

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

CASE NO. 17-CV-80649-MARRA

**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.

**CN GLOBAL PARTNERS, L.L.C., a
Maryland limited liability company,**

Defendant.

SECOND AMENDED 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 CN Global Partners, L.L.C. (“CNG”), a Maryland limited liability company (“Defendant”), 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. In accordance with 28 U.S.C. §754, the Receiver filed notice of the Complaint and Amended Receivership Order in the SEC Case in the United States District Court for the District of Maryland on April 14, 2014, within ten (10) days of the Amended Receivership Order.

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

5. 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.

6. 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 the Defendant from the Receivership Entities.

B. THE RECEIVERSHIP ENTITIES

7. 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.

8. 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 (“Christine Schumack”) was its President.

9. 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.

10. JOLA was 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.

11. 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. DEFENDANT

12. Upon information and belief, Defendant CN Global Partners, L.L.C., is a limited liability company organized under the laws of the State of Maryland.

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 Reappointment Order, and thus this matter is ancillary to the Court's exclusive jurisdiction over the Receivership Estate.

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

15. Alternatively, the Court has personal jurisdiction over Defendant pursuant to Florida's long-arm statute, Fla. Stat. §48.193, as Defendant personally, or through agents, operated, conducted, engaged in, or carried on, a business or business venture in this state or had an office or agency in this state.

16. 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

17. 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.

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

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

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

21. Joseph Signore and Paul Schumack, through JCS and TBTI, respectively, 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.

22. JCS and TBTI, combined, raised approximately \$80 million from at least 1,800 investors nationwide by selling contracts for more than 22,500 VCMs.

23. 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.

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

25. 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.

26. 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.

27. 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.

28. 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.

29. While Joseph Signore operated JCS and Paul Schumack operated TBTI, they caused JCS and TBTI to transfer monies, among other things: (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.

30. 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.

31. The transfers that Joseph Signore wrongfully caused JCS to make to third parties, including Defendant, were made in furtherance of Joseph Signore’s scheme.

32. As a result, Joseph Signore and Paul Schumack operated JCS and TBTI, respectively, 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).

34. On November 17, 2016, the Honorable Donald M. Middlebrooks entered summary judgment against Joseph Signore, finding that “**the undisputed facts show that Signore operated a Ponzi scheme.**” *James D. Sallah, Esq., as Receiver v. Joseph Signore, et al.*, Order Granting Motion for Summary Judgment (DE 125), Case No. 9:15-cv-80946-MIDDLEBROOKS (S.D. Fla. Nov. 18, 2016).

B. SIGNORE CAUSED JCS TO TRANSFER FUNDS TO DEFENDANT

35. Signore caused JCS to transfer funds to Defendant including the following:

<u>Statement Clearing Date</u>	<u>Amount</u>
<i>07/05/13</i>	44,700.00
<i>08/01/13</i>	43,300.00
<i>08/30/13</i>	42,800.00
<i>10/01/13</i>	49,170.00
<i>11/04/13</i>	100,000.00
<i>12/27/13</i>	110,000.00
<i>03/11/14</i>	48,000.00
<u>Total:</u>	<u>439,970.00</u>

36. Even though the services purportedly provided in exchange for the November 4 and December 27, 2013, wires were provided for the development of Gee Bo, the payments were actually transferred from JCS.

37. Joseph Signore caused JCS to make these transfers to Defendant with actual intent to hinder, delay, or defraud a creditor, JCS.

38. JCS did not receive a reasonably equivalent value in exchange for the transfers that were made to Defendant.

39. At the time of these transfers, Joseph Signore 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.

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

41. JCS was harmed by this unauthorized course of conduct, which was effectuated by Joseph Signore, individually, or through his control of JCS.

42. This conduct dissipated JCS's assets.

43. Accordingly, Joseph Signore is a debtor under Fla. Stat. §726.102(6), and the Receiver, on behalf of the Receivership Entities, is a creditor of Joseph Signore.

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

44. The Receivership Estate conferred benefits on Defendant, representing the difference between the amounts Defendant contributed to JCS and the amounts Defendant received from JCS.

45. Defendant accepted these benefits willfully and voluntarily.

46. Defendant continues to retain the benefits conferred on Defendant by JCS.

47. To allow the Defendant to retain JCS's funds would be inequitable and unjust, including to investors in, and creditors of, the Receivership Entities.

CONDITIONS PRECEDENT

48. 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
(IN THE ALTERNATIVE TO COUNTS II - IV)

49. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 49.

50. Joseph Signore, a debtor, caused JCS to transfer funds to Defendant, directly or indirectly, with actual intent to hinder, delay or defraud JCS, a creditor.

51. The Receiver is entitled to avoid these fraudulent transfers pursuant to FLA. STAT. §§726.105(1)(a), 726.108(1), and 726.109(2).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendant avoiding all transfers that Joseph Signore caused JCS to make to Defendant, directly or indirectly, as set forth herein, 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)(b), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(IN THE ALTERNATIVE TO COUNTS I, III, AND IV)

52. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 49.

53. JCS did not receive a reasonably equivalent value in exchange for the transfers that Joseph Signore caused JCS to make, directly or indirectly, to Defendant, as set forth.

54. When these transfers were made to Defendant, Joseph Signore was engaged in a business or transaction for which the remaining assets were unreasonably small in relation to the business or transaction.

55. When these transfers were made, Joseph Signore 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.

56. Pursuant to FLA. STAT. §§726.105(1)(b), 726.108(1), and 726.109(2), the Receiver is entitled to avoid the transfers made, directly or indirectly, that Joseph Signore caused JCS to make to Defendant.

WHEREFORE, the Receiver asks this Court to enter judgment against Defendant, avoiding all transfers that Joseph Signore caused JCS to make to Defendant, directly or indirectly, as set forth herein, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT III
SECTION 726.106(1), FLA. STAT.:
UNIFORM FRAUDULENT TRANSFER ACT
(IN THE ALTERNATIVE TO COUNTS I, II, AND IV)

57. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 49.

58. Joseph Signore caused JCS to transfer funds to Defendant, directly or indirectly, as set forth herein.

59. JCS's claim against Joseph Signore arose before Joseph Signore caused JCS to make any transfers to Defendant, directly or indirectly.

60. JCS did not receive a reasonably equivalent value in exchange for the transfers made to Defendant, directly or indirectly.

61. Joseph Signore was insolvent at the time of the transfers or became insolvent as a result of the transfers.

62. The Receiver is entitled to avoid the transfers that Joseph Signore caused JCS to make to Defendant, directly or indirectly, pursuant to FLA. STAT. §§726.106(1), 726.108(1), and 726.109(2).

WHEREFORE, the Receiver asks this Court to enter judgment against Defendant, avoiding all transfers that Joseph Signore caused JCS to make to Defendant, directly or indirectly, as set forth herein, together with interest and costs, and for such other and further relief as the Court may deem just and proper.

COUNT IV
UNJUST ENRICHMENT
(IN THE ALTERNATIVE TO COUNTS I – III)

63. The Receiver re-alleges each and every allegation contained in Paragraphs 1 through 17 and 45 through 49.

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

65. Defendant received benefits from JCS.

66. Defendant knowingly and voluntarily accepted and retained these benefits.

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

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

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

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on January 24, 2018, the foregoing has been through CM/ECF and to be served on the following persons via U.S. Mail, postage prepaid, and electronic mail as indicated in the Service List, below.

/s/Joshua A. Katz

SERVICE LIST

James D. Sallah, Esq., as Receiver v. CN Global Partners, L.L.C.,
Case No: 9:17 cv: 80649-KAM

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