UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 9:19-CV-80633-ROSENBERG

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

NATURAL DIAMONDS INVESTMENT CO.,
et al.,
Defendants,

H.S. MANAGEMENT GROUP LLC, et al.,

Relief Defendants.
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ORDER OF PRELIMINARY INJUNCTION AND
OTHER RELIEF AGAINST ALL DEFENDANTS
AND RELIEF DEFENDANT H.S. MANAGEMENT GROUP LLC

I. INTRODUCTION

THIS CAUSE is before the Court on Plaintiff Securities and Exchange Commission's *Ex Parte* Motion for Temporary Restraining Order, Asset Freeze, and Other Relief (the "*Ex Parte* Motion") [D.E. 4]. On May 14, 2019, the Court granted the Motion and ordered the Defendants to show cause why a preliminary injunction pursuant to Federal Rule of Civil Procedure 65 should not be granted against them ("Show Cause Hearing" or "Hearing") [D.E. 12].

The Court conducted the Show Cause Hearing on May 23, 2019. Receiver Jeffrey Schneider,[1] on behalf of Defendants Natural Diamonds Investment Co. ("Natural Diamonds" or "NDIC"), Eagle

[1] On March 28, 2019, Schneider was appointed as Corporate Monitor for Natural Diamonds and Eagle, *Round v. Natural Diamonds Investment Co.*, Case No. 18-cv-81151 (S.D. Fla.). On May 20, 2019, this Court granted the Commission's Motion for Appointment of Receiver and appointed Schneider as Receiver of Argyle Coin [D.E. 20].

Financial Diamond Group Inc. a/k/a Diamante Atelier ("Eagle"), and Argyle Coin, LLC ("Argyle Coin"), and counsel for Relief Defendant Gold 7 of Miami, LLC ("G-7") appeared at the Hearing and stated they agree to the relief requested.[2] In advance of the hearing, the Commission filed correspondence from counsel for Defendants Harold Seigel and Jonathan H. Seigel (collectively, "the Seigels") and Relief Defendant H.S. Management Group LLC ("H.S. Management") stating the Seigels and H.S. Management do not object to the relief requested [D.E. 28], and they did not present evidence.

Counsel for the Commission has certified that counsel for the Seigels and H.S. Management do not object to the entry of this Order, without prejudice to their right during summary judgment or trial to raise defenses and present evidence.

The Commission, through the exhibits filed in support of the *Ex Parte* Motion and the witness testimony introduced during the Show Cause Hearing has provided sufficient evidence to show the following:

III. DEFENDANTS AND RELIEF DEFENDANTS

A. Defendants

Natural Diamonds is an active Florida corporation incorporated in August 2013, with a principal place of business in Palm Beach, Florida.[3] Natural Diamonds is purportedly in the business of buying and selling diamonds.[4] Aman owns 45%, H. Seigel owns 45%, and J. Seigel owns 10% of Natural Diamonds.[5] Aman is its president, H. Seigel is its vice president, and J.

[2] The Court has since learned that Gold 7 objects to the preliminary injunction as proposed by the SEC. As a result, the Court will separately enter an order concerning the status of the TRO as to Gold 7.
[3] D.E. 5-1, Natural Diamonds Articles of Incorporation (certified).
[4] D.E. 5-2, Aman Deposition, 37:17-39:11.
[5] D.E. 5-12, Jeffrey Schneider Declaration.

Seigel is its secretary.[6] Neither Natural Diamonds nor its securities have ever been registered with the Commission.[7] Aman is a signatory on each of the Natural Diamonds bank accounts.[8] Natural Diamonds is currently under a Court-appointed Monitor in the case *S.E.C. v. Round*, 18-cv-81151 (S.D. Fla.) (J. Middlebrooks).[9]

Eagle is an active Florida corporation that Aman incorporated in April 2011 with a principal place of business in Palm Beach, Florida.[10] Eagle is purportedly in the business of buying and selling diamonds for investment purposes.[11] Eagle also markets itself using the name Diamante Atelier.[12] According to Aman, Aman owns 45%, H. Seigel owns 45%, and J. Seigel owns 10% of Eagle.[13] According to the Seigels, Aman owns 100% of Eagle, H. Seigel gets 45% of Eagle's proceeds, and J. Seigel gets 10% of Eagle's proceeds. H. Seigel is Eagle's president and Aman is Eagle's vice president.[14] Aman is a signatory on each of the Eagle bank accounts.[15] Neither Eagle nor its securities have ever been registered with the Commission.[16] Eagle is currently under the same Court-appointed Monitor as Natural Diamonds in the case *S.E.C. v. Round*, 18-cv-81151 (S.D. Fla.) (J. Middlebrooks).

Argyle Coin is an active Florida limited liability company Aman formed in October 2017, with a principal place of business in Palm Beach, Florida.[17] Aman is Argyle's president and sole

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[6] D.E. 5-1.
[7] D.E. 5-3, S.E.C. Attestation re: Natural Diamonds.
[8] D.E. 5-9, Philippe Etienne Declaration, ¶4 (listing Aman and non-parties as signatories).
[9] D.E. 5-12.
[10] D.E. 5-4, Eagle Articles of Incorporation (certified).
[11] D.E. 5-2, 39:23-41:23.
[12] *Id.*, 39:24-40:19.
[13] D.E. 5-12, Jeffrey Schneider Declaration.
[14] *Id.*
[15] D.E. 5-9, Philippe Etienne Declaration, ¶4.
[16] D.E. 5-5, S.E.C. Attestation re: Eagle.
[17] D.E. 5-6, Argyle Coin Articles of Incorporation (certified).

officer or director.[18] Aman is also a signatory on one Argyle bank account and the sole signatory on Argyle Coin's only other known bank account.[19] Neither Argyle Coin nor its securities have ever been registered with the Commission.[20] Argyle Coin's marketing materials for its securities offering, list a contact number in the Marshall Islands for an entity located there named Argyle Coin, Corp.

Aman was a resident of Wellington, Florida from no later than November 2010 until about August 2018[21] and upon information and belief, he now resides in Miami, Florida. He is a signatory on the Natural Diamonds, Eagle, and Argyle Coin bank accounts.[22]

Harold Seigel is a resident of Broward County, Florida. He hosts a weekly radio show called "The World Financial Report" that has now become a weekly online podcast by the same name, in which he touts investment opportunities.[23]

B. Relief Defendants

H.S. Management Group LLC ("H.S. Management") is an active Florida limited liability company H. Seigel formed in February 2014, with a principal place of business in Parkland, Florida.[24] H. Seigel is its sole managing member.[25] From May 2014 until December 2018, Eagle paid H.S. Management at least $3.8 million in ill-gotten gains from Eagle and Argyle Coin without any legitimate basis.[26]

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[18] *Id.*
[19] D.E. 5-9, ¶4.
[20] D.E. 5-7, S.E.C. Attestation re: Argyle Coin.
[21] D.E. 5-8, Declaration of Ray Andjich.
[22] D.E. 5-9, Declaration of Philippe Etienne,, ¶4.
[23] *Id.*
[24] D.E. 5-10, H.S. Management Corporate Records (certified).
[25] *Id.*
[26] D.E. 5-9, ¶8; D.E. 5-12.

Gold 7 of Miami, LLC ("G7") is an active Florida limited liability company with its principal place of business is Miami, Florida.[27] G7 received, through consignment agreements Aman executed, approximately 40 diamonds that belong to Natural Diamonds and Eagle.[28] Aman consigned the diamonds in order to obtain personal loans.[29] G7 is still in possession of these diamonds, which are the ill-gotten gains of the Natural Diamonds and Eagle securities frauds.[30]

III. JURISDICTION AND VENUE

The Court has personal jurisdiction over the Defendants Argyle Coin, Aman, H. Seigel and venue is proper. As set forth above, Argyle Coin's principal place of business is located in Palm Beach, Florida, each of the Relief Defendants have their principal place of business in South Florida, and Aman and H. Seigel reside in South Florida.

IV. THE EAGLE SECURITIES FRAUD

A. The Eagle Offering

From approximately March 2015 through at least December 2018, Eagle, Aman, and the Seigels offered and sold Eagle investment contracts to the public. As set forth above, no registration statement was filed with the Commission or in effect for the Eagle offering. The offering documents consisted of an Eagle "Contract for Investment" (the "Eagle Investment Contract") that H. Seigel or Aman signed on behalf of Eagle.[31] The Eagle Investment Contract provides that the investor enters into a one-time partnership with Eagle in which Eagle will cut, polish and sell a diamond parcel for a profit. Specifically, it states:

> [T]he investment shall take place over an eighteen (18) month period whereby Eagle will cut, polish, and grade said Rough Diamond Parcel. Eagle requires a certain amount of time (reserved to the discretion of Eagle) to sell said parcel at profit and by way of this Contract

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[27] D.E. 5-11, Gold 7 Corporate records (certified).
[28] D.E. 5-12, Declaration of Jeffrey Schneider,, ¶¶6-9.
[29] *Id.,* ¶8.
[30] *Id.,* ¶¶6-9, 13.
[31] Exhibits 12; 17 and Exh. C thereto; 14 and Exh C thereto; 15 and Ex. A thereto.

> warrants a 100% return to [investor] on said investment in addition to return of the initial principal. Afore said 100% return and initial principal shall be returned to Investor eighteen (18) months after execution of this agreement or as otherwise agreed by both parties by amendment to this agreement.[32]

Eagle selected the diamonds to purchase and Aman had specialized education and training in inspecting and cutting diamonds.[33] Eagle investors lacked expertise in diamonds and had no involvement in how Eagle identified, selected, purchased, cut, polished, or sold the diamonds.[34] Investors had no discretion over how Eagle, Aman, and the Seigels would use their investment funds. Instead, they relied on Eagle, Aman, and the Seigels to make all decisions that would affect the profitability of the Natural Diamonds investment.[35]

Investors contributed to the Eagle offering by sending checks or wire transfers to Eagle's bank account.[36] From May 2014 until December 2018, Eagle raised at least $25.6 million from 276 investors,[37] including unaccredited investors.[38]

B. Solicitation of Eagle Investors

Eagle and J. Seigel solicited investors by representing that Eagle would double investors' money in 18 or 24 months. From at least 2015 until at least April or May 2017, J. Seigel solicited potential investors via telephone. For example, in about May 2015, an individual who resides in Alberta, Canada, where he works in the insurance industry (the "Insurance Worker") listened to H. Seigel's Radio Show, where H. Seigel touted investments backed by rare colored diamonds and

[32] D.E. 5-17, Exh. C.
[33] D.E. 5-2, 43:25-47:18.
[34] D.E. 5-14, Hammel Declaration, ¶¶ 15-18; D.E. 5-15, Baird Declaration,, ¶¶15-17; D.E. 5-16, Umscheid Declaration,, ¶¶12-14.
[35] *Id.*
[36] D.E. 5-9, ¶7.
[37] *Id.*
[38] D.E. 5-15, ¶18; D.E. 5-16, ¶15; D.E. 5-14, ¶16.

provided listeners with his telephone number.[39] The Insurance Worker called H. Seigel, who then put him in contact with J. Seigel to discuss the Eagle investment opportunity.[40] J. Seigel told the Insurance Worker that: Eagle was in the business of locating and purchasing diamond parcels to cut and resell for a profit; Eagle used investor funds to buy and sell diamonds; Eagle paid investors from the proceeds of the diamond sales; and that Eagle would double his money and pay him a 100% return on his principal in 18 months.[41]

J. Seigel lured the Insurance Worker by touting his family's expertise and time in the diamond business, and said that investment funds would be safe and secure because valuable diamonds backed the Eagle investment opportunity.[42] J. Seigel did not disclose any risks associated with the investment or that investor funds would be used to pay other investors their purported investment returns.[43] J. Seigel emailed the Insurance Worker an Eagle Investment Contract and on or about November 9, 2015, the Insurance Worker invested in Eagle by executing the Investment Contract and wiring $25,000 to Eagle.[44]

In April or May 2017, J. Seigel solicited the Insurance Worker to make a second investment in Eagle.[45] J. Seigel emailed the Insurance Worker a second Eagle Investment Contract and reassured him that Eagle would double his money again in 18 months and based on these representations, the Insurance Worker made a second investment for $25,000 in April or May 2017.[46]

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[39] D.E. 5-15, ¶¶2-3.
[40] *Id.*, ¶3.
[41] *Id.*, ¶¶4-7.
[42] *Id.*
[43] *Id.*
[44] *Id.*
[45] *Id.*
[46] *Id.*

As another example, on or about June 7, 2017, J. Seigel solicited a veterinarian with the initials A.C. from Lloyd Harbor, New York (the "Veterinarian").[47] J. Seigel told the Veterinarian that Eagle was in the diamond business and guaranteed investor funds with rare colored diamonds. J. Seigel told the Veterinarian that Eagle would use investor funds to buy colored diamonds, including rough parcels, and cut them into smaller pieces for resale, and that the Veterinarian would double his money in 18 to 24 months.[48]

During this conversation, J. Seigel told the Veterinarian that investing with Eagle was safe and secure, and that Eagle secured the investments with diamonds.[49] He never disclosed any risks associated with the investment or that Eagle would use investor funds to pay investors purported investment returns.[50] Based on J. Seigel's representations, the Veterinarian invested $50,000 with Eagle on June 7, 2017.[51] In exchange, Eagle provided the Veterinarian with an Eagle Investment Contract that H. Seigel signed.[52]

C. <u>Fraudulent Conduct in the Eagle Offering</u>

Eagle used investors' funds to pay prior investors their purported investment returns in a Ponzi scheme. Contrary to the representations to investors that Eagle would use investor funds to purchase, cut, polish, and resell diamonds for profits, Aman and Eagle used investor funds to pay investors their purported investment returns.[53] They also siphoned investor funds to Natural Diamonds to pay investors their purported returns, and used investor funds to make expenditures

[47] D.E. 5-17, Declaration of Allen Carb, ¶¶ 1, 10-17.
[48] *Id.*, ¶12
[49] *Id.*, ¶13
[50] *Id.*, ¶¶14-15, 21, 24-25.
[51] *Id.*, ¶¶16-17.
[52] *Id.*, ¶17 and Ex. C thereto.
[53] D.E. 5-9, ¶11.

that served no legitimate business purpose.[54] Eagle commingled investors' funds with Natural Diamonds investors' funds from no later than July 21, 2017 until at least June 22, 2018.[55]

As an example of how the Ponzi scheme in Eagle operated, on May 29, 2018 an individual investor contributed $170,000 to Eagle.[56] Prior to this investment, this Eagle bank account had a negative balance of $24,976.32. [57] On May 31, 2018, Eagle Account 1 used $25,000 of the $170,000 in investor funds to pay an investor.[58]

Then, between May 30, 2018 and May 31, 2018, Eagle wired about $57,512 of the May 29th investor's funds into another bank account Eagle held.[59] Prior to the receipt of this wire transfer, this second Eagle bank account had a negative balance, of -$46,370.30.[60] After the incoming transfer of $57,512 in investor funds, the second Eagle bank account had a balance of about $20,817.[61] It then transferred about $7,500 to Jose A. Aman's ex-wife Rosa Rodriguez Lewsey on May 31, 2018.[62]

As another example, on April 16, 2018 an individual investor contributed $218,000 to Eagle via wire transfer (with the notation of investment-diamonds).[63] Prior to this investment, Eagle's bank account had a negative balance of $52,980.57.[64] On April 17, 2018 Eagle transferred $25,000 of the April 16th investor's funds to another Eagle investor.[65]

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[54] *Id.*
[55] *Id.*
[56] *Id.*, ¶12.
[57] *Id.*
[58] *Id.*
[59] *Id.*, ¶13.
[60] *Id.*
[61] *Id.*
[62] *Id.*
[63] *Id.*, ¶14.
[64] *Id.*
[65] *Id.*

Eagle also transferred Eagle investors' funds to Natural Diamonds so they could be used to pay Natural Diamonds investors their purported investment returns. [66] For example, on April 18, 2018, Eagle Account transferred $50,000 of Eagle investors' funds to a Natural Diamonds bank account.[67] Prior to the receipt of these funds, the Natural Diamonds bank account had a balance of $17,825.87.[68] After receiving the $50,000 transfer, Natural Diamond paid approximately $53,000 in interest payments to four individual investors.[69] Without the $50,000 of Eagle investor funds, there would not have been adequate funds in Natural Diamonds account to make these interest payments.[70]

Eagle commingled investors' funds with the Natural Diamonds bank accounts from no later than July 21, 2017 until at least June 22, 2018, and with the Argyle Coin bank accounts from no later than May 31, 2018 until at least February 22, 2019.[71] Additionally, from May 2016 until December 2018, Eagle spent $453,485, which included some investors' funds, to purchase horses and horse riding lessons for Aman's adult son.[72]

Between August 21, 2014 and August 16, 2018, Eagle gave about $747,125, including investor funds, to his church leaders.[73] Between May 2014 and December 2018, Eagle gave about $1,038,992, which included investor funds, to a church.[74] For example, on July 18, 2016, Aman signed a check from the Eagle bank account payable to a church for $69,500, with the notation

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[66] *Id.*, ¶15.
[67] *Id.*
[68] *Id.*
[69] *Id.*
[70] *Id.*
[71] *Id.*, ¶¶16, 25.
[72] *Id.;* D.E. 5-21, White Declaration.
[73] *Id.*, ¶10.
[74] *Id.*, ¶9.

"Donation."[75] On August 17, 2016, Aman signed a check from the Eagle bank account payable to this same church for $30,000 with the notation "My Kids."[76] Similarly, on October 2, 2016, Aman signed a check from the Eagle bank account payable to the church for $50,000 with the notation "My Kids."[77] Other checks Aman sent the church from the Eagle Account including notations for tithing and a trip to Israel, totaling more than $50,000.[78] During this same time period, Eagle gave $3,806,661, which included investor funds, to H.S. Management Group.[79]

From June 2014 until February 2019, Aman took more than $1.5 million, which included investors' funds, from Eagle.[80] During this same timeframe, he also took at least $1.9 million of Eagle funds, including investors' funds, for payments to tutoring entities, Gucci, residential rental payments, and a check to his ex-wife with a notation that it was for a divorce payment.[81]

As of March 31, 2019, the Eagle bank accounts had a negative balance, of -$1,405.92.[82]

V. THE ARGYLE COIN FRAUD

A. The Argyle Coin Offering

From approximately December 2017 through present, Argyle Coin, Aman, and J. Seigel have offered and sold investments in a purported cryptocurrency token called "RGL" ("RGL Tokens") that is purportedly backed by fancy colored diamonds. As set forth above, no registration statement has been filed with the Commission or is in effect for the Eagle offering.

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[75] D.E. 5-9*,* ¶9.
[76] *Id.*
[77] *Id.*
[78] *Id.*
[79] *Id.*
[80] *Id.*, ¶17.
[81] *Id.*
[82] *Id.*, ¶18.

Argyle Coin is distributing a "White Paper" through its website that describes its planned business model and provides the following dates for the offering:

(1) initial pre-sale offering from December 2017 through August 26, 2018;
(2) pre-ICO August 27, 2018 through October 16, 2018; and
(3) crowd-funding (ICO) October 17, 2018 through November 27, 2018.[83]

Argyle Coin investors receive a contract documenting their investment in RGL Tokens (the "Argyle Coin Contract") that is signed by Aman.[84] The Argyle Coin Contract provides, among other things, that the "investor" is "investing" in the "Argyle Coin Project," which is comprised of the launch and subsequent administration of the cryptocurrency RGL Tokens.[85] It also provides that the investor will receive an 8% return on the principal amount invested after a 12-month period and an additional 2% return at the end of a 24-month period if the investor elects to extend the investment for an additional 12 months.[86]

Investors lacked expertise in diamonds and had no involvement in how Argyle Coin operated, the development of a cryptocurrency, or any business decisions whatsoever.[87] Instead, they relied on Argyle Coin and Aman to make all decisions that would affect the profitability of the Argyle Coin investment.[88] Investors sent their investment funds to a bank account in the name of Argyle Coin via wire transfer or check,[89] and some investors invested by using funds previously invested in Natural Diamonds.[90]

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[83] D.E. 5-18, Argyle Coin White Paper; D.E. 5-19, Argyle Coin Website.
[84] D.E. 5-16, ¶10 and Exh. C thereto.
[85] *Id*.
[86] *Id.*
[87] *Id.;* D.E. 5-14, ¶¶15-17; D.E. 5-20, ¶10.
[88] D.E. 5-14, ¶16; D.E. 5-16, ¶¶12-14; D.E. 5-20, ¶10.
[89] D.E. 5-16, ¶10 and Exh. C thereto; D.E. 5-9.
[90] D.E. 5-14, ¶12.

From January 2018 through March 31, 2019, Argyle Coin raised approximately $2,670,000 from 59 investors,[91] including unaccredited investors, through the sale of RGL Tokens.[92]

B. Solicitation of Argyle Coin Investors

From at least as early as October 2018 until present, Argyle Coin has marketed the RGL Tokens to investors, through one-on-one conversations, the White Paper and its website, https://www.argylecoin.io.[93] Beginning no later than October 2017, Aman and J. Seigel solicited investors directly.

For example, in May 2018, J. Seigel contacted an Eagle investor with the initials M.U. who works in oil field construction in Alberta, Canada (the "Oil Field Worker").[94] J. Seigel told him that Argyle Coin was offering a cryptocurrency token and would use investor funds to buy and sell diamonds and to build a virtual platform where diamonds could be bought and sold online.[95] J. Seigel told the Oil Field Worker that the Argyle Coin investment was safe and secured by $25 million in diamonds that Argyle Coin stores in a vault, and that the investment was guaranteed by an insurance bond.[96] At no time did J. Seigel disclose any risks associated with the investment or that investor funds would be used to pay investors purported investment returns.[97]

J. Seigel told the Oil Field Worker that Argyle Coin would pay investment returns of 8% after one year, and an additional 2% return for a two-year investment and that he would have access to his investment funds in the form of "Argyle Coins" through a digital wallet available on

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[91] D.E. 5-9, ¶19.
[92] D.E. 5-16, ¶15; D.E. 5-14, ¶16.
[93] D.E. 5-16, ¶¶7-10 and Exh. C thereto; D.E. 5-14, ¶¶11-13; D.E. 5-20, Declaration of Emmanuel Lamur, ¶¶2-9.
[94] D.E. 5-16, ¶7.
[95] *Id.*
[96] *Id.*
[97] *Id.,* ¶¶11, 16-17.

Argyle Coin's website.[98] Based on J. Seigel's representations, the Oil Field Worker invested $10,000 by wiring funds to Argyle Coin's bank account on or about May 24, 2018.[99] On that same day, the Oil Field Worker signed an Argyle Coin Contract and returned it to Argyle Coin via email.[100]

Aman also personally solicited investors. For example, in October 2017, Aman solicited a professional football player who resides in Wellington, Florida (the "Football Player").[101] Aman told the Football Player that Argyle was a cryptocurrency business that was unique because it was backed by fancy colored diamonds.[102] Aman emphasized the safety and security of the investment, and told the Football Player there was no risk to this investment because it was backed by the diamonds and guaranteed by an insurance bond.[103]

Aman told the Football Player that Argyle Coin would use investor funds to develop the business, and that he would receive a return on his investment within one year of investing.[104] Aman did not disclose any risks associated with the investment or that investor funds would be used to pay investors their purported investment returns.[105]

Based on Aman's representations, the Football Player invested by wiring $500,000 to the Eagle bank account on or about October 23, 2017, and executed an Argyle Coin Contract.[106]

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[98] *Id.*, ¶10.
[99] *Id.*, ¶7.
[100] *Id.*
[101] D.E. 5-20, ¶¶1-2.
[102] *Id.*, ¶3.
[103] *Id.*, ¶¶4-5.
[104] *Id.*, ¶6.
[105] *Id.*, ¶7.
[106] *Id.*, ¶¶8-9.

Argyle Coin has not paid the Football Player any investment return.[107] Nor has it given him access to his supposed digital wallet of Argyle Coins.[108]

Argyle Coin also solicits investors through its website, which publishes the White Paper. In the White Paper, Argyle Coin states the Pre-ICO beginning in August 2018 would launch for 3,462,000 coin units at $10 per unit (seeking to raise a total of $34,620,000).[109] In the White Paper, Argyle Coin tells potential investors:

- Argyle Coin will create its own Coin Exchange "that will be an industry leader by interfacing with other Blockchains such as Bitcoin, Ethereum, & LiteCoin," and claims to be the only cryptocurrency that will make it possible for individuals to trade diamonds on a virtual platform using "smart contracts;"[110]
- Argyle Coin's RGL Token is the only cryptocurrency backed by $25 million of fancy colored diamonds, which have been purchased by Argyle Coin's principals;[111]
- Argyle Coin will use 60% of the funds raised during the ICO to purchase additional diamonds;[112]
- Revenues will come from (1) issuance and maturity of the currency; (2) managing a coin exchange; and (3) facilitating funding pools for the purchase of high-worth rare stones;[113] and

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[107] *Id.*, ¶10.
[108] *Id.*
[109] D.E. 5-19.
[110] D.E. 5-16 at 7 of Exh. B.
[111] *Id.*
[112] *Id.* at 8 of Exh. B.
[113] *Id.*.

- Argyle Coin plans to obtain a "guarantee bond" that is intended to return investor funds in the event that Argyle Coin fails to develop a working platform and the RGL Tokens are not delivered.[114]

C. Fraudulent Conduct In The Argyle Coin Offering

In connection with the Argyle Coin offering, Aman and Argyle Coin knowingly or recklessly made material misrepresentations and omissions about the use of investor funds and the safety of the investment. Contrary to the representations to investors that Argyle Coin would use investor funds to develop the cryptocurrency, Aman and Argyle Coin used investor funds to pay investors their purported investment returns.[115] They also siphoned off at least $1.6 million from the Argyle Coin accounts and transferred it to Natural Diamonds and Eagle.[116]

Some of these transfers were made in order to pay Natural Diamonds and Eagle investors their purported returns.[117] For example, On June 8, 2018, an investor deposited $170,000 into Argyle Coin's bank account via wire transfer. Before receiving these investor funds, the Argyle Coin bank account had a balance of $3,480. Upon receipt of the investor funds on June 8, Argyle Coin transferred $123,000 to Natural Diamonds' bank account that same day. Prior to the receipt of these funds, the Natural Diamonds bank account had a balance of $509.80. Upon receipt of these funds on June 8, Natural Diamonds sent two wire transfers, totaling $70,000, to Eagle's bank account. Prior to the receipt of these funds, Eagle's bank account had a balance of $4,184.58. After receiving these funds on June 8, 2018, Eagle sent two wire transfers to investors totaling $70,500 that same day. On June 11, 2018 (without having received any other funds since the

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[114] *Id.*
[115] D.E. 5-9, ¶20.
[116] *Id.*
[117] *Id.*, ¶21.

$170,000 deposit on June 8), Argyle Coin transferred an additional $30,000 to Natural Diamonds, which then immediately transferred $5,000 of these funds to Eagle, $27,500 to Relief Defendant H.S. Management LLC, and $10,000 back to Argyle Coin.[118]

Aman also used Argyle Coin investor funds to cover negative balances in the Natural Diamonds and Eagle bank accounts. For example, on March 8, 2018 an individual investor contributed $149,980 to Argyle Coin. Prior to this investment, the Argyle Coin bank account balance was $32,771.10. After receiving the $149,980 transfer on March 8, Argyle Coin initiated two wire transfers totaling $133,000 to Natural Diamonds on that same day. When Natural Diamonds received the $133,000 transfer from Argyle Coin Account 1 on March 8, 2018, the Natural Diamonds bank account had an existing negative balance, of -$104,286.13. After receiving the Argyle Coin investor funds, Natural Diamonds sent two investors funds and notated the payments as "monthly interest."[119]

On March 13, 2018, Argyle Coin sent a wire transfer of $29,000 to Eagle, but this transfer would not have been possible without the $149,980 of investor funds deposited into the Argyle Coin bank account on March 8.[120] When Eagle received the $29,000 transfer from Argyle Coin it had an existing negative bank account balance, of -$17,865.96.[121]

Argyle Coin gave Aman about $268,000.[122] Also, from August 20, 2018 until December 18, 2018, Argyle Coin gave $42,500 to his pastor.[123] From November 13, 2018 until December 4, 2018, Argyle Coin gave $55,000 to a church.[124]

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[118] *Id.*
[119] *Id.*, ¶22.
[120] *Id.*, ¶23.
[121] *Id.*
[122] *Id.*, ¶24.
[123] *Id.*
[124] *Id.*

Argyle Coin commingled investors' funds with Natural Diamonds from no later than March 5, 2018 until at least February 11, 2019, and commingled investors' funds with Eagle from no later than November 16, 2017 until at least February 22, 2019.[125] As of February 28, 2019, the Argyle Coin bank account held a total of $376.53.[126]

Further, contrary to Aman and Argyle Coin's representations that investments were guaranteed by an insurance bond, the terms of the bond required Argyle Coin to develop a cryptocurrency in order for the bond to provide coverage. As a signatory on the Argyle Coin, Natural Diamonds, and Eagle bank accounts, Aman knew he was not using investor funds to develop cryptocurrency but was instead using them to pay other investors in Natural Diamonds and Eagle, replenish Natural Diamonds and Eagle's negative bank account balances, and pay for personal expenditures. Thus he knew or was reckless for not knowing that the bond would not provide a guarantee for investor money.

Additionally, contrary to Aman and Argyle Coin's representations that Argyle Coin investments are backed by valuable diamonds, Argyle Coin does not own any diamonds. Instead, the Monitor appointed over Natural Diamonds and Eagle believes, based on his investigation and analysis, that these are diamonds that Natural Diamonds and Eagle own – dozens of which Aman recently pawned at a Florida pawn shop in exchange for personal loans.[127]

As of February 28, 2019, the Argyle Coin bank account held a total of $376.53.

<u>Aman and Argyle Continue To Solicit Investors</u>

Aman and Argyle Coin continued to solicit investors until May 2019.[128]

[125] *Id.*, ¶25.
[126] *Id.*, ¶26.
[127] D.E. 5-12.
[128] D.E. 5-21, May 2019 printout of Argyle Coin website.

VI. THE COMMISSION HAS ESTABLISHED *PRIMA FACIE* VIOLATIONS OF THE SECURITIES LAWS

A. The Eagle and Argyle Coin Investments Are Securities

The Commission has made a *prima facie* showing that the Eagle Investment Contracts are securities. Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act define "security'' to include, among other things, "investment contracts.'' In *SEC v. W J Howey Co*., the Supreme Court held that an investment contract exists where: (1) a person invests his or her money; (2) in a common enterprise; and (3) is led to expect profits from the efforts of the promoter or a third party. The Court explained that its definition "embodies a flexible . . . principle . . . capable of adaptation to meet countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.'' *Howey*, 328 U.S. 293, 299 (1946).

In analyzing whether an investment satisfies the *Howey* test, "form should be disregarded for substance." *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967). Moreover, the emphasis should be on the "economic realities underlying a transaction, and not on the name appended thereto." *United Hous. Found. Inc. v. Forman*, 421 U.S. 837, 849 (1975); *see also United States v. Zaslavskiy*, No. 17 CR 647 (RJD), 2018 WL 4346339, at *4 (E.D.N.Y. Sept. 11, 2018) ("Whether a transaction or instrument qualifies as an investment contract is a highly fact-specific inquiry.").

Here, the first element is satisfied because investors committed substantial funds to participate in what Eagle called an "investment" and provided investors what Eagle called an "Investment Contract."[129] The second element, a common enterprise, has been addressed in terms of horizontal and vertical commonality. In the Eleventh Circuit, "a common enterprise exists where the 'fortunes of the investor are interwoven with and dependent upon the efforts and success

[129] D.E. 5-16,, Exh. A thereto.

of those seeking the investment of third parties." *S.E.C. v. Unique Financial Concepts, Inc.*, 196 F.3d 1195, 1201 (11th Cir. 1999). The broad vertical test is "the easiest to satisfy of the alternative tests'' that "only requires a movant to show that the investors are dependent upon the expertise or efforts of the investment promoter for their returns." *SEC v. ETS Payphones*, 408 F.3d 727, 732 (11th Cir. 2005).

Here, broad vertical commonality exists for the investments in Eagle because the profits of investors were directly linked to the efforts of the promoters – namely, Eagle, Aman, and the Seigels, who promised returns based on Eagle selecting and purchasing rough diamonds and cutting, polishing, and reselling them for profits.

The third prong requires investors' expectation of profits to be derived from the efforts of others. The Eleventh Circuit traditionally looks at the amount of control that investors retained over their investment under their written agreements,'' as well as the actual ability of the investors to manage their investments, in determining whether the investment meets the third prong of the *Howey* test. *S.E.C. v. Unique Financial Concepts, Inc.*, 196 F.3d 1195, 1201 (11th Cir. 1999). Here, Eagle investors retained no control and relied completely on Eagle's efforts in selecting and purchasing rough diamonds and cutting, polishing, and reselling them for profits. Investors had no voice in how Eagle identified and purchased rough diamond parcels, or how it cut, polished, and sold the stones. Nor did investors have any decision making authority over how Eagle spent investor funds. Instead, investment returns were solely dependent on Eagle's efforts.[130]

Accordingly, the Eagle Investment Contracts are securities.

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[130] *Id.*, ¶ 13; D.E. 5-14, ¶¶ 15-18; D.E. 5-15, ¶¶15-17.

B. The Argyle Coin Investment Is An Investment Contract

The Commission has made a *prima facie* showing that the tokens Argyle Coin offers are investment contracts and thus securities under the *Howey* analysis. The first prong – *i.e.*, an investment of money – is satisfied because Argyle Coin offered the RGL tokens to the public. *Rensel v. Centra Tech, Inc.*, No. 17-24500-CIV, 2018 WL 4410126, at *4 (S.D. Fla. June 25, 2018), *report and recommendation adopted*, 2018 WL 4828444 (S.D. Fla. Sept. 25, 2018) (finding the first prong met where tokens were sold to the public). In addition, Argyle Coin's White Paper refers to the offering as an "investment opportunity" and states that Argyle Coin is looking for "investors."[131] Individuals from the United States and Canada invested more than $2.7 million in Argyle Coin's offering of RGL tokens. Further, the Argyle Coin Investment Contract states that individuals are investing in an economic asset.[132]

The second prong – *i.e.,* a common enterprise – is also easily satisfied. Broad vertical commonality exists because investors' profits are directly linked to the efforts of Argyle Coin and Aman, who promised returns based on Argyle Coin developing a trading platform necessary to generate revenue that would be shared with Argyle Coin holders for their returns.[133] The potential profits from the future valuation of the RGL tokens are entirely reliant on the success of the products Argyle Coin purports to develop – namely, a trading platform and blockchain. Thus, the common enterprise prong is satisfied. *Rensel v. Centra Tech, Inc.*, No. 17-24500-CIV, 2018 WL 4410126, at *5 (S.D. Fla. June 25, 2018) (finding a common enterprise where "the fortunes of individual investors in [Defendants'] ICO were directly tied to the failure or success of the products the Defendants purported to develop"), *report and recommendation adopted*, 2018 WL 4828444

[131] D.E. 5-16, Exh. B thereto (p.4).
[132] *Id.,* Exh. C thereto (p.1).
[133] *Id.,* ¶7 and Exh. B thereto (pp.8-9);

(S.D. Fla. Sept. 25, 2018); *Balestra v. ATBCOIN LLC*, Case No. 17-cv-10001, 2019 WL 1437160 at *9 (S.D.N.Y. Mar. 31, 2019). Indeed, that is – at least in part – the way Argyle Coin marketed the RGL tokens.[134] The success of the investment is tied to the success of the overall Argyle Coin venture, and therefore this prong is met.

Finally, the third prong is satisfied because the Argyle Coin investors are entirely reliant on Aman and Argyle Coin's efforts and have no control over or involvement in the business in any way whatsoever.[135] Therefore, the offering of RGL tokens is an investment contract and thus a security.

C. Violations Of Section 17(a) Of The Securities Act
And Section 10(b) And Rule 10b-5 Of The Exchange Act

The Commission has made a *prima facie* showing that Aman is violating Section 17(a)(2) of the Securities Act and Section 10(b) and Rule 10b-5(b) of the Exchange Act, and Aman and Argyle are both violating Sections 17(a)(1) and (2) of the Securities Act and Section 10(b) and Rules 10b-5(a) and (c) of the Exchange Act.

Section 17(a) of the Securities Act, which proscribes fraudulent conduct in the offer or sale of securities, and Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, which proscribe fraudulent conduct in connection with the purchase or sale of securities, prohibit essentially the same type of conduct. *See SEC v. Monterosso*, 756 F.3d 1326, 1333-34 (11th Cir. 2014).

Section 10(b) of the Exchange Act and Rule 10b-5 render it unlawful, in connection with the purchase or sale or securities, to: (a) employ any device, scheme, or artifice to defraud; (b) make any untrue statement or omission of material fact; or (c) engage in any act, practice, or course

[134] Exhibits 14, 16, 19-21.
[135] D.E. 5-14, ¶¶15-17; D.E. 5-16, ¶¶12-14; D.E. 5-20, ¶10.

of business which operates or would operate as a fraud or deceit on any person, in connection with the purchase or sale of any security. 15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5. The Commission must also establish scienter and that the violations were made while using any means or instrumentality of interstate commerce. *SEC v. Corporate Relations Group*, No. 6:99-cv-1222, 2003 WL 25570113 at *7 (M.D. Fla. March 28, 2003). For the Commission's case, reliance, damages, and loss causation are not required elements. *SEC v. Morgan Keegan & Co.,* 678 F.3d 1233, 1244 (11th Cir. 2012).

Section 17(a) of the Securities Act makes it unlawful to engage in certain conduct "directly or indirectly" in "the offer or sale of securities." 15 U.S.C. § 77q(a). Specifically, Section 17(a)(1) prohibits "employ[ing] any device, scheme, or artifice to defraud; Section 17(a)(2) prohibits "obtain[ing] money or property by means of any untrue statement of a material fact or any [material] omission;" and Section 17(a)(3) prohibits "engag[ing] in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." 15 U.S.C. § 77q(a)(1)-(3). A showing of scienter is required under Section 17(a)(1), but Sections 17(a)(2) and (a)(3) only require a showing of negligence. *Aaron v. SEC*, 446 U.S. 680, 697 (1980).

The antifraud provisions also reach beyond misrepresentations or omissions and encompass any wrongdoing by any person that rises to the level of a deceptive practice. *Superintendent of Insurance v. Bankers Life and Casualty Co.*, 404 U.S. 6, 10 (1971); *see also In the Matter of Cady, Roberts & Co.,* 40 S.E.C. 907, 913 (1961) (the Commission has held that the subdivisions of Rule 10b-5, as well as Securities Act §17(a), should be considered "mutually supporting"). A defendant engages in a fraudulent scheme in violation of the antifraud provisions of the securities laws and violates Section 17(a)(1) and (3) and Rule 10b-5(a) and (c) when he commits any manipulative or deceptive act or acts that are part of a fraudulent or deceptive course

of conduct, or are in furtherance of a scheme to defraud. *SEC v. Huff,* 758 F. Supp. 2d 1288, 1347-48 (S.D. Fla. 2010). To state a claim based on conduct violating these provisions, the Commission must establish: (1) the defendant committed a deceptive or manipulative act; (2) in furtherance of the alleged scheme to defraud; (3) with scienter. *In re Alstom SA Securities Litigation,* 406 F. Supp. 2d 433, 474 (S.D.N.Y. 2005) (citing *In re Global Crossing*, 322 F. Supp. 2d 319, 336 (S.D.N.Y. 2004)).

a. Material Misrepresentations and Omissions

As discussed above, the Commission has made a *prima facie* showing that Aman and Argyle Coin have made numerous material misrepresentations and omissions to investors. Aman made oral misrepresentations to investors regarding the use of investor proceeds in Argyle Coin and the safety of the investment. He falsely told at least one investor, the Football Player, that Argyle would use the investor's funds to develop Argyle's cryptocurrency business. Aman emphasized the safety and security of the investment, falsely telling the Football Player there was no risk to his principal because it was protected by valuable diamonds. The Commission has presented evidence Aman knew that these representations were false because he was diverting Argyle Coin investor money to pay investors in Natural Diamonds and Eagle. Further, the evidence reflects that Aman knew Argyle Coin did not have diamonds to protect investors' money, and in April 2019, Aman told the Monitor that Argyle Coin had no assets other than its technology.

Additionally, the Commission presented evidence that Aman falsely told the investor that 100% of his investment was guaranteed by an insurance bond. Under the terms of the bond, Argyle was required to develop a cryptocurrency for the bond to provide coverage. Because Aman knew that he was using investor money to pay other investors in Natural Diamonds and Eagle, and not to develop the Argyle Coin platform, he knew that the bond would not provide a guarantee for

investor money. Further, the Commission presented evidence that Aman does not disclose the misappropriation of investor funds to pay Natural Diamonds and Eagle and others. Nor does Aman tell investors that he is using investor funds to operate a Ponzi scheme by paying investors in Natural Diamonds and Eagle their purported investment returns.

All of these actions violated Section 17(a)(2) of the Securities Act in that they "obtain[ed] money or property by means of any untrue statement of a material fact or any [material] omission." 15 U.S.C. § 77q(a)(2). The misrepresentations and omissions enabled Aman to fraudulently persuade investors to invest in Argyle Coin. Furthermore, the misstatements and omissions set forth above violated Section 10(b) and Rule 10b-5(b) of the Exchange Act in that they constituted untrue statements or omissions of material fact or material omissions.

b. The Misrepresentations and Omissions are Material

A false statement or omission must be material for a defendant to be liable for it. The test for materiality is "whether a reasonable man would attach importance to the fact misrepresented or omitted in determining his course of action." *SEC v. Merchant Capital, LLC,* 483 F.3d 747, 766 (11th Cir. 2007) (citation omitted). Put another way, information is material if a reasonable investor would consider it significant to making an investment decision. *Basic v. Levinson,* 485 U.S. 224, 230 (1988).

"[I]f a [speaker] chooses to make a statement on a subject, having chosen to speak, the company is obligated to make a full and fair disclosure." *Harvey M. Jasper Retirement Trust v. Ivax Corp.*, 920 F. Supp. 1260, 1267 (S.D. Fla. 1995) (citing *Dominick v. Dixie Nat'l. Life Ins. Co.*, 809 F. 2d 1559, 1571 (11th Cir. 1987) ([O]nce [defendant] undertook to speak, it was required to make a full and fair disclosure.")). Truthful statements can be misleading when someone omits to state a material fact without which the truthful statement, based on the circumstances, becomes

misleading. 17 C.F.R. § 240.10b-5 (in the context of Rule 10b-5); *Harvey M. Jasper Retirement Trust*, 920 F. Supp. at 967. "The test for materiality of an omission is 'whether a reasonable man would attach importance to the fact omitted in determining a course of action.'" *Merchant Capital*, 483 F.3d at 768 (quoting *Kennedy v. Tallant*, 710 F.2d 711, 719 (11th Cir. 1983)). A false statement or omission need not be outcome determinative for it to be considered material; rather it simply must be significant to the investor's decision. *SEC v. City of Miami,* 988 F. Supp. 2d 1343, 1357 (S.D. Fla. 2013) ("to be material, a fact need not be outcome-determinative, that is, it need not be important enough that it would necessarily cause a reasonable investor to change his investment decision") (quoting *SEC v. Meltzer,* 440 F. Supp. 2d 179, 190 (E.D.N.Y. 2006)).

Under these standards, Aman's false statements and omissions are material. The misrepresentations and omissions concern the use of investor funds. *SEC v. Huff*, 758 F. Supp. 2d 1288, 1348 (S.D. Fla. 2010) (omissions regarding the use of investor funds are material). Clearly, any reasonable investor would want to know that Argyle Coin was not using his or her money in the way Aman promised, but instead for Aman's personal use, Ponzi scheme payments, and to fund Aman's other companies. *U.S. v. Lochmiller*, 521 Fed. Appx. 687, 691-92 (10th Cir. April 15, 2013) (upholding conspiracy to commit securities fraud conviction because, among other things, Defendant made material misrepresentations when he told investors he would use money for low-income housing but instead used it for personal gain).

c. Scheme Liability

Aman and Argyle Coin violated Sections 17(a)(1) and (3) of the Securities Act, and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c), by participating in a scheme to defraud and engaging in a fraudulent course of conduct. As discussed above, to state a claim based on conduct violating these provisions, the Commission must establish: (1) the defendant committed a

deceptive or manipulative act; (2) in furtherance of the alleged scheme to defraud; (3) with scienter (except as to Section 17(a)(3), which requires only a showing of negligence). *Alstom,* 406 F. Supp. 2d at 474.

A Defendant engages in a fraudulent scheme in violation of Section 17(a)(1) and (3) and Rule 10b-5(a) and (c) when he commits any manipulative or deceptive act or acts that are part of a fraudulent or deceptive course of conduct, or are in furtherance of a scheme to defraud. The Defendant "must have engaged in conduct that had the principal purpose and effect of creating a false appearance of fact in furtherance of the scheme." *Huff,* 758 F. Supp. 2d at 1347-48. *See also SEC v. Fraser*, 2010 U.S. Dist. LEXIS 7038 at *23 (D. Ariz. Jan. 28, 2010), quoting *Cooper v. Pickett*, 137 F.3d 616, 624 (9th Cir. 1997).

The false statements and omissions described above alone provide a basis for scheme liability under Sections 17(a)(1) and (3), and Rules 10b-5(a) and (c). *Affiliated Ute Citizens of Utah v. U.S.* 406 U.S. 128, 153 (1972) (liability under Rule 10b-5(a) and (c) established even though the case was one "involving primarily a failure to disclose" to investors); *Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc.*, 552 U.S. 148, 158-59 (2008) (defendants' "deceptive acts" and "course of conduct included both oral and written statements, such as the backdated contracts"). However, in this instance, the Defendants have committed numerous deceptive and fraudulent acts beyond making misrepresentations and omissions, which can also give rise to scheme liability. *SEC v. U.S. Envtl., Inc.*, 155 F.3d 107, 111-12 (2nd Cir. 1998) ("a primary violator is one who participated in the fraudulent scheme"); *SEC v. First Jersey Sec., Inc.*, 101 F.3d 1450, 1471-72 (2nd Cir. 1996) (scheme liability extends to those "who had knowledge of the fraud and assisted in its perpetration"); *SEC v. Lee*, 720 F. Supp. 2d 305, 334 (S.D.N.Y. 2010).

The evidence reflects that Argyle Coin and Aman operated a Ponzi scheme, in which they used money raised from new investors in Argyle Coin to pay purported investment returns to previous investors in NDIC and Eagle. Aman was a signatory on the Argyle Coin, Natural Diamonds, and Eagle bank accounts that were used to receive the new investor funds and pay the purported returns to previous investors. Aman signed checks to investors paying them returns using other investors' money. As a signatory, Aman, knew or was reckless in not knowing that he and his entities were engaging in a Ponzi scheme. The bank records reflect that Argyle Coin investor funds were commingled in the Natural Diamonds and Eagle bank account.

All of these actions constitute manipulative or deceptive acts that are part of a fraudulent or deceptive course of conduct, or are in furtherance of a scheme to defraud. Because Argyle's actions can be imputed to Argyle Coin, both Aman and Argyle Coin can be liable for violations of Sections 17(a)(1) and (3) of the Securities Act and Rules 10b-5(a) and (c).

d. Scienter

Courts have defined scienter as a state of mind embracing intent to deceive, manipulate or defraud. *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 (1976). The Commission may establish scienter for violations of Sections 17(a) and 10(b) by showing defendants made representations to investors "without basis and in reckless disregard for their truth or falsity." *SEC v. Kenton Capital, Ltd.*, 69 F. Supp. 2d 1, 10 (D.D.C. 1998). The Eleventh Circuit has concluded that scienter may be established by a showing of knowing misconduct or severe recklessness. *Carriba Air*, 681 F.2d at 1324.

The evidence reflects that Aman has acted knowingly, or at a minimum recklessly, while making the misrepresentations and omissions discussed above. Aman is the architect of the fraudulent scheme. He owns Argyle Coin and co-owns Natural Diamonds and Eagle, which

received the Argyle Coin investor funds. He is a signatory on the Argyle Coin bank accounts. He signed offering documents to make the scheme happen, and checks in the misappropriation of money. Argyle Coin acted with scienter because Aman's conduct is imputed to the company. *In re Sunbeam Sec. Litig.*, 89 F. Supp. 2d 1326, 1340 (S.D. Fla. 1999) (the scienter of corporate officers is properly imputed to the corporation).

e. The "In Connection With" Requirement

Because the evidence reflects that Aman is making misrepresentations and omissions in connection with the offer, purchase, and sale of the securities his company is offering and selling to investors, and using the proceeds of a securities offering to engage in a Ponzi scheme, his acts meet the "in connection with" requirement of Section 10(b) and Rule 10b-5. *SEC v. Zandford*, 535 U.S. 813, 819 (2002) (courts should interpret the "in connection with" requirement broadly to effectuate the remedial purpose of the federal securities laws); *SEC v. Merkin,* 2012 WL 5245561 at *8 (S.D. Fla. Oct. 3, 2012) (the "in connection with" requirement is satisfied if the SEC shows that the material misrepresentations were relayed to the public in a way that a reasonable investor would rely on them) (citing *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 860-62 (2d Cir.1968)).

f. Interstate Commerce

Aman and Argyle Coin's conduct has involved the use of interstate commerce. They have attracted investors nationwide and in Canada through the Argyle Coin website, which includes false representations in the White Paper. Investor declarations reflect they have wired and mailed investment funds to the Argyle Coin accounts, and Aman used interstate commerce when he transferred funds to pay payments in the Ponzi scheme.

For all the foregoing reasons, the Commission has established a prima facie case that Aman and Argyle Coin have violated and continue to violate the securities laws.

D. Violations Of Sections 5(a) And (c) Of The Securities Act

The Commission has made a *prima facie* showing that Aman, Argyle Coin, Harold Seigel, and Jonathan Seigel are violating Sections 5(a) and (c) of the Securities Act, which prohibit any person from, directly or indirectly, offering or selling securities in interstate commerce that are not registered with the Commission, unless an exemption from registration is available. The Commission can establish a *prima facie* case of a violation of these securities by showing: (1) no registration statement was in effect or had been filed as to the securities; and (2) the defendants, directly or indirectly, offered to sell the securities; (2) through the use of interstate facilities or the mails. *Raiford v. Buslease, Inc.*, 825 F.2d 351, 353-54 (11th Cir. 1987); *SEC v. Continental Tobacco Co.*, 463 F.2d 137, 155 (5th Cir. 1972), *SEC v. Chemical Trust*, Case No. 00-cv-8015, 2000 WL 33231600 at *9 (S.D. Fla. Dec. 19, 2000).

Here, the evidence shows that Aman and Argyle Coin are offering the securities of the Argyle Coin tokens through interstate commerce, including the Argyle Coin website, wire, email, and telephone. No registration statement has ever been filed or in effect as to these securities. The Commission has also presented evidence that Harold Seigel and Jonathan Seigel have participated in the offer and sale of the Eagle securities by executing the Eagle investment contracts and soliciting investors. Thus, the Commission has established a *prima face* case of Section 5 violations.

E. The Defendants Are Likely to Continue to Violate the Securities Laws

The evidence presented shows Defendants are likely to continue to violate the securities laws. By making a *prima facie* showing that Aman, Argyle Coin, and the Seigels are violating the federal securities laws, the Commission has met the first prong of the two-prong test to determine

whether the Court should issue a temporary restraining order. To meet the second prong, the Commission must show a "reasonable likelihood" of future violations.

In assessing whether there is a reasonable likelihood of future violations, courts look to the following factors: (1) the egregiousness of defendant's actions; (2) the isolated or recurrent nature of the infraction; (3) the degree of scienter involved; (4) the sincerity of a defendant's assurances against future violations; (5) the defendant's recognition of the wrongful nature of the conduct: and (6) likelihood of opportunities for future violations. *Unique*, 119 F. Supp. 2d at 1340. Past illegal conduct is highly suggestive of the likelihood of future violations. *CFTC v. Matrix Trading Group*, 2002 WL 31936799 at *12 (S.D. Fla. Oct. 3, 2002).

Each of the factors weighs heavily in favor of the Court granting a temporary restraining order. First, the conduct is egregious. They solicited investors in a Ponzi scheme and made a series of misrepresentations and omissions about the safety of the investment and the use of investor funds. Second, the conduct is not isolated. It is recurrent. Aman and Argyle Coin have sold the securities investment to 59 members of the unsuspecting public in the United States and Canada. They have offered the securities since October 2017, and continued to offer it through, at a minimum, the White Paper and Argyle Coin website until at least May 2019. Harold Seigel executed Eagle investment contracts over a number of years, and Jonathan Seigel solicited investors over the course of years. Aman fraudulently made numerous transfers of Argyle Coin investor funds, including to his church, to make Ponzi scheme payments to investors, and to keep his other companies (Natural Diamonds and Eagle) afloat. Aman has pawned the diamonds that supposedly provided security for the investors, so he could receive a personal loan and he offered investors an insurance bond that he knew or should have known would not cover the investments

because he was not complying with its terms. Instead of using investor funds to develop the cryptocurrency platform, he used them to keep multiple Ponzi scheme afloat and to benefit himself.

As to the fourth and fifth factors, Aman, Argyle Coin, and the Seigels have not given any assurances against future misconduct and plainly do not believe their conduct is wrong. Finally, unless this Court restrains and enjoins Aman, Argyle Coin, and the Seigels, they will have the opportunity to continue exactly as they have been.

Evidence concerning Aman's past conduct in orchestrating the unregistered Eagle offering and Ponzi scheme further shows a reasonable likelihood of future violations. Accordingly, the Commission has met its burden for obtaining a preliminary injunction against the Defendants.

VII. CONTINUATION OF THE EMERGENCY RELIEF

A. Asset Freeze

The Temporary Restraining Order imposes an asset freeze pending determination of the Commission's request for a preliminary injunction. Pursuant to their general equity powers, federal courts may order ancillary relief to effectuate the purposes of the federal securities laws, both to preserve defendants' assets and ensure wrongdoers do not profit from their unlawful conduct. *See, e.g., Unifund SAL*, 910 F.2d at 1041; *SEC v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980); *Manor Nursing Centers,* 458 F.2d at 1103-04. An asset freeze is appropriate "as a means of preserving funds for the equitable remedy of disgorgement." *SEC v. ETS Payphones, Inc.*, 408 F.3d 727, 734 (11th Cir. 2005). An asset freeze "facilitate[s] enforcement of any disgorgement remedy that might be ordered" and may be granted "even in circumstances where the elements required to support a traditional SEC injunction have not been established." *Unifund SAL*, 910 F.2d at 1041. It is well recognized an asset freeze is sometimes necessary to ensure a future disgorgement order will not be rendered meaningless. *Manor Nursing Centers,* 458 F.2d at 1106;

United States v. Cannistraro, 694 F. Supp. 62, 71-72 (D.N.J. 1988), *aff'd in part, vacated in part*, 871 F.2d 1210 (3d Cir. 1989); *SEC v. Vaskevitch*, 657 F. Supp. 312, 315 (S.D.N.Y. 1987). When there are concerns that defendants might dissipate assets, or transfer or secret assets beyond the jurisdiction of the Court, this Court need only find some basis for inferring a violation of the federal securities laws in order to impose a freeze. *Unifund SAL*, 910 F.2d at 1041-42; *SEC v. Tyler*, 2002 U.S. Dist. Lexis 2952 (N.D. Tex. Feb. 22, 2002); *SEC v. Comcoa*, *Ltd.*, 887 F. Supp. 1521, 1524 (S.D. Fla. 1995); *SEC v. Margolin*, 1992 U.S. Dist. Lexis 14872 at 19-20 (S.D.N.Y. Sept. 30, 1992); *SEC v. Grossman*, 1987 U.S. Dist. Lexis 1666 at *35-36 (S.D.N.Y. Feb 17, 1987).

Here, the evidence shows that the Defendants raised about $30 million from investors and until at least May 2019, Aman and Argyle Coin were actively seeking additional investors. The evidence reflects that H.S. Management received at least $3.8 million of the investor funds and that Aman placed dozens of the diamonds offered in the securities offerings with Relief Defendant G-7, who still retains them. In addition, Argyle Coin has a connection to the Marshall Islands. Given the egregious nature of the Defendants' fraud, the fact that Aman and Argyle Coin already have dissipated investor proceeds while lying to investors, and the fact that any remaining assets are at risk, an order freezing assets to aid in the potential recovery and return of investor funds is necessary. If these assets are not frozen, they could be dissipated.

B. Continuation of Records Preservation Order

The records preservation ordered in the Temporary Restraining Order shall be continued until the preliminary injunction concludes. Orders prohibiting the destruction of records and expediting discovery are both appropriate to prevent the destruction of documents before this Court can adjudicate the Commission's claims, and to ensure that whatever equitable relief might

ultimately be appropriate is available. *SEC v. R.J. Allen & Assocs., Inc.*, 386 F. Supp. 866, 881 (S.D. Fla. 1974).

ACCORDINGLY, based on the record presented and for the reasons set forth above, the Commission's Motion is **GRANTED** as follows:

I.

PRELIMINARY INJUNCTION

A. Section 17(a)(1) of the Securities Act

IT IS ORDERED AND ADJUDGED that, pending further Order of the Court, Defendants Argyle Coin and Aman are preliminarily enjoined from violating Section 17(a)(1) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. § 77q(a)(1), in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: to employ any device, scheme, or artifice to defraud, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about: (A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman or Argyle Coin's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Argyle Coin or Aman.

B. Section 17(a)(2) of the Securities Act

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendant Aman is preliminarily enjoined from violating Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2), in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about: (A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Aman.

C. Section 17(a)(3) of the Securities Act

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendants Argyle Coin and Aman are preliminarily enjoined from violating Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3), in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: to engage in any transaction, practice, or course of business which

operates or would operate as a fraud or deceit upon the purchaser, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about: (A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman or Argyle Coin's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Argyle Coin or Aman.

D. Section 10(b) and Rule 10b-5(a) of the Exchange Act

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendants Argyle Coin and Aman and their respective directors, officers, agents, servants, employees, attorneys, representatives and those persons in active concert or participation with them, and each of them, are hereby preliminarily enjoined from violating Section 10(b) and Rule 10b-5(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(a), by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security, to employ any device, scheme, or artifice to defraud, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about:

(A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman or Argyle Coin's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Argyle Coin or Aman.

E. Section 10(b) and Rule 10b-5(b) of the Exchange Act

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendant Aman and his respective directors, officers, agents, servants, employees, attorneys, representatives and those persons in active concert or participation with them, and each of them, are hereby preliminarily enjoined from violating: Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(b) 17 C.F.R. § 240.10b-5(b), by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security, to employ any device, scheme, or artifice to defraud, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about: (A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Aman.

F. <u>Section 10(b) and Ruleb-5(c) of the Exchange Act</u>

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendants Argyle Coin and Aman and their respective directors, officers, agents, servants, employees, attorneys, representatives and those persons in active concert or participation with them, and each of them, are hereby preliminarily enjoined from violating Section 10(b) of the Exchange Act 15 U.S.C. § 78j(b) and Exchange Act Rule 10b-5(c) 17 C.F.R. § 240.10b-5(c), by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security, to employ any device, scheme, or artifice to defraud, by, directly or indirectly (i) creating a false appearance or otherwise deceiving any person, or (ii) disseminating false or misleading documents, materials, or information or making, either orally or in writing, any false or misleading statement in any communication with any investor or prospective investor, about: (A) any investment in securities; (B) the prospects for success of any product or company; (C) the use of investor funds; (D) the safety of any securities investment; or (E) the misappropriation of investor funds or investment proceeds;

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman or Argyle Coin's officers,

directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Argyle Coin or Aman.

G. Sections 5(a) and 5(c) of the Securities Act

IT IS FURTHER ORDERED AND ADJUDGED that, pending further Order of the Court, Defendants Argyle Coin, Aman, Harold Seigel, and Jonathan Seigel, and their respective directors, officers, agents, servants, employees, attorneys, representatives and those persons in active concert or participation with them, and each of them, are hereby enjoined from violating Section Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or

(c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

IT IS FURTHER ORDERED AND ADJUDGED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Preliminary Injunction by personal service or otherwise: (a) any of Aman, Argyle Coin, Harold Seigel, or Jonathan Seigel's officers, directors, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Argyle Coin or Aman.

II.

ASSET FREEZE

Asset Freeze As To Defendants Aman, Argyle Coin, and H. Seigel, and Relief Defendant H.S. Management

IT IS FURTHER ORDERED that

A. Defendants Aman, H. Seigel, and Argyle Coin and Relief Defendant H.S. Management and their respective directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, who receive notice of this order by personal service, mail, email, facsimile transmission or otherwise, be and hereby are, preliminarily restrained from, directly or indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of, or withdrawing any assets or property, including but not limited to cash, free credit balances, fully paid for securities, personal property, real property, and/or property pledged or hypothecated as collateral for loans, or charging upon or drawing from any lines of credit, owned by, controlled by, or in the possession of, whether jointly or singly, and wherever located:

1. Natural Diamonds;
2. Eagle Financial;
3. Argyle Coin, LLC;
4. H.S. Management Group LLC;
5. Harold Seigel; and

6. Jose Angel Aman;

B. Any financial or brokerage institution or other person or entity holding any such funds or other assets, in the name, for the benefit or under the control of Defendants Aman, H. Seigel, and Argyle Coin and Relief Defendant H.S. Management, directly or indirectly, held jointly or singly, and wherever located, and which receives actual notice of this order by personal service, mail, email, facsimile, or otherwise, shall hold and retain within its control and prohibit the withdrawal, removal, transfer, disposition, pledge, encumbrance, assignment, set off, sale, liquidation, dissipation, concealment, or other disposal of any such funds or other assets.

III.

RECORDS PRESERVATION

IT IS FURTHER ORDERED that Defendants Argyle, Aman, and H. Seigel and Relief Defendant H.S. Management, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, be and they hereby are preliminarily enjoined from, directly or indirectly, destroying, mutilating, concealing, altering, disposing of, or otherwise rendering illegible in any manner, any of the books, records, documents, correspondence, brochures, manuals, papers, ledgers, accounts, statements, obligations, files and other property of or pertaining to Defendants Argyle, Aman, and H. Seigel and Relief Defendant H.S. Management wherever located and in whatever form, electronic or otherwise, until further Order of this Court.

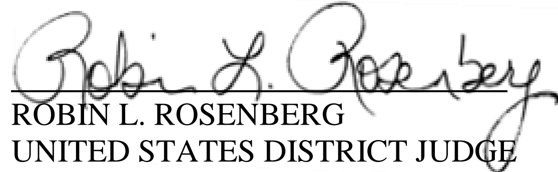
IV.

RETENTION OF JURISDICTION

IT IS HEREBY FURTHER ORDERED that this Court shall retain jurisdiction over this matter and Defendants and Relief Defendants in order to implement and carry out the terms of all

Orders and Decrees that may be entered and/or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and will order other relief that this Court deems appropriate under the circumstances.

DONE AND ORDERED in Chambers, West Palm Beach, Florida, this 28th day of May, 2019.



ROBIN L. ROSENBERG
UNITED STATES DISTRICT JUDGE

Copies furnished to Counsel of Record