UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78579 / August 16, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17388

In the Matter of

DAMON M. BARNES
and
CATHY S. BARNES

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Damon M. and Cathy S. Barnes ("Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Exchange Act, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds that:

Summary

These proceedings arise out Respondents' participation as unregistered broker-dealers in the offer and sale of securities by JCS Enterprises, Inc. and T.B.T.I., Inc. in interstate commerce. In April 2014, the Commission charged JCS Enterprises, Inc. d/b/a JCS Enterprises Services, Inc. ("JCS"), and T.B.T.I., Inc. ("T.B.T.I."), and their principals, with the ongoing offer and sale of securities nationwide to investors, operating a Ponzi scheme and defrauding investors in a related civil action alleging securities fraud in federal district court: *SEC v. JCS Enterprises, Inc., et al.*, Case No. 14-cv-80468-DMM (S. D. Fla). JCS and its principal, Joseph Signore, and T.B.T.I. and its principal, Paul L. Schumack, II, in offering the securities, falsely promised hundreds of investors nationwide that their funds would be used to purchase ATM-like machines called Virtual Concierge Machines ("VCMs") that businesses could use to advertise products and services via touch screen and printable tickets or coupons. However, Signore and Schumack and their companies, instead, paid returns to earlier investors using money from newer investors, and failed to locate, place and manage the purported VCMs. Respondents, acting as unregistered sales agents of JCS and T.B.T.I. offered and sold JCS's and T.B.T.I.'s investment contracts in JCS' Virtual Concierge program and earned transaction-based compensation from each sale.

Respondents

1. Respondents, Damon M. Barnes, 56, and Cathy S. Barnes, 57, are both residents of Trinity, Florida. Respondents do not hold any securities licenses, and have never been registered as or associated with a registered broker-dealer.

Other Relevant Entities

2. JCS Enterprises, Inc. d/b/a JCS Enterprises Services, Inc. is a Delaware corporation, incorporated in 2011, with its principal place of business in Jupiter, Florida. JCS is currently a defendant in *SEC v. JCS Enterprises, Inc., et al.,* Case No. 14-cv-80468-DMM.

3. T.B.T.I. is a Florida corporation, incorporated in 2001, with its principal place of business in Highland Beach and/or Boca Raton, Florida. T.B.T.I. is currently a defendant in *SEC v. JCS Enterprises, Inc., et al.,* Case No. 14-cv-80468-DMM.

Other Relevant Individuals

4. Joseph Signore, 51, was Chairman and President of JCS. He resides in West Palm Beach, Florida. Signore is currently a defendant in both *SEC v. JCS Enterprises, Inc., et al.,* Case No. 14-cv-80468-DMM, and *United States v. Signore et al.,* 14-cr-80081-DTKH.

5. Paul L. Schumack, II, 58, was President of T.B.T.I., and resides in Pompano Beach, Florida. Schumack is currently a defendant in both *SEC v. JCS Enterprises, Inc., et al.,* Case No. 14-cv-80468-DMM, and *United States v. Signore et al.,* 14-cr-80081-DTKH.

Facts

6. From at least 2011, JCS and T.B.T.I. through, and at the direction of their respective principals Signore and Schumack, fraudulently raised at least $60 million from sales of securities to hundreds of investors nationwide. Signore and Schumack fraudulently guaranteed exorbitant returns, ranging from 80 to 120% annually and up to 500% over the life of a three- or four-year investment contract, by guaranteeing a $300 monthly return for the life of the contract.

7. Signore and Schumack represented to investors their money would be invested in the Virtual Concierge program through JCS and T.B.T.I. Investors' participation in the Virtual Concierge program was entirely passive. Investors relied on the companies to place, locate and manage their investments. None of these investors were told about any risks associated with the program including the return of principal or payment of returns. JCS and T.B.T.I. promised to pay investors $300 a month per VCM. These returns were purportedly to be generated by "advertising revenue." The companies did not require investors to pay additional fees, expenses or costs, and would purportedly inform investors about the location of their VCMs and provide account updates.

8. JCS and T.B.T.I., through their principals, touted the VCMs as a revolutionary product and the Virtual Concierge program as a fail-safe passive investment. In reality, however, they operated a Ponzi scheme, where, through numerous misrepresentations and omissions, they used new investor funds to make payments to earlier investors. The purported source of income, advertising revenue, was actually miniscule. The majority of investors stopped receiving their monthly payments in January 2014 when the scheme collapsed.

9. Respondents, from approximately April 2013 through late 2013, received $566,500 in transaction-based compensation from JCS and T.B.T.I. for soliciting and selling investments in the Virtual Concierge program to investors through the use of telephone and/or email.

10. While regularly participating in these securities transactions and receiving transaction-based compensation from JCS and T.B.T.I., Respondents were not registered or associated with a registered broker-dealer. As a result of the conduct described above, Respondents willfully[1] committed violations of Section 15(a)(1) of the Exchange Act, which makes it unlawful for any broker or dealer to use the mails or any other means of interstate commerce to "effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security" unless that broker or dealer is registered with the Commission in accordance with Section 15(b) of the Exchange Act.

[1] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" Id. (quoting Gearhart & Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Sections 15(b) and 21C of the Exchange Act, Respondents Damon M. and Cathy S. Barnes cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

B. Respondents Damon M. and Cathy S. Barnes be, and hereby are barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, nationally recognized statistical rating organization, and are barred from participating in any offering of penny stock including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by either Respondent Damon M. or Cathy S. Barnes will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondents, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondents Damon M. and Cathy S. Barnes shall pay, jointly and severally, disgorgement of $566,500, and prejudgment interest of $8,500.

E. Respondents' joint and several liability to the Commission for disgorgement and prejudgment interest shall be offset dollar for dollar by proof of payment of $575,000 to the Receiver, James D. Sallah, appointed in *SEC v. JCS Enterprises, Inc.*, No. 14-80468-CV-DMM (S.D. Fla.) for distribution to injured investors and in accordance with the terms reached in the pre-suit settlement whereby Respondents must pay the Receiver $475,000 within 30 day of execution of the settlement agreement, and $100,000 within 12 months of execution of the settlement agreement.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil

penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary