

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS**

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

SEVENTEENTH MOTION TO DISALLOW ZERO DOLLAR CLAIMS

To the Honorable Melvin S. Hoffman, United States Bankruptcy Judge:

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" or "TelexFree"), respectfully submits this Seventeenth Motion to Disallow Zero Dollar Claims with respect to those persons who purchased TelexFree membership plans ("Participants") and who filed proofs of claim indicating a claim amount of \$0 ("Zero Dollar Claims").

Background

1. On April 13, 2014 (the “Petition Date”), 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.

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



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

4. On May 6, 2014, the Nevada Bankruptcy Court allowed the motion filed by the Securities and Exchange Commission to change the venue of the cases to the United States Bankruptcy Court for the District of Massachusetts (the “Court”). The cases were transferred to the Court on May 9, 2014.

5. On May 30, 2014, the Court allowed the motion by the Office of the United States Trustee’s to appoint a Chapter 11 trustee, and the Trustee was appointed on June 6, 2014.

6. TelexFree operated one of the largest Ponzi and pyramid schemes in United States history in terms of the number of persons involved. TelexFree used the sale of voice over internet protocol (“VoIP”) plans as a disguise for its real business, which was the recruitment of new Participants through a multi-level marketing format and the use of membership fees paid by new Participants to pay the credits redeemed by existing Participants.

7. TelexFree’s scheme was extensive, complicated, and multi-tiered. Most of the Participants became involved in TelexFree through a “Triangular Transaction”, whereby a Participant was recruited to join by purchasing a membership plan and paying the membership fees to a recruiting Participant, who retained the membership fee and used his/her accumulated TelexFree credits to pay the membership fee due from the recruited Participant.

Claims Determination Process

8. On October 7, 2015, the Trustee filed his *Motion by Chapter 11 Trustee for Entry of Order Finding that Debtors Engaged in Ponzi and Pyramid Scheme and Related Relief* (the “Ponzi Motion”). In the Ponzi Motion, the Trustee sought two principal findings: first, that

TelexFree was a Ponzi and pyramid scheme and, second, that Participant claims should be determined based upon a “Net Equity” formula commonly employed in Ponzi scheme cases.

9. By order dated November 25, 2015, as amended on December 21, 2015, the Court found the Debtors had engaged in a Ponzi and pyramid scheme and that this finding was the law of the case.

10. By supplemental order dated January 26, 2016, the Court approved the Net Equity formula for determining Participant Claims. The Net Equity formula provides for the following:

- (i) in determining the amount of a Participant Claim, any claim or portion of claim based upon accumulated credits in a Participant’s account (a “User Account”) as of the Petition Date shall be disallowed;
- (ii) Participant Claims shall be computed based upon the amount paid by the Participant to the Debtors, including amounts paid pursuant to Triangular Transactions, less amounts received by the Participant from the Debtors including amounts received pursuant to Triangular Transactions;
- (iii) In determining the amount of a claim of a Participant who has more than one User Account, the activity in all of the Participant’s User Accounts shall be aggregated and netted against one another.

11. In the initial stages of these cases, Participants submitted proofs of claim in multiple places, including the Court, the claims agent retained by the Debtors, Kurtzman Carson Consultants, LLC (“KCC”), the Federal Bureau of Investigation (“FBI”), and the Commonwealth of Massachusetts, Office of the Secretary of State. The information provided by Participants in the forms did not provide sufficient information for the Trustee to reconcile Participant claims with TelexFree’s books and records.

12. In order to establish a process for filing and evaluating claims that was consistent, accessible, and efficient, on October 7, 2015, the Trustee filed the *Motion by Chapter 11 Trustee for Entry of Order Fixing Bar Date for Filing Proofs of Claim, Approving Form and*

Manner of Providing Notice, Directing that Claims be Filed Electronically, and Approving Content of Electronic Proofs of Claim (the “Claims Motion”). Pursuant to the order approving the Claims Motion (the “Claims Order”), the deadline to file proofs of claim, as extended on two separate occasions, was March 15, 2017.

13. The Claims Order established a process whereby Participants would use an interactive, electronic claims portal hosted on the internet (“Portal”) to file a claim (a “Participant ePOC”) in accordance with the Net Equity formula. The Portal provided Participants with the opportunity to provide and/or confirm personal or business name(s), address(es), phone number(s), electronic mail address(es), taxpayer identification number(s), User Account name(s), password(s), and bank account information that were utilized by the Participants when establishing their User Account(s). Based upon the information provided by Participants, the Portal presented the Participant’s User Accounts and account activity within the Participant’s User Accounts. Participants had the opportunity to confirm, reject, amend, or supplement the information presented by the Portal.

14. The establishment of the Portal was essential to the claims resolution process. The Portal was the only practical method of verifying Participant activity with the TelexFree books and records. Inasmuch as TelexFree had approximately 1,000,000 Participants who collectively opened approximately 11,000,000 User Accounts that reflected more than 1,000,000,000 transactions, a manual reconciliation of Participant Claims against the TelexFree books and records without the Portal would have been impossible.

15. To date, approximately 135,000 Participant ePOC’s have been filed. The Trustee has reconciled to the TelexFree books and records and conditionally allowed approximately 100,000 Participant ePOC’s.

16. On October 16, 2017, the Trustee filed a *Motion by Chapter 11 Trustee to Establish Omnibus Procedures for the Resolution of Disputed Participant Claims* (docket entry 921) which was approved by order dated December 26, 2017 (the “Claims Procedure Order”, docket entry 955).

17. Four thousand and twelve (4,012) Participants filed Zero Dollar Claims.

18. Although not required to by the terms of the Claims Procedure Order, the Trustee sent a letter (the “Claims Letter”) electronically to the Zero Dollar Claim holders at the addresses listed on their claims, providing them with thirty (30) days to submit additional documentation to establish their claims and informing them that, in the absence of additional information, the Trustee would move to have the claims disallowed.

19. The Trustee previously filed sixteen (16) motions to disallow Zero Dollar Claims. The Participants who are the subject of this motion were not included in prior motions to disallow claims because such Participants provided a response in some form to the Claims Letter. The Trustee has conducted a more extensive review of the claims filed and, after completing his review, the Trustee has determined that the claim amount should remain at \$0.

20. Based upon the claims submitted by these Participants, these claims are not entitled to receive a distribution from the Estates. Accordingly, the Trustee seeks entry of an order disallowing these claims.

Objection to Zero Dollar Claims

21. The Participants listed on Exhibit “A” hereto filed Zero Dollar Claims.

22. Based upon the information provided in the Participant ePOC’s, the Participants listed on Exhibit “A” are not entitled to an allowed claim against the Estates and the claims should be disallowed.

Notice

23. The Trustee requests that he be authorized to serve the *Notice of (I) Motion to Disallow Zero Dollar Claims, (II) Deadline to Submit Response, and (III) Scheduling of Non-Evidentiary Hearing* (the “Notice”) approved by the Court on July 29, 2019 with respect to this motion. As set forth in the Notice, responses must be sent to

ClaimResponse@telexfreeclaims.com.

24. In accordance with the Claims Procedure Order, the Trustee intends to have this motion translated into Spanish and Portuguese and served upon all Participants referenced in Exhibit “A” hereto.

Wherefore, the Trustee prays that the Court:

1. Enter an order disallowing each of the Zero Dollar Claims identified on Exhibit “A” hereto; and
2. Granting such other relief as is just and proper.

STEPHEN B. DARR,
CHAPTER 11 TRUSTEE,
By his attorneys,

/s/ Andrew G. Lizotte
Harold B. Murphy (BBO #362610)
Andrew G. Lizotte (BBO #559609)
Murphy & King, Professional Corporation
One Beacon Street
Boston, MA 02108

Dated: December 30, 2019
768087

Claim Number	Claimant Name	Country of Residence ¹	Amount of Claim as		Proposed Allowed	Notes
			Filed	Amount		
03585-000	Fawad Khulmi	Australia	\$ 0.00	Disallowed	2	
19017-000	Volodymyr Krushenyskyi	Australia	0.00	Disallowed		
02934-000	Telexfree Matos Ferreira	Brazil	0.00	Disallowed		
03244-000	Julian Barbosa Figlioli	Brazil	0.00	Disallowed		
44608-000	Eric Henrique Da Silva Ramos	Brazil	0.00	Disallowed		
48458-000	Sergio Becker	Brazil	0.00	Disallowed		
48618-000	Lourdes Zandonai Becker	Brazil	0.00	Disallowed		
49827-000	Felipe Caixeta Lima Bossi	Brazil	0.00	Disallowed		
54071-000	Altair Lopes De Souza	Brazil	0.00	Disallowed		
55713-000	Sergio Carlos Freire Sampaio	Brazil	0.00	Disallowed		
65200-000	Paulo Andre De Jesus Piaggio	Brazil	0.00	Disallowed		
68801-000	Lecivaldo Sampaio Beltrao	Brazil	0.00	Disallowed		
75552-000	Fabio Eduardo Silva	Brazil	0.00	Disallowed		
79856-000	Sandra Santos Silva	Brazil	0.00	Disallowed		
88046-000	David Tribioli Correa	Brazil	0.00	Disallowed		
92694-000	William Cruz Da Silva	Brazil	0.00	Disallowed		
96649-000	Ana Paula Rezende De Souza	Brazil	0.00	Disallowed		
108639-000	Cleunice De Almeida Brito	Brazil	0.00	Disallowed		
110357-000	Kellen Victor Serique	Brazil	0.00	Disallowed		
111301-000	Alexandro Juvenal Martins	Brazil	0.00	Disallowed		
111396-000	Rene Dos Santos Vieira	Brazil	0.00	Disallowed		
112626-000	Aleilson Rodrigues Santos	Brazil	0.00	Disallowed	2	
112874-000	Ingrid Santos	Brazil	0.00	Disallowed		
113104-000	Marli Terezinha Santos	Brazil	0.00	Disallowed		
118021-000	Erlon Rocha De Souza	Brazil	0.00	Disallowed	2	
124003-000	Roberth Reytmann Da Silva	Brazil	0.00	Disallowed		
124950-000	Eliane De Fatima Ogradowczik Beatto Ogradowczik Beatto	Brazil	0.00	Disallowed		
126071-000	Hélida Nátali Simão	Brazil	0.00	Disallowed		
127337-000	Mirameles Sabino Da Silva	Brazil	0.00	Disallowed		
128634-000	Mariza De Souza Pacheco Mariza De Souza Pacheco	Brazil	0.00	Disallowed		
131266-000	Edson Adrianno Santos	Brazil	0.00	Disallowed		
131285-000	Edson Adrianno Santos	Brazil	0.00	Disallowed		
131404-000	Rui Da Silva Medas	Brazil	0.00	Disallowed		
24429-000	David Anthony	Canada	0.00	Disallowed		
56068-000	Luis Daniel Avalos Garrido	Chile	0.00	Disallowed		
15890-000	Luan Chun Huang	China	0.00	Disallowed		
29648-000	Li (立) Min (民) Guo (郭)	China	0.00	Disallowed		
29909-000	Liminguo (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
29934-000	Liminguo (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
31169-000	Guolimin (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
31515-000	Guo, Limin (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
31634-000	Limin, Guo Limin Guo	China	0.00	Disallowed		
31640-000	Limin, Guo Limin Guo	China	0.00	Disallowed		
31644-000	Limin, Guo Limin Guo	China	0.00	Disallowed		
31828-000	Limin, Guo Limin Guo	China	0.00	Disallowed		
31834-000	Limin Guo Limin Guo	China	0.00	Disallowed		
31836-000	Limin Guo Limin Guo	China	0.00	Disallowed		
31846-000	Limin Guo Limin Guo	China	0.00	Disallowed		
31907-000	Limin Guo (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
31916-000	Limin Guo (郭立民) Limin (立民) Guo (郭)	China	0.00	Disallowed		
32712-000	Limin Guo (郭立民) Limin Guo	China	0.00	Disallowed		
33016-000	Enfu Guo Enfu Guo	China	0.00	Disallowed		
33018-000	Ma Juncong Juncong Ma	China	0.00	Disallowed		
34831-000	Haifeng Wei Haifeng Wei	China	0.00	Disallowed		
34928-000	Haifeng Wei Haifeng Wei	China	0.00	Disallowed		
35000-000	Liu Xuexia Xuexia Liu	China	0.00	Disallowed		
63258-000	Jianzhong Liu	China	0.00	Disallowed		
01626-001	Jarol Wilson Garces	Colombia	0.00	Disallowed		

Claim Number	Claimant Name	Country of Residence ¹	Amount of Claim as	Proposed Allowed	Notes
			Filed	Amount	
90901-000	Uziel Rodriguez	Colombia	0.00	Disallowed	
115081-000	Diego Alexander Quintero Velasquez	Colombia	0.00	Disallowed	
118505-000	Fabiola Osorio No Osorio Holguin	Colombia	0.00	Disallowed	
07046-001	Aneudy Jesús Claudio	Dominican Republic	0.00	Disallowed	2
12378-000	Allen Rafael Salas Reyes	Dominican Republic	0.00	Disallowed	
14157-000	Daniel Fernando Ramirez Franco	Dominican Republic	0.00	Disallowed	
16193-000	Juan Apolinar Checo Rodriguez	Dominican Republic	0.00	Disallowed	
27045-000	Rafael Antonio Francisco Santana	Dominican Republic	0.00	Disallowed	
28553-000	Laura Licelot Escoto Padilla	Dominican Republic	0.00	Disallowed	
74525-000	Juan Roberto Nelson	Dominican Republic	0.00	Disallowed	
116841-000	Alvaro Blanco	Dominican Republic	0.00	Disallowed	
129956-000	Beatriz Bienvenida Ovalles	Dominican Republic	0.00	Disallowed	
61679-000	Luz Amparo Sierra	Ecuador	0.00	Disallowed	
88443-000	Harman Norberto Zumba Capa	Ecuador	0.00	Disallowed	
133126-000	Joel German Puebla German Puebla	Ecuador	0.00	Disallowed	
133127-000	Joel German Puebla	Ecuador	0.00	Disallowed	
65347-000	Nathali Vicuña	El Salvador	0.00	Disallowed	
129083-000	Luis Roberto Sarco	El Salvador	0.00	Disallowed	
01255-000	Emine Tunc	Germany	0.00	Disallowed	
32936-000	Luc Maille Lefranc	Haiti	0.00	Disallowed	
108567-000	Nancy Lorena Nunez	Honduras	0.00	Disallowed	
108650-000	Nancy Lorena Nunez	Honduras	0.00	Disallowed	
45632-000	Sau Ha So	Hong Kong	0.00	Disallowed	
45643-000	Chun Fong Chau	Hong Kong	0.00	Disallowed	
60383-000	Carlo Alberto De Marco	Italy	0.00	Disallowed	
77156-000	Carlos Roberto Martins	Italy	0.00	Disallowed	
124507-000	Monica Colombini	Italy	0.00	Disallowed	
126042-000	Monica Colombini Gnutti	Italy	0.00	Disallowed	2
36407-000	Sabirash Kobenovna Kobenova	Kazakhstan	0.00	Disallowed	
44298-000	Sabirash Kobenovna Kobenova	Kazakhstan	0.00	Disallowed	
94171-000	Aizhan Arikbayeva	Kazakhstan	0.00	Disallowed	
05201-000	Alain Pierre Rosine	Mexico	0.00	Disallowed	
40341-000	Maria Del Rosario Perez Botello	Mexico	0.00	Disallowed	
26094-001	Fadeyi Olufemi Omotayo	Nigeria	0.00	Disallowed	
56784-000	Reinaldo Bebi Fernández	Paraguay	0.00	Disallowed	
56799-000	Maria Raquel Solis	Paraguay	0.00	Disallowed	
58369-000	Reinaldo Bebi Fernandez Candia	Paraguay	0.00	Disallowed	
128323-000	Gabriela Elizabeth Paredes	Peru	0.00	Disallowed	
09861-000	Antonio Cardoso	Portugal	0.00	Disallowed	
47892-000	Victor Manuel Abreu Olim Marote	Portugal	0.00	Disallowed	2
126021-000	Soraya Lee Weng	Portugal	0.00	Disallowed	2
128218-000	Maria Manuel Sousa Botelho	Portugal	0.00	Disallowed	
86917-000	Alexey Sergeevich Alexandrow	Russia	0.00	Disallowed	
44865-000	Gabriel Aboni	Spain	0.00	Disallowed	
124691-000	Jose Manuel Berjano Perez	Spain	0.00	Disallowed	
09844-000	Elias Moringe Nagol	Tanzania	0.00	Disallowed	
99431-000	Lukiya Tazalika	Uganda	0.00	Disallowed	
99634-000	Muwembe Kalid	Uganda	0.00	Disallowed	
71539-000	Dmitriy Sergeevich Yavorskiy	Ukraine	0.00	Disallowed	
60242-000	Alan John Lloyd	United Kingdom	0.00	Disallowed	
08189-000	Natalina C Mendes	United States	0.00	Disallowed	
30328-000	Larry Richard Saenger	United States	0.00	Disallowed	
34865-000	Guerline Martin	United States	0.00	Disallowed	
36287-000	Magdalene Kariuki	United States	0.00	Disallowed	
44521-000	Juan Antonio Rosas	United States	0.00	Disallowed	
46959-000	Dorothy Osgood	United States	0.00	Disallowed	
47868-000	Santos Mauricio Corea	United States	0.00	Disallowed	
68193-000	Rhadalis E Belliard	United States	0.00	Disallowed	
71434-000	Natalio Martinez Carrera	United States	0.00	Disallowed	
78853-000	Carmen De La Cruz	United States	0.00	Disallowed	
82201-000	Pedrina Setra	United States	0.00	Disallowed	
111162-000	Lucy Dasilva Medeiros	United States	0.00	Disallowed	2
111193-000	Jose Cabral Medeiros	United States	0.00	Disallowed	2
111235-000	Mariza Cabral Medeiros	United States	0.00	Disallowed	2
113366-000	Regulo Ramon Rodriguez	United States	0.00	Disallowed	
115662-000	Vicente Diaz	United States	0.00	Disallowed	

Claim Number	Claimant Name	Country of Residence ¹	Amount of Claim as	Proposed Allowed	Notes
			Filed	Amount	
121396-000	Lay Sonita	United States	0.00	Disallowed	
122977-000	Raquel A Pereira	United States	0.00	Disallowed	
124230-000	Edwin Arnulfo Navarrete	United States	0.00	Disallowed	
126225-000	James Robert Duboce	United States	0.00	Disallowed	
126255-000	Jonathan Jose Mercado	United States	0.00	Disallowed	
126788-000	Antonio Demelo	United States	0.00	Disallowed	2
127168-000	Elana Aizenshtat	United States	0.00	Disallowed	
128674-000	Debra Ann Aldrich	United States	0.00	Disallowed	
131683-000	Lorena Elizabeth Ramos	United States	0.00	Disallowed	
132798-000	Renato Raposo	United States	0.00	Disallowed	2
05265-000	Walter W Jabs Jr Esq	Unknown	0.00	Disallowed	
71288-000	Loida Anthony	Unknown	0.00	Disallowed	
84815-000	Li Ying Kuo	Unknown	0.00	Disallowed	
01727-000	Karen Estrella Chirino	Venezuela	0.00	Disallowed	

Notes

1: Country of Residence as entered by Claimant on the claim form filed electronically.

2: Claimant did not identify his or her name in the "Creditor Name" field of the claim form, and therefore claimant name was derived from the "Signature" field. The "Notice" and "Registration" fields were also considered as necessary.