

Frequently Asked Questions concerning

BANKRUPTCY AND TELEXFREE

The following is general information about the bankruptcy process and about the bankruptcy cases of TelexFree, LLC, TelexFree, Inc., and TelexFree Financial, Inc. (Ch. 11 Case Nos. 14-40987, 14-40988, and 14-40989) pending in the United States Bankruptcy Court for the District of Massachusetts (collectively, the “TelexFree Cases”). Neither the Bankruptcy Court nor the Administrative Office of the United States Court can provide legal or financial advice.

The information provided in this document should not substitute for the advice of competent legal counsel. It is always best to consult an attorney about your legal rights and responsibilities in a particular case.

This information will be periodically updated when and if new information is available.

GENERAL INFORMATION:

What is bankruptcy?

Bankruptcy is a legal process where financially insolvent people and businesses (referred to as “debtors”) seek and may obtain court protection while either reorganizing their business affairs or liquidating assets. The law is found in Title 11 of the United States Code (the “Bankruptcy Code”). More information about bankruptcy including short videos may be found on this site:

<http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics.aspx>

Why does a debtor need “protection”?

The protection available to debtors is a stay: a debtor in bankruptcy may not be sued by creditors, nor may the assets of a debtor be seized. The stay protects the debtors who are trying to reorganize and in cases where there is liquidation, it helps ensure that assets are preserved to benefit all creditors.

What is a trustee?

The trustee represents the bankruptcy estate. In a business case, the bankruptcy estate consists of all of the business assets. Private trustees are not government employees. They do, however, work in concert with the United States Trustee to ensure the efficiency and integrity of the bankruptcy system. The United States Trustee Program is a part of the United States Department of Justice. In many cases, a trustee is appointed.

What does a trustee do?

A trustee's duties and powers depend on the bankruptcy chapter the case is proceeding under. Businesses and

individuals may be debtors in chapter 7, 11 and 12. The TelexFree Cases are in chapter 11.

Does the trustee run the business?

A trustee may run the business if the court has entered an order allowing the trustee to do so. The court would enter an order after notice and hearing. See Section 1108 of the Bankruptcy Code. There are no current operations in the TelexFree Cases.

Can the trustee sell the business or its assets?

A trustee may liquidate (sell) assets if the court has entered an order allowing the trustee to do so. The court would enter an order after notice and hearing.

It is important to note that the Bankruptcy Code requires the trustee to conduct an investigation and determine what course of action or actions would be appropriate. The trustee is required to file a statement of investigation with the court.

What is a bankruptcy court?

A bankruptcy court is a division of the United States District Court. The United States Constitution establishes three independent branches of government: the President in Article I, and the Legislative in Article II. The United States Courts are established by Article III.

What does a bankruptcy court do?

The court accepts filings in a bankruptcy case and resolve disputes that may arise in a bankruptcy case. Each case is assigned a judge: an impartial person responsible for hearing disputes and issuing orders. The bankruptcy judge may not give legal advice to any party.

May I write to the bankruptcy judge?

Not directly. Federal law and the Canons of Judicial Ethics prohibit communications with the bankruptcy judge. Any party wishing to bring an issue to the attention of a bankruptcy judge must do so by following the appropriate procedure. An attorney competent in United States bankruptcy law should be consulted.

What does a clerk do?

On behalf of the court, the clerk accepts filings by parties in a bankruptcy case. The clerk also maintains a docket in the case, and issues notices as required by the court, the rules or the bankruptcy code. Neither the clerk of the bankruptcy court nor any employee of the bankruptcy court is allowed to give legal advice.

May I view the case online?

Yes. Registered users of PACER have access to the court's docket. To register, please visit www.pacer.gov and click the “Register” link at the top of the page. The service is not free. As of December 2013, the cost to view documents is \$0.10 per page and you will be billed quarterly. However, there are no fees if you accrue less than \$15.00 in a quarterly billing cycle.

How can I get more information?

The court has a designated law clerk, known as the Pro Se Law Clerk, who assists pro se parties (also known as “self-represented parties”). The clerk may not give legal advice and may only assist parties who are allowed to represent themselves. The clerk may be able to assist any party who seeks information about the claims process.

The court provides a guide for self-represented creditors without attorneys. It may be found on the court's website under the Bankruptcy Information link at the top of the page, and then Creditor Information.

Please be aware that in addition to the TelexFree Cases, there is also a criminal matter pending in the United States District Court against principals of TelexFree. The Bankruptcy Court does not hear criminal matters and cannot provide any information about those matters. Additional information may be available at the U.S. Securities and Exchange Commission.

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The information in this document will be updated when and if new information is available.

Visit: www.mab.uscourts.gov for updates.

Additional links and contact information:

United States Bankruptcy Court (District of Massachusetts):

www.mab.uscourts.gov

Pro se Law Clerk (email): prose@mab.uscourts.gov

TelexFree Information: telexfree@mab.uscourts.gov

PACER: www.pacer.gov

Securities and Exchange Commission: www.sec.gov

Federal Bureau of Investigation: http://www.fbi.gov/stats-services/victim_assistance/seeking-victim-information/telexfree-inc.-case

INFORMATION REGARDING CLAIMS:

What is a claim?

A claim is a right to payment. A creditor of the debtor may have a claim. If a claims deadline has been established, creditors must file a proof of claim by that deadline. A creditor who does not file a claim by the deadline risks the claim not being paid.

How is a claim filed?

[Official Form B10](#) is an approved form used to file claims, which includes instructions and additional information.

Subject to approval of the bankruptcy court, a modified form for filing claims in the TelexFree Cases will be developed and made available to all creditors.

What is the deadline to file claims?

By order of July 3, 2014, there is no deadline established for the filing of claims in the TelexFree Cases. When a new deadline is established by the bankruptcy court, that deadline will be posted on the bankruptcy court docket and this website, and notice of the deadline will be provided to all creditors in accordance with Federal Bankruptcy Rule 2002.

Where to file Claims?

By order of July 31, 2014, Kurtzman Carson Consultants LLC was retained as claims agent in the TelexFree Cases (the "[Claims Agent](#)").

Claims cannot be accepted by email. To facilitate review and allowance of claims, proofs of claim should be filed with the Claims Agent, as follows:

Electronically by clicking [here](#)

or by U.S. mail at:

TelexFree Claims Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

How long will it take for a claim to be paid?

The law does not establish any time period within which claims may be paid. In many cases, it can take over a year or more after the bankruptcy filing to receive payment on a claim. Some cases are complicated, in that there are many assets and issues to resolve. In complicated cases, claims may not be paid for several years and in some cases there are not sufficient assets to pay any claims at all.

Are claims paid in the order they are received?

No. The law determines the order and priority of claims paid.

Who determines how claims are paid?

The trustee pays claims pursuant to the structure established in the Bankruptcy Code. They are also paid in order of priority. Additional Information about claims and the process may be found in Bankruptcy Code Sections 501 through 511.

How do I know my claim will be paid?

At this time, there is no information available to respond to that question.

What do I do if I move or change my telephone number?

If you move or change your telephone number, you must notify the Claims Agent or file an amended proof of claim.

What happens if I do not file a claim?

If you do not file a claim before the deadline, you will most likely receive no distribution in the TelexFree Cases.

What happens if I withdraw my claim?

If you withdraw your claim, you will receive no distribution in the TelexFree Cases.