

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 78582 / August 16, 2016**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17391**

**In the Matter of**

**JOHN L. SHIPLEY**

**Respondent.**

**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 John L. Shipley (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents 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 Respondent’s Offer, the Commission finds that:

## Summary

These proceedings arise out Respondent's participation as an unregistered broker-dealer 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. Respondent, 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.

## Respondent

1. Respondent, John L. Shipley, 41, is a resident of Bossier City, Louisiana. Respondent solicited and sold investment contracts in VCMs to multiple investors. Respondent does not hold any securities licenses, and has never been registered as or associated with a registered broker-dealer.

## Other Relevant Entities

2. JCS 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 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.

### Respondent Acted as an Unregistered Broker-Dealer

9. Respondent, from approximately October 2012 through late 2013, received \$366,678 in transaction-based compensation from JCS and T.B.T.I. in exchange for soliciting and securing 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., Respondent was not registered or associated with a registered broker-dealer. As a result of the conduct described above, Respondent acted as an unregistered broker-dealer in willful violation<sup>1</sup> of Section 15(a) 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

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<sup>1</sup> 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)).

Commission in accordance with Section 15(b) of the Exchange Act.

#### IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Sections 15(b) and 21C of the Exchange Act, Respondent Shipley cease and desist from committing or causing any violations and any future violations of Section 15(a)(1) of the Exchange Act.

B. Respondent John L. Shipley be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, nationally recognized statistical rating organization, and is 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 the Respondent 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 Respondent, 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. Respondent is liable to pay disgorgement, which represents profits gained as a result of the conduct described herein of \$366,678 and prejudgment interest of \$15,822 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

E. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty of \$7,500 to the Securities and Exchange Commission. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. 3717.

F. Payments pursuant to this Order must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying John Shipley as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Russell Koonin, Securities and Exchange Commission, 801 Brickell Avenue, Miami, FL, 33131.

G. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest and penalties referenced in paragraph IV.D and E, above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

H. All funds paid by Respondent pursuant to this Order shall be transferred to the Receiver appointed in *SEC v. JCS Enterprises, Inc., et al.*, 14-80468-CV-DMM (Southern District of Florida) to be distributed for the benefit of investor victims according to a distribution plan to be approved by the court in that litigation. In the event the receivership has been terminated and the payments due under paragraphs IV.D and E have not been made in full, then the remaining payments made by Respondent to the Commission shall be transmitted to the U.S. Treasury.

**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 Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent 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 Respondent 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