

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

SIXTEENTH OMNIBUS OBJECTION TO GENERAL UNSECURED 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 Sixteenth Omnibus Objection (the "Objection") by Chapter 11 Trustee to General Unsecured Claims set forth on Exhibit "A" hereto, in accordance with Federal Rule of Bankruptcy Procedure 3007 and the Claims Order.

The Trustee is requesting that each claim identified on Exhibit "A" be disallowed for the reasons set forth in this Objection. Disputed 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 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. 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”), requesting a finding that the Debtors were engaged in a Ponzi and pyramid scheme and that claims of Participants who lost money from their involvement in TelexFree should be determined using the “Net Equity” formula.

7. By order dated November 25, 2015, as amended on December 21, 2015, the Court found the Debtors to have engaged in a Ponzi and pyramid scheme and that this finding was the

law of the case. By supplemental order dated January 26, 2016, the Court approved the Net Equity formula for determining the allowed claims of Participants.

8. Pursuant to the order dated January 26, 2016 (the “Claims Order”), the Trustee established an online portal (the “Portal”) for claimants to file electronic proofs of claim (an “ePOC”). Claimants were provided the option of filing one of two documents, a Participant claim (“Participant ePOC”) or a general claim (“Standard ePOC”).

9. The Participant ePOC provided Participants with the opportunity to input personally identifiable information that was used in opening user accounts with TelexFree, including name, user account number, address, and phone information and passcodes. This information was then matched against the Debtors’ records to ascribe user accounts to a Participant pursuant to an aggregation methodology developed by the Trustee. After the user account identification process was completed, Participants were provided the detailed transaction activity associated with each user account. The Participant could then add, delete, or modify transactions, or add additional claims, and provide supporting documentation for any modifications.

10. The process of accessing TelexFree records based upon Participant’s personal information was essential to aggregating a Participant’s account information and for determining claims based upon Net Equity. It was therefore critical to the claims determination process that Participants file claims using the Participant ePOC.

11. Creditors who were not Participants were instructed to complete and submit the Standard ePOC, which allowed for input of claim information much like a conventional proof of claim. The Standard ePOC did not contain any of the interactive provisions of the Participant ePOC.

12. The Claims Order further provided that any claims filed that did not comply with the ePOC process shall be disallowed without further order of the Court.

13. On May 27, 2016, after the Portal became operational, the Trustee filed a *Notice of Deadline for Filing Electronic Proofs of Claim and Claims Procedures* (the “Bar Date Notice”). The Bar Date Notice established an initial bar date of September 26, 2016 (the “First Bar Date”) for the filing of electronic claims. The First Bar Date was extended to December 31, 2016 and again to March 15, 2017. In each instance, notice of the bar date was served in accordance with the terms of the Claims Order.

14. More than 135,000 claims were submitted through the Portal. Of this amount, approximately 3,500 claims were filed using the Standard ePOC (the “Standard ePOC Filers”) and the remaining 132,000 claims were filed using the Participant ePOC. The Trustee reviewed the claims filed using the Standard ePOC and concluded that most of the Standard ePOC’s were likely misfiled claims of Participants.

15. On December 26, 2017, the Court entered an order establishing procedures for the resolution of disputed Participant claims (the “Participant Claims Order”). In accordance with the Participant Claims Order, the Trustee provided Participants who filed a Standard ePOC with thirty (30) days to correct any misfiled claims by submitting a Participant ePOC, failing which the Participant’s claim that was filed using the Standard ePOC would be disallowed without further order (the “30 Day Notice”). *Claims Procedure Order*, at ¶15.

16. On or about March 18, 2018, the Trustee sent the 30 Day Notice to the Standard ePOC Filers, and established a deadline of April 19, 2018 in which Participants who erroneously filed Standard ePOC’s could correct their filing by submitting a Participant ePOC.

17. The Trustee has concluded that, except for four Standard ePOC Filers, all remaining Standard ePOC's appear to have been filed by Participants (the "Disputed Claimants"). In each case, the Trustee has reviewed the TelexFree records and has found no basis to establish that any of the Disputed Claimants are vendors or otherwise provided goods and services to TelexFree which would permit the allowance of a Standard ePOC.

18. The Standard ePOC claims filed by Participants have been disallowed pursuant to the Participant Claims Order. The Trustee now seeks an order disallowing these claims as general unsecured claims, as the Disputed Claimants listed on Exhibit "A" have provided insufficient information to establish the basis for an allowed general unsecured claim, and the TelexFree books and records do not indicate a basis for such claims.

Objection to Claims

19. By this Objection, the Trustee seeks entry of an order disallowing the claims indicated on Exhibit "A".

20. If any Disputed Claimant listed on Exhibit "A" filed a Participant ePOC, this Objection will not affect the determination of that claim. This Objection is only intended to address the disallowance of the Standard ePOC filed by the Disputed Claimant.

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

Notice

22. The Trustee intends to provide Notice to Disputed 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. The form of the Notice was previously approved by the Court.

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

24. Nothing in this objection constitutes a waiver of any right of the Trustee to assert claims or causes of action against any creditor 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 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
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Dated: May 19, 2020
780464

Claim Number	Claimant Name	Country of Residence	Amount of Claim as Filed	Proposed Treatment of Claim
3205	Cesar Castillo	United States	\$ 3,000.00	Disallowed
3209	Maxene Mercy	United States	7,250.00	Disallowed
3215	Nelson Landaverde	United States	7,000.00	Disallowed
3216	Nelson Landaverde	United States	7,000.00	Disallowed
3220	Sthephany Espailat	United States	2,362.00	Disallowed
3227	Heloisa H Scarlattelli	United States	6,000.00	Disallowed
3228	Heloisa H Scarlattelli	United States	6,000.00	Disallowed
3234	Wanda Ann Dunn	United States	8,000.00	Disallowed
3255	Radames Centeno	United States	20,000.00	Disallowed
3256	Radames Centeno	United States	20,000.00	Disallowed
3260	Eva Contreras	United States	2,000.00	Disallowed
3261	Eva Karina Contreras	United States	2,000.00	Disallowed
3262	Eva Karina Contreras	United States	2,000.00	Disallowed
3263	Eva Karina Contreras	United States	2,000.00	Disallowed
3264	Eva Karina Contreras	United States	2,000.00	Disallowed
3270	Manuel E Caba	United States	1,250.00	Disallowed
3271	Manuel E Caba	United States	1,250.00	Disallowed
3272	Ruben Reyes	United States	15,000.00	Disallowed
3273	Ruben Reyes	United States	15,000.00	Disallowed
3274	Lola J Aguirre	United States	25,000.00	Disallowed
3275	Lola J Aguirre	United States	25,000.00	Disallowed
3290	Elisa Coelho Ball	United States	4,500.00	Disallowed
3300	Jussimara S Santos	United States	20,000.00	Disallowed
3309	Walfred K Verbeba	United States	7,000.00	Disallowed
3311	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3312	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3313	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3314	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3315	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3316	Aleyda Dignora Segura	United States	1,200.00	Disallowed
3321	Carolina Murciano	United States	3,200.00	Disallowed
3322	Emilio Pedraza	United States	7,000.00	Disallowed
3326	Nansy Gomez	United States	1,425.00	Disallowed
3333	Leonard Ehikiyoia Itua	United States	50,000.00	Disallowed
3336	Lioudmila Chadrina	United States	8,837.00	Disallowed
3340	Felipe Yaunner Dos Santos	United States	25,000.00	Disallowed
3343	Sonia Segovia	United States	1,425.00	Disallowed
3344	Sonia Segovia	United States	1,425.00	Disallowed
3345	Sonia Segovia	United States	1,425.00	Disallowed
3346	Sonia Segovia	United States	1,425.00	Disallowed
3347	Sonia Segovia	United States	1,425.00	Disallowed
3348	Sonia Segovia	United States	1,425.00	Disallowed
3349	Sonia Segovia	United States	1,425.00	Disallowed
3350	Sonia Segovia	United States	1,425.00	Disallowed
3351	Sonia Segovia	United States	1,425.00	Disallowed
3352	Sonia Segovia	United States	1,425.00	Disallowed
3353	Sonia Segovia	United States	1,425.00	Disallowed
3354	Sonia Segovia	United States	1,425.00	Disallowed
3355	Sonia Segovia	United States	1,425.00	Disallowed
3356	Sonia Segovia	United States	1,425.00	Disallowed
3364	Terezinha Maria Deoliveira	United States	8,620.00	Disallowed
3365	Terezinha Maria Deoliveira	United States	8,620.00	Disallowed
3366	Karen Chow	United States	9,000.00	Disallowed
3372	Emilio Pedraza	United States	7,000.00	Disallowed
3373	Karen Chow	United States	9,000.00	Disallowed
3374	Clyde Antoine Williams	United States	5,000.00	Disallowed
3378	Thiago Menezes Martins Dos Santos	United States	93,000.00	Disallowed
3383	Nama Soukouna	United States	10,000.00	Disallowed
3384	Martha Chang	United States	4,275.00	Disallowed
3385	Martha Chang	United States	4,275.00	Disallowed

Claim Number	Claimant Name	Country of Residence	Amount of Claim as Filed	Proposed Treatment of Claim
3386	Martha Chang	United States	\$ 4,275.00	Disallowed
3390	Blass A Rodriguez	United States	4,000.00	Disallowed
3409	Yuriy Girsh	United States	7,680.75	Disallowed
3410	Yuriy Girsh	United States	7,680.75	Disallowed
3418	Yesenia Peralta	United States	9,000.00	Disallowed
3419	Yesenia Peralta	United States	9,000.00	Disallowed
3420	Valdicy S Fonseca	United States	25,075.00	Disallowed
3421	Valdicy S Fonseca	United States	25,075.00	Disallowed
3422	Valdicy S Fonseca	United States	25,075.00	Disallowed
3424	Wagner Luiz Gratao	United States	8,850.00	Disallowed
3425	Wagner Luiz Gratao	United States	8,850.00	Disallowed
3428	Maria Octavi Leonor	United States	7,150.00	Disallowed
3432	Giscella Nunes	United States	1,000.00	Disallowed
3434	Nelson Alberto Zepeda Rosales	United States	800.00	Disallowed
3435	Nelson Alberto Zepeda Rosales	United States	800.00	Disallowed
3441	Rubens J Bourguignon	United States	11,600.00	Disallowed
3444	Genoveva Suarez	United States	2,900.00	Disallowed
3448	Karina Avilez	United States	1,000.00	Disallowed