

**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**

**NINTH OMNIBUS OBJECTION BY CHAPTER 11 TRUSTEE TO  
DISPUTED PARTICIPANT 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 Ninth Omnibus Objection (the "Objection") by Chapter 11 Trustee to Disputed Participant Claims set forth on Exhibit "A" hereto, in accordance with Federal Rule of Bankruptcy Procedure 3007 and the Claims Procedure Order.

**The Trustee is requesting that each claim identified on Exhibit "A" be disallowed or conditionally allowed in the amount indicated for the reasons set forth in this Objection and in Exhibit "A". Disputed Participant Claimants receiving this Objection should locate their name and claim number on Exhibit "A" and review the proposed treatment of their claims. If the Disputed Participant Claimant disputes the Trustee's proposed treatment of his/her claim, such claimant must file a response with the Court, and serve a copy upon the Trustee within the time prescribed, all as set forth in the Notice attached hereto.**



### **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”).

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

5. 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 persons buying membership plans (“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.

6. 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 fee 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

7. 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.

8. 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.

9. 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.

10. 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, 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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).

16. The Trustee has to date filed eight omnibus objections to the claims of disputed Participants.

17. The Disputed Participant Claimants subject to this objection could not be resolved through the out of Court process established in the Claims Procedure Order.

### **Objection to Claims**

18. By this Objection, the Trustee seeks entry of an order conditionally allowing the Disputed Participant Claims in the amounts indicated on Exhibit "A". "Conditionally Allowed Claims" are those Participant claims which have been allowed for purposes of distribution by the Trustee unless the Trustee files a supplemental Notice of Claim Allowance or Disallowance on or before ten (10) days prior to a scheduled distribution to Participants.

19. Exhibit "A" includes, for each Disputed Participant Claim: (i) the claim number assigned to the Disputed Participant Claim; (ii) the name provided by the Disputed Participant Claimant; (iv) the amount of the Disputed Participant Claim; and (iv) the proposed treatment of the Disputed Participant Claim.

### Notice

20. The Trustee intends to provide Notice to Disputed Participant Claimants respecting the deadline to respond to this Objection, the information to be provided in any response, and the initial, nonevidentiary hearing on the motion. As set forth in the Notice, responses must be sent to [ClaimResponse@telexfreeclaims.com](mailto:ClaimResponse@telexfreeclaims.com). The form of the Notice was previously approved by the Court.

21. In accordance with the Claims Procedure Order, the Trustee intends to have this Objection and the Notice translated into Spanish and Portuguese and served upon all Disputed Participant Claimants.

22. Nothing in this objection constitutes a waiver of any right of the Trustee to assert claims or causes of action against any Participant or any other party. Nothing in this objection shall constitute a waiver of any right of the Trustee to object to any other claim asserted that is not included in the Objection, or to supplement, amend, or assert additional bases for objection to the Exhibit “A” claims.

Wherefore, the Trustee prays that the Court:

1. Enter an order disallowing each of the Disputed Participant Claims identified on Exhibit “A” hereto or conditionally allowing such claims in the amounts indicated on Exhibit “A”; 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: March 30, 2020

772296

Claim Number	Claimant Name	Country of Residence <sup>1</sup>	Objection Code <sup>2</sup>	Amount of Claim as Filed	Proposed Allowed Amount
06365-000	Cesar Julio Alcantara	Dominican Republic	G	\$ 3,676.20	Disallowed
06491-000	Juan Ariadís Cordero	Dominican Republic	G	6,786.00	Disallowed
06492-000	Jose Abelardo Cueto	Dominican Republic	G	1,474.90	Disallowed
06496-000	Guevara Romero Charlemagne	Dominican Republic	G	2,132.99	1,147.70
06716-000	Giancarlo Damiano	Dominican Republic	G	2,216.40	Disallowed
07271-000	Franklin Grullon	Dominican Republic	G	26,856.00	Disallowed
08275-000	Altagracia Marquez	Dominican Republic	A	12,675.30	Disallowed
08848-000	Ramon Martinez Garrido	Dominican Republic	G	4,324.90	Disallowed
10110-000	Emilio Perez	Dominican Republic	G	9,624.60	Disallowed
10124-000	Catalino Pimentel	Dominican Republic	G	2,365.50	Disallowed
10127-000	Jose Alcibiades Pena	Dominican Republic	G	2,021.10	Disallowed
10891-000	America Rojas	Dominican Republic	G	1,125.60	Disallowed
10946-000	Noel Sanchez Munoz	Dominican Republic	G	1,425.00	Disallowed
10963-000	Henry Torres Parra	Dominican Republic	G	1,375.10	Disallowed
11007-000	Juana Solis	Dominican Republic	G	4,275.00	Disallowed
11290-000	Saturnina Rodriguez	Dominican Republic	G	1,574.70	Disallowed
12540-000	Feliciana Almonte Almonte	Dominican Republic	G	838.60	Disallowed
12579-000	Brigida Bautista	Dominican Republic	G	1,125.60	Disallowed
16069-000	Francisco Alberto Belte	Dominican Republic	G	4,761.60	Disallowed
16203-000	Eduvigis Gonzalez Garcia	Dominican Republic	G	1,911.60	Disallowed
16494-000	Victor Hugo Nunez	Dominican Republic	G	7,125.00	Disallowed
17741-000	Soniellina Rodrigo Bonilla	Dominican Republic	G	13,351.70	Disallowed
20766-000	Yojani Pilier	Dominican Republic	G	4,324.90	Disallowed
20789-000	Alba Cabreja	Dominican Republic	G	20,765.80	Disallowed
21842-000	Juan Francisco Vasquez	Dominican Republic	G	1,425.00	Disallowed
22253-000	Fernando Arturo Mercedes Martinez	Dominican Republic	G	5,047.40	Disallowed
22615-000	Yohandy Alfonso Marquez Hiciano	Dominican Republic	G	1,425.00	Disallowed
23017-000	Jorge Rafael Reyes	Dominican Republic	G	10,424.10	Disallowed
23110-000	Gabino Marcelo Reyes	Dominican Republic	G	5,450.50	Disallowed
23141-000	Angela Rosaina Fernandez Rodriguez	Dominican Republic	G	1,425.00	Disallowed
23233-000	Elido Delfin Cadena Cardena	Dominican Republic	G	4,275.00	Disallowed
23253-001	Josanny Antonia Mercado Batista	Dominican Republic	G	1,425.00	49.90
23423-000	Antonio De Jesus Reyes	Dominican Republic	G	1,425.00	Disallowed
25644-000	Raul Celestino Santana	Dominican Republic	G	11,188.00	49.90
25651-000	Elsa Maria Polanco De Jesus	Dominican Republic	G	6,426.40	Disallowed
27724-000	Dalia Encarnacion	Dominican Republic	G	13,114.10	Disallowed
35277-000	Nathalie Angeline Bueno Lora	Dominican Republic	G	4,324.90	Disallowed
35784-000	Virma Victoria Cabral Reyes	Dominican Republic	G	2,800.10	Disallowed
37776-000	Claudia Karina Munoz Peynado	Dominican Republic	G	2,850.00	Disallowed
40731-000	Maria Fernanda Lopez Rodriguez	Dominican Republic	G	1,425.00	Disallowed
41200-000	Beatriz Maldonado	Dominican Republic	G	1,425.00	Disallowed
41316-000	Monica Molina Pacheco	Dominican Republic	G	1,325.20	Disallowed
43082-000	Maria Yolanda Soriano	Dominican Republic	G	1,036.10	Disallowed
46654-000	Santiago Belen	Dominican Republic	G	788.70	Disallowed
47378-000	Jose Martin Perez Holguin	Dominican Republic	G	1,325.20	Disallowed
49445-000	Yanelka Maria Bueno Caceres	Dominican Republic	G	339.60	Disallowed
49962-000	Danny Alexander De La Cruz	Dominican Republic	G	1,175.50	Disallowed
50000-000	Carmen De La Cruz	Dominican Republic	G	1,425.00	Disallowed
57924-000	Angela Sanchez	Dominican Republic	AB	15,225.90	Disallowed
59834-000	Emilio Rodriguez Sanchez	Dominican Republic	AB	19,251.40	Disallowed
64770-000	Catalino Rodriguez	Dominican Republic	G	1,059.00	Disallowed
65227-000	Saudito Eberardo Rosario	Dominican Republic	G	4,731.60	Disallowed
65649-000	Arisson Manuel Payero	Dominican Republic	G	3,536.20	Disallowed
65669-000	Victor Manuel Nega Doroteo	Dominican Republic	G	1,425.00	Disallowed
69016-000	Yan Carlos De Leon De La Cruz	Dominican Republic	G	1,425.00	Disallowed
69085-000	Martha Castillo Guerreo	Dominican Republic	G	1,375.10	Disallowed
70786-000	George Batista Polanco	Dominican Republic	G	1,425.00	Disallowed
72874-000	Dolores Ramirez Pineda	Dominican Republic	G	2,850.00	Disallowed
75579-000	Hector Jose Marte Guerrero	Dominican Republic	G	1,504.99	Disallowed



Claim Number	Claimant Name	Country of Residence <sup>1</sup>	Objection Code <sup>2</sup>	Amount of Claim as Filed	Proposed Allowed Amount
76519-000	Yerlin De La Rosa	Dominican Republic	G	8,699.70	Disallowed
76658-001	Edna Canales	Dominican Republic	BD	10,752.10	3,276.80
77161-000	Adrian Alexander Guilamo De Leon	Dominican Republic	G	2,899.90	Disallowed
78540-000	Juan Simer Liranzo Liriano	Dominican Republic	G	1,425.00	Disallowed
83978-000	Findiana Vicente	Dominican Republic	G	536.50	Disallowed
86537-000	Ernesto Romero Astacio	Dominican Republic	G	5,650.10	Disallowed
88048-000	Gisell Mary Mateo Santana	Dominican Republic	G	5,031.60	Disallowed
91936-000	Isaias Fabricio Cruz Rodriguez	Dominican Republic	G	339.00	Disallowed
95776-000	Carlos Manuel Aquino Alvino	Dominican Republic	G	1,425.00	Disallowed
95918-000	Elvis Greer Herrera	Dominican Republic	G	1,096.50	Disallowed
103736-001	Dolores Isabel Llaverias	Dominican Republic	C	23,380.00	5,353.40
115498-000	Reyna Victoria Cabral Reyes	Dominican Republic	G	1,425.00	Disallowed
120163-000	Iris Mislen Urena	Dominican Republic	C	10,702.40	838.60

**Notes**

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

2: Objection Codes

Objection Code	Description
A	Multiple Participants claimed same User Account.
B	User Account(s) deleted without adequate explanation or documentation.
C	User Account(s) added without adequate explanation or documentation.
D	Transaction modified without adequate explanation or documentation.
E	Transaction added without adequate explanation or documentation.
F	Additional claim component added without adequate explanation or documentation.
G	The claim is duplicative of a later filed claim by the Participant.