

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS**

)	
In Re:)	
)	Chapter 11
)	
TELEXFREE, LLC,)	Case No. 14-40987-MSH
TELEXFREE, INC.,)	Case No. 14-40988-MSH
TELEXFREE FINANCIAL, INC.,)	Case No. 14-40989-MSH
)	
Debtors.)	Jointly Administered
)	

**SEVENTH 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 Seventh 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 sent a First Notice, or a First and Second Notice (collectively, a "Claim Notice") to those Participants holding Disputed Participant Claims (the "Disputed Participant Claimants"), objecting to the amount of their asserted claims. The Disputed Participant Claimants sent the Trustee a timely or deemed timely response to the Claim Notice, contesting the Trustee's proposed resolution of their claims. Because the Trustee has been unable to resolve the differences with the Disputed Participant Claimants, and in accordance with the Claims Procedure Order, the Trustee objects to the Disputed Participant Claims and requests that they be disallowed or conditionally allowed in the amounts indicated on Exhibit "A" hereto.



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 and as further described in paragraph 20 of this Objection.

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 Claims Procedure Order provided for the Trustee to send a *Notice of Proposed Resolution of Claim* ("First Notice") to those Participants whose claims did not comport with the TelexFree books and records. The First Notice identified deficiencies in the Participant's claim and proposed either claim disallowance or conditional allowance in a reduced amount. If a Participant did not respond to the First Notice within thirty (30) days, the Trustee filed a *Notice of Claim Allowance/Disallowance* ("Second Notice") with the Court and served it upon the Participant. The amount stated in the Second Notice would constitute the Participant's claim unless the Participant filed a response with the Court, and served a copy upon the Trustee,

within fourteen (14) days of receipt of the Second Notice, substantiating their claim and demonstrating good cause for failure to timely respond to the First Notice.

17. If a Participant timely responded to a Claim Notice and the Trustee was unable to consensually resolve the dispute, the Claims Procedure Order provided that the Trustee could file omnibus objections to Participant claims, in groups of no more than 250 Participants. Each of the Disputed Participant Claimants responded to either a First Notice or Second Notice.

Objection to Claims

18. By this Objection, the Trustee seeks entry of an order disallowing, or conditionally allowing in the amounts indicated on Exhibit “A”, the Disputed Participant Claims. “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; (iii) the basis for the objection to the Disputed Participant Claim, identified by the letters “A” through “G” (the “Objection Code”); and (v) the proposed treatment of the Disputed Participant Claim.

20. The Disputed Participant Claims should be allowed in a reduced amount, or disallowed, as set forth on Exhibit “A” based upon the objections to claim set forth below:

Objection Code	Basis for Objection
A	The Disputed Participant Claim includes one or more User Accounts that are subject to conflicting claims of ownership.
B	The Disputed Participant Claim does not provide an adequate explanation or documentation for the deletion of a User Account that is attributed to the claimant.
C	The Disputed Participant Claim does not provide an adequate explanation or documentation for the addition of a User Account that is not attributed to the claimant.
D	The Disputed Participant Claim does not provide an adequate explanation or documentation for the modification of a transaction in a User Account.
E	The Disputed Participant Claim does not provide an adequate explanation or documentation for the addition of a transaction in a User Account.
F	The Disputed Participant Claim asserts additional claim(s) that are not included in the determination of Participant's claims under the Net Equity formula.
G	The Disputed Participant Claim is duplicative of a later filed claim by the claimant.

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 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: December 30, 2019
768134

Claim Number	Claimant Name	Country of Residence ¹	Objection Code	Amount of Claim as Filed	Proposed Allowed Amount	Docket Number of Response	Notes
57408-000	Jose Ricardo Perez	United States	F	\$ 4,500.00	Disallowed	N/A	
57520-000	Grace Wairimu Gichema	United States	F	9,936.20	3,186.90	N/A	
57854-000	Jose De Jesus Ovalle Polanco	United States	F	34,200.00	16,262.80	N/A	2
58050-000	Try Sokunthea	United States	CD	5,700.00	1,125.60	N/A	
58717-000	Edmar Varela	United States	BD	59,479.20	1,145.60	N/A	2
58826-000	Kim Khemrith	United States	CD	21,596.90	10,451.90	N/A	2
59135-000	Maria Antonieta Stirpe Tovar	United States	D	7,349.60	1,450.00	N/A	
59331-000	Paula Andrea Granada Lopez	United States	AD	9,717.80	Disallowed	N/A	
59340-000	Marlon Lopez Henao	United States	D	3,364.00	Disallowed	N/A	
60387-000	Carlo Alberto De Marco	United States	G	2,712.10	Disallowed	N/A	
60576-000	Carlo Alberto De Marco	United States	G	2,712.10	Disallowed	N/A	
61260-001	Roksana Granovskaya	United States	D	11,724.89	Disallowed	N/A	
61362-000	Angel Onelio Sanchez	United States	DE	4,067.00	328.40	N/A	
61421-000	Roksana Granovskaya	United States	G	11,724.89	Disallowed	N/A	
61720-000	Jorge Adalberto Ramirez	United States	C	15,689.70	5,138.70	N/A	
61950-000	Nang Chantra	United States	D	5,700.00	Disallowed	N/A	
61995-000	Debra A Aldrich	United States	F	10,000.00	5,700.00	N/A	2
62123-000	Linda Carol Perdomo Gonzales	United States	CF	13,201.42	1,425.00	N/A	2
63273-000	Nget Hak	United States	BD	39,900.00	16,395.10	N/A	2
63800-000	Karla Ramirez	United States	DF	18,264.10	8,049.30	N/A	
64757-000	Eng Monyvann	United States	CD	10,286.10	3,198.00	N/A	2
64915-001	Srey Kinin	United States	CD	10,375.30	2,377.20	N/A	2
65570-000	Chrey Virath	United States	CD	5,700.00	2,151.40	N/A	2
65871-000	An Soknao	United States	AD	7,865.00	3,350.40	N/A	2
66038-000	Chassidy Reese Monique Reese	United States	D	11,599.60	Disallowed	N/A	
67411-000	Ly Kheng	United States	AD	4,681.60	Disallowed	N/A	
68274-000	Veng Sokmeng	United States	CD	14,993.50	8,716.00	N/A	2
68975-000	Khin Sereivorn	United States	ACD	3,428.70	Disallowed	N/A	
69096-000	Carlos Correa	United States	ADF	19,881.48	Disallowed	N/A	
69949-000	Khvan Daravy	United States	BD	14,250.00	Disallowed	N/A	
70110-000	Suon Samedy	United States	D	4,275.00	964.20	N/A	
70164-001	Emmanuel Chikwendu	United States	F	6,207.13	Disallowed	N/A	
70230-000	Philomena Chemutai Cheruiyot	United States	CDE	11,746.60	5,949.50	N/A	2
70628-000	Sokha Pech	United States	CD	20,840.20	9,571.20	N/A	2
70877-000	Ea Lyda	United States	CD	21,828.00	427.00	N/A	2
70997-000	Charles Bueno	United States	D	66,600.68	18,275.58	N/A	
72641-000	Richard Wroblewski	United States	CF	5,521.16	4,275.00	N/A	2
75378-000	Keng Neavuthea	United States	CD	26,607.60	3,137.00	N/A	2
75706-000	Cheat Ratha	United States	BCD	17,585.00	Disallowed	N/A	
75833-000	Phon Socheat	United States	BCD	7,614.50	986.30	N/A	2
76930-000	Fior Velasquez	United States	F	11,000.00	10,074.80	N/A	2
76957-000	Nonna Gomberg	United States	G	9,325.20	Disallowed	N/A	
77679-000	Fulvio D Caraballo	United States	D	16,800.60	Disallowed	N/A	
78644-000	Lioudmila Chadrina	United States	G	11,037.00	Disallowed	N/A	
79747-000	Willian Borges	United States	D	18,574.90	4,324.90	N/A	
79830-000	Cely Ramos Downing	United States	F	4,422.00	4,324.90	N/A	2
80880-000	Wandalys Santiago	United States	F	7,230.50	2,279.00	N/A	2
81091-000	Mikail Tas	United States	ED	31,699.30	2,850.00	N/A	
81250-000	Antonio Pinheiro Lemos Junior	United States	C	16,500.00	12,158.70	N/A	2
82999-000	Abdelkhalak Toqi	United States	CD	17,100.00	Disallowed	N/A	
84803-001	Rogério Aleixo	United States	E	14,299.90	1,425.00	N/A	
84972-000	Esteban Vargas	United States	F	5,925.00	1,425.00	N/A	
87140-000	Jose Gamba	United States	AE	5,700.00	1,236.50	1157	2
90760-001	Thearith Sun	United States	CD	11,305.50	Disallowed	N/A	
90919-000	Sokchhay Ung	United States	BD	4,764.50	Disallowed	N/A	
90961-000	Sok Sopagna	United States	AD	8,719.80	3,300.50	N/A	2
91053-000	Cheang Sokunthea	United States	D	4,527.00	706.40	N/A	
91537-000	Heng Sovanda	United States	D	7,723.80	960.80	N/A	2
92640-000	Yuching Wang	United States	G	377,666.00	Disallowed	N/A	
93118-000	Fonglin Lien	United States	F	13,025.40	1,225.40	N/A	
94512-000	Chhun Chamroen	United States	AD	4,275.00	32.70	N/A	2
95253-000	Jorman Quintero	United States	G	1,425.00	Disallowed	N/A	
95303-000	Jorman Quintero	United States	G	1,425.00	Disallowed	N/A	
95325-000	Jorman Quintero	United States	G	1,425.00	Disallowed	N/A	
95360-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95403-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95433-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95449-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95462-000	Jorman Quintero	United States	G	1,425.00	Disallowed	N/A	
95489-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95509-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95518-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
95529-000	Jorman Quintero	United States	G	620.00	Disallowed	N/A	
96555-000	Nonna Gomberg	United States	AE	9,525.20	Disallowed	N/A	
96803-000	Diana Garcia	United States	AD	16,454.00	Disallowed	1249	
97227-000	Eang Phanna	United States	CD	14,250.00	1,125.60	N/A	
97473-000	Yvette Viola Parham	United States	F	11,460.10	1,460.10	N/A	
99074-000	Jose Oracio Garcia	United States	ACD	19,186.60	Disallowed	1249	
103379-000	Rianja Andrianiaina Rasandy	United States	G	5,870.20	Disallowed	N/A	
103498-000	Yeth Chansela	United States	D	18,031.90	5,636.00	N/A	

Claim Number	Claimant Name	Country of Residence ¹	Objection Code	Amount of Claim as Filed	Proposed Allowed Amount	Docket Number of Response	Notes
104795-000	Rath Boutha	United States	D	19,950.00	5,463.60	N/A	
105735-000	Isac Oliveira Da Costa	United States	C	4,275.00	Disallowed	N/A	
106022-000	Armentra Thompkins	United States	D	9,309.10	1,181.10	N/A	
106510-000	Alexandre Xavier Hipolito	United States	F	71,515.30	Disallowed	N/A	
107045-002	Sonya Franco	United States	BD	16,182.16	Disallowed	N/A	
107299-000	Jose Garcia	United States	AD	24,309.10	Disallowed	N/A	
107304-000	Paul Maciejewski	United States	F	14,407.80	7,207.80	N/A	
107332-000	Emmanuel Ndenga	United States	ADE	85,546.94	Disallowed	N/A	
107493-000	Anna Gallegos	United States	D	17,044.40	4,324.90	N/A	2
107537-002	Sergio Franco	United States	BD	35,164.50	24,656.30	N/A	2
108706-000	Thon Neathvisal	United States	DF	3,170.40	120.60	N/A	
108774-000	Mao Nay	United States	BD	51,440.00	17,174.60	N/A	2
109222-001	Trou Bunsong	United States	ABD	12,990.70	7,106.90	N/A	2
109353-001	Kry Songleng	United States	BD	11,400.00	Disallowed	N/A	
111860-000	Joseph Imafidon Igunbor	United States	DF	22,167.60	Disallowed	N/A	
117428-000	Pedro Rodriguez	United States	AC	30,825.70	Disallowed	1144	
117912-000	Kuhn Rita	United States	CD	8,950.30	1,225.40	N/A	
117927-000	Pat Sovannara	United States	D	12,557.40	5,263.30	N/A	2
119358-000	Chhoeun Marany	United States	CD	21,432.00	5,660.40	N/A	2
119812-000	Oeung Soraheng	United States	BCD	9,131.70	Disallowed	N/A	
119964-000	Oeung Soraheng	United States	G	9,181.60	Disallowed	N/A	
121667-000	Khaled Saleh	United States	F	16,896.00	15,924.50	N/A	2
121668-000	Rachid Moukhtari	United States	F	9,975.00	Disallowed	N/A	
121700-000	Joseph Nasr	United States	F	45,040.00	Disallowed	N/A	
121702-000	Aris M Munoz	United States	F	4,500.00	Disallowed	N/A	
121707-000	Samir Laqtb	United States	F	9,975.00	617.81	N/A	2
121726-000	Kamal Azzi	United States	F	154,000.00	33,248.60	N/A	2
122134-000	Gloria Cepeda	United States	F	5,700.00	49.90	N/A	2
122721-000	Robert Jackier	United States	DE	5,750.90	Disallowed	N/A	
122871-000	Jorge Luiz Candiotto	United States	F	19,019.00	4,075.40	N/A	2
124869-000	Ana Paula Zavodini	United States	F	4,275.00	Disallowed	N/A	4
126830-000	Jose Echeverria	United States	G	42,550.60	Disallowed	N/A	
126946-000	Hongyou Xu	United States	AF	9,608.00	Disallowed	N/A	
127870-000	Idione F De Souza	United States	F	5,794.00	Disallowed	N/A	
128046-000	Christopher Paul McCormick	United States	AF	157,551.40	81,128.90	1149	2
128641-000	Helga Marielle Zavala-Varela	United States	F	13,238.00	9,953.70	N/A	2
128728-000	Beatriz Pence De Leon-Gonzalez	United States	F	20,556.00	Disallowed	N/A	
128833-000	Muditha Ranaweera	United States	AF	19,483.50	14,366.70	N/A	2
130330-000	Gustavo Enrique Orellana-Lujan	United States	G	483,650.00	Disallowed	N/A	
130370-000	Raul Antonio Barahona-Barahona	United States	F	29,100.00	2,850.00	N/A	2
130454-000	Ruben Nieves	United States	G	97,609.20	Disallowed	N/A	
130593-000	Ruben Solano-Parada	United States	F	12,434.00	10,013.30	N/A	2
131265-000	Ruben Nieves	United States	D	97,609.20	Disallowed	N/A	
131418-000	Malaquias Vargas Bucardo	United States	F	31,920.00	19,785.50	N/A	2
131600-000	Merilio Rojas	United States	DF	10,950.00	Disallowed	N/A	
131665-000	Hazem Webbe	United States	DE	32,800.00	Disallowed	N/A	
131716-000	Theresa St Peter	United States	DE	24,584.50	Disallowed	N/A	
131722-000	Joseph Zagarella	United States	G	608,725.00	Disallowed	N/A	
131730-000	Joseph Zagarella	United States	G	608,725.00	Disallowed	N/A	

Notes

- Country of Residence as entered by Claimant on the claim form filed electronically.
- Upon review of the information provided by the claimant in conjunction with TelexFree's records, the claim amount has been increased from the original conditionally allowed amount of the claim.
- 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.

4: 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.