

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(Palm Beach Division)

Case No. 18-81151-CV-MIDDLEBROOKS/BRANNON

DONNA ROUND and KEITH ROUND,
foreign individuals and nationals,

Plaintiffs,

v.

NATURAL DIAMONDS INVESTMENT CO.,
a Florida corporation; HAROLD SEIGEL,
an individual; JONATHAN SEIGEL,
an individual; and EAGLE FINANCIAL DIAMOND
GROUP, INC., a Florida corporation,

Defendants.

NOTICE OF FILING RECEIVER'S FIRST REPORT

Jeffrey C. Schneider, not individually, but solely in his capacity as the Court-appointed Corporate Monitor (the "Corporate Monitor") for Natural Diamonds Investment Co. ("NDIC") and Eagle Financial Diamond Group, Inc. ("EFDG") (collectively, the "Corporate Defendants"), hereby gives notice of filing his First Report dated April 29, 2019, a copy of which is attached.

Dated: April 29, 2019

Respectfully submitted,

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STEPHANIE REED TRABAND

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on April 29, 2019, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

By: /s/Stephanie Reed Traband
STEPHANIE REED TRABAND

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FIRST REPORT OF CORPORATE MONITOR JEFFREY C. SCHNEIDER

Pursuant to Section XVII, para. 43 of the Order Granting Motion for Appointment of Corporate Monitor (the “Appointment Order”) [DE 32], Jeffrey C. Schneider, not individually, but solely in his capacity as the Court-appointed Corporate Monitor (the “Corporate Monitor”) for Natural Diamonds Investment Co. (“NDIC”) and Eagle Financial Diamond Group, Inc. (“EFDG”) (collectively, the “Corporate Defendants”), submits the following First Report.

A. Initiation of Corporate Monitorship

On March 28, 2019, the Court issued the Appointment Order, which appointed me as the Corporate Monitor for the Corporate Defendants and any of their affiliates, subsidiaries, successors and assigns.¹ I immediately retained the law firms of Sallah Astarita & Cox, LLC and Silver Law

¹ I am currently investigating and evaluating the extent to which those entities exist.

Group as my counsel.² These firms represented the plaintiffs in this proceeding and obtained conflict waivers to represent me as Corporate Monitor. These firms were intimately familiar with the Corporate Defendants, their principals – Jose Aman (“Aman”) and Harold and Jonathan Seigel (collectively, the “Seigels”) – and the purported underlying diamond Ponzi scheme; therefore, the firms knew the immediate necessary work that had to be done and could immediately assist me without having to incur the time and expense associated with the typical learning curve.³

On March 29, 2019, I, through my counsel, sent comprehensive demand emails to Aman and the Seigels, care of their counsel. In the demand emails, I, among other things, demanded a prompt proffer session with Aman and the Seigels. My proffer session with Aman occurred on April 2, 2019. My proffer session with the Seigels occurred on April 8, 2019. Aman and the Seigels spoke through their counsel at the proffer sessions regarding my many questions.

I will not list all of my questions and their answers, but generally speaking, I met with the principals and numerous third parties including investors, creditors, and entities with which the defendants did business to explore (1) the present location of diamonds, (2) the location of investor funds, (3) an explanation and accounting of what happened to the purported \$25 million that was raised from the investors, (4) the list of all investors, with contact information and their investment history, (5) the investors who received all or most of their money back, (6) the nature and explanation of the NDIC investments, and (7) the nature and explanation of the EFDG investments.

As this proceeding continues, I will be reporting on all of these issues. I also received hard copy files of approximately six banker’s boxes of documents and the corporate computer’s CPU

² I did this pursuant to Section III, para. 8.P of the Appointment Order.

³ I also retained my firm, Levine Kellogg Lehman Schneider + Grossman LLP, to handle certain tasks without duplication. Like myself, all professionals have agreed to reduce their standard hourly rates as a courtesy to the estate and its victims.

from the business premises. I have begun the process of reviewing the hard copy and electronic files.

B. The Business

As of my appointment, there was no longer any operating business for the Corporate Defendants. All bank accounts had been depleted and closed as of my appointment. The business is now shut down and I have instructed Aman and the Seigels that they cannot continue the diamond investments they previously did through the Corporate Defendants.

The Corporate Defendants had been in the business of buying and selling diamonds for many years. The Corporate Defendants had also begun in late 2013 the investment business of raising money from investors in the United States and Canada to invest in diamonds purportedly owned and held as security by the Corporate Defendants to make large investment returns to investors. The initial diamond investment venture was NDIC, which was a supposed “promissory note” investment with a return of approximately 24% per year with promised collateral of purported valuable diamonds. The second diamond investment was through EFDG, which was an “investment contract” investment with a return of 100% per (typically) year and a half with promised collateral of purported diamonds worth purported 8-figures. I am in the process of investigating all of the diamonds that the Corporate Defendants ever owned and the actual value of those diamonds, including the purported specific diamonds represented to the investors as collateral for their investments.

C. The Investors

It appears that the Corporate Defendants had between 100 and 200 investors. It appears that the Corporate Defendants raised a total of approximately \$25 million. The lists do not include what each investor has been repaid. I am now in constant contact with investors, as Aman and the

Seigels are now, at my request, directing investors to communicate with me and my professionals. I will be compiling my own investor list to ensure I know the universe of investors, the amount they invested, and the amount they received back, whether denominated as “interest” or “principal.”

D. The Diamonds

Shortly after my appointment, I learned that several people and companies were holding diamonds owned by the Corporate Defendants.

1. Aman

Aman was holding countless purported “rough” diamonds in 104 separate pouches that he promptly turned over to me. The diamonds are uncut, unpolished and hence in the “rough” state. I am in the process of confirming that these diamonds are, in fact, actual diamonds. I am also in the process of determining their value in their state. Finally, I am in the process of determining whether any of these rough diamonds can be “cut,” and, if so, what their value would be in the “cut” state. My understanding is that cut diamonds have significantly more value than rough diamonds. Ultimately, these diamonds, whether in the rough state or the cut state, will be sold through a Court-approved motion for the benefit of the estate. The diamonds are located in my safe deposit box and have been inventoried.

2. Harold Seigel

Harold Seigel was holding two cut yellow diamonds of 1.27 and 2.37 carats. Shortly after my appointment, I learned that these two diamonds had been provided by Aman to Seigel’s counsel as potential security for the payment of legal bills. The transaction was documented through a memorandum of the d/b/a for the Corporate Defendants, Diamante Atelier. The diamonds had been returned by Seigel’s counsel to Seigel through Aman’s sister almost immediately before the

Corporate Defendants' decision to stipulate to my appointment. I was not initially advised of these diamonds or this transfer immediately preceding my appointment. When I learned about it, given these circumstances, I demanded that the two diamonds be turned over to me. The next day, Seigel delivered the two diamonds to me with GIA certificates. The diamonds are located in my safe deposit box and have been inventoried.

Like the rough diamonds, I am in the process of determining these two cut yellow diamonds' value. Ultimately, these two yellow diamonds will also be sold through a Court-approved motion for the benefit of the estate.

3. Investors

Certain investors have been holding diamonds and/or jewelry owned by the Corporate Defendants. My understanding is that Aman gave such items to certain investors to hold as a sign of good faith for making future payments under the investment contracts. I have sent the investors a demand letter requesting immediate turnover to me. Some investors have returned the diamonds/jewelry; however, others are still considering my demand, have ignored my demand, or have informed me that they have already sold the diamonds prior to my appointment. If an investor ultimately refuses to return any diamonds/jewelry to me, I will file a turnover motion. In addition to a turnover motion, I will also deny their potential claim in the anticipated future claims procedure. At this time, I have not named these investors in this Report, as I do not want to disclose at this time who has (or has not) received a demand from me.

I anticipate that I will continue to learn new names of investors who received and/or are holding diamonds/jewelry as this proceeding continues. I have also demanded that Aman and the Seigels provide me with a full written accounting of all investors who previously received and/or are holding diamonds/jewelry so I can send them a demand for their immediate turnover.

4. Vendors

Like investors, vendors such as the landlord for the Corporate Defendants' business premises, 125 Worth Partners LLC, have been holding diamonds owned by the Corporate Defendants. My understanding is that, just like certain investors, Aman gave diamonds to the landlord to hold as a sign of good faith for making future rent payments. I have sent the landlord, through its agent Robert Frisbie, a series of demand emails requesting immediate turnover to me. Mr. Frisbie has complied and has turned over five diamonds to me. The diamonds are located in my safe deposit box and have been inventoried.

There are additional vendors that purportedly have diamonds owned by the Corporate Defendants. For example, one of the companies that sold rough diamonds to the Corporate Defendants is the American Institute of Diamond Cutting, Inc. In addition, there were other transactions with that company, including consignments of diamonds and jewelry. I sent a demand letter to the American Institute of Diamond Cutting, Inc., which responded that it has three diamonds to turn over. The American Institute of Diamond Cutting, Inc. has complied and has turned over the three diamonds to me.

I will also be seeking an accounting of all diamond transactions between the Corporate Defendants and the American Institute of Diamond Cutting, Inc. The diamonds are located in my safe deposit box and have been inventoried.

5. Local Diamond Stores/Pawn Shops

Shortly after my appointment, Aman disclosed to me that there were two local jewelry stores (or pawn shops) that had recently received valuable diamonds owned by the Corporate Defendants. My summaries of the transactions, and the current state of affairs with respect to each, is set forth below.

i. G7

The first store was Gold 7 of Miami, LLC (“G7”), located near the Seybold Building in Downtown Miami. According to Aman, shortly before my appointment, he consigned dozens of diamonds to G7 in loan transactions and received \$930,000 at 3% interest with the diamonds as collateral. According to Aman, the diamonds are owned by the Corporate Defendants and/or the Corporate Defendants’ customers that were on consignment through the Corporate Defendants. I immediately served the Appointment Order on G7 in person and thereafter sent a demand letter insisting that no diamonds be sold, transferred or conveyed. G7 has disputed this and has claimed that the subject diamonds are not covered by the Appointment Order because Aman, not the Corporate Defendants, owned and sold the diamonds and because G7 purchased the diamonds from Aman for fair value.

I repeatedly demanded that G7 produce all supporting documents of the transactions. G7, through its counsel, submitted a letter that attached purported bills of sale for the diamonds. I then requested that G7 confirm whether it produced all of the documents that comprised the transaction. G7 repeatedly failed to confirm this very simple fact and ultimately stated that it would agree to produce additional documents in its file. I finally received additional documents on Friday of last week and I am in the process of reviewing them. In the near future, I anticipate making a final decision on the G7 issues.

ii. Provident Jewelry

Like G7, Provident Jewelry, namely the 331 Clematis Street store, received some diamonds in a similar fashion. I sent an immediate demand letter to maintain the status quo of the various diamonds and jewelry pieces that Provident Jewelry received from a recent transaction at the 331

Clematis St. store. Provident Jewelry ignored my initial demand email as well as my follow-up letter. Therefore, I will be taking the necessary actions against that company.

E. The Corporate Defendants' Bank Accounts

The Corporate Defendants maintained bank accounts at Bank of America. Aman had signatory authority on the accounts. Promptly upon my appointment, I served Bank of America with the Appointment Order and instructed Bank of America to freeze the Corporate Defendants' accounts. However, there were no funds in the Corporate Defendants' accounts. It appears that Aman drained the Corporate Defendants' accounts to ensure there was a zero balance at the time of my appointment and had spent many years living a very lavish lifestyle. It also appears that Aman transferred significant funds to others, including, but not limited to, the Seigels (through their company H & S Management Group LLC), the church at which Aman is a director (Winners Church) and its pastors. Additional related issues are discussed further below in Section G, *infra*.

In addition to Bank of America, I learned that the Corporate Defendants may have had prior accounts at BB&T Bank and PNC Bank. Like Bank of America, I served BB&T and PNC Banks with the Appointment Order and instructed them to freeze the Corporate Defendants' accounts. Although there were no accounts or funds identified in the Corporate Defendants' accounts at BB&T and/or PNC Banks, BB&T Bank froze \$1,350.51 in the name of related entity Fancy Diamonds Private Investments LLC. I intend to have these funds turned over to me for the benefit of the estate.

F. The Corporate Monitorship Bank Account

I have opened a monitorship bank account for the benefit of the estate. At my request, the plaintiffs in this case have agreed to transfer \$100,000 to me to initially fund the monitorship for the benefit of the entire estate. The \$100,000 is from the recent transfer by Aman and the Corporate

Defendants to the plaintiffs in February 2019 in direct response to the filing of the Motion seeking my appointment [DE 25]. There were many transactions that I believe are subject to clawback, especially in the months leading up to my appointment and no different than the 90-day preference period afforded to trustees in bankruptcy cases.

G. Subpoenas

I have issued several subpoenas to the following third parties: Bank of America (two subpoenas regarding the Corporate Defendants' accounts and Aman's personal account), BB&T Bank (regarding the Corporate Defendants' accounts), PNC Bank (regarding the Corporate Defendants' accounts), American Express (credit cards with the Corporate Defendants and Aman), Ernesto Cespedes, Esq. (the Corporate Defendants' prior transactional counsel), and Froehlich & De La Rua, CPA Firm LLC (the Corporate Defendants' prior accountants).

I have received and will continue to receive subpoena productions from the above. I will also continue to subpoena many additional third parties throughout this proceeding.

H. Forensic Reconstruction

I have received the Corporate Defendants' bank records from Bank of America for the period of 2014 through 2019. As stated above, there were no funds in the accounts as of my appointment. The dissipation and transfers occurred over many years. There are thousands upon thousands of transactions to reconstruct, including those that are legitimate and many that are undoubtedly illegitimate. Assuming there are sufficient funds to perform the necessary forensic work, I anticipate retaining an accounting firm to fully reconstruct the Corporate Defendants' bank accounts.

I intend to determine what each investor is owed (net investment amount of money in and money out), as well as everyone who improperly received funds or otherwise profited from the

Corporate Defendants' investment scheme. I anticipate there will be many people and many entities who profited or improperly received funds. It is very clear to me that Aman and the Seigels personally benefitted at the expense of the investors, as well as people and entities with whom they were close personally and/or professionally. I will not be naming any additional names other than the ones already identified at this time, as I do not want to disclose whom I may or will be suing for the benefit of the estate.

I. Demands

I have served several dozen demand letters on parties and nonparties who received (or may have received) money or assets that are or may be subject to the Appointment Order and ultimate turnover to me. Some have responded and some have not. Some have returned diamonds and jewelry, while others have not. Again, I will not be naming all of their names at this time, as I do not want to disclose whom I may or will be suing, or filing turnover motions against, for the benefit of the estate.

J. The Business Premises

The Corporate Defendants, as well as related entities such as Argyle Coin, LLC, shared the same business premises located at 125 Worth Avenue, Suite 203, Palm Beach, Florida 33480. I have contacted and informed the landlord, 125 Worth Partners LLC, of the monitorship and have requested all documents regarding their relationship. I have also informed the landlord of my intention to vacate the premises and cancel the lease as a pre-receivership contract, which will eliminate a large ongoing liability for the benefit of the estate.

The landlord claims that rent is overdue for many months. The landlord also claims to have a security interest in the minimal remaining items remaining at the premises. I intend to

confirm that the remaining office items have minimal value and, assuming so, will likely permit the landlord to fully assume those items left at the premises.

I intend to discuss the issue of the security deposit with the landlord. It is my position that the security deposit is subject to the monitorship, the Court's asset freeze and turnover to me.

K. Pending Lawsuits

There are many other pending lawsuits against the Corporate Defendants, the Seigels and/or Aman. I am in the process of contacting the lawyers in the other pending cases to inform them of the Appointment Order and to request a stay of the other lawsuits. I have already obtained a few temporary stays in the lawsuits. Importantly, the Appointment Order in Section XI, para. 27 prohibits any investor, creditor or other third party from executing on the Corporate Defendants' assets. In other words, even if a judgment is issued in another case, the judgment cannot be enforced against the Corporate Defendants' assets to give an investor or creditor a preference over others.

L. Argyle Coin, LLC

Argyle Coin, LLC ("Argyle") was the purported new cryptocurrency venture that Aman started in 2018. Argyle should be subject to the monitorship proceeding for several, non-exhaustive reasons. First, it appears that Argyle was funded with money derived from the Corporate Defendants. Second, it appears that the Corporate Defendants' diamonds and jewelry may have served as "collateral" for Argyle's investors' investments and other Argyle transactions. Third, it appears that certain investors agreed to roll over their investments from the Corporate Defendants to Argyle. Fourth, it appears that certain assets or obligations of Argyle were funded with money derived from the Corporate Defendants.

Based on the above, I intend to obtain Argyle's prompt agreement, likely by way of stipulation or an agreed order, to expand the corporate monitorship over Argyle and for Argyle to also be subject to the corporate monitorship.

In addition, I recently learned that Argyle owns three "jumping" horses whose purchases were funded with money derived from the Corporate Defendants or backed by purported collateral owned by the Corporate Defendants. A fourth horse is owned by the Corporate Defendants. I have secured and transported those four horses to an equine facility under my control to care for them to attempt to maintain their current value because an initial, preliminary verbal appraisal I obtained indicates that these "jumping" horses may have substantial value.

I intend to locate a buyer (or buyers) and sell the horses as soon as possible through a Court-approved motion for the benefit of the estate. If I cannot locate buyer(s) promptly, I intend to file a motion to approve the sale of the horses through an auction procedure similar to the recent auction of several horses earlier this year previously owned by Alejandro Andrade, a former Venezuelan military officer and politician who had relocated to Wellington, Florida. Andrade's horses were seized and sold by the U.S. Government at auction as part of Andrade's federal money laundering criminal proceeding.

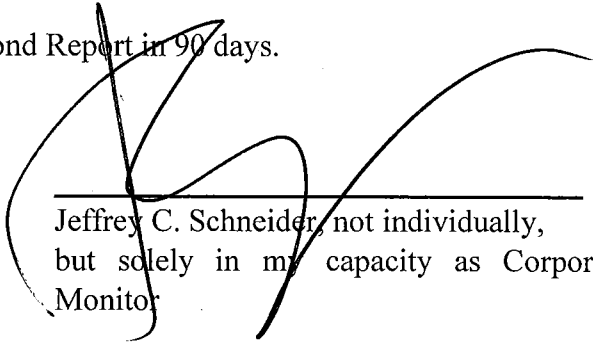
M. Other Items for the Court's Consideration

My understanding is that the trial in this case is currently scheduled for the two-week period commencing May 28, 2019. Given my appointment, this proceeding will solely be a liquidation, recovery and repayment equity monitorship/receivership for the benefit of the many victims of the Corporate Defendants. Therefore, I anticipate that I and/or the parties to this case will be filing shortly a joint or agreed motion to cancel the scheduled trial.

N. Conclusion

My overall investigation is still in its infancy and will be ongoing for some period of time.

I will supplement this First Report with my Second Report in 90 days.



Jeffrey C. Schneider, not individually,
but solely in my capacity as Corporate
Monitor

Dated: April 29, 2019