

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

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.

**RECEIVER'S UNOPPOSED MOTION TO
EMPLOY DIAMOND AND JEWELRY APPRAISER**

Pursuant to para. 50 of Section XIII of this Court's Order Granting Plaintiff Securities and Exchange Commission's Motion for Appointment of Receiver (the "Appointment Order") [DE 20], Jeffrey C. Schneider, not individually, but solely in his capacity as the Court-appointed receiver (the "Receiver") for Natural Diamonds Investment Co. ("NDIC"), Eagle Financial Diamond Group, Inc. ("EFDG"), and Argyle Coin, LLC ("Argyle") (collectively, the "Receivership Entities"), hereby moves, on an unopposed basis, to employ Jewelry by Frank Inc. Appraisal Service as his diamond and jewelry appraiser for purposes of the receivership.

A. Background

1. On May 16, 2019, this Court appointed the Receiver for Argyle in the Appointment Order.

2. On July 11, 2019, this Court issued an Order expanding the Receivership to include NDIC and EFDG. As a result, the Receiver is now Receiver over NDIC and EFDG in this proceeding [DE 97, 104].

3. Pursuant to the Appointment Order, the Receiver is obligated to take immediate possession of the Receivership Entities' property or other assets derived from their or investors' funds.

B. The Secured Diamonds

4. As stated in the Receiver's First Quarterly Status Report [DE 111], the Receiver has secured many different types of diamonds for the benefit of the Receivership Estate.

5. For example, Defendant Jose Aman was previously holding countless purported "rough" diamonds in 104 separate pouches that he promptly turned over to the Receiver at the first proffer session in April 2019. The diamonds are uncut, unpolished and, therefore, in what is colloquially referred to as a "rough" state.

6. The 104 pouches of rough diamonds are located in the Receiver's safe deposit box that he has opened for purposes of this case. The diamonds have also been inventoried, the inventory of which was attached as Exhibit B to the Receiver's Quarterly Status Report.

7. The Receiver needs to confirm the following regarding the rough diamonds: (i) whether they are, in fact, actual diamonds; (ii) their value in their current rough state; (iii) whether

any of the rough diamonds can be “cut,” and, if so, what their value would be in the “cut” state¹; and (iv) the amount of risk with cutting the rough diamonds.²

8. Therefore, the Receiver needs to employ a diamond appraiser for purposes of assisting him with the various above-listed, diamond-related issues.

9. In addition to the 104 pouches of rough diamonds, the Receiver previously demanded and received several cut diamonds, including GIA certified diamonds, and other jewelry pieces from several parties and non-parties. These diamonds and jewelry pieces are also located in the Receiver’s safe deposit box and have also been inventoried, the inventories of which were attached as Exhibits C through H of the Receiver’s First Quarterly Status Report.

10. Regarding the cut diamonds and jewelry pieces, the Receiver needs the assistance of an appraiser to confirm the following: (i) they are, in fact, actual diamonds or jewelry; and (ii) their value.

11. In addition, the Receiver intends to request in the future that Relief Defendant Gold 7 of Miami, LLC make the various diamonds and jewelry at issue in this case in its possession available for appraisal by the Receiver’s requested appraiser.

C. The Requested Diamond/Jewelry Appraiser

12. The Receiver intends to employ Jewelry by Frank Inc. Appraisal Service as his diamond/jewelry appraiser to assist him with the various above-listed diamond and jewelry issues, as well as any other diamond and jewelry issues that may arise in the receivership. The company’s curriculum vitae is attached as Exhibit A.

¹ The Receiver’s understanding is that cut diamonds have significantly more value than rough diamonds.

² Nothing, of course, will occur without first having apprised the Court and obtaining Court-approval.

13. Jewelry by Frank Inc. Appraisal Service, including its principal Frank Graziano, is a longtime, respected diamond/jewelry appraiser in South Florida. The company also has experience with rough, colored diamonds (like the ones in this case), including the special equipment to authenticate and appraise same.

14. In addition, Jewelry by Frank Inc. Appraisal Service is familiar with the diamonds in the receivership because Mr. Graziano previously appraised a large amount of the inventory of the diamonds of the Receivership Entities before the Receiver's appointment. That prior experience and familiarity with the diamonds will likely benefit the Receivership Estate, including potentially saving expenses associated with appraising the many diamonds and jewelry pieces currently secured in the receivership.

15. Jewelry by Frank Inc. Appraisal Service has also worked for many years with the Federal Government, including the Department of Homeland Security and various federal agencies such as the Internal Revenue Service, Customs and Border Protection, and the Secret Service, regarding appraising seized diamonds and jewelry subject to federal proceedings. Mr. Graziano has also been an expert witness in federal proceedings in Florida and Georgia.

16. Mr. Graziano's standard hourly billing rate is \$150.00, and the Receiver is agreeable with paying same.

17. The Receiver is filing this Motion to apprise the parties of Jewelry by Frank Inc. Appraisal Service's requested employment and to seek authorization to do same, pursuant to para. 50 of Section XIII of the Appointment Order.

18. However, Jewelry by Frank Inc. Appraisal Service's diamond- and jewelry-related services are in the nature of administrative expenses and are not in the nature of legal or accounting services, so the Receiver intends to pay the company pursuant to para. 49 of Section XIII of the

Appointment Order, which provides that the Receiver can pay expenses without Court-approval “for expenses in the ordinary course of the administration and operation of the receivership.”

D. Local Rule Certification

19. Pursuant to Local Rule 7.1(a)(3), the Receiver hereby certifies that he has conferred with counsel for the SEC, the Defendants, and the Relief Defendants regarding this Motion. The SEC states that it has no opposition to the relief requested herein. Counsel for Aman states that he has no opposition to the relief requested herein. Counsel for the Seigels and Relief Defendant H.S. Management Group LLC state that they have no opposition to the relief requested herein. The remaining Relief Defendants state that they have no opposition to the relief requested herein.

20. Although Relief Defendant Gold 7 of Miami, LLC (“Gold 7”) has no objection to the Receiver’s requested relief to have Jewelry by Frank Inc. Appraisal Service/Mr. Graziano approved to start assisting the receivership, Gold 7 reserves its rights to object to Jewelry by Frank Inc. Appraisal Service/Mr. Graziano’s future potential inspection of the various diamonds and jewelry at issue in this case in Gold 7’s possession, including, but not limited to, potential objections by Gold 7 to Mr. Graziano/Jewelry by Frank Inc. Appraisal Service’s experience and qualifications, including experience related to the type of diamonds in Gold 7’s possession, the equipment used for his appraisals, his manner of handling and inspecting diamonds, his/Jewelry by Frank Inc. Appraisal Service’s past work for and relationship with Jose Aman and the Defendants, the location of the inspection/appraisal, and the overall to-be determined protocol for the inspection of the items held by Gold 7. Gold 7 has also raised concerns about Mr. Graziano’s curriculum vitae attached to the Motion. Gold 7 believes that diamonds in Gold 7’s possession should only be evaluated by an independent party with experience in red, blue, pink and green rough diamonds. Gold 7 also notes that Jewelry by Frank Inc. Appraisal Service is not a recognized business entity in the state of Florida or otherwise. Gold 7 does not agree or stipulate

to any of the factual representations made in the Motion concerning Jewelry by Frank Inc. Appraisal Service or Mr. Graziano.

WHEREFORE, the Receiver respectfully requests that this Court enter the proposed Order, attached as Exhibit B, approving Jewelry by Frank Inc. Appraisal Service as his diamond/jewelry appraiser.

Dated: September 10, 2019

Respectfully submitted,

SALLAH ASTARITA & COX, LLC
Co-counsel for the Receiver
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/s/Patrick J. Rengstl
Patrick J. Rengstl, P.A.
Fla. Bar No. 0581631
Email: pjr@sallahlaw.com

CERTIFICATE OF SERVICE

I hereby certify that on September 10, 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/ Patrick J. Rengstl
PATRICK J. RENGSTL, P.A.

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EXHIBIT A

Jewelry by Frank Inc. Appraisal Service

5670 West Atlantic Ave # 101
Delray Beach, Florida 33484
(954) 444-9921

BIOGRAPHICAL BACKGROUND AND QUALIFICATIONS

Frank N Graziano III, G.G., GIA

- Education:** Gemological Institute of America (GIA)
Jewelers Board of Appraisal Review (JBAR)
Member, National Association of Jewelry Appraisers (NAJA)
Member, Jewelers Vigilance Committee (JVC)
- Business:** Owner, Jewelry by Frank Inc. Appraisal Service.
Forty years experience in the jewelry industry as goldsmith, jewelry store owner, Graduate Gemologist and Appraiser.
- Qualifications:** GIA- Diamonds, 1989
GIA- Diamonds and Diamond Grading, 1990
GIA- Fine Jewelry consultant, 1990
GIA- Color Stones, 1991
GIA- Color Stones, Gem Identification & Color Stone Grading 1992
GIA- Color Stone Graduate, 1992
GIA- Graduate Gemologist, 1992
GIA- Insurance Replacement Appraisal Graduate with Honors, 1999
Expert Witness U.S. District Court, State of Georgia.
Expert Witness U.S. District Court, State of Florida
- 2007 to Date:** Working with VSE Corp, contracted with U.S.DHS.
Expert Appraiser , Seized Property U.S.CBP, USSS, IRS.

EXHIBIT B

**UNITED STATES DISTRICT COURT
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Defendants,

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

Relief Defendants.

**ORDER GRANTING RECEIVER'S UNOPPOSED
MOTION TO EMPLOY DIAMOND AND JEWELRY APPRAISER**

THIS MATTER is before the Court upon the Receiver's Unopposed Motion to Employ Diamond and Jewelry Appraiser [DE 139] (the "Motion"). The Court has reviewed the Motion, the record, and being otherwise advised in the premises, it is hereby **ORDERED and ADJUDGED** that:

1. The Motion is **GRANTED**.
2. The Receiver is hereby authorized to employ Jewelry by Frank Inc. Appraisal Service as his diamond and jewelry appraiser for the benefit of the Receivership Estate.

DONE AND ORDERED in Chambers at West Palm Beach, Florida, this _____ day of September, 2019.

ROBIN L. ROSENBERG
UNITED STATES DISTRICT COURT JUDGE

Copies to: Counsel of Record