

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 81664 / September 20, 2017

ACCOUNTING AND AUDITING ENFORCEMENT

Release No. 3897 / September 20, 2017

ADMINISTRATIVE PROCEEDING

File No. 3-18192

In the Matter of

JOSEPH H. CRAFT, CPA,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Joseph H. Craft ("Respondent" or "Craft") pursuant to Rule 102(e)(3)(i) of the Commission's Rules of Practice.¹

II.

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Craft, age 53, is and has been a certified public accountant licensed to practice in the States of Indiana and Kentucky. He was hired as TelexFree’s accountant in June 2012, and he was sometimes held out as the company’s CFO.
2. TelexFree, Inc. was, at all relevant times, a Massachusetts corporation with its principal place of business in Marlborough, Massachusetts. TelexFree, LLC was a Nevada corporation with the same principal place of business in Marlborough, Massachusetts. TelexFree was a multi-level marketing company that purported to be in the business of selling telephone service plans that use “voice over internet” (“VoIP”) technology.
3. On September 12, a final judgment was entered against Craft, permanently enjoining him from future violations of Sections 17(a) and 5(a) and (c) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. TelexFree, Inc. et al., Civil Action Number 1:14-CV-11858, in the United States District Court for the District of Massachusetts. Craft was also ordered to pay \$272,812 in disgorgement of ill-gotten gains while participating in the fraud, and \$25,896 in prejudgment interest, and a \$50,000 civil money penalty.
4. The Commission’s complaint alleged, among other things, that Craft, assisted TelexFree in engaging in a multi-million fraudulent Ponzi and pyramid scheme. Prior to March 9, 2014, the company did not require that investors sell the VoIP service in order to qualify for weekly payments, which resulted in very little money obtained from the sale of an actual product. Instead, TelexFree paid its earlier investors not with revenues from selling the VoIP service, but with money received from prior investors.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Craft's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Craft is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this order, Craft may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission (other than as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934). Such an application must satisfy the Commission that Craft's work in his practice before the Commission as an accountant will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Act of 1934. Such an application will be considered on a facts and circumstances basis with respect to such membership, and the applicant's burden of demonstrating good cause for reinstatement will be particularly high given the role of the audit committee in financial and accounting matters; and/or

3. an independent accountant.

Such an application must satisfy the Commission that:

(a) Craft, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Craft, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Craft's or the firm's quality control system that would indicate that the respondent will not receive appropriate supervision;

(c) Craft has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Craft acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Craft to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Craft's character, integrity, professional conduct, or qualifications to appear or practice before the Commission as an accountant. Whether an application demonstrates good cause will be considered on a facts and circumstances basis with due regard for protecting the integrity of the Commission's processes.

By the Commission.

Brent J. Fields
Secretary