

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA**

CASE NO. _____

**JAMES D. SALLAH, not individually, but
solely in his capacity as Court-Appointed
Receiver for JCS Enterprises Inc., d/b/a
JCS Enterprises Services Inc., T.B.T.I. Inc.,
My Gee Bo, Inc., JOLA Enterprise, Inc.,
and PSCS Holdings, LLC,**

Plaintiff,

vs.

**DARREN PAQUETTE, an individual,
RONALD PAQUETTE, an individual,
PENNIE PAQUETTE, an individual,
RICHARD PAQUETTE, an individual,
ANTHONY MEHFOUD, an individual,
DENYELLE MEHFOUD, an individual,
and THOMAS KLATT, an individual,**

Defendants.

_____ /

COMPLAINT

Plaintiff James D. Sallah, Esq. (“Plaintiff,” “Mr. Sallah,” or the “Receiver”), not individually, but solely in his capacity as Court-Appointed Receiver for JCS Enterprises Inc., d/b/a JCS Enterprises Services Inc. (“JCS”), T.B.T.I. Inc. (“TBTI”), My Gee Bo, Inc. (“Gee Bo”), JOLA Enterprise Inc. (“JOLA”), and PSCS Holdings, LLC (“PSCS”) (collectively, the “Receivership Entities” or the “Receivership Estate”), by and through undersigned counsel, hereby sues Darren Paquette, an individual (“Darren”), Ronald Paquette, an individual (“Ronald”), Pennie Paquette (“Pennie”), Richard Paquette, an individual (“Richard”), Anthony Mehfoud, an individual (“Anthony”), Denyelle Mehfoud, an individual (“Denyelle”), and Thomas Klatt, an individual (“Thomas”) (collectively, “Defendants”) and alleges as follows:

I. PARTIES AND OTHER RELEVANT PERSONS

A. THE RECEIVER, JAMES D. SALLAH, ESQ.

1. On April 7, 2014, the United States Securities and Exchange Commission (the “SEC”) commenced an action against JCS, TBTI, and two individuals, Joseph Signore (“Joseph Signore”) and Paul L. Schumack, II (“Schumack”) in the case styled, *Securities and Exchange Commission v. JCS Enterprises, Inc., d/b/a JCS Enterprises Services, Inc., T.B.T.I. Inc., Joseph Signore, and Paul L. Schumack, II.*, Case No. 14-CV-80468-MIDDLEBROOKS/BRANNON (S.D. Fla. Apr. 7, 2014) (the “SEC Case”).

2. On April 7, 2014, the Honorable Donald M. Middlebrooks, United States District Court Judge, issued an Amended Receivership Order and appointed Mr. Sallah as Receiver over JCS and TBTI.

3. On April 14, 2014, the Court expanded the Receivership over Gee Bo. On December 12, 2014, the Court expanded the Receivership over JOLA and PSCS.

4. In accordance with 28 U.S.C. §754, on April 17, 2014, the Receiver filed a copy of the Complaint in the SEC Case and a copy of the Amended Receivership Order in the United States District Court for the Eastern District of Virginia, where each Defendant resides.

5. On December 15, 2014, the Court reappointed Mr. Sallah as Receiver for the Receivership Entities (the “Reappointment Order”). A copy of the Reappointment Order is attached hereto as **Exhibit A**.

6. In the Reappointment Order, the Court has directed the Receiver to:

Investigate the manner in which the affairs of the Receivership Entities were conducted and institute such actions and legal proceedings, for the benefit and on behalf of [the Receivership Entities] and their investors and other creditors, as the Receiver deems necessary against those individuals, corporations, partnerships, associations and/or unincorporated organizations, which the Receiver may claim have

wrongfully, illegally or otherwise improperly misappropriated or transferred monies or other proceeds directly or indirectly traceable from investors in JCS and T.B.T.I., including against JCS and T.B.T.I., their officers, directors, employees, affiliates, subsidiaries, or any persons acting in concert or participation with them, or against any transfers of money or other proceeds directly or indirectly traceable from investors in JCS and T.B.T.I.; provided such actions may include, but not be limited to, seeking imposition of constructive trusts, disgorgement of profits, recovery and/or avoidance of fraudulent transfers under Florida Statute §726.101, *et seq.* or otherwise, rescission and restitution, the collection of debts, and such orders from this Court as may be necessary to enforce this Order.

7. In accordance with the Reappointment Order, Mr. Sallah has brought this action, not in his individual capacity, but solely in his capacity as Court-Appointed Receiver, to recover money transferred to Defendant from the Receivership Entities in excess of Defendant's principal investment.

B. THE RECEIVERSHIP ENTITIES

8. JCS is a Delaware corporation, incorporated in 2010, with its principal place of business in Jupiter, Florida. Joseph Signore was the Chairman and President of JCS, and Laura Signore ("Laura Signore") was Vice Chairperson and Vice President.

9. TBTI is a Florida corporation, incorporated in 2001, with its former principal place of business in Coconut Creek, Florida. Schumack was Vice President of TBTI, and Christine Schumack ("Christine Schumack") was its President.

10. Gee Bo is a Florida corporation, incorporated in 2013, with its former principal place of business in Jupiter, Florida. Defendant Joseph Signore was Gee Bo's President and Defendant Laura Signore was its Treasurer and Secretary.

11. JOLA is a Florida corporation, incorporated in 2013, with its former principal place of business in Jupiter, Florida.

12. PSCS is a limited liability company organized under the laws of the State of Florida in 2013 with its former principal place of business in Highland Beach, Florida.

C. DEFENDANTS

13. Upon information and belief, Defendant Darren Paquette resides in Powhatan, Virginia.

14. Upon information and belief, Defendant Ronald Paquette resides in Richmond, Virginia.

15. Upon information and belief, Defendant Pennie Paquette resides in Richmond, Virginia.

16. Upon information and belief, Defendant Richard Paquette resides in Richmond, Virginia.

17. Upon information and belief, Defendant Anthony Mehfoud resides in Richmond, Virginia.

18. Upon information and belief, Defendant Denyelle Mehfoud resides in Richmond, Virginia.

19. Upon information and belief, Defendant Thomas Klatt resides in Mechanicsville, Virginia.

II. JURISDICTION AND VENUE

20. The Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. § 78aa, 28 U.S.C. § 754, and principles of ancillary or supplemental jurisdiction under 28 U.S.C. § 1367. This Complaint is brought to accomplish the objectives of the Receivership Order, and thus this matter is ancillary to the Court's exclusive jurisdiction over the Receivership Estate.

21. The Court has personal jurisdiction over Defendants pursuant to 28 U.S.C. §§ 754 and 1692.

22. Venue in this District and Division is proper under 28 U.S.C. § 754 as this action is related to the SEC Case pending in this District, and the Receiver was appointed in this District.

III. FACTS RELEVANT TO THE RECEIVER'S CLAIMS

A. THE JCS-TBTI PONZI SCHEME

23. JCS manufactured and marketed virtual concierge machines ("VCMs"), which are free-standing or wall-mounted, ATM-like machines that were promised to be placed at various locations to enable businesses to advertise their products and services via touch screen and printable tickets or coupons which were dispensed from the VCMs.

24. In 2011, JCS and TBTI entered into an agreement whereby TBTI would be the sales agent for JCS and its Virtual Concierge program.

25. From at least as early as 2011 through April 7, 2014, Joseph Signore operated JCS.

26. From at least as early as 2011 through April 7, 2014, Schumack operated TBTI.

27. Joseph Signore and Schumack offered and sold investments in JCS's VCMs, which would purportedly pay income to investors from advertising revenues generated by the VCMs.

28. JCS and TBTI, combined, raised approximately \$80.8 million from at least 1,800 investors by selling contracts for more than 22,500 VCMs.

29. These sales to investors were documented through contracts with JCS and TBTI, and those contracts represented that advertising revenue would provide investors with a return of \$300 per month for thirty-six (36) to forty-eight (48) months, or a return of at least \$10,800 over a 36 month period.

30. However, advertising revenues were insufficient to pay the promised returns to investors.

31. During the relevant time period from 2011 through April 7, 2014, JCS and TBTI, combined, earned a total of approximately \$21,000 in advertising revenue from these machines.

32. To put things into perspective, the advertising revenue actually generated by VCMs would not even have supported the obligations for two (2) VCMs that were sold under the shorter, 36-month contracts, let alone more than 22,000 VCMs. Moreover, based on a conservative calculation assuming that the payment stream would be limited to 36 months, JCS and TBTI would have been obligated to pay more than \$243.4 million to investors during the duration of these investment contracts, or \$6.75 million per month.

33. Besides approximately \$21,000 in advertising revenue, JCS and TBTI generated no other meaningful source of revenue or cash inflows from which to pay investors.

34. In order to maintain the fiction that the investment was valid and make these payments to investors, Joseph Signore and Paul Schumack caused JCS and TBTI, respectively, to use new investor funds to make so-called “returns” to earlier investors in the total amount of \$49.7 million.

35. While Joseph Signore operated JCS and Paul Schumack operated TBTI, they caused JCS and TBTI to transfer monies: (a) as returns and/or redemptions to earlier investors; (2) for commissions paid to agents who perpetuated their scheme; and (3) for their own use, including diverting funds to themselves or other companies they controlled.

36. These transfers were made almost exclusively from: (1) principal money from new investors; (2) existing investors’ principal investment money; and/or (3) additional principal investment money from existing investors.

37. All transfers that Joseph Signore wrongfully caused JCS to make as returns and/or redemptions to investors and as commissions paid to agents were diverted and misappropriated by Joseph Signore in furtherance of his scheme.

38. As a result, Joseph Signore operated JCS as a Ponzi scheme.

39. Thus, the monies JCS and/or TBTI transferred or paid to Defendants in excess of their investments with JCS and/or TBTI were improperly diverted assets of one or more of the Receivership Entities.

B. DEFENDANTS DARREN, RONALD, PENNIE, ANTHONY, DENYELLE, AND THOMAS RECEIVED COMMISSION PAYMENTS TO SELL PURPORTED INVESTMENTS IN THE JCS-TBTI PONZI SCHEME

40. Defendants Darren, Ronald, Pennie, Anthony, Denyelle, and Thomas (collectively, the “Commission Defendants”) entered into an agreement with TBTI whereby the Commission Defendants would solicit investors to invest in VCMs in exchange for the payment of commissions to Commission Defendants.

41. Based on the records reviewed by the Receiver as of the filing of this Complaint, Schumack caused TBTI to pay commissions (the “Commission Payments”) to the Commission Defendants as set forth in the following table:

<u>Defendant</u>	<u>Amount</u>
Darren Paquette	\$ 62,195.00
Ronald and Pennie Paquette	48,850.00
Anthony and Denyelle Mehfoud	175,725.00
Thomas Klatt	32,750.00

Attached hereto and incorporated herein are **Exhibits B – E**, respectively, detailing the dates and amounts of each Commission Payment to each of the Commission Defendants.

42. Schumack caused TBTI to make the Commission Payments to the Commission Defendants with actual intent to hinder, delay, or defraud TBTI.

43. TBTI did not receive a reasonably equivalent value in exchange for the Commission Payments made to the Commission Defendants.

44. At the time of these transfers, Paul Schumack was engaged, or was about to engage, in a business or a transaction for which his remaining assets were unreasonably small in relation to the business or transaction.

45. At the time of these transfers, Paul Schumack intended to incur, or believed or reasonably should have believed that he would incur, debts beyond his ability to pay as they became due.

46. TBTI was harmed by this unauthorized course of conduct, which was effectuated by Paul Schumack, individually, or through his control of TBTI.

47. This conduct dissipated TBTI's assets.

48. Accordingly, Paul Schumack is a debtor under Fla. Stat. §726.102(6), and the Receiver, on behalf of the Receivership Entities, is a creditor of Paul Schumack for the recovery of the Commission Payments he made to the Commission Defendants.

C. TRANSFERS TO DEFENDANTS FOR THEIR PURPORTED INVESTMENTS

49. Schumack caused TBTI to transfer purported income and/or purported return of principal payments (the "Income Payments") to Defendants.

50. As detailed in **Exhibits F to J**, attached hereto and incorporated herein, based on the records reviewed by the Receiver as of the filing of this Complaint, between 2011 and April 7, 2014, Defendants invested in VCMs and received Income Payments in the following amounts:

<u>Defendant</u>	<u>Amount Invested</u>	<u>Income Payments</u>
Darren Paquette	\$ 53,400.00	\$ 104,500.00
Ronald and Pennie Paquette	90,000.00	112,350.00
Richard Paquette	116,100.00	140,700.00
Anthony and Denyelle Mehfoud	90,000.00	73,250.00
Thomas Klatt	69,000.00	131,150.00

51. Paul Schumack caused TBTI to make these Income Payments with actual intent to hinder, delay, or defraud TBTI.

52. TBTI was harmed by this unauthorized course of conduct, which was effectuated by Paul Schumack, individually, or through his control of TBTI.

53. This conduct dissipated TBTI's assets.

**D. DEFENDANTS' RETENTION OF THE BENEFITS CONFERRED BY
THE RECEIVERSHIP ESTATE**

54. TBTI conferred benefits on Defendants, respectively, including the transfer to Defendants of funds in excess of the amounts they respectively contributed to TBTI and/or JCS.

55. Defendants accepted these benefits willfully and voluntarily.

56. Defendants continue to retain the benefits conferred on them by TBTI.

57. To allow the Defendants to retain these funds would be inequitable and unjust, including to investors in the Receivership Entities.

CONDITIONS PRECEDENT

58. All conditions precedent for asserting the claims herein have been satisfied, executed or waived.

COUNT I

SECTION 726.105(1)(a), FLA. STAT.:

UNIFORM FRAUDULENT TRANSFER ACT

(AGAINST THE COMMISSION DEFENDANTS FOR THE AVOIDANCE OF COMMISSION PAYMENTS)

59. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

60. Paul Schumack, a debtor, caused TBTI to transfer Commission Payments to the Commission Defendants, as set forth in Exhibits B to E, directly or indirectly, with actual intent to hinder, delay or defraud the Receiver, a creditor.

61. The Receiver is entitled to avoid the Commission Payments made to the Commission Defendants pursuant to Section 726.105(1)(a), FLA. STAT.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Darren Paquette, Ronald and Pennie Paquette, Anthony and Denyelle Mehfoud, and Thomas Klatt avoiding all Commission Payments from TBTI to Defendants, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT II

SECTION 726.105(1)(a), FLA. STAT.:

UNIFORM FRAUDULENT TRANSFER ACT

(AGAINST ALL DEFENDANTS FOR THE AVOIDANCE OF INCOME PAYMENTS)

62. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

63. Paul Schumack, a debtor, caused TBTI to transfer Income Payments to Defendants, as set forth in Exhibits F to J, directly or indirectly, with actual intent to hinder, delay or defraud the Receiver, a creditor.

64. The Receiver is entitled to avoid the Income Payments to Defendants pursuant to Section 726.105(1)(a), FLA. STAT.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants avoiding all Income Payments from TBTI to Defendants, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT III
SECTION 726.105(1)(b), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST THE COMMISSION DEFENDANTS FOR THE AVOIDANCE OF COMMISSION PAYMENTS)

65. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

66. TBTI did not receive a reasonably equivalent value in exchange for the transfer of Commission Payments that Paul Schumack caused TBTI to make, directly or indirectly, to the Commission Defendants, as set forth in Exhibits B to E.

67. When these transfers were made to the Commission Defendants, Paul Schumack was engaged in a business or transaction for which the remaining assets were unreasonably small in relation to the business or transaction.

68. When these transfers were made, Paul Schumack intended to incur, or believed or reasonably should have believed that he would incur, debts beyond his ability to pay as the debt became due.

69. Pursuant to FLA. STAT. §726.105(1)(b), the Receiver is entitled to avoid the Commission Payments made to the Commission Defendants.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Darren Paquette, Ronald and Pennie Paquette, Anthony and Denyelle Mehfoud, and Thomas Klatt avoiding all Commission Payments from TBTI to Defendants, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT IV
SECTION 726.105(1)(b), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST ALL DEFENDANTS, EXCEPT ANTHONY AND DENYELLE MEHFOUD, FOR THE
AVOIDANCE OF EXCESS INCOME PAYMENTS)

70. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

71. TBTI did not receive a reasonably equivalent value in exchange for the transfer of the Excess Income Payments that Paul Schumack caused TBTI to make, directly or indirectly, to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt, as set forth in Exhibits F – H and J, respectively.

72. When these transfers were made to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt, Paul Schumack was engaged in a business or transaction for which the remaining assets were unreasonably small in relation to the business or transaction.

73. When these transfers were made to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt, Paul Schumack intended to incur, or believed or reasonably should have believed that he would incur, debts beyond his ability to pay as the debt became due.

74. Pursuant to FLA. STAT. §726.105(1)(b), the Receiver is entitled to avoid the Excess Income Payments made to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt avoiding all Excess Income Payments made from TBTI, directly or indirectly, as set forth in Exhibits F to H and J,

respectively, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT V
SECTION 726.106(1), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST THE COMMISSION DEFENDANTS FOR THE AVOIDANCE OF COMMISSION PAYMENTS)

75. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

76. Paul Schumack caused TBTI to transfer Commission Payments to the Commission Defendants, directly or indirectly, as set forth in Exhibits B to E.

77. TBTI's claim against Paul Schumack arose before Paul Schumack caused TBTI to transfer any of the Commission Payments to the Commission Defendants.

78. TBTI did not receive a reasonably equivalent value in exchange for the transfer of Commission Payments to the Commission Defendants.

79. Paul Schumack was insolvent at the time of the transfers or became insolvent as a result of the transfers.

80. The Receiver is entitled to avoid the transfers of Commission Payments from TBTI to the Commission Defendants pursuant to FLA. STAT. §726.106(1).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Darren Paquette, Ronald and Pennie Paquette, Anthony and Denyelle Mehfoud, and Thomas Klatt avoiding all Commission Payments from TBTI to Defendants, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT VI
SECTION 726.106(1), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST ALL DEFENDANTS, EXCEPT ANTHONY AND DENYELLE MEHFOUD, FOR THE AVOIDANCE
OF EXCESS INCOME PAYMENTS)

81. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 58.

82. TBTI's claims against Paul Schumack arose before Paul Schumack caused TBTI to transfer Excess Income Payments to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt.

83. TBTI did not receive a reasonably equivalent value in exchange for the transfer of Excess Income Payments to Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt, as set forth in Exhibits F to H and J.

84. Paul Schumack was insolvent at the time of the transfers or became insolvent as a result of the transfer of the Excess Income Payments.

85. The Receiver is entitled to void the transfers of the Excess Income Payments, pursuant to Section 726.106(1) FLA. STAT.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Darren Paquette, Ronald and Pennie Paquette, Richard Paquette, and Thomas Klatt avoiding all Excess Income Payments made from TBTI, directly or indirectly, as set forth in Exhibits ___ to ___, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT VII
UNJUST ENRICHMENT
(AGAINST ALL DEFENDANTS)

86. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 28 and 41 through 57.

87. This unjust enrichment claim is asserted in the alternative, in the event the remaining claims pleaded provide an inadequate remedy at law.

88. Defendants received benefits from TBTI.

89. Defendants knowingly and voluntarily accepted and retained these benefits.

90. The circumstances alleged in this complaint render Defendants' retention of those respective benefits inequitable and unjust, including to the investors of TBTI and the Receivership as a whole; so, Defendants must pay the Receiver, acting on behalf of TBTI, the value of the benefit received.

91. Defendants have been unjustly enriched at the expense of TBTI (and, ultimately, its investors) in the amount of the transfers to Defendants in excess of their respective, principal investments, and TBTI, through the Receiver, is entitled to judgment in that amount.

92. The Receiver, on behalf of TBTI, is entitled to the return of that money through disgorgement or any other applicable remedy.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants for the value of the benefits conferred on Defendants, respectively, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

Respectfully submitted,

SALLAH ASTARITA & COX, LLC

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