

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

CASE NO. 14-CV-80468-MIDDLEBROOKS/BRANNON

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JCS ENTERPRISES, INC. d/b/a JCS
ENTERPRISES SERVICES, INC., T.B.T.I., INC.,
JOSEPH SIGNORE, and PAUL L. SCHUMACK, II,

Defendants.

ORDER ON MOTION TO APPROVE SETTLEMENT AGREEMENT

THIS CAUSE comes before the Court upon James D. Sallah, Esq., not individually, but solely in his capacity as the Court-appointed Receiver (the “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 (collectively, the “Receivership Entities” or “Receivership Estate”), and Claimant First Data Merchant Services, LLC’s (“FirstData”) Joint Motion to Approve Settlement Agreement, filed on March 13, 2020. (DE 450). For the following reasons, the Motion is granted.

This securities litigation was initiated by the Securities and Exchange Commission in April 2014. (DE 1). The Commission brought this action to enjoin two Florida companies and their principals from continuing to defraud investors through the ongoing sale of securities involving investments in Virtual Concierge machines. (*Id.* at 1). The Receiver was appointed to recover investments made by defrauded investors to the Receivership Entities. In total, defrauded investors submitted approximately \$35 million in claims. (DE 450 at 2). And the Receiver has recovered approximately \$10 million. (*Id.* at 8).

On November 30, 2018, the Receiver moved to (1) approve determination and priority of

claims, (2) approve plan of distribution, and (3) establish an objection procedure. (DE 413). I granted the motion on December 14, 2018 (the “Claims Order”). (DE 416).

The present Motion relates to First Data’s claim and the Receiver’s recommendation to deny that claim. (DE 450). After engaging in discovery, as required by the Claims Order, the Receiver and First Data were unable to resolve First Data’s claim. (*Id.* at 6-7). As a result, the Parties filed cross motions for summary judgment in October 2019. (DE 435; DE 436). In its motion, First Data sought approximately \$7.2 million from the Receivership Estate, which is around 70% of the estate. (DE 436). The Receiver’s Motion requested an order denying First Data’s claim in its entirety. (DE 435).

Around the time those motions were fully briefed, the Parties informed the Court that they intended to mediate their dispute and asked the Court to stay its ruling on those motions until after mediation. (DE 441). The Parties subsequently resolved their dispute at mediation. (DE 450). They settled First Data’s claim for \$2.75 million, which is significantly less than the \$7.2 million requested. (DE 450-1, Settlement Agreement).

In addition, the Receiver notified the other claimants of this settlement and advanced his position that the settlement provides a practical solution that will result in substantial benefit to the Receivership Estate. (DE 450 at 9; DE 450-2, Letter to Claimants). To the extent claimants objected to the proposed settlement, they were instructed to send those objections to the Receiver by March 30, 2020. (DE 450-2).

On April 5, 2020, the Receiver filed the correspondences he received from the claimants. (DE 454). No claimant explicitly objected to the proposed settlement. (DE 454-1). To the contrary, most claimants reacted positively to the proposed settlement. (*Id.*). The majority of claimants appreciated the efforts made by the Receiver and understood that the proposed

settlement was in the Receivership Estate's best interest. (*Id.*). The majority of claimants who filed responses also requested expedient distribution of the Receivership Estate. (*Id.*). Some claimants had follow-up questions regarding how the settlement would affect their distribution. (DE 454-1 at 3). However, none of those claimants objected to the settlement.

The Parties now seek court approval of their settlement. (DE 450). The Court's power to approve the Receiver's claim determinations and priority of claims is settled. *See SEC v. Elliot*, 953 F. 2d 1560, 1566 (11th Cir. 1992). "The district court has broad powers and wide discretion to determine relief in an equity receivership." *Id.*

Having reviewed the Motion and the record, I will approve the proposed settlement. I make this determination for several reasons. Had First Data been completely successful, it would have been entitled to 70% of the Receivership Estate. Even if not entirely successful, First Data could have been entitled to relief in an amount greater than the Parties' \$2.75 million settlement. Finally, First Data indicated that had it received an adverse ruling on its cross motion for summary judgment, it intended to appeal. (DE 450 at 10). Such an appeal would have required the Receiver to incur substantial attorney's fees. An appeal would have also further delayed the defrauded investors from receiving funds from the Receivership Estate.

For these reasons, it is **ORDERED AND ADJUDGED** that the Receiver and First Data's Joint Motion to Approve Settlement Agreement (DE 450) is **GRANTED**.

SIGNED in Chambers at West Palm Beach, Florida, this 13th day of April, 2020.



Donald M. Middlebrooks
United States District Judge