Docket #0267 Date Filed: 8/20/2014

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS

In Re: TELEXFREE, LLC, Debtor.	Case No. 4:14-BK-40987 Chapter XI (MH)
ANTHONY CELLUCCI, et al,, Individually and on Behalf of All Others Similarly Situated, *Plaintiffs,* v. TELEXFREE, INC., f/k/a COMMON CENTS COMMUNICATIONS, INC., ET AL *Defendants.*	Adv. Action No. 14-40987

DEFENDANT JOSEPH CRAFT'S ANSWER AND STATEMENT OF AFFIRMATIVE DEFENSES

Joseph Craft, by and through his counsel, hereby answers the Complaint:

1. Admitted that the plaintiff seeks compensation, otherwise denied that the Defendant knew that the other defendants were engaged in a Ponzi scheme that included the wrongs alleged in this paragraph, except that the Defendant knew in February or March, 2014 that there might be a Ponzi scheme but that the elements which made it so were about to be changed.

2. Admitted.

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3. Admitted.

4. Defendant lacks sufficient information to admit or deny.

5. This is a legal conclusion. Denied that the Defendant knew this.

6. Denied that the Defendant knew this.

7. This is a legal conclusion. Denied that the Defendant knew this.

8. Admitted.

9. Denied that the Defendant knew this, if it is true.

10. This is a legal conclusion which Defendant cannot admit is true.

11. There were memberships. The rest of this paragraph is a legal conclusion which Defendant did not know know and is, therefore, denied.

12. The Defendant did not know this and does not know if this was uniformly true as alleged.

13. There are elements of this paragraph which are purely argumentative and do not lend themselves to a response. Factually, there were promoters and there was the possibility of compensation for placing internet ads, as Defendant came to learn.

14. This paragraphs states legal conclusions which do not lend themselves to a factual response. TelexFree did not insist that promoters sell product, though it urged them to do so. The payment structure changed on March 9, 2014.

15. Without getting into whether or not this scheme was a Ponzi scheme as a matter of law, the factual assertion is admitted in the sense that Defendant came to learn that there were insufficient VOIP sales to maintain the company in 2014.

16. The first sentence is admitted. The second sentence is denied as to the Defendant Craft. As to the rest of the Defendants, Defendant Craft has insufficient information to respond.

17. Denied as to the Defendant Craft, but he is without sufficient knowledge to admit or deny as to the rest of the factual assertions.

18. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

19. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

20. Admitted that TelexFree filed for Chapter XI bankruptcy protection.

21. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

22. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

23. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

24. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

25. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

26. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

27. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

28. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

29. The Defendant Craft denies that it is appropriate to bring a complaint like this one on information and belief. Otherwise, this paragraph needs no response.

30. Admitted.

31. Admitted.

32. This paragraph needs no response.

33. Admitted that Plaintiffs have claimed damages, otherwise denied.

34. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

35. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

36. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

37. Admitted.

38. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

39. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

40. Neither admitted or denied for lack of sufficient knowledge.

41. Neither admitted or denied for lack of knowledge.

42. Neither admitted or denied for lack of knowledge.

43. Admitted.

44. Admitted.

45. Admitted.

46. Neither admitted or denied for lack of knowledge.

47. Admitted.

48. Admitted.

49. Admitted.

50. Admitted.

51. Admitted.

52. Admitted.

53. Admitted.

54. Admitted.

55. Admitted.

56. Admitted.

57. Admitted.

58. Admitted.

59. Admitted.

60. Neither admitted or denied for lack of knowledge.

61. Admitted.

62. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge. Denied as to the Defendant Craft. Neither admitted nor denied as to the other defendants for lack of knowledge.

63. Admitted.

64. Denied.

65. Admitted that he was retained as the CFO a few days before filing Chapter XI and that he was specially retained by the Restructuring Officer for that purpose.

66. Denied.

67. Admitted.

68. Admitted as to accounting services.

69. Denied as to sole member, otherwise admitted.

70. Neither admitted nor denied for lack of sufficient information.

71. Neither admitted nor denied for lack of sufficient information.

72. Neither admitted nor denied for lack of sufficient information.

73. Neither admitted nor denied for lack of sufficient information.

74. Neither admitted nor denied for lack of sufficient information.

75. Neither admitted nor denied for lack of sufficient information.

76. Neither admitted nor denied for lack of sufficient information.

77. Neither admitted nor denied for lack of sufficient information.

78. Neither admitted nor denied for lack of sufficient information.

79. Neither admitted nor denied for lack of sufficient information.

80. Neither admitted nor denied for lack of sufficient information.

81. Neither admitted nor denied for lack of sufficient information.

82. Neither admitted nor denied for lack of sufficient information.

83. Neither admitted nor denied for lack of sufficient information.

84. Neither admitted nor denied for lack of sufficient information.

85. Neither admitted nor denied for lack of sufficient information.

86. Neither admitted nor denied for lack of sufficient information.

87. Neither admitted nor denied for lack of sufficient information.

88. Admitted.

89. Neither admitted nor denied for lack of sufficient information.

90. Admitted.

91. Admitted.

92. Neither admitted nor denied for lack of sufficient information.

93. Admitted.

94. Admitted.

95. Neither admitted nor denied for lack of sufficient information.

96. Admitted.

97. Neither admitted nor denied for lack of sufficient information.

98. Neither admitted nor denied for lack of sufficient information.

99. Neither admitted nor denied for lack of sufficient information.

100. Neither admitted nor denied for lack of sufficient information.

101. Neither admitted nor denied for lack of sufficient information.

102. Neither admitted nor denied for lack of sufficient information.

103. Neither admitted nor denied for lack of sufficient information.

104. Denied as to “at all times.”

105. Admitted.

106. Denied as to “at all times.”

107. Admitted.

108. Denied as to "at all times."

109. Admitted.

110. Admitted.

111. Denied as to "at all times."

112. Admitted.

113. Admitted.

114. Denied as to "at all times."

115. Admitted.

116. Denied as to "at all times."

117. Admitted.

118. Denied as to "at all times."

119. Admitted.

120. Denied as to "at all times."

121. Admitted.

122. Denied as to "at all times."

123. Admitted.

124. Denied as to "at all times."

125. Admitted.

126. Denied as to "at all times."

127. Admitted.

128. Admitted.

129. Denied as to "at all times."

130. Admitted.

131. Admitted, if "conduit" means simply a "method" for payment.

132. Admitted.

133. Admitted if "conduit" means simply a "method."

134. Admitted.

135. Admitted.

136. Admitted if "conduit" means "method."

137. Admitted.

138. Admitted.

139. Admitted if "conduit" means "method."

140. Admitted.

141. Admitted if "conduit" means "method."

142. Denied.

143. This allegation does not need a response.

144. Admitted, but the Defendant was told that the freeze was temporary and would be removed, and he had no reason to doubt that information.

145. Admitted.

146. Defendant does not know what this paragraph means, so, denied.

147. Admitted.

148. Admitted.

149. Defendant does not have sufficient information to admit or deny this allegation.

150. Admitted.

151. Admitted.

152. Admitted.

153. Denied as to the Defendant Craft.

154. This allegation does not make grammatical sense so it can be neither admitted nor denied.

155. Admitted.

156. Defendant lacks sufficient information to admit or deny this allegation.

157. Admitted.

158. Admitted.

159. Merrill and Wanzeler were forced to resign, so denied.

160. Admitted.

161. Denied that the Defendant Craft "conducted the business" of TelexFree. He did serve as Telex's accountant but was not a principal, insider, director, officer, or promoter of the company.

162. Admitted.

163. This sentence does not make grammatical sense and so it cannot be either admitted or denied.

164. Denied as to the value, amount, and description.

165. Technically correct that Mr. Craft was the incorporator.

166. Denied.

167. Admitted.

168. Defendant does not have a recollection to admit or deny this.

169. Admitted that the entities filed for Chapter XI protection on that date and that the petition was filed in Nevada.

170. Admitted as to interdependence, but not indistinguishable.

171. Admitted.

172. Denied that Defendant Craft owned or operated the entities.

173. Denied as to "without any distinction." Admitted that funds were transferred between the entities.

174. Admitted that some resources were shared at times.

175. Admitted that some resources were shared at times.

176. Denied that the entities were alter egos, but, at any rate, this is a legal conclusion to which no response is necessary.

177. Denied, at least as to the Defendant Craft. As to the other Defendants, the allegations are legal conclusions to which Craft cannot respond.

178. Denied, at least as to the Defendant Craft. As to the other Defendants, the allegations are legal conclusions to which Craft cannot respond.

179. Defendant Craft does not believe that a Complaint such as the one put forth by Plaintiffs should be on information and belief, so Defendant objects. Otherwise, no response is needed to this paragraph.

180. TelexFree is no longer in existence, so, denied.

181. In the past, this was the focus of the entities' existence.

182. Admitted.

183. Admitted.

184. Admitted.

185. Defendant is without the information to admit or deny this.

186. Defendant is without the information to admit or deny this.

187. Defendant does not have the information to admit or deny this.

188. This general allegation needs no response.

189. Denied, if the business was to succeed, which Defendant believed was the goal.

190. Denied, at least as to the Defendant Craft.

191. Denied, at least as to the Defendant Craft's knowledge and belief.

192. Defendant does not have the knowledge to admit or deny this.

193. Defendant does not have the knowledge to admit or deny this.

194. Defendant does not have the knowledge to admit or deny this.

195. Defendant does not have the knowledge to admit or deny this.

196. Defendant does not have the knowledge to admit or deny this.

197. Defendant does not have the knowledge to admit or deny this.

198. Defendant does not have the knowledge to admit or deny this.

199. Defendant does not have the knowledge to admit or deny this.

200. Defendant does not have the knowledge to admit or deny this.

201. Defendant does not have the knowledge to admit or deny this.

202. Defendant does not have the knowledge to admit or deny this.

203. Defendant does not have the knowledge to admit or deny this.

204. Defendant does not have the knowledge to admit or deny this.

205. Defendant does not have the knowledge to admit or deny this.

206. Defendant does not have the knowledge to admit or deny this.

207. Defendant does not have the knowledge to admit or deny this.

208. Defendant does not have the knowledge to admit or deny this.

209. Defendant does not have the knowledge to admit or deny this.

210. Defendant does not have the knowledge to admit or deny this.

211. Defendant does not have the knowledge to admit or deny this.

212. Defendant does not have the knowledge to admit or deny this.

213. Defendant does not have the knowledge to admit or deny this.

214. Defendant does not have the knowledge to admit or deny this.

215. Defendant does not have the knowledge to admit or deny this.

216. Defendant does not have the knowledge to admit or deny this.

217. Defendant does not have the knowledge to admit or deny this.

218. Defendant does not have the knowledge to admit or deny this.

219. Defendant does not have the knowledge to admit or deny this.

220. Defendant does not have the knowledge to admit or deny this.

221. Defendant does not have the knowledge to admit or deny this.

222. Defendant does not have the knowledge to admit or deny this.

223. Defendant does not have the knowledge to admit or deny this.

224. Defendant does not have the knowledge to admit or deny this.

225. Defendant does not have the knowledge to admit or deny this.

226. Defendant does not have the knowledge to admit or deny this.

227. Defendant does not have the knowledge to admit or deny this.

228. Defendant does not have the knowledge to admit or deny this.

229. Defendant does not have the knowledge to admit or deny this.

230. Defendant does not have the knowledge to admit or deny this.

231. Defendant does not have the knowledge to admit or deny this.

232. Defendant does not have the knowledge to admit or deny this.

233. Defendant does not have the knowledge to admit or deny this.

234. Defendant does not have the knowledge to admit or deny this.

235. Defendant does not have the knowledge to admit or deny this .

236. Defendant does not have the knowledge to admit or deny this.

237. Defendant does not have the knowledge to admit or deny this.

238. Defendant does not have the knowledge to admit or deny this.

239. Defendant does not have the knowledge to admit or deny this.

240. Defendant does not have the knowledge to admit or deny this.

241. Defendant does not have the knowledge to admit or deny this.

242. Defendant does not have the knowledge to admit or deny this.

243 Defendant does not have the knowledge to admit or deny this.

244. Defendant does not have the knowledge to admit or deny this.

245. Defendant does not have the knowledge to admit or deny this.

246. Defendant does not have the knowledge to admit or deny this.

247. Defendant does not have the knowledge to admit or deny this.

248. Defendant does not have the knowledge to admit or deny this.

249. Defendant does not have the knowledge to admit or deny this.

250. Defendant does not have the knowledge to admit or deny this.

251. Defendant does not have the knowledge to admit or deny this.

252. Defendant does not have the knowledge to admit or deny this.

253. Defendant does not have the knowledge to admit or deny this.

254. Defendant does not have the knowledge to admit or deny this.

255. Defendant does not have the knowledge to admit or deny this.

256. Defendant does not have the knowledge to admit or deny this.

257. Defendant does not have the knowledge to admit or deny this.

258. Defendant does not have the knowledge to admit or deny this.

259. Defendant does not have the knowledge to admit or deny this.

260. Defendant does not have the knowledge to admit or deny this.

261. Defendant does not have the knowledge to admit or deny this.

262. Defendant does not have the knowledge to admit or deny this.

263. Defendant does not have the knowledge to admit or deny this.

264. Defendant does not have the knowledge to admit or deny this.

265. Defendant does not have the knowledge to admit or deny this.

266. Defendant does not have the knowledge to admit or deny this.

267. Defendant does not have the knowledge to admit or deny this.

268. Admitted, but the Defendant was told that this injunction would be removed, and he had no information to contradict that.

269. Defendant does not have the knowledge to admit or deny this.

270. Defendant does not know whether or not management stated this. He did not, and he was not part of management.

271. Admitted.

272. Admitted.

273. Defendant does not have the knowledge to admit or deny this.

274. Defendant does not have the knowledge to admit or deny this.

275. Defendant does not have the knowledge to admit or deny this.

276. Defendant denies any fraud or fraudulent intent in the bank accounts and online payment arrangements, but admits that TelexFree employed several accounts and payment arrangements and says that they were employed for legitimate business reasons.

277. This is too general to be capable of response. Some banking institutions found that they could not handle the number of transactions and so they terminated their relationship with TelexFree.

278. Defendant does not have the knowledge to admit or deny this.

279. Defendant does not have the knowledge to admit or deny this.

280. Defendant does not have the knowledge to admit or deny this.

281. Defendant does not have the knowledge to admit or deny this.

282. Admitted.

283. Whether or not this is a "key component," it is admitted that the new plan could affect participants' withdrawals.

284. This mixes apples and oranges, but it is admitted that after the March changes, participants' compensation was tied to VoIP sales.

285. Defendant does not have the knowledge to admit or deny this.

286. Defendant does not have the knowledge to admit or deny this.

287. Defendant does not have the knowledge to admit or deny this.

288. Defendant does not have the knowledge to admit or deny this.

289. Admitted that the entities mentioned filed for Chapter XI protection.

290. Defendant does not have the knowledge to admit or deny this.

291. Defendant does not have the knowledge to admit or deny this.

292. Denied.

293. Defendant does not know who said this, but it was stated.

294. Denied as to the Defendant Craft ,who lacked the information until shortly before the March changes to conclude that the scheme might qualify as a Ponzi scheme. He relied on the advice of counsel as to whether or not TelexFree qualified as such a scheme. He learned in 2014 of a "backroom" operation which he had not known to exist. He was told that changes were coming soon which would change the compensation structure which changes would ensure that this

was not a Ponzi scheme. Until he was told about the backroom operation and other facts, he was kept in the dark about the true nature of TelexFree's activities.

295. Admitted.

296. Admitted.

297. Admitted.

298. Admitted.

299. Denied that Defendant Craft was "caught" or was attempting to "abscond" with the money. As the Workout Specialist (Runge) has testified, Craft was asked to take control of the checks and deliver them to Bankruptcy counsel, which Craft was in the process of doing. It was a perfectly legitimate activity, and it is noteworthy that the SEC has filed an Amended Complaint which drops this allegation.

300. Denied.

301. Admitted as to the first sentence. As to the second sentence, denied.

302. Defendant does not have the knowledge to admit or deny this.

303. Admitted.

304. Admitted.

305. Admitted.

306. Admitted.

307. Admitted.

308. Admitted.

309. Admitted.

310. This is a legal conclusion which does not require a response.

311. Admitted.

312. Admitted.

313. Denied.

314. Denied based on information and belief.

315. Admitted.

316. Defendant denies that he was part of management and denies any such motive or intent, nor can he read the minds of other people, so denied.

317. Admitted.

318. Admitted.

319. Admitted.

320. Defendant does not have the knowledge to admit or deny this.

321. Defendant does not have the knowledge to admit or deny this.

322. Defendant does not have the knowledge to admit or deny this.

323. Defendant does not have the knowledge to admit or deny this.

324. Defendant does not have the knowledge to admit or deny this.

325. Admitted.

326. Admitted.

327. Admitted.

328. Admitted.

329. This is a legal conclusion to which Defendant need not reply.

330. Admitted.

331. Admitted.

332. Admitted, based on information and belief.

333. Defendant does not have the knowledge to admit or deny this.

334. This is a legal conclusion to which Defendant need not reply.

335. This is a legal conclusion to which Defendant need not reply.

336. Denied that Mr. Craft was the CFO at any material times.

337. Denied.

338. Admitted.

339. Denied.

340. Admitted.

341. Defendant does not know what "reveals massive discrepancies" means. There are certainly differences, based on the accounting methods used and the information which was revealed to Defendant Craft in the interim period.

342. Admitted.

343. Admitted.

344. Denied as this is pleaded. The SOC requested that GAAP methods be used in compiling the second financial statement. The management of TelexFree revealed financial items that were not included in the first statement to Mr. Craft and, therefore, he was more fully informed when the second statement was filed. He insisted that this new information be included to correct the first statement.

345. Denied.

346. Admitted.

347. Admitted based upon information and belief.

348. Admitted based upon information and belief.

349. Defendant does not have the knowledge to admit or deny this.

350. Defendant does not have the knowledge to admit or deny this.

351. Defendant does not have the knowledge to admit or deny this.

352. Admitted.

353. Admitted that Mr. Nehra served as legal counsel at some relevant times, but otherwise denied.

354. Defendant does not have the knowledge to admit or deny this.

355. Defendant does not have the knowledge to admit or deny this.

356. Defendant does not have the knowledge to admit or deny this.

357. Defendant does not have the knowledge to admit or deny this.

358. Admitted.

359. Defendant does not have the knowledge to admit or deny this.

360. Admitted based on information and belief.

361. Defendant does not have the knowledge to admit or deny this.

362. Defendant does not have the knowledge to admit or deny this.

363. Defendant does not have the knowledge to admit or deny this.

364. Defendant does not have the knowledge to admit or deny this.

365. Defendant does not have the knowledge to admit or deny this.

366. Defendant does not have the knowledge to admit or deny this.

367. Defendant does not have the knowledge to admit or deny this.

368. Decline to answer based on Attorney/Client Privilege.

369. Decline to answer based on Attorney/Client Privilege.

370. Decline to answer based on Attorney/Client Privilege.

371. Decline to answer based on Attorney/Client Privilege.

372. Decline to answer based on Attorney/Client Privilege.

373. Decline to answer based on Attorney/Client Privilege.

374. Decline to answer based on Attorney/Client Privilege.

375. Decline to answer based on Attorney/Client Privilege.

376. Decline to answer based on Attorney/Client Privilege.

377. Decline to answer based on Attorney/Client Privilege.

378. Decline to answer based on Attorney/Client Privilege.

379. Decline to answer based on Attorney/Client Privilege.

380. Decline to answer based on Attorney/Client Privilege.

381. Decline to answer based on Attorney/Client Privilege.

382. Decline to answer based on Attorney/Client Privilege.

383. Decline to answer based on Attorney/Client Privilege.

384. Admitted.

385. This requires a legal conclusion. It is admitted that TelexFree depended on cash deposits.

386. Defendant does not have the knowledge to admit or deny this.

387. Admitted.

388. Admitted.

389. Admitted.

390. Admitted.

391. Admitted that Mr. Nehra said this, but as to the rest of the paragraph, decline to answer based on Attorney/Client Privilege.

392. Decline to answer based on Attorney/Client Privilege.

393. Admitted that assurances were made, but as to the rest of the paragraph, decline to answer based on Attorney/Client Privilege.

394. Decline to answer based on Attorney/Client Privilege.

395. Decline to answer based on Attorney/Client Privilege.

396. Decline to answer based on Attorney/Client Privilege.

397. Decline to answer based on Attorney/Client Privilege.

398. Decline to answer based on Attorney/Client Privilege.

399. Decline to answer based on Attorney/Client Privilege.

400. Decline to answer based on Attorney/Client Privilege.

401. Decline to answer based on Attorney/Client Privilege.

402. Decline to answer based on Attorney/Client Privilege.

403. Decline to answer based on Attorney/Client Privilege.

404. Decline to answer based on Attorney/Client Privilege.

405. Decline to answer based on Attorney/Client Privilege.

406. Admitted that Mr. Craft is a CPA, but not that he was the companies' CFO at relevant times.

407. Mr. Craft was not the sole member of "Craft Financial." He was a member and manager of Craft Financial.

408. Denied that they are one and the same thing and denied that either was involved in a Ponzi scheme as a participant, member, or in any other capacity. Neither knew that the companies might be involved in such a scheme until Mr. Craft was given certain information that was withheld from him in the first quarter of 2014.

409. Denied.

410. Denied.

411. Admitted.

412. Admitted.

413. This is duplicative pleading. Same response to Paragraph 341.

414. This is duplicative pleading. Same response as to Paragraph 342.

415. This is duplicative pleading. Same response as to Paragraph 343.

416. This is duplicative pleading. Same response as to Paragraph 344.

417. Denied.

418. Denied.

419. Denied.

420. Defendant lacks the factual knowledge to respond to this allegation.

421. Denied.

422. Denied.

423. Denied.

424. Denied.

425. Denied.

426. Denied.

427. Denied.

428. Denied.

429. Denied.

430. Denied.

431. Denied.

432. Denied.

433. Denied.

434. Denied.

435. Denied.

436. Denied.

437. Denied.

438. Denied.

439. Denied.

440. Denied.

441. Denied.

442. Denied.

443. Denied.

444. Denied.

445. Denied.

446. Denied.

447. Denied.

448. Denied.

449. Denied.

450. Denied.

451. Denied.

452. The Defendant responds as he responded to all previous allegations.

453. Denied.

454. Denied.

455. Denied.

456. Denied.

457. Denied.

458. Denied.

459. Denied.

460. Denied.

461. Denied.

462. Denied.

463. Denied.

464. Denied.

465. Denied.

466. Denied.

467. Denied.

468. Denied.

469. Denied.

470. Denied.

471. Denied.

472. Denied.

473. Denied.

474. Denied.

475. Denied.

476. Denied.

477. Denied.

478. Denied.

479. Denied.

480. Denied.

481. Denied.

482. Denied.

483. Denied.

484. Denied.

485. Denied.

486. Denied.

487. Denied.

488. Denied.

489. Denied.

490. Denied.

491. Denied.

492. Denied.

493. Denied.

494. Denied.

495. Denied.

496. Denied.

497. Denied.

498. Denied.

499. Denied.

500. Denied.

501. Denied.

502. Denied.

503. Denied.

504. Denied.

505. Denied.

506. Denied.

507. Denied.

508. Denied.

509. Denied.

510. Denied.

511. Denied.

512. Denied.

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521. Denied.

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525. Denied.

526. Denied.

527. Denied.

528. Denied.

529. Denied.

530. Denied.

531. Denied.

532. Denied.

533. Denied.

534. Denied.

535. Denied.

536. Denied.

537. Denied.

538. Denied.

539. Denied.

540. Denied.

541. Denied.

542. Denied.

543. Denied.

544. Denied.

545. Denied.

546. Denied.

547. Denied.

548. Denied.

549. Denied.

550. Denied.

551. Denied.

552. Denied.

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563. Denied.

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565. Denied.

566. Denied.

567. Denied.

568. Denied.

569. Denied.

570. Denied.

571. Denied.

572. Denied.

573. Denied.

574. Denied.

575. Denied.

576. Denied.

577. Denied.

578. Denied.

579. Denied.

580. Denied.

581. Denied.

582. Denied.

583. Denied.

584. Denied.

585. Denied.

586. Denied.

587. Denied.

588. Denied.

589. Denied.

590. Denied.

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592. Denied.

593. Denied.

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601. Denied.

602. Denied.

603. Denied.

604. Denied.

605. Denied.

606. Denied.

607. Denied.

608. Denied.

609. Denied.

610. Denied.

611. Denied.

612. Denied.

613. Denied.

614. Denied.

615. Denied. Further, the plaintiffs fully recovered their "investments" through benefits received from the TelexFree entities and are not owed anything.

Prayers For Relief

Because the Trustee in Bankruptcy has assumed control over the assets and estates of the Defendant enterprises, they have ceased all operations and all other business activities other than to liquidate assets and pay back creditors. Defendant Craft is not and has not engaged in the sale of securities, unregistered or otherwise, he is not in possession of any "ill-gotten" gains, civil damages are not appropriate, the Plaintiff "investors" and "promoters" are not out-of-pocket, and for these reasons, as well as those stated below, the relief sought by the Plaintiffs, including class status, should be denied.

Affirmative Defense: Failure to State a Claim As to Joseph Craft

The Plaintiffs' Complaint fails to state a claim for which Joseph Craft is liable. It does not allege, and could not allege in truth, that Mr. Craft attempted or

succeeded in selling any of the contracts alleged to be investment securities in the Complaint. It also does not allege, nor could it allege in truth, that he promoted the sale of unregistered investment securities. Nor is it alleged, nor could it be, that any plaintiff relied upon the financial compilations of Mr. Craft, which were not audited or certified or held out to be so. The allegations in the Complaint that Mr. Craft was the companies' CFO are untrue, but, even if they were true, they do not state a claim against Mr. Craft. Even if it were shown that Mr. Craft issued financial statements which he knew or should have known were untrue to the owners, officers, employees and/or promoters of TelexFree, a privately owned company—which he did not do—this would not state a claim as to Mr. Craft. For these and other reasons, the case should be dismissed as to Joseph Craft.

Affirmative Defense: Mootness and Duplication

The Complaint far exceeds the reach of the 1933 Securities Act, the 1934 Securities & Exchange Act, and rules thereunder. TelexFree and its related companies were privately held. The Complaint does not allege, nor could it, that Joseph Craft or his accounting firm issued audited financial statements, nor is it alleged that he certified the accuracy of financial statements, nor is it alleged that TelexFree or he presented financial statements to any promoter or purchaser of contracts alleged to be investment securities, nor is it alleged that the Plaintiffs relied on any financial statements.

TelexFree and its related entities are now in Bankruptcy proceedings and a Trustee has been appointed to pursue the relief sought to recover funds for promoters and creditors, including the plaintiffs. The United States has commenced a forfeiture proceeding, and the SEC in its civil action has asked for damages to protect promoters and "investors". As such, the relief sought is moot and duplicative at least as to Mr. Craft, who was not an issuer, seller, principal or promoter of any of the Defendant entities alleged to be investments.

Affirmative Defense: Statute of Limitations

Defendant Craft says that the Plaintiff's Complaint is barred in whole or in part by the applicable Statutes of Limitations and, therefore, must be dismissed.

Affirmative Defense: Not a Seller or Control Person

The Defendant was not a control person, part of a control group, an officer, director, shareholder, manager, seller or offerer of securities or investment contracts in connection with the alleged scheme. He was, at all material times, an independent accountant hired to perform specific tasks which did not involve him in the offer or sale of securities or investment contracts.

Affirmative Defense: Lack of Knowledge

Defendant says that he had insufficient knowledge of or reasonable grounds to believe the existence of the scheme alleged in the Complaint by reason of which his liability as a supposed control person is alleged to exist.

Affirmative Defense (Advice of Counsel)

To the extent that the Complaint alleges that Joseph Craft was involved in a pyramid scheme, knowingly or unwittingly, Joseph Craft denies this and states that he reasonably relied on advice of TelexFree's counsel in all material respects.

Respectfully submitted,

Defendant Joseph H. Craft

By his attorneys,

s/s Thomas E. Dwyer, Jr.
Thomas E. Dwyer, Jr., BBO # 139680
Edward T. Dangel, III, BBO # 113580
Dangel/Dwyer LLC
10 Derne St.
Boston, MA 02114
(617) 557-4800
tdwyer@dangeldwyer-llc.com
tdangel@dangeldwyer-llc.com

CERTIFICATE OF SERVICE

I hereby certify that I have provided all counsel of record with service of the foregoing Answer this 14th day of August, 2014, by means of the Court's ECF filing system.

s/s Edward T. Dangel, III
Edward T. Dangel, III