

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

CASE NO. _____

**JAMES D. SALLAH, ESQ., 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.-

**PAUL L. SCHUMACK, II, individually,
and CHRISTINE SCHUMACK,
individually,**

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 files suit against Paul L. Schumack, II and Christine Schumack (collectively “Defendants”) for legal and equitable relief, 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 (“Paul 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. 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.

3. On December 15, 2014, the Court reappointed Mr. Sallah as Receiver for the Receivership Entities (the “Reappointment Order”).

4. 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 the Receivership Entities, including 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 the Receivership Entities; 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.

5. 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, seeking, in the alternative:

- a. to avoid transfers made to Defendants, as well as those transfers made for the benefit of Defendants;
- b. for the imposition of a constructive trust and/or equitable lien over assets traceable to the Receivership Estate that were transferred to Defendants or for Defendants' benefit that they have not already assigned to the Receivership Estate;
- c. for a judgment in the amount equal to the value of the assets transferred to Defendants from the Receivership Estate plus prejudgment and post judgment interest less the actual realized value of any assets the Defendant previously assigned to the Receivership Estate;
- d. for a judgment in the amount equal to the value of the assets transferred from the Receivership Estate for Defendants' benefit plus prejudgment and post judgment interest, less the actual realized value of any assets the Defendants previously assigned to the Receivership Estate; and
- e. for the imposition of a constructive trust over the value of the corporate opportunities diverted, misappropriated, and/or wasted by Defendants, as a result of their breach of fiduciary duty plus prejudgment and post judgment interest less the actual realized value of any assets the Defendants previously assigned to the Receivership Estate.

B. THE RECEIVERSHIP ENTITIES

6. 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 was its Vice Chairperson and Vice President.

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

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

9. JOLA was a Florida corporation, incorporated in 2013, with its former principal place of business in Jupiter, Florida. Joseph Signore was JOLA's President and Laura Signore was its Treasurer and Secretary.

10. PSCS was 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. Paul and Christine Schumack were PSCS's member-managers.

C. DEFENDANTS PAUL AND CHRISTINE SCHUMACK

11. Paul Schumack resides in Palm Beach County, Florida.

12. Upon knowledge and belief, Christine Schumack resides in Palm Beach County, Florida.

II. JURISDICTION AND VENUE

13. 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.

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

15. Venue in this District and Division is proper under 28 U.S.C. § 754 as this action is related to the Commission Proceeding pending in this District and the Receiver was appointed in this District. Venue is also proper under 28 U.S.C. § 1391(b) as both defendants reside in this District.

III. FACTS RELEVANT TO THE RECEIVER'S CLAIMS

A. THE JCS-TBTI PONZI SCHEME

16. 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.

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

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

19. From at least as early as 2011 through April 7, 2014, Paul and Christine Schumack operated TBTI.

20. Paul Schumack offered and sold investments in JCS's virtual concierge machines ("VCMs"), which would purportedly pay income to investors from advertising revenues generated by the VCMs.

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

22. JCS and TBTI sold each VCM for an average of between \$2,600 and \$4,500. These sales to investors were documented through contracts JCS and TBTI, and those contracts

represented that advertising revenue would provide investors with a return of \$300 per month, per machine, for thirty-six (36) to forty-eight (48) months, or a return of at least \$10,800 over a 36 month period.

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

24. 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.

25. 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. 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.

26. 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 or any other creditors.

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

28. While Defendants operated TBTI, they caused TBTI, directly or indirectly, to transfer monies, among other things: (a) as returns and/or redemptions to earlier investors; (2) for commissions paid to agents who perpetuated a scheme; (3) for their own use, including diverting

funds to themselves and PSCS; and (4) to third parties in order to continue to operate the scheme by Joseph Signore and Paul Schumack for the purposes of raising additional capital from potential and existing investors.

29. 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.

30. The transfers that Defendants wrongfully caused TBTI, directly or indirectly, to make to third parties, including as returns and/or redemptions to investors, commissions paid to agents, and payments to third party vendors, were made for Defendants' benefit for the purpose of continuing the scheme operated by Joseph Signore and Paul Schumack.

31. Thus, the monies transferred or paid to Defendants and that Defendants caused the Receivership Entities to make to third parties, were improperly diverted assets of one or more of the Receivership Entities.

32. As a result, TBTI was operated as part of a single, continuous Ponzi scheme.

33. Indeed, regarding this Ponzi scheme, on December 7, 2015, a jury sitting in the United States District Court for the Southern District of Florida found Joseph Signore and Paul Schumack guilty of multiple crimes, including conspiracy to commit wire or mail fraud; mail fraud; wire fraud; conspiracy to commit money laundering; promotional money laundering; concealment money laundering; and transactional money laundering. *See United States of America v. Joseph Signore, Paul Lewis Schumack II, and Laura Grande-Signore*, Jury Verdicts (DE 677, 678), Case No. 9:14-cr-80081-HURLEY (S.D. Fla. Dec. 7, 2015).

B. DEFENDANTS USED TBTI AND PSCS FOR THEIR OWN PERSONAL BENEFIT AND TO THE DETRIMENT OF THE RECEIVERSHIP ESTATE

34. Defendants wrongfully caused TBTI and PSCS to make certain transfers to perpetuate a Ponzi scheme. Defendants personally received transfers from JCS and TBTI for the time period from at least December 11, 2011 to April 7, 2014 and caused TBTI and PSCS to make payments for Defendants' benefit.

35. Based on the records reviewed by the Receiver as of the filing of this Complaint, between 2011 and April 7, 2014, Defendants caused TBTI to make payments for Defendants' benefit. Specifically, as detailed in Exhibit A, B.1, and B.2, attached hereto and incorporated herein, these payments total \$8,660,239.86. Exhibit A summarizes the Defendants' personal benefits, and as described below, also applies certain credits to them. Exhibit B.1 reflects transfers for the Defendants' personal benefits subtotaled by category and payee/payor. Exhibit B.2 itemizes, among other things, the details of the payee of each transfer and the date and amount of each payment.

36. However, in September 2014, the Defendants voluntarily assigned certain assets to the Receivership Estate ("Previously Assigned Assets"). Attached as Exhibit C is copy of a court-approved Assignment and Assumption Agreement between the Receivership Estate and the Defendants reflecting the Previously Assigned Assets in the action styled as *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).

37. The Receivership Estate has been unable to obtain the original value of the Previously Assigned Assets, based on the value of these assets at the time of their transfer to Defendants or for Defendants' benefit. Exhibit A also reflects that the Receiver has credited the

Defendants with the realized value of the Previously Assigned Assets to date, which is \$2,597,241.22.

38. As a result, the Receivership Estate is entitled to at least \$5,129,806.94 in payments that the Defendants caused TBTI and PSCS to make for their personal benefit.

39. TBTI did not receive a reasonably equivalent value in exchange for these transfers of funds made to Defendants or for Defendants' benefit.

40. At the time of these transfers, Defendants were engaged, or were about to engage, in a business or a transaction for which their remaining assets were unreasonably small in relation to the business or transaction.

41. At the time of these transfers, Defendants intended to incur, or believed or reasonably should have believed that they would incur, debts beyond their ability to pay as they became due.

42. TBTI was harmed by this unauthorized course of conduct, which Defendants effectuated through their control of TBTI and PSCS.

43. This conduct dissipated TBTI's assets.

44. Accordingly, Defendants are debtors under FLA. STAT. §726.102(6), and the Receiver, on behalf of TBTI and PSCS, is a creditor of Defendants.

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

45. TBTI and PSCS conferred benefits on Defendants, including the transfer to Defendants, directly and indirectly of more than \$8.66 million for Defendants' own personal use or for their personal benefit.

46. Defendants accepted these benefits willfully and voluntarily.

47. Defendants continue to retain the benefits conferred on them by TBTI and PSCS in the amount of \$5,129,806.94.

48. To allow the Defendants to retain TBTI's and PSCS's funds would be inequitable and unjust, including to investors.

CONDITIONS PRECEDENT

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

COUNT I
FLA. STAT. §726.105(1)(a):
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST BOTH DEFENDANTS)

50. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

51. The Receiver brings this claim in the alternative to his requests for relief under the remaining counts in this Complaint to the extent it is not inconsistent with the relief requested herein.

52. Defendants caused TBTI to transfer funds to Defendants, or either of them, directly or indirectly, with actual intent to hinder, delay or defraud the Receivership Entities' creditors.

53. Defendants caused TBTI to transfer funds to third parties, and Defendants were the persons for whose benefit the transfers were made.

54. The Receiver is entitled to avoid these fraudulent transfers, pursuant to FLA. STAT. §§ 726.105(1)(a) and 726.108(1)(a).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Paul and Christine Schumack, collectively and individually, directly or indirectly, avoiding all transfers from TBTI to Defendants, or either of them, directly or indirectly; together with interest and costs,

and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or an equitable lien over the assets fraudulently transferred to Defendants, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

COUNT II
FLA. STAT. §726.105(1)(b):
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST BOTH DEFENDANTS)

55. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

56. The Receiver brings this claim in the alternative to his requests for relief under the remaining counts in this Complaint to the extent it is not inconsistent with the relief requested herein.

57. TBTI did not receive a reasonably equivalent value in exchange for the transfer of funds from TBTI to Defendants or either of them, directly or indirectly.

58. TBTI did not receive a reasonably equivalent value in exchange for the transfer of funds Defendants caused TBTI to make to third parties for Defendants' benefit.

59. When these transfers were made, Defendants were engaged in a business or transaction for which the remaining assets were unreasonably small in relation to the business or transaction.

60. When these transfers were made, Defendants intended to incur, or believed or reasonably should have believed that they would incur, debts beyond their ability to pay as the debt became due.

61. The Receiver is entitled to avoid these transfers, pursuant to FLA. STAT. §§726.105(1)(b) and 726.108(1)(a).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Paul and Christine Schumack, collectively and individually, directly or indirectly, avoiding all transfers from TBTI to Defendants, or either of them, directly or indirectly; together with interest and costs, and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or an equitable lien over the assets fraudulently transferred to Defendants, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

COUNT III
FLA. STAT. §726.106(1):
UNIFORM FRAUDULENT TRANSFER ACT
(AGAINST BOTH DEFENDANTS)

62. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

63. The Receiver brings this claim in the alternative to his requests for relief under the remaining counts in this Complaint to the extent it is not inconsistent with the relief requested herein.

64. TBTI's claim arose before Defendants caused TBTI to transfer funds to themselves or to third parties for Defendants' benefit, whether directly or indirectly.

65. TBTI did not receive a reasonably equivalent value in exchange for the transfers to Defendants or to third parties for Defendants' benefit, whether directly or indirectly.

66. Defendants were insolvent at the time of the transfers or became insolvent as a result of the transfers.

67. The Receiver is entitled to avoid these transfers pursuant to FLA. STAT. §§726.106(1) and 726.108(1)(a).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Paul and Christine Schumack, collectively and individually, directly or indirectly, avoiding all transfers from TBTI to Defendants, or either of them, directly or indirectly; together with interest and costs, and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or an equitable lien over the assets fraudulently transferred to Defendants, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

COUNT IV
UNJUST ENRICHMENT
(AGAINST BOTH DEFENDANTS)

68. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

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

70. Defendants received benefits from TBTI and PSCS.

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

72. The circumstances alleged in this complaint render Defendants' retention of those benefits inequitable and unjust so Defendants must pay the Receiver, acting on behalf of TBTI, the value of the benefit received less any value actually realized by the Receiver for Previously Assigned Assets.

73. Defendants have been unjustly enriched at the expense of TBTI and/or PSCS in the amount of the transfers to the Defendants, and TBTI and PSCS, through the Receiver, are entitled to judgment in that amount less any value actually realized by the Receivership Estate for Previously Assigned Assets.

74. 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 Christine and Paul Schumack, collectively and individually, for the value of the benefits conferred on Defendants, or either of them, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or equitable lien over the assets fraudulently transferred to Defendants less any value actually realized by the Receivership Estate for Previously Assigned Assets.

COUNT V
CONVERSION
(AGAINST BOTH DEFENDANTS)

75. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

76. The Receiver brings this claim in the alternative to his requests for relief under the remaining counts in this Complaint to the extent it is not inconsistent with the relief requested herein.

77. Through the actions described above, Defendants exercised control over TBTI's property in a manner inconsistent with TBTI's rights of ownership, including Defendants' instructions to TBTI to transfer property to Defendants and to third parties for Defendants' benefit.

78. While Defendants have provided the Receivership Estate with the Previously Assigned Assets, the Receiver has demanded the return of all property from the Defendants, but to no avail.

79. The Defendants' conversion of TBTI's funds was willful, malicious and done in the conscious disregard of TBTI's rights, entitling TBTI to a judgment for the return of their property.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Paul and Christine Schumack, collectively and individually, for the value of the property wrongfully converted by Defendants, or either of them, directly or indirectly, together with interest and costs, and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or equitable lien over the assets fraudulently transferred to Defendants, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

COUNT VI
BREACH OF FIDUCIARY DUTY
(AGAINST BOTH DEFENDANTS)

80. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 48.

81. The Receiver brings this claim in the alternative to his requests for relief under the remaining counts in this Complaint.

82. Defendant Paul Schumack was the Vice President of TBTI and was member-manager of PSCS.

83. Defendant Paul Schumack owed TBTI and PSCS a fiduciary duty of loyalty and care in handling the property of TBTI and PSCS, respectively.

84. Defendant Christine Schumack was the President of TBTI and was member-manager of PSCS.

85. Defendant Christine Schumack owed TBTI and PSCS a fiduciary duty of loyalty and care in handling the property of TBTI and PSCS, respectively.

86. Defendants breached their fiduciary duties owed to TBTI and PSCS by diverting assets that could have been used for lawful purposes away from TBTI and PSCS for unauthorized uses, including the transfers of assets to Defendants and to third parties for Defendants' benefit.

87. Transfers of property Defendants diverted away from TBTI and PSCS could have been applied to the debt due, namely, the very funds being transferred.

88. Defendants, therefore, caused TBTI and PSCS to waste valuable corporate opportunities and to enrich Defendants at the expense of TBTI and PSCS.

89. As a direct and proximate result of Defendants' breach of fiduciary duty, the Receivership Estate has been harmed in an amount to be determined at trial.

90. Under the circumstances, the Receivership Estate is entitled to the recovery of the assets Defendants diverted away from TBTI and PSCS, as well as the imposition of a constructive trust and/or equitable lien in the Receivership Estate's favor, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendants Paul and Christine Schumack, collectively and individually, for the value of the corporate opportunities diverted, misappropriated, and/or wasted by Defendants, together with interest and costs, and for such other and further relief as the Court may deem just and proper, including the imposition of a constructive trust and/or equitable lien for the Receivership Estate's benefit, less any value actually realized by the Receivership Estate for Previously Assigned Assets.

Respectfully submitted,

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