

**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

**ELEVENTH 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 Eleventh 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 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 ten 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. In each of the cases identified on Exhibit "A", the Participant asserted an interest in multiple User Accounts that initially appeared to share certain common personal identifying characteristics. Upon further examination, however, the Trustee has concluded that either: (i) certain User Accounts that were claimed by the Participant do not belong to the claimant and

should not be factored into the determination of the amount of the allowed claim; or (ii) certain User Accounts that were not claimed by the Participant are properly attributable to such Participant.

20. 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

21. 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. The form of the Notice was previously approved by the Court.

22. 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.

23. 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 conditionally allowing each of the Disputed Participant Claims identified on Exhibit “A” in the amount indicated; 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: July 13, 2020
781450

EXHIBIT A

Claim Number	Claimant Name	Country of Residence ¹	Objection Code ²	Amount of Claim as Filed	Proposed Allowed Amount
37657-000	Adrin Viera Lopez	Bolivia	H	\$ 7,996.20	\$ 3,329.00
05049-000	Valdeci Macedo De Sousa Junior Macedo Sousa Junior	Brazil	H	31,601.50	23,279.60
27350-000	Marcos Antonio Pereira Reis	Brazil	H	33,355.60	6,427.90
31064-000	Ana Paula Carvalho Campos	Brazil	H	7,823.30	1,521.00
61581-000	Telexfree Internacional	Brazil	H	77,632.90	19,354.00
62352-000	Andre Luiz De Oliveira Barbosa	Brazil	H	14,729.60	6,261.30
84037-000	Daniel Saraiva Araujo	Brazil	H	9,025.10	5,899.60
112213-000	Carla Ribeiro Krainovic	Brazil	H	29,375.70	8,153.90
116957-001	Santiago Barbosa Camara	Brazil	H	21,699.70	Disallowed
21973-000	Amparo Tobon	Colombia	H	11,915.20	5,476.40
53382-000	Edwin Quintero Gonzalez	Colombia	H	11,616.80	2,581.10
112184-000	Jonathan Tamayo	Colombia	H	14,792.70	Disallowed
115461-000	Camilo Torres Serna	Colombia	H	14,693.70	9,213.00
05641-000	Miguel Jmenez Garcia	Dominican Republic	H	21,345.90	11,111.10
09981-000	Albert Williams Acosta	Dominican Republic	H	11,584.00	7,408.80
17409-000	Mario Fermin Pallano	Dominican Republic	H	60,921.00	2,805.50
22582-000	Derlin Alexander Santana	Dominican Republic	H	5,673.60	Disallowed
24930-001	Sergia Marrero	Dominican Republic	H	19,602.20	4,265.30
33690-000	Maria Aquino	Dominican Republic	H	42,424.70	2,899.90
40671-000	Luis Emilio Jimenez Perez	Dominican Republic	H	17,541.98	9,146.10
51723-000	Margot Tapia	Dominican Republic	H	16,911.90	1,947.50
79457-000	Carlos Jose Tejada Garcia	Dominican Republic	H	33,886.92	Disallowed
98306-000	Andry Julissa Rodriguez Ramirez	Dominican Republic	H	30,421.10	9,286.10
103603-000	Manuel Tavaréz	Dominican Republic	H	13,711.40	1,612.80
111684-000	Johnelis Suarez Ruiz	Dominican Republic	H	21,664.70	4,324.90
132777-000	Aristofanes Montes De Oca	Dominican Republic	H	15,920.90	8,725.30
00271-000	Washington Efrain Abata	Ecuador	H	14,185.80	865.30
23955-000	Manuel Eugenio Toledo Bustamante	Ecuador	H	26,180.70	2,920.00
39117-000	Margareth Tatiana Lugmana	Ecuador	H	21,113.80	6,107.30
77097-000	María Lorena Neira	Ecuador	H	16,527.10	10,666.60
85430-000	Celia Maria Racines	Ecuador	H	14,750.10	3,089.20
110124-000	Julio Vicente Lara Monar	Ecuador	H	18,974.90	6,596.90
02268-001	Milea Bogdan Daniel	France	H	24,818.40	Disallowed
107426-000	Mario Jose Mondragn Borjas	Honduras	H	12,333.00	Disallowed
46164-000	Toluwaleke Olawale Toki	Nigeria	H	113,918.50	106,761.40
80519-000	Deisy Leticia Benitez Alfonso	Paraguay	H	19,297.50	11,420.10
08963-000	Cristopher David Adriano Ramirez	Peru	H	7,860.90	482.54
86328-000	Lenin Ademir Ordoez Caoquera	Peru	H	6,431.60	Disallowed
87849-000	Josefa Ucharico Velasquez	Peru	H	11,455.60	5,895.00
117341-000	Pedro Tirado Ramos	Peru	H	26,058.40	2,515.80
117689-000	Gilver Suarez Garay	Peru	H	81,232.40	3,940.80
122903-000	Daniel Martin Beisaga Gorvenia	Peru	H	5,113.60	Disallowed
66729-000	Marco Bruno Freitas Correia	Portugal	H	11,432.10	Disallowed
87447-000	Jose Joaquim Vieira	Portugal	H	35,351.09	21,536.30
29943-001	María Isabel Sosa Navarro	Spain	H	34,805.60	22,068.10
56686-000	Wenyang Sun	Spain	H	30,659.80	1,645.70
118524-000	Hsueh Chen Huang	Taiwan	H	29,290.60	20,990.60
07986-000	Kabasinga Tinah	Uganda	H	7,331.60	Disallowed
65384-000	Andrii Kovalchuk	Ukraine	H	8,386.00	Disallowed
01993-000	Nadine Dorcena	United States	H	11,400.00	936.30
11571-000	Rosalina Cerda	United States	H	17,083.30	13,843.80
20572-000	Andres Calmo	United States	H	24,384.80	7,547.40
46107-000	Alan Shleyfman	United States	H	32,511.20	9,775.40
52415-000	Maria Machado	United States	H	13,552.80	4,903.00
72379-000	Jackson Faber Dasilva	United States	H	15,687.50	Disallowed
74071-000	Antonio Henrique Valente	United States	H	52,984.00	48,805.00
81091-000	Mikail Tas	United States	H	31,699.30	2,850.00

Claim Number	Claimant Name	Country of Residence ¹	Objection Code ²	Amount of Claim as Filed	Proposed Allowed Amount
90571-000	Odete L	United States	H	\$ 5,520.90	\$ 37.50
91114-000	Paulo P Goncalves	United States	H	74,192.10	64,712.00
106259-000	Rogério Viana	United States	H	53,342.90	Disallowed
129990-000	Geraldo Fernandes Lisboa	United States	H	39,595.30	Disallowed

Notes

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

2: Objection Codes are defined as follows:

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.
H	Participant asserted an interest in multiple User Accounts that initially appeared to share certain common personal identifying characteristics. Upon further examination, however, the Trustee has concluded that either: (i) certain User Accounts that were claimed by the Participant do not belong to the claimant and should not be factored into the determination of the amount of the allowed claim; or (ii) certain User Accounts that were not claimed by the Participant are properly attributable to such Participant.