforms with all of the Court's procedures, the Bankruptcy Code, the FRBP, the Local Rules, and any orders entered by this Court.

29. KCC has substantial experience in matters of this size and complexity, and has acted as the official claims, noticing, and balloting agent in many large bankruptcy cases throughout the nation. *See, e.g., In re Global Access Corp.*, Case No. 13-51562-MKN (Bankr. D. Nev. 2014); *In re NewPage Corporation, et al.*, Case No. 11-12804 (Bankr. D. Del. Sept. 7, 2011); *In re Nebraska Book Co., Inc., et al.*, Case No. 11-12005 (Bankr. D. Del. 2011); *In re Caribe Media, Inc., et al.*, Case No. 11-11387 (Bankr. D. Del. 2011); *In re Barnes Bay Development, Ltd., et al.*, Case No. 11-10792 (Bankr. D. Del. 2011); *In re New Stream Secured*

Capital, Inc., et al., Case No. 11-10753 (Bankr. D. Del. 2011); *In re Ultimate Acquisition Partners, LP*, Case No. 11-10245 (Bankr. D. Del. 2011); *In re Javo Beverage Co., Inc.*, Case No. 11-10212 (Bankr. D. Del. 2011); *In re Appleseed's Intermediate Holdings LLC*, Case No. 11-10160 (Bankr. D. Del. 2011); *In re Marco Polo Seatrade B.V., et al.*, Case No. 11-13634 (Bankr. S.D.N.Y. 2011); *In re MSR Resort Golf Course, LLC, et al.*, Case No. 11-10372 (Bankr. S.D.N.Y. 2011); *In re Vertis Holdings, Inc.*, Case No. 10-16170 (Bankr. S.D.N.Y. 2010); *In re American Media, Inc.*, Case No. 10-16140 (Bankr. S.D.N.Y. 2010); *In re Loehmann's Holdings, Inc.*, Case No. 10-16077 (Bankr. S.D.N.Y. 2010); *In re Archdiocese of Milwaukee*, Case No. 11-20059 (Bankr. E.D. Wisc. 2011); *In re Ecoly Int'l, Inc., et al. (a/k/a Sexy Hair Concepts, LLC)*, Case No. 10-25922 (Bankr. C.D. Cal. 2010).

DISINTERESTEDNESS OF KCC

30. Although the Trustee does not propose to retain KCC under Section 327 of the Bankruptcy Code, KCC is a “disinterested person” as that term is defined in Section 101(10) of the Bankruptcy Code, except that KCC was retained by the Debtors prior to and subsequent to the Petition Date and has incurred fees for services rendered since the Petition Date (which shall be calculated in accordance with the fee structure provided herein). KCC does not hold or represent an interest materially adverse to the Estates and does not have any connection with the Debtors, their creditors, any other parties-in-interest in the Chapter 11 cases, or with the UST.

31. In connection with its retention as claims and noticing agent, KCC represents, among other things, that: (a) KCC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the claims and noticing agent in these bankruptcy cases; (b) by accepting employment in these Chapter 11 cases, KCC waives any right to receive compensation from the

United States government in its capacity as the claims and noticing agent; (c) in its capacity as the claims and noticing agent, KCC will not be an agent of the United States and will not act on behalf of the United States.

COMPENSATION

32. The fees to be charged by KCC in connection with these Chapter 11 cases are set forth in the Modified Engagement Agreement. The Trustee proposes that the cost of KCC's services be paid as administrative expenses pursuant to 28 U.S.C. §156(c) and 11 U.S.C. §503(b).

33. KCC was paid a retainer by the Debtors in the amount of \$300,000 (the "Retainer") prior to the Trustee Appointment Date.¹

34. The Trustee proposes to compensate KCC on a monthly basis, in accordance with the terms of the Modified Engagement Agreement, upon KCC's submission of invoices summarizing in reasonable detail the services rendered and expenses incurred, and subject to the notice and objection procedures set forth below.

35. KCC shall deliver its invoice each month for fees and expenses to: (a) the Trustee, c/o Stephen B. Darr, Mesirow Financial Consulting, 265 Franklin Street, Boston, MA 02110, Email: sdarr@mesirofinancial.com and Harold B. Murphy, Esq., Murphy & King, P.C., One Beacon Street, Boston, MA 02108, Email: HMurphy@murphyking.com; (b) the UST, c/o Richard King, Esq., Office of the United States Trustee, Assistant United States Trustee, 446 Main Street, 14th Floor, Worcester, MA 01608; Email: Richard.T.King@usdoj.gov; (c) the SEC, c/o Deena R. Bernstein, Esq., Senior Trial Counsel, Securities & Exchange Commission, 33 Arch Street, Boston, MA 02110, Email: BernsteinD@sec.gov; (d) the USA, c/o Mary B.

¹ Although the engagement letter submitted with the Initial Application references a retainer of \$350,000, KCC has represented that it only received a retainer of \$300,000.

Murrane, Esq., Assistant United States Attorney, Chief, Asset Forfeiture Unit, U.S. Attorney's Office, District of Massachusetts, John Joseph Moakley Courthouse, 1 Courthouse Way, Suite 9200, Boston, MA 02210, Email: Mary.Murrane@usdoj.gov; and (e) any statutorily appointed committee. In the absence of an objection within ten (10) days, KCC shall be authorized to receive payment. KCC shall be paid, first, from any unapplied portion of its Retainer and, to the extent of any insufficiency, from the bankruptcy Estates. In the event a timely objection is asserted as to a monthly invoice and the parties are otherwise unable to resolve such dispute, KCC shall be paid such amount as determined by the Court.

REQUEST FOR EXPEDITED DETERMINATION

36. The Trustee requests that the Court consider this application on an expedited basis. A substantial number of proofs of claim are being filed in these cases on a daily basis, thereby imposing a burden on the Clerk's office. The expedited retention of KCC will allow for claims to be redirected to KCC and will enable KCC to provide appropriate notification to prospective claimants as to claims filing and related matters.

CONCLUSION

WHEREFORE, the Trustee respectfully requests that this Court issue an order:

- a) authorizing the Trustee to retain KCC as claims and noticing agent, pursuant to the terms of the Modified Engagement Agreement and the Fee Structure that shall be in effect retroactive to the Petition Date;
- b) granting such other and further relief this Court deems necessary and proper under the circumstances.

STEPHEN P. DARR,
CHAPTER 11 TRUSTEE,

By his attorneys,

/s/ Andrew G. Lizotte

Harold B. Murphy (BBO #362610)

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Dated: July 25, 2014

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EXHIBIT A



KCC AGREEMENT FOR SERVICES

This Agreement is entered into as of the 25th day of July 2014, between Stephen Darr, the duly appointed Chapter 11 trustee (the "Trustee") of TelexFREE, Inc., TelexFREE, LLC, and TelexFREE Financial, Inc. (collectively, the "Debtors") and Kurtzman Carson Consultants LLC (together with its affiliates and subcontractors, "KCC").

In consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Terms and Conditions

I. SERVICES

A. KCC shall provide noticing, claims processing, and balloting administration services at the direction of the Trustee and in coordination with the Clerk of the Court under the terms of this Agreement including, without limitation:

- (i) Preparing and serving required notices in the chapter 11 cases, including:
 - (a) notice of the commencement of the chapter 11 cases and the initial meeting of creditors under Bankruptcy Code § 341(a);
 - (b) a notice of the claims bar date;
 - (c) notices of objections to claims and objections to transfers of claims;
 - (d) notices of hearings on motions filed by the Office of the United States Trustee (the "U.S. Trustee");
 - (e) notices of transfers of claims;
 - (f) notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
 - (g) such other miscellaneous notices as the Trustee or Court may deem necessary or appropriate for an orderly administration of the chapter 11 cases;
- (ii) Within seven days after the mailing of a particular notice, filing with the Court a copy of the notice served with a certificate of service attached indicating the name and complete address of each party served;
- (iii) Receiving, examining, and maintaining copies of all proofs of claim and proofs of interest filed in the chapter 11 cases;
- (iv) Maintaining official claims registers in the chapter 11 cases by docketing all proofs of claim and proofs of interest in a claims database that includes the following information for each such claim or interest asserted:
 - (a) the name and address of the claimant or interest holder and any agent thereof, if the proof of claim or proof of interest was filed by an agent;
 - (b) the date the proof of claim or proof of interest was received by KCC and/or the Court;
 - (c) the claim number assigned to the proof of claim or proof of interest;
 - (d) the asserted amount and classification of the claim; and
 - (e) the applicable Debtor against which the claim or interest is asserted;
- (v) Recording all transfers of claims pursuant to Bankruptcy Rule 3001(e);
- (vi) Revising the creditor matrix after the objection period expires;
- (vii) Recording any order entered by the Court which may affect a claim by making a notation on the claims register;



KCC AGREEMENT FOR SERVICES

- (viii) Monitoring the Court's docket for any claims related pleading filed and making necessary notations on the claims register;
- (ix) Maintaining a separate claims register for each debtor if the chapter 11 cases are jointly administered;
- (x) Maintaining an up-to-date mailing list of all creditors and all entities who have filed proofs of claim or proofs of interest and/or request for notices in the case and providing such list to the Court or any interested party upon request (within 48 hours);
- (xi) Providing access to the public for examination of claims and the claims register at no charge to the public;
- (xii) Forwarding all claims, an updated claims register and an updated mailing list to the Court within 10 days of entry of an order converting a case or within 30 days of entry of a final decree;
- (xiii) Implementing necessary security measures to ensure the completeness and integrity of the claims registers;
- (xiv) Complying with applicable federal, state, municipal, and local statutes, ordinances, rules, regulations, orders, and other requirements;
- (xv) Promptly complying with such further conditions and requirements as the Clerk's Office or the Court may at any time prescribe;
- (xvi) Providing such other claims processing, noticing, and administrative services as may be requested from time to time by the Trustee; and
- (xvii) At the conclusion of these chapter 11 cases, boxing and transporting all original documents in proper format, as specified by the Clerk's Office, to the Federal Records.

B. The fees outlined in the attached pricing schedule (the "KCC Fee Structure") shall be in effect for all services rendered by KCC since the commencement of the bankruptcy cases.

C. The price listed for each service in the KCC Fee Structure represents a bona fide proposal for such services, which may be accepted in whole or in part. Services will be provided when requested by the Trustee or required by applicable law, government regulations or court rules or orders. Services are mutually exclusive and are deemed delivered and accepted by the Trustee when provided by KCC.

D. The Trustee acknowledges and agrees that KCC will often take direction from the Trustee's representatives, employees, agents and/or professionals (collectively, the "Trustee Parties") with respect to the services being provided under this Agreement. The parties agree that KCC may rely upon, and the Trustee agrees to be bound by, any requests, advice or information provided by the Trustee Parties to the same extent as if such requests, advice or information were provided by the Trustee. The Trustee agrees and understands that KCC shall not provide the Trustee or any other party with any legal advice.

II. PRICES, CHARGES AND PAYMENT

A. KCC agrees to charge and the Trustee agrees to pay KCC for its services, expenses and supplies at the rates or prices set by KCC and in effect as of the date of this Agreement in accordance with the KCC Fee Structure.

B. The Trustee agrees to pay the reasonable out of pocket expenses incurred by KCC in connection with services provided under this Agreement, including but not limited to, transportation, lodging, and meals.



KCC AGREEMENT FOR SERVICES

C. In addition to all fees for services and expenses hereunder, the Trustee shall pay to KCC (i) any fees and expenses related to, arising out of, or as a result of any error or omission made by the Trustee or the Trustee Parties, as mutually determined by KCC and the Trustee; and (ii) sales and use taxes applicable to this Agreement that are required to be collected by KCC and paid to a taxing authority.

D. Where the Trustee requires services that are unusual or beyond the normal business practices of KCC, or are otherwise not provided for in the KCC Fee Structure, the cost of such services shall be charged to the Trustee at a competitive rate.

E. KCC agrees to submit its invoices on a monthly basis to the Trustee, the Securities and Exchange Commission, the Office of the United States Trustee, the Office of the United States Attorney, and any statutorily appointed committee in the Chapter 11 cases (the "Notice Parties"). KCC shall serve the Notice Parties electronically to those addresses set forth in the Trustee's motion to retain KCC or as otherwise directed. The Notice Parties shall have ten (10) days in which to file an objection to the monthly invoice. In the event of an objection, payment of fees and expenses to KCC shall be subject to approval of the United States Bankruptcy Court for the District of Massachusetts (the "Bankruptcy Court"). In the event that no objection is timely filed, KCC shall be paid its monthly invoice, first, from the Retainer (as defined herein), and to the extent of any insufficiency from the bankruptcy estates.

F. The parties intend that KCC shall be employed pursuant to 28 U.S.C. § 156(c) ("Section 156(c)") and that all fees and expenses due under this Agreement shall be paid as administrative expenses of the chapter 11 estates. The Trustee shall cause a motion to be filed with the Bankruptcy Court seeking entry of an order pursuant to Section 156(c) approving this Agreement in its entirety (the "Section 156(c) Order"). The form and substance of the motion and the Section 156(c) Order shall be reasonably acceptable to KCC. If any chapter 11 case converts to a case under chapter 7 of the Bankruptcy Code, KCC will continue to be paid for its services in accordance with Section 156(c) and under the terms of this Agreement.

G. KCC has received a retainer in the amount of \$300,000 (the "Retainer"). The Retainer shall be expended as set forth in Section II (E) herein. Following termination of the Agreement, KCC shall return to the Trustee any amount of the Retainer that remains following application of the Retainer to the payment of unpaid invoices.

III. RIGHTS OF OWNERSHIP

A. The parties understand that the software programs and other materials furnished by KCC pursuant to this Agreement and/or developed during the course of this Agreement by KCC are the sole property of KCC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, and documentation. The Trustee agrees not to copy or permit others to copy the source code from the support software or any other programs or materials furnished pursuant to this Agreement.

B. The Trustee further agrees that any ideas, concepts, know-how or techniques relating to data processing or KCC's performance of its services developed or utilized during the term of this Agreement by KCC shall be the exclusive property of KCC. Fees and expenses paid by the Trustee do not vest in the Trustee any rights in such property, it being understood that such



KCC AGREEMENT FOR SERVICES

property is only being made available for the Trustee's use during and in connection with the services provided by KCC under this Agreement.

IV. INTENTIONALLY DELETED

V. CONFIDENTIALITY

Each of KCC and the Trustee, on behalf of themselves and their respective employees, agents, professionals and representatives, agrees to keep confidential all non-public records, systems, procedures, software and other information received from the other party in connection with the services provided under this Agreement; provided, however, that if either party reasonably believes that it is required to produce any such information by order of any governmental agency or other regulatory body it may, upon not less than five (5) business days' written notice to the other party, release the required information.

VI. SUSPENSION OF SERVICE AND TERMINATION

A. This Agreement shall remain in force until terminated or suspended by either party (i) upon thirty (30) days' written notice to the other party or (ii) immediately upon written notice for Cause (defined herein). As used herein, the term "Cause" means (i) gross negligence or willful misconduct of KCC that causes serious and material harm to the Trustee's reorganization under chapter 11 of the Bankruptcy Code; (ii) the failure of the Trustee to pay KCC invoices for more than sixty (60) days from the date of invoice; or (iii) the accrual of invoices or unpaid services in excess of the retainer held by KCC where KCC reasonably believes it will not be paid, provided that with respect to this section (A), KCC's right to terminate or suspend shall be subject to the approval of the Bankruptcy Court which may be sought by KCC by request to the Bankruptcy Court on an emergency or expedited basis.

B. In the event that this contract is terminated, regardless of the reason for such termination, KCC shall coordinate with the Trustee and, to the extent applicable, the clerk of the Bankruptcy Court, to maintain an orderly transfer of record keeping functions and KCC shall provide all necessary staff, services and assistance required for an orderly transfer. The Trustee agrees to pay for such services in accordance with KCC's then existing prices for such services. If such termination occurs following entry of the Section 156(c) Order, the Trustee shall immediately seek entry of an order (in form and substance reasonably acceptable to KCC) that discharges KCC from service and responsibility under Section 156(c) and this Agreement.

C. The Trustee shall remain liable for all fees and expenses imposed under this Agreement as a result of data or physical media maintained or stored by KCC. KCC shall dispose of the data and media in the manner requested by the Trustee. The Trustee agrees to pay KCC for reasonable expenses incurred as a result of the disposition of data or media. If the Trustee has not utilized KCC's services under this Agreement for a period of at least ninety (90) days, KCC may dispose of the data or media, and be reimbursed by the Trustee for the expense of such disposition, after giving the Trustee thirty (30) days' notice. Notwithstanding any term herein to the contrary, following entry of the Section 156(c) Order, the disposition of any data or media by KCC shall be in accordance with any applicable instructions from the clerk of the Bankruptcy Court, local Bankruptcy Court rules and orders of the Bankruptcy Court.



KCC AGREEMENT FOR SERVICES

VII. SYSTEM IMPROVEMENTS

KCC strives to provide continuous improvements in the quality of service to its clients. KCC, therefore, reserves the right to make changes in operating procedure, operating systems, programming languages, general purpose library programs, application programs, time period of accessibility, types of terminal and other equipment and the KCC data center serving the Trustee, so long as any such changes do not materially interfere with ongoing services provided to the Trustee in connection with the Trustee's chapter 11 case.

VIII. INTENTIONALLY DELETED

IX. LIMITATIONS OF LIABILITY AND INDEMNIFICATION

A. The Trustee shall indemnify and hold KCC, its affiliates, members, directors, officers, employees, consultants, subcontractors and agents (collectively, the "Indemnified Parties") harmless, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, judgments, liabilities and expenses (including reasonable counsel fees and expenses) (collectively, "Losses") resulting from, arising out of or related to KCC's performance under this Agreement. Such indemnification shall exclude Losses resulting from KCC's gross negligence or willful misconduct. Without limiting the generality of the foregoing, Losses include any liabilities resulting from claims by any third-parties against any Indemnified Party. The Trustee shall notify KCC in writing promptly upon the assertion, threat or commencement of any claim, action, investigation or proceeding that the Trustee becomes aware of with respect to the services provided by KCC under this Agreement. The Trustee's indemnification obligations hereunder shall survive the termination of this Agreement.

B. Except as provided herein, KCC's liability to the Trustee or any person making a claim through or under the Trustee for any Losses of any kind, even if KCC has been advised of the possibility of such Losses, whether direct or indirect and unless due to gross negligence or willful misconduct of KCC, shall be limited to the total amount billed or billable to the Trustee for the portion of the particular work which gave rise to the alleged Loss. In no event shall KCC's liability to the Trustee for any Losses, whether direct or indirect, arising out of this Agreement exceed the total amount billed to the Trustee and actually paid to KCC for the services contemplated under the Agreement. In no event shall KCC be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the services provided for in this Agreement.

C. The Trustee is responsible for the accuracy of the programs, data and information it or any Trustee Party submits for processing to KCC and for the output of such information. KCC does not verify information provided by the Trustee. The Trustee agrees to initiate and maintain backup files that would allow the Trustee to regenerate or duplicate all programs and data submitted by the Trustee to KCC.

D. The Trustee agrees that except as expressly set forth herein, KCC makes no representations or warranties, express or implied, including, but not limited to, any implied or express warranty of merchantability, fitness or adequacy for a particular purpose or use, quality, productiveness or capacity.



KCC AGREEMENT FOR SERVICES

X. FORCE MAJEURE

Whenever performance by KCC of any of its obligations hereunder is materially prevented or impacted by reason of any act of God, strike, lock-out or other industrial or transportation disturbance, fire, lack of materials, law, regulation or ordinance, war or war condition, or by reason of any other matter beyond KCC's reasonable control, then such performance shall be excused and this Agreement shall be deemed suspended during the continuation of such prevention and for a reasonable time thereafter.

XI. INDEPENDENT CONTRACTORS

The Trustee and KCC are and shall be independent contractors of each other and no agency, partnership, joint venture or employment relationship shall arise, directly or indirectly, as a result of this Agreement.

XII. NOTICES

All notices and requests in connection with this Agreement shall be given or made upon the respective parties in writing and shall be deemed as given as of the third day following the day it is deposited in the U.S. Mail, postage pre-paid or on the day it is given if sent by facsimile or electronic mail or on the day after the day it is sent if sent by overnight courier to the appropriate address set forth below:

Kurtzman Carson Consultants LLC
2335 Alaska Ave.
El Segundo, CA 90245
Attn: Drake D. Foster
Tel: (310) 823-9000
Fax: (310) 823-9133
E-Mail: dfoster@kccllc.com

TelexFree, LLC Chapter 11 Trustee
Stephen B. Darr
Mesirow Financial Consulting
265 Franklin Street
Boston, MA 02110
Tel: (617) 235-1415
E-Mail: sdarr@mesirrowfinancial.com

And

Harold B. Murphy, Esq.
Murphy & King, P.C.
One Beacon Street
Boston, MA 02108
Tel: 617-423-0400
E-Mail:
HMurphy@murphyking.com

Or to such other address as the party to receive the notice or request so designates by written notice to the other.

XIII. APPLICABLE LAW

The validity, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.



KCC AGREEMENT FOR SERVICES

XIV. ENTIRE AGREEMENT/ MODIFICATIONS

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings, other agreements, and communications oral and written between the parties relating to the subject matter of this Agreement. The Trustee represents that he has the authority to enter into this Agreement, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby. This Agreement may be modified only by a written instrument duly executed by an authorized representative of the Trustee and an officer of KCC.

XV. COUNTERPARTS; EFFECTIVENESS

This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile or electronic mail.

XVI. ASSIGNMENT

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned without written consent by KCC to a wholly-owned subsidiary or affiliate of KCC.

XVII. JURISDICTION

Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be subject to the exclusive jurisdiction of the Bankruptcy Court.

XVIII. INTENTIONALLY DELETED

XIX. BANKRUPTCY COURT APPROVAL.

This agreement shall be subject to the approval of the Bankruptcy Court.

[SIGNATURE PAGE FOLLOWS]



KCC AGREEMENT FOR SERVICES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the first date mentioned above.

Kurtzman Carson Consultants LLC

A handwritten signature in black ink, appearing to read 'Evan J. Gershbein'.

BY: Evan J. Gershbein

DATE: 7/25/14

TITLE: SVP, Corporate Restructuring Services

A handwritten signature in black ink, appearing to read 'Stephen B. Darr'.

BY: Stephen Darr

DATE: 7/25/14

TITLE: Chapter 11 Trustee

EXHIBIT B



Document Page 24 of 30
**KCC CORPORATE RESTRUCTURING
 FEE STRUCTURE**

Consulting Services & Rates¹

<u>Position</u>	<u>Discounted Hourly Rate</u>
Executive Vice President	Waived
Director/Senior Managing Consultant	\$165
Consultant/Senior Consultant	\$70-\$150
Technology/Programming Consultant	\$55-\$75
Project Specialist	\$55-\$75
Clerical	\$30-\$40
Weekend, holidays and overtime	Waived

Printing Services

Printing and photocopies	\$0.09 per image (volume discounts apply)
Labels	Waived
Document folding and inserting	Waived
Envelopes	Varies by size

Noticing Services²

Electronic noticing (email)	Waived
Electronic noticing (domestic facsimile)	\$0.08 per page
Claims Acknowledgement Card	Waived
Insert creditor information into customized documents	Waived
Newspaper/Legal notice publishing	Quote prior to publishing

Claims Administration & Management

Database and System Access (unlimited users)	Waived
Custom client reports	Waived
License fee and data storage	\$0.05 per creditor per month (not to exceed \$28,380.00 as an aggregate amount for life of case)
Case-specific public website hosting	Waived
Creditor import	Waived
Proof of Claim input	Waived

¹ Please note that additional professional services not covered by this proposal will be charged at hourly rates, including any outsourced services performed under our supervision and control.

² Expenses shall be consistent with the general practice procedures authorized in the District of _____.



Document Page 25 of 30
**KCC CORPORATE RESTRUCTURING
 FEE STRUCTURE**

KCC eServices

Online claims filing (ePOC)	\$1.75 per claim
Online balloting	\$1.20 per ballot

Document Management/Imaging

Electronic imaging (scanning & bar coding)	Included in License Fee and Data Storage charge
Virtual Data Room	Waived
CD-ROMS (mass document storage)	Varies upon requirements

Call Center Support Services

Case-specific voice-mail box for creditors	Waived
Interactive Voice Response ("IVR")	Set up and per minute fee waived
Monthly maintenance charge	Waived
Management of Call Center	Standard hourly rates

Disbursements

Check issuance	Quote prior to printing
W-9 mailing and maintenance of TIN database	See hourly rates and noticing charges

Public Securities³ & Solicitation Services

Set up, tabulation and vote verification	Applicable consulting fees only
Printing and mailing ballots	Subject to above unit pricing for mailing and noticing

- Notice Event - Informational mailings to security holders/creditors
- Voting Event - Mailing ballots to security holders and tabulating their votes on a plan of reorganization, including competing plan and pre-packaged plan voting
- Corporate Action Event - Mailing election forms to security holders and tabulating the results, e.g., rights offering elections
- Voting and Corporate Action Event - Mailing ballots, which include both a vote and an election, to security holders and tabulating the results
- Security Holder Identification Report

³ Certain events fees may be applicable.



Document Page 26 of 30
**KCC CORPORATE RESTRUCTURING
FEE STRUCTURE**

Additional Administrative Services

The following services are available at consulting rates:

- Preparation of Service Lists
- Preparation of Claims Registers & Claims Reports
- Claims Reconciliation
- Preparation of Claims Objection Exhibits
- Custom Data Extraction & Forensics
- Preference Data Compilation
- Preparation of Schedules & SOFA
- Preparation of Ballot Tabulations/Disbursements Reports
- Contract and Lease Analysis
- Preparation of Claim Transfer Reports
- Preparation of Exhibits to Plan and Disclosure Statement
- Other Services as Requested by Client

EXHIBIT B
(REDLINED AGAINST INITIAL FEE STRUCTURE)



Document Page 28 of 30
**KCC CORPORATE RESTRUCTURING
 FEE STRUCTURE**

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<u>Position</u>	<u>Discounted Hourly Rate</u>	
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Project Specialist	\$55-\$100	\$55-\$75
Clerical	\$30-\$50	\$30-\$40
Weekend, holidays and overtime	Waived	

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Printing and photocopies	\$0.09 per image (volume discounts apply)
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Custom client reports	Waived
License fee and data storage	\$0.10 per creditor per month \$0.05 per creditor per month (not to exceed \$28,380.00 as an aggregate amount for life of case)
Case-specific public website hosting	Waived
Creditor import	Waived
Proof of Claim input	Waived

¹ Please note that additional professional services not covered by this proposal will be charged at hourly rates, including any outsourced services performed under our supervision and control.

² Expenses shall be consistent with the general practice procedures authorized in the District of _____.



Document Page 29 of 30
**KCC CORPORATE RESTRUCTURING
 FEE STRUCTURE**

KCC eServices

Online claims filing (ePOC)	\$3.00 per claim \$1.75 per claim
Online balloting	\$1.20 per ballot

Document Management/Imaging

Electronic imaging (scanning & bar coding)	\$0.12 per imaged page Included in License Fee and Data Storage charge
Virtual Data Room	Waived <u>Quote prior to VDR set up</u>
CD-ROMS (mass document storage)	Varies upon requirements

Call Center Support Services

Case-specific voice-mail box for creditors	Waived
Interactive Voice Response ("IVR")	Set up and per minute fee waived
Monthly maintenance charge	Waived
Management of Call Center	Standard hourly rates

Disbursements

Check issuance	Quote prior to printing
W-9 mailing and maintenance of TIN database	See hourly rates and noticing charges

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Document Page 30 of 30
**KCC CORPORATE RESTRUCTURING
FEE STRUCTURE**

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- Preparation of Claims Objection Exhibits
- Custom Data Extraction & Forensics
- Preference Data Compilation
- Preparation of Schedules & SOFA
- Preparation of Ballot Tabulations/Disbursements Reports
- Contract and Lease Analysis
- Preparation of Claim Transfer Reports
- Preparation of Exhibits to Plan and Disclosure Statement
- Other Services as Requested by Client

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
CENTRAL DIVISION

In Re:

TELEXFREE, LLC,
TELEXFREE, INC.,
TELEXFREE FINANCIAL, INC.,

Debtors.

Chapter 11

Case No. 14-40987-MSH

Case No. 14-40988-MSH

Case No. 14-40989-MSH

Jointly Administered

CERTIFICATE OF SERVICE

I, Andrew G. Lizotte, hereby certify that on July 25, 2014, I caused to be served a copy of the following document via operation of this Court's CM/ECF System, by electronic mail and by first class mail, postage prepaid to the attached service list:

- Application by Stephen B. Darr, Chapter 11 Trustee to Retain Kurtzman Carson Consultants as Claims and Noticing Agent (Expedited Determination Requested)

/s/ Andrew G. Lizotte

Andrew G. Lizotte (BBO #559609)
Murphy & King, Professional Corporation
One Beacon Street
Boston, MA 02108
Telephone: (617) 423-0400
Facsimile: (617) 423-0498
Email: ALizotte@murphyking.com

Dated: July 25, 2014
673289

Telexfree, LLC
Short Service List
#670980

BY ECF:

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- Deena R. Bernstein bernsteind@sec.gov, #brodocket@sec.gov
- Roger Bertling rogerbertling@yahoo.com, rbertlin@law.harvard.edu
- Robert J. Bonsignore rbonsignore@class-actions.us, jlent@class-actions.us
- C. Elizabeth Brady Murillo emurillo@burnslev.com
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Opt3 Solutions, Inc.	infor@opt3.com

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One Courthouse Way
Boston MA 02210

Internal Revenue Service
Special Procedures Function
STOP 2080, P.O. Box 9112
25 New Sudbury St., JFK Federal Bldg.
Boston MA 02203

Commonwealth of Massachusetts
Division of Unemployment Assistance
Executive Office of Labor & Workplace Develop.
19 Staniford St., Hurley Bldg.
Boston MA 02114

Securities and Exchange Commission
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Washington DC 20549

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Washington DC 2053-0001

Commonwealth of Mass/DOR
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100 Cambridge Street, 7th floor
Boston MA 02114-9564

Massachusetts Department of Revenue
Bankruptcy Unit
PO Box 9564
Boston, MA 02114-9564

Office of the Attorney General
Commonwealth of MA
Consumer Protection Division
One Ashburton Place, 19th Floor
Boston MA 02108

William H. Runge, III
Alvarez & Marshal North America, LLC
Monarch Tower,
3424 Peachtree Road, NE, #1500
Atlanta GA 30326

Internal Revenue Service
PO Box 21126
Philadelphia PA 19114

Internal Revenue Service
Centralized Insolvency Operation
PO Box 7346
Philadelphia PA 19101-7346

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Deputy General Counsel
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Washington DC 20221

Internal Revenue Service
Centralized Insolvency Operation
2970 Market Street
Philadelphia PA 19104

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Anthony R. Leone, Esq.
Enforcement Section
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Boston MA 02108

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Lt 24 La Libertad De Chillogallo
Quito, Pi Ecuador

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Kovel, VO UA

Rosa Marina Cabral Souto
Caminho Lombi de Siafo Tiago
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Ponta do Sool Ma PT

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Paulo Francisco da Silva
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Jamaica Plain, MA 02130

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Rodman, Rodman & Sandman
Richard Sandman
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Malden MA 02148

Gerald P. Nehra
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Babener & Associates
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Portland OR 97204

PayPal Corporate Headquarters
2211 North First Street
San Jose, CA 95131

Richard W. Waak
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Delton MI 49046

Global Payroll Gateway, Inc.
18662 MacArthur Blvd.
Suite 200
Irvine CA 92612

PayPal Worldwide Operations
12312 Port Grace Blvd
La Vista Nebraska 68128

ProPay Inc.
3400 N. Ashton Blvd.
Suite 200
Lehi, UT 84043

International Payout Systems Inc.
2500 E. Hallandale Beach Blvd.
Suite 800
Hallandale Beach FL 33009

Allied Wallet
9000 W. Sunset Blvd, #820
West Hollywood CA 90069

Argus Payments Inc.
220 Humboldt Court
Sunnyvale CA 94089

Garvey Schubert Barer
Bank of America Financial Center
121 SW Morrison Street, 11th floor
Portland OR 97204-3141

Allied Wallet
1 Northcumberland Avenue
Trafalgar Square
LONDON, WC2N 5BW
UNITED KINGDOM

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Flour Mill Building
1000 Potomac Street, NW, 5th Floor
Washington DC 20007-3501

Garvey Schubert Barer
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New York, NY 10005-3708

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Seattle WA 98111

Lane Powell Prof. Corporation
301 West Northern Lights Blvd.
Suite 301
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