

**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.

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**NOTICE OF FILING THIRD QUARTERLY  
STATUS REPORT OF RECEIVER JEFFREY C. SCHNEIDER**

Pursuant to paragraphs 46 and 47 of Section XII of this Court's Order Granting Motion for Appointment of Receiver [DE 20], Jeffrey C. Schneider, not individually, but solely in his capacity as the Court-appointed Receiver for Natural Diamonds Investment Co., Eagle Financial Diamond Group, Inc., and Argyle Coin, LLC, hereby files his Third Quarterly Status Report for the quarter ending December 31, 2019.

Dated: January 30, 2020

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on January 30, 2020, 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  
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**Case No. 9:19-CV-80633-ROSENBERG**

SECURITIES AND EXCHANGE COMMISSION,

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et al.,

Defendants,

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

Relief Defendants.

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**THIRD QUARTERLY STATUS REPORT OF RECEIVER JEFFREY C. SCHNEIDER**

Pursuant to paragraphs 46 and 47 of Section XII of the Order Granting Plaintiff Securities and Exchange Commission’s Motion for Appointment of Receiver [DE 20] (the “Appointment Order”), 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”), submits his Third Quarterly Status Report for the quarter ending December 31, 2019.

**INTRODUCTION**

On May 16, 2019, this Court appointed me as Receiver for Argyle. On March 28, 2019, approximately two months before my appointment as Receiver in this case, the Honorable Donald Middlebrooks appointed me as Corporate Monitor for NDIC and EFDG in *Rounds v. Natural Diamonds Investment Co., et al.*, Case No. 18-cv-81151 (the “Corporate Monitor Action”). I then

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filed a motion requesting that this receivership be expanded to include NDIC and EFDG in order to avoid two separate proceedings and reduce expenses for the benefit of the victims of the fraud [DE 97]. On July 11, 2019, this Court granted that request and expanded the receivership to include NDIC and EFDG [DE 104]. I then moved to close the Corporate Monitor Action, which Judge Middlebrooks granted on October 25, 2019. Because NDIC and EFDG are now part of this receivership, the work done in the Corporate Monitor Action – previously discussed in my First Quarterly Status Report [DE 111-1] – may be discussed herein for context.

Pursuant to paragraph 46 of the Appointment Order, I am required to file Quarterly Status Reports within 30 days of the end of each calendar quarter. The last quarter ended on December 31, 2019, so I am filing this Third Quarterly Status Report by the January 30<sup>th</sup> deadline.

Pursuant to paragraph 47 of the Appointment Order, I will discuss the following topics in this Report:

- A. A summary of my operations;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the receipts and disbursements (attached as Exhibit A to the Quarterly Status Report) of the receivership, with one column for the quarterly period covered and a second column for the entire duration of the receivership;
- D. A description of all known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Estate, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments);

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- F. A list of all known creditors with their addresses and the amounts of their claims;
- G. The status of Creditor Claims Proceedings, after such proceedings have been commenced; and,
- H. My recommendations for a continuation or discontinuation of the receivership and the reason for the recommendations.

I will address these topics one-by-one below.

**A. A Summary of the Operations of the Receiver**

**1. Procedural Background in This Proceeding**

On May 13, 2019, Plaintiff Securities and Exchange Commission (the “SEC”) filed an emergency action in this Court to enjoin NDIC, EFDG (a/k/a Diamante Atelier), and Argyle (again, the “Receivership Entities”), and their owners, Jose Aman, Harold Seigel and Jonathan Seigel. In the Complaint [DE 1], the SEC asserted various claims against the Receivership Entities, Aman, and the Seigels. Essentially, the SEC alleged that the Receivership Entities were a three-tiered Ponzi scheme that promised hundreds of investors unreasonably large investment returns that ranged from 24% to 100% every year to two years for signing investment contracts that were supposedly backed by diamonds worth tens of millions of dollars. The SEC alleged that the Receivership Entities raised approximately \$30 million from approximately 300 investors in Canada and the United States from late 2013 through the present.

The SEC also filed a Motion for Temporary Restraining Order, Asset Freeze, and Other Relief [DE 4] and a Motion for Appointment of Receiver [DE 7]. The SEC advised this Court that I had been appointed as Corporate Monitor for NDIC and EFDG in the Corporate Monitor Action, which was then also pending in the Southern District of Florida.

As a result of the SEC’s efforts, this Court granted the SEC’s requests and, among other things, appointed me as Receiver for Argyle. This compelled me to, among many other things, assume full control of Argyle and to secure, conserve, hold, manage, and prevent the loss of its

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assets. Similarly, given the expansion of the receivership to include NDIC and EFDG, this brought NDIC and EFDG into the fold of this case, with concomitant obligations to secure, conserve, hold, manage, and prevent the loss of NDIC's and EFDG's assets.

There are still asset freezes in place over Defendants Aman, Harold Seigel and H.S. Management Group LLC, which is a Seigel entity that received millions of dollars from the Receivership Entities and a current relief defendant in this action [DE 40]. In addition, there are asset freezes over the other relief defendants, including approximately \$2.1 million frozen in accounts in the names of Relief Defendants Winners Church International Inc. of West Palm Beach Florida ("Winners Church") and Fredrick and Whitney Shipman (collectively, the "Shipmans") [DE 59], and dozens of diamonds and jewelry pieces held by Relief Defendant Gold 7 of Miami, LLC ("G7") [DE 55]. Regarding Winners Church and the Shipmans, I testified at the May 23, 2019 show cause hearing, after which there were additional submissions; this Court ultimately imposed asset freezes over their assets [DE 59]. As discussed below, the SEC recently settled its claims against Winners Church and the Shipmans for the \$2.1 million initially frozen and those funds will, upon Court-approval, be transferred to me to distribute, again upon Court-approval, to the victims of the fraud.

Since my appointment, my professionals<sup>1</sup> and I have been working to effectuate my obligations under the Appointment Order. As discussed more fully below, this work has primarily involved identifying and securing assets of the Receivership Entities, as well as preserving all relevant books and records regarding the Receivership Entities (both hard copy and electronically-stored information ("ESI")).

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<sup>1</sup> Pursuant to paragraph 50 of Section XIII of the Appointment Order, the Court approved the retention of my law firm on a limited basis, along with Sallah Astarita & Cox, LLC (the "Sallah Firm") and Silver Law Group (the "Silver Firm") [DE 126].

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Throughout this process, my professionals and I have worked cooperatively with the SEC and other agencies, with each side mindful of their respective responsibilities and duties. The coordination of my and the SEC's efforts has resulted in many accomplishments (further discussed below) for the benefit of the Receivership Estate and its victims.

**2. Demands on, and Meetings with, Aman and the Seigels**

As previously reported, I made various demands on and had several meetings with Aman, the Seigels and their counsel in April through June of this year. I have also continued to communicate with Aman's and Seigels' counsels regarding relevant receivership issues. I will not repeat the same summaries in this Report, but my communications covered and continue to cover various receivership issues, including, among other things: (i) the present location of diamonds, including those owned by investors or clients of the Seigels (discussed further below); (ii) the location of investor funds; (iii) an explanation and accounting of what happened to the purported \$30 million that was raised from the investors; (iv) the list of all investors, with contact information and their investment history; (v) the identification of investors who received money back; and (vi) the nature and explanation of the NDIC, EFDG, and Argyle businesses and investments. Aman and the Seigels have been cooperative, have met with me when requested to do so, and have answered (through counsel) my questions.

As reported previously, I have also received hard copy files of dozens of boxes of documents and the corporate computer's CPU from the former business premises. My review of the hard copy and electronic files, which are voluminous, is continuing.

**3. The Business**

As previously reported, there is no operating business for the Receivership Entities. All company bank accounts were depleted and closed as of my appointment. The Receivership Entities' websites remain shut down. I have instructed Aman and the Seigels that they cannot

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continue the diamond and cryptocurrency investments they previously did through the Receivership Entities.

**4. Subpoenas**

As previously reported, I listed the various initial subpoenas to third parties to discover information about assets and the use of investor funds. I have received the subpoena productions and intend to follow up regarding missing documents from the relevant third parties. I have continued to serve subpoenas on additional third parties that may have information, or assets, relating to this proceeding.

**5. Additional Demands**

As previously reported, I served several demand letters on non-parties who received (or may have received) money or assets that are or may be subject to the Appointment Order and may be required to return those items. Some have responded and some have not. Some have returned diamonds and jewelry, while others have not. I will continue to not name their names, as I do not want to disclose whom I may or will be suing.

**6. The Business Premises**

I previously reported that I inspected the former business premises located at 125 Worth Avenue, Suite 203, Palm Beach, Florida 33480; removed the remaining furniture, fixtures, and equipment within; secured the books and records within; signed a cancellation of lease and limited release with the landlord (in which the lease was formally cancelled and I was released of any obligation to continue to pay rent); and filed a motion to sell the furniture, fixtures, and equipment [DE 41, 42 in the Corporate Monitor Action].

There were not that many office items to sell. Unfortunately, they were not too valuable, according to the preliminary assessments by the auctioneer, who at first did not even want the items. I ultimately sold the various office items through my own efforts for a total amount of

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\$2,555.00 without having to incur any storage expenses. The sales proceeds were deposited in the EFDG/NDIC receivership account because the lease was in EFDG's name.

**7. Other Pending Lawsuits**

There have been many pending lawsuits against the Receivership Entities, the Seigels, and/or Aman. I have continued to contact the lawyers in the known pending cases to inform them of the Appointment Order and to request a stay of the other lawsuits (if not already stayed by the parties and/or the Courts *sua sponte*). Importantly, the Appointment Order in Section VII, paragraphs 27-29, prohibits anyone from suing the Receivership Entities or executing on their assets. All known pending claims against the Receivership Entities in the other lawsuits have been stayed, although the personal claims against Aman and/or the Seigels in several lawsuits remain pending. I also continue to reserve all rights to bring the stay issue before this Court, if necessary.

**8. Receivership Appraiser**

I moved to employ, which this Court promptly granted, a respected local diamond/jewelry appraiser, Jewelry by Frank Inc. Appraisal Service (principal Frank Graziano) (the "Appraiser" or "Jewelry by Frank"), to appraise the various diamonds that I secured [DE 139, 140]. Jewelry by Frank Inc. 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 should benefit the Estate, including potentially saving expenses associated with appraising the many diamonds and jewelry pieces currently secured.

The Appraiser has concluded his appraisal of (i) the 104 pouches of rough colored purported diamonds; and (ii) the engagement ring that Aman gave to his fiancée. The Appraiser has also concluded his appraisal of the Carmelo De Stefano pieces, which are further discussed

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below. Finally, on January 22, 2020, the Appraiser inspected a majority of the diamonds/jewelry pieces held by G7 for purposes of appraising them. A second inspection day is being scheduled.

**B. The Amount of Cash on Hand, the Amount and Nature of Accrued Administrative Expenses and the Amount of Unencumbered Funds in the Estate**

There are still no funds in the Argyle receivership bank account. Again, there were no funds remaining in Argyle's bank accounts as of my appointment. However, I anticipate that the Argyle receivership account will be funded in the near future once I sell the above-described rough diamonds and the engagement ring, which the Court has authorized me to do [DE 168, 179]. I am currently marketing those diamonds for sale but have not sold any as of this Report. In addition, and as discussed below, the Argyle receivership account will be further funded, upon Court-approval, with the approximate \$2.1 million in settlement monies funded by Winners Church/the Shipmans.

As previously reported, I established an NDIC and EFDG receivership bank account in early April 2019 to deposit and safeguard their funds in connection with the Corporate Monitor Action. As of December 31, 2019, there was \$54,200.70 in that account. That account was not funded, however, from any funds remaining in the EFDG/NDIC accounts as of my appointment.

**C. A Schedule of All the Receiver's Receipts and Disbursements (Attached as Exhibit A to the Quarterly Status Report), with One Column for the Quarterly Period Covered and a Second Column for the Entire Duration of the Receivership**

Attached as **Exhibit A** is the required schedule of my receipts and disbursements during the subject quarterly period. The attached schedule reflects a "zero balance" for the Argyle receivership account and a balance of \$54,200.70 for the EFDG/NDIC receivership account.

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**D. A Description of All Known Receivership Property, Including Approximate or Actual Valuations, Anticipated or Proposed Dispositions, and Reasons for Retaining Assets Where No Disposition Is Intended**

**1. The Funds Recently Deposited into the Court's Registry**

As stated above, the SEC recently settled with Winners Church and the Shipmans. The settlement was for approximately \$2.1 million, which is the total amount of money that the church and its principals received from Aman and/or the Receivership Entities. The settlement is a remarkable result by the SEC on the victims' behalves. The settlement was memorialized in various signed and filed Consents by Winners Church and the Shipmans [DE 148-1, 149-1, 150-1], which attached proposed Final Judgments for each relief defendant.

On December 11, 2019, the Court issued Final Judgments against Winners Church and the Shipmans [DE 164-166]. The Final Judgments required Winners Church and the Shipmans to deposit specified funds into the registry of the Court within certain timeframes.

On December 20, 2019 (and docketed on December 23, 2019), Winners Church and the Shipmans deposited various funds totaling \$1,444,221.58 into the registry of the Court [DE 170-174]. On January 2, 2020 (and docketed on January 3, 2020), Frederick Shipman deposited an additional \$229,372.06 [DE 177].<sup>2</sup> Therefore, as of this filing, \$1,673,593.64 in total has been deposited into the registry of the Court by Winners Church and the Shipmans.

Pursuant to the Final Judgments, I am permitted to file a motion for transfer of the deposited funds to me, as Receiver, for the benefit of the Receivership Estate and its victims. As such, I intend to file that motion in the near future. The two predicates for filing that motion are the following. First, the subject funds must be deposited into the registry of the Court. As stated

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<sup>2</sup> Additional funds will be deposited by Frederick Shipman in the future pursuant to his Final Judgment (for a total of \$732,595.07). Therefore, Winners Church and Whitney Shipman have already deposited all of the funds that they are required to deposit pursuant to the Final Judgments against them.

above, funds totaling \$1,673,593.64 have already been deposited into the registry of the Court. Second, an order of disgorgement must be entered against either Eagle, Natural, Argyle, and/or Aman. As of this Report, such has not occurred, but I anticipate that disgorgement orders against the Receivership Entities will be submitted to the Court for issuance in the next few weeks. Assuming the Court grants the transfer motion, I will deposit the funds into the Argyle receivership account opened for purposes of this proceeding and will hold the funds for the benefit of the Receivership Estate and its victims.

## **2. The Diamonds**

Shortly after my appointment, I learned that several people and companies were holding diamonds owned by EFDG/NDIC and/or swept into the underlying EFDG/NDIC scheme. I discuss what I received, from whom, and the current the disposition of those assets below.

### **a. Aman**

As reported above, I obtained an appraisal for the 104 pouches of uncut, unpolished colored diamonds that I obtained from Aman after I was appointed. The inventory of the 104 pouches of rough diamonds was attached as Exhibit B to my First Report. I also obtained an appraisal for Aman's fiancée's engagement ring. I will be appraising additional jewelry pieces that Aman turned over to me. All of the items are located in my safe deposit box.

During the subject quarter, I filed a motion, which the Court recently granted, for authority to sell those diamonds [DE 168, 179]. Therefore, I am currently in the process of marketing, selling, and monetizing for the victims' benefit those diamonds and will deposit all sales proceeds in the Argyle receivership account for their benefit. As stated above, I have appraised these items, but I cannot disclose the appraised values because doing such would likely lower any offers or bids I ultimately receive. However, I can tell you that the rough, uncut diamonds are not worth millions of dollars in their current state. Please also note that the 104 pouches do not contain the

19-carat rough green diamond that was the centerpiece of many Eagle investment contracts. That diamond is currently held by Relief Defendant G7 and is subject to the Court's asset freeze.

**b. Harold Seigel**

As previously reported, Harold Seigel was holding two cut yellow diamonds of 1.27 and 2.37 carats. Shortly after my appointment as Corporate Monitor, I learned that these two diamonds had been provided by Aman to Seigel's counsel (in the Corporate Monitor Action) as potential security for the payment of legal bills. The transaction was documented through a memorandum of the d/b/a for EFDG, Diamante Atelier. The diamonds had been returned by Seigel's counsel to Seigel through Aman's sister almost immediately before EFDG's/NDIC's decision to stipulate to my appointment as Corporate Monitor in the Corporate Monitor Action. I was not initially advised by the Seigels or their then counsel of these diamonds or this transfer (which, again, immediately preceded my appointment). When I learned about it, given these circumstances, I demanded that the two diamonds be turned over to me. The next day, Harold Seigel delivered the two diamonds to me with GIA certificates. The diamonds are located in my safe deposit box and have been inventoried. The inventory was previously attached as Exhibit D to my First Report.

During the applicable period, Harold and Jonathan Seigel sat for deposition on December 3, 2019 and December 18, 2019. The Seigels' material testimony included the following: (i) they claimed to have had no ownership in EFDG and NDIC; (ii) they claimed that Aman acted without their knowledge; and (iii) they claimed to have followed the instructions of Aman with regard to communications with investors.

**c. Investors**

Certain investors had been holding diamonds and/or jewelry owned by EFDG/NDIC. Aman gave such items to certain investors to hold as a sign of good faith for making future payments under the investment contracts. I sent the investors a demand letter requesting

immediate turnover of the diamonds or jewelry to me. One investor 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. The acknowledgement of receipt/list of investor-returned diamonds was previously attached as Exhibit E to my First Report.

These diamonds are also located in my safe deposit box, have been inventoried, and will be appraised and sold through a Court-approved motion for the benefit of the Receivership Estate and its victims.

If an investor ultimately refuses to return any diamonds/jewelry to me, I will evaluate filing a turnover motion. In addition to a turnover motion, I also intend to recommend denying their potential claim in the anticipated future claims procedure. At this time, I am continuing to not name these investors, as I do not want to disclose the identities of potential targets.

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.

**d. Vendors**

Like investors, vendors such as the landlord for the Receivership Entities' business premises, 125 Worth Partners LLC, had been holding diamonds owned by EFDG/NDIC. 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 sent the landlord a series of demand emails requesting immediate turnover to me. The landlord complied and turned over five diamonds to me. The diamonds are located in my safe deposit box, have been inventoried, and will also be sold

through a Court-approved motion for the benefit of the Receivership Estate. The acknowledgement of receipt/list was previously attached as Exhibit F to my First Report.

There are additional vendors that had diamonds from EFDG/NDIC. For example, one of the companies that sold rough diamonds to EFDG/NDIC 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 had three diamonds to turn over. The American Institute of Diamond Cutting, Inc. complied and turned over the three diamonds to me.<sup>3</sup>

These diamonds are located in my safe deposit box, have been inventoried, and will also be appraised. The acknowledgement of receipt/list was previously attached as Exhibit G to my First Report.

**e. Non-Party Carmelo De Stefano**

I learned that non-party Carmelo De Stefano likely had many diamonds or pieces of jewelry that derived from the Receivership Entities. Mr. De Stefano was Aman's friend, was an Argyle employee, and was a business partner with Aman involving a Diamante Atelier business venture.

I sent Mr. De Stefano a demand letter, negotiated, and ultimately obtained possession of 38 pieces of jewelry and diamonds from Mr. De Stefano pursuant to an Agreed Order [DE 73]. The diamonds are located in my safe deposit box and have been inventoried. The acknowledgement of receipt/list was previously attached as Exhibit H to my First Report.

On September 27, 2019 and October 23, 2019, I met with Mr. De Stefano and his counsel to discuss the jewelry/diamonds he previously turned over and other relevant issues. Mr. De Stefano has been cooperative. During the applicable period, Mr. De Stefano and I came to an

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<sup>3</sup> I will also be seeking an accounting of all diamond transactions between the Receivership Entities and the American Institute of Diamond Cutting, Inc.

agreement in principle regarding a settlement of the jewelry/diamonds. His counsel and I are currently finalizing the settlement papers, and I anticipate filing a motion to approve the settlement agreement shortly. The bottom line is that Mr. De Stefano will be relinquishing any interest he may claim to the diamonds/jewelry, after which I intend to file a motion to sell the subject diamonds/jewelry for the benefit of the victims. I have also appraised the diamonds/jewelry with the Appraiser, which will be discussed in the upcoming motion to approve the settlement.

**f. Local Diamond Stores/Pawn Shops**

Shortly after my appointment as Corporate Monitor, Aman disclosed to me that there were two local jewelry stores (or pawn shops) that had recently received valuable diamonds owned by EFDG/NDIC. 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 G7, which is located near the Seybold Building in Downtown Miami. G7 is a Relief Defendant in this case.

According to Aman, shortly before my appointment as Corporate Monitor, he consigned dozens of diamonds and a few jewelry pieces to G7 in loan transactions and received \$930,000 at 3% interest with the diamonds/jewelry as collateral. The diamonds/jewelry are owned by the Receivership Entities and/or their customers who had previously given their diamonds to Aman or the Seigels for marketing for sale or recertifying through GIA.

I immediately served the Appointment Order (from the Corporate Monitor Action) on G7 and demanded that no diamonds/jewelry be sold, transferred, or conveyed. G7 disputed this and claimed that the subject diamonds/jewelry were not covered by the Corporate Monitor Appointment Order because Aman, not EFDG/NDIC, 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 regarding the transactions. G7, through its counsel, submitted a letter that attached purported bills of sale for the diamonds/jewelry. I then requested that G7 confirm whether it produced *all* of the documents that comprised the transactions. G7 repeatedly failed to confirm this very simple fact, but eventually agreed – after much prodding – to produce additional documents from its file. I finally received additional documents from G7, which included documents that demonstrated the transactions involved consignments and loans involving the diamonds/jewelry, not sales.

Before the SEC sued G7 as a Relief Defendant, I (as Corporate Monitor) ultimately obtained G7's consent to stand down from selling the diamonds/jewelry. Shortly thereafter, the SEC sued G7 as a Relief Defendant in this action. As part of the SEC's initial filings, I provided a declaration to the SEC regarding the dozens of diamonds/jewelry held by G7 [DE 5-12]. The SEC ultimately obtained an asset freeze over the subject diamonds/jewelry [DE 55]. The diamonds/jewelry frozen at G7 are likely worth more than the \$930,000 transferred to Aman. As discussed below, Mr. Graziano has begun his inspection of the diamonds/jewelry for purposes of a future receivership appraisal. A list of the subject diamonds/jewelry that G7 has produced was Exhibit I to my First Report.

One of the diamonds (a flawless blue heart diamond) on the list was sold for \$430,000 before my appointment as Corporate Monitor. The \$430,000 reduced Aman's loan balance from \$930,000 to more than \$500,000 (with interest and other expenses). In addition, the 19-carat fancy green rough diamond that EFDG and the Defendants represented to the many EFDG investors was worth \$22 million, upon cutting and polishing, is one of the many diamonds at G7 covered by the asset freeze. G7 has represented to me in writing that it believes that diamond "is worth so little money" and is "basically worthless."

On October 7, 2019, G7 served voluminous written discovery on me, including a first request for production, first set of interrogatories and first request for admissions. I served my discovery responses in mid-November. I recently received new written discovery requests from G7 and will be responding. I will discuss that discovery in my next report.

On January 22, 2020, Mr. Graziano inspected a majority of the diamonds/jewelry held by G7 for purposes of appraising them. A second inspection date for the remaining diamonds is in the process of being scheduled. Mr. Graziano will then draft an appraisal for the G7 items, which I will discuss in my next report.

On January 23, 2020, G7's corporate representative (Yaniv Ben Hamo, G7's purported owner) sat for deposition. The deposition did not conclude and has been continued to February 7, 2020. My counsel will be asking questions on February 7<sup>th</sup>. I will summarize G7's material testimony in my next report.

Mediation with G7 (and also the Seigels) is scheduled for March 3, 2020.

## **ii. Provident Jewelry**

Like G7, Provident Jewelry, namely the 331 Clematis Street store, received some diamonds in a similar fashion. I (as Corporate Monitor) sent an immediate demand 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.

## **3. The Horses**

As previously reported, I seized four jumping horses in connection with the Corporate Monitor Action and before the filing of this action whose care and management were funded by primarily EFDG (and thus investors) before my appointment. I relocated the horses to a new facility, continued to care for them through the EFDG/NDIC bank account, marketed them for

sale, and ultimately signed three purchase agreements to sell all four horses for a total of \$175,500, the funds of which I have received and deposited in the EFDG/NDIC account (that account funded the care, maintenance, and appraisals for the horses). I filed two motions to approve the horses' sales (one motion when two purchase agreements were signed, and one motion in a self-executing manner before the third and final purchase agreement (for the two remaining horses) was signed), which this Court promptly granted [DE 105, 106, 135, 138, and 141].

#### **4. Argyle's Technology**

I provided notice of the Appointment Order to certain vendors including Ideofuzion, a Pakistani company and the developer of Argyle's cryptocurrency technology, blockchain, and code. I will be investigating and evaluating whether Argyle's cryptocurrency technology has any value, and if so, how much and how best to sell it.

#### **5. The Receivership Entities' Bank Accounts**

The Receivership Entities maintained bank accounts at Bank of America. Again, there were no funds in the Receivership Entities' accounts as of my appointment.

I have performed, and continue to perform, a preliminary review of the bank records. Aman drained the corporate accounts to ensure there was a zero balance at the time of my appointment as Corporate Monitor 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 Relief Defendant H.S. Management Group LLC) and Relief Defendant Winners Church and its pastor/bishop (Relief Defendants, the Shipmans). It appears that there were many transactions that I believe are subject to clawback, especially in the months leading up to my appointment as Corporate Monitor and no different than the 90-day preference period afforded to trustees in bankruptcy cases. Therefore, I will be investigating potential targets for purposes of ancillary receivership litigation for the benefit of the Receivership Estate. I anticipate

serving demand letters in the first quarter of this year.

In addition to Bank of America, I learned that the Receivership Entities 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 Corporate Monitor Appointment Order and instructed them to freeze the company accounts. Although there were no accounts or funds identified in the 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.) At my request, BB&T agreed to transfer the funds, which I have received.

#### **6. The Office Items**

As stated above, I removed the remaining office items/personalty from the former business premises and have sold the various office items for \$2,555, given the minimal liquidation value of each item.

In addition, there were 44 coins in one of the safes at the former business premises that I have secured. I am attempting to determine who owns the coins and ultimately whether they are subject to this proceeding. The coins are not part of any of the relief requested in any motion previously filed in this proceeding or the Corporate Monitor Action.

#### **7. Diamonds Owned by Investors and Other Seigel Clients**

After my appointment as Receiver, I learned the names of several people, including investors and Seigel clients, who have asked me whether I have secured their diamonds. It appears that several diamonds purportedly owned by several investors or Seigel clients are currently being held by G7. It also appears that certain non-parties, such as the above-mentioned American Institute of Diamond Cutting and the landlord, were each holding at least one diamond purportedly owned by investors/Seigel clients. Those specific diamonds have been turned over to me by the American Institute of Diamond Cutting and the landlord.

I have also communicated with several people who have represented to me that (i) they had purchased diamonds from the Seigels/their companies and (ii) thereafter the Seigels stored the diamonds in their safe, typically for purposes of a future auction or resale. Those investors/customers have asked me whether I have secured their diamonds. I have GIA reports of the cut/polished diamonds that I have secured and have the ability to check my inventory if the investor/customer provides the GIA number of his/her diamond. I have identified at least four diamonds that I have secured in that manner. For the diamonds that I do not have, I have asked the Seigels to account for the location of each diamond that is the subject of the investor/customer's inquiry. That process is ongoing, and I will continue to report on same in the future. I have also instructed investors in my most recent investor letter dated January 16, 2020, to please review the Exhibits to my First Report online, which show the diamonds held by me and G7, and to please contact me as soon as possible if they believe their diamonds are being held by me or G7.

I have not made a final decision regarding the disposition of diamonds secured by me, as Receiver, that the Seigel clients/investors previously purchased.

## **8. The Colorado Property**

Regarding the Seigel home and property in Colorado, the SEC and I continue to be aware of the issue and continue our analysis of this sizeable asset. I will keep the victims updated regarding the ultimate disposition of this asset.

### **E. A Description of Liquidated and Unliquidated Claims Held by the Receivership Estate, Including the Need for Forensic and/or Investigatory Resources; Approximate Valuations of Claims; and Anticipated or Proposed Methods of Enforcing Such Claims (Including Likelihood of Success in: (i) Reducing the Claims to Judgment; and, (ii) Collecting Such Judgments)**

Because the receivership recently commenced, it is still premature to discuss the specific claims that I may bring as Receiver. However, and as stated previously, whatever claims that I ultimately bring will be with the hopes, and a probability, of winning and collecting. I remain very

mindful and sensitive of the issue of expenses and the necessity for efficiency and limiting expenses as much as possible in every aspect of this proceeding, including investigating and filing ancillary lawsuits for additional recoveries to benefit the Receivership Estate. I intend to continue to make every decision with a cost-benefit analysis of the amount needed to bring and prosecute the claim versus the potential recovery.

Regarding the issue of forensic investigations, I have received many of the companies' 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 literally 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 Receivership Entities' bank accounts and other relevant 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 Receivership Entities' investment scheme. I anticipate there will be many people and many entities who profited or improperly received funds. As stated above, and starting the first quarter of 2020, I intend to serve pre-suit demand letters on identified targets, which may result in ancillary lawsuits. I will continue to not identify those targets in this Report.

**F. A List of All Known Creditors with Their Addresses and the Amounts of Their Claims**

It appears that the Receivership Entities had hundreds of investors. I am still in the process of quantifying the actual number of investors. It also appears that the Receivership Entities raised approximately \$30 million. I am also still in the process of calculating the actual amount of money raised. The amount of the investors'/creditors' claims, as well as my recommended treatment of such, will be part of the future claims procedure and claims proceedings (see section G, *infra*).

When the Corporate Monitor Action began, I (as Corporate Monitor) obtained investor lists from Aman. However, the lists do not include what each investor has been repaid and do not include all of the investors' names. I have been, and will continue to be, in constant contact with the investors. I will also be compiling my own investor list, including names and contact information, to ensure I know the universe of investors, the amounts they invested, and the amounts they received back, whether denominated as "interest" or "principal."

Regarding the receivership website ([naturaldiamondsreceivership.com](http://naturaldiamondsreceivership.com)), I continue to update it with important court filings and investor letters. For example, I recently uploaded to the website a new investor letter dated January 16, 2020, a copy of which is attached as **Exhibit B**.

The receivership website also contains a registration form,<sup>4</sup> a "frequently asked questions" section to educate the investors about the receivership process, and an email address ([naturaldiamondsreceivership@lklsg.com](mailto:naturaldiamondsreceivership@lklsg.com)) and phone number (786.347.2563), so the investors may contact me directly with questions that were not answered by navigating the website. My staff, professionals, and I regularly communicate with investors.

**G. The Status of Creditor Claims Proceedings, after Such Proceedings Have Been Commenced**

It is still premature to discuss the specifics of a claims procedure and claims proceedings, or when exactly the claims procedure and claims proceedings will begin and conclude. However, I anticipate developing a claims procedure later this year and concluding all claims proceedings as soon as possible with as little claims litigation as possible and ultimately repay all legitimate investor and creditor claims as soon as possible.

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<sup>4</sup> The registration form is a helpful tool for investors and creditors to send me their name, contact information, and an estimate of the amount of money they believe they are owed.

**H. The Receiver's Recommendations for a Continuation or Discontinuation of the Receivership and the Reason for the Recommendations**

It is still my recommendation that it should continue for the benefit of the many victimized investors, who are collectively owed tens of millions of dollars. The underlying investment scheme has all the ingredients of a massive Ponzi scheme affecting many victims in this Country and Canada.

My overall investigation will be ongoing for some period of time. I will supplement this Third Report with my Fourth Report at the conclusion of the next quarter.

/s/ Jeffrey C. Schneider  
Jeffrey C. Schneider, not individually,  
but solely in my capacity as Receiver

Dated: January 30, 2020

# EXHIBIT A

STANDARDIZED FUND ACCOUNTING REPORT FOR SECURITIES AND EXCHANGE COMMISSION vs. NATURAL DIAMONDS INVESTMENT CO., et al. CASE NO.: 19-CV-80633-ROSENBERG For the period October 1, 2019 through December 31, 2019				
Fund Accounting			Detail	Subtotal
Line 1	Beginning Balance		NDIC Checking (Acct 7414) (Corporate Monitor Account)	\$235,563.23
			SEC v. Argyle Checking (Acct 8973)	\$0.00
<b>TOTAL CURRENT ASSETS</b>				<b>\$235,563.23</b>
Line 2	Business Income	10/15/2019	Sale of Horses (Ishtar and Echo)	\$7,500.00
		11/21/2019	Asset Freeze (B&I)	\$1,350.51
<b>TOTAL INCOME</b>				<b>\$8,850.51</b>
Line 3	Cash and Securities			\$0.00
<b>TOTAL NDIC CHECKING (Acct 7414)</b>				<b>\$244,413.74</b>
Line 4	Interest/Dividend Income			\$0.00
<b>TOTAL INTEREST/ DIVIDEND INCOME</b>				<b>\$0.00</b>
	Business Asset Liquidation			\$0.00
	Personal Asset Liquidation			\$0.00
Line 5	Third-Party Litigation Income			\$0.00
Line 6	Miscellaneous - Other			\$0.00
Line 7	<b>TOTAL FUNDS (Lines 1-7)</b>			<b>\$244,413.74</b>



Line 11a	Fund Administrator			\$0.00
	Independent Distribution Consultant (IDC)			\$0.00
	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	Tax Advisers			\$0.00
	2. Administrative Expenses			\$0.00
	3. Miscellaneous			\$0.00
	Total Plan Development Expenses			\$0.00
	Distribution Plan Development Expenses			\$0.00
	1. Fees:			\$0.00
Line 11b	Fund Administrator			\$0.00
	Independent Distribution Consultant (IDC)			\$0.00
	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	Tax Advisers			\$0.00
	2. Administrative Expenses			\$0.00
	3. Investor Identification:			\$0.00
	Notice/Publishing Approved Plan			\$0.00
	Claimant Identification			\$0.00
	Claims Processing			\$0.00
	Web Site Maintenance			\$0.00
	4. Fund Administrator Bond			\$0.00
	5. Miscellaneous			\$0.00
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			\$0.00
	Total Plan Implementation Expenses			\$0.00
	Total Disbursements for Distribution Expenses Paid by the Fund			\$0.00
	Disbursements to Court/Other			\$0.00
	Investment Expenses/Court Registry Investment System (CRIS) Fees			\$0.00
Line 12	Federal Tax Payments			\$0.00
	Total Disbursements to Court/Other:			\$0.00
Line 12a				\$0.00
Line 12b	<b>TOTAL FUNDS DISBURSED (Lines 8-11)</b>			<b>\$190,213.04</b>
	Cash & Cash Equivalents			\$0.00
	Investments			\$0.00
Line 13	Other Assets or Undeclared Funds			\$0.00
Line 14	<b>TOTAL ENDING BALANCE (AS OF 12/31/19)</b>			<b>\$54,200.70</b>

Line 14a				
Line 14b	<i>Report of Items NOT to be Paid by the Fund:</i>			
Line 14c	Disbursements for Plan Administration Expenses Not Paid by the Fund:			\$0.00
	Plan Development Expenses Not Paid by the Fund:			\$0.00
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	<b>1. Fees:</b>			\$0.00
	Fund Administrator			\$0.00
Line 15	IDC			\$0.00
Line 15a	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	Tax Advisers			\$0.00
	<b>2. Administrative Expenses</b>			\$0.00
	<b>3. Miscellaneous</b>			\$0.00
	<b>Total Plan Development Expenses Not Paid by the Fund</b>			\$0.00
	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			\$0.00
	<b>1. Fees:</b>			\$0.00
	Fund Administrator			\$0.00
	IDC			\$0.00
Line 15b	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	<b>2. Administrative Expenses</b>			\$0.00
	<b>3. Investor Identification:</b>			\$0.00
	Notice/Publishing Approved Plan			\$0.00
	Claimant Identification			\$0.00
	Claims Processing			\$0.00
	Web Site Maintenance			\$0.00
	<b>4. Fund Administrator Bond</b>			\$0.00
	<b>5. Miscellaneous</b>			\$0.00
	<b>6. FAIR Reporting Expenses</b>			\$0.00
	<i>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</i>			
	<b>Total Disbursements for Plan Administration Expenses Not Paid by the Fund</b>			\$0.00
	<b>Disbursements to Court/Other Not Paid by the Fund:</b>			\$0.00
<b>Total Plan Implementation Expenses Not paid by the Fund</b>	Investment Expenses/CRIS Fees			\$0.00
Line 15c	Federal Tax Payments			\$0.00
	<b>Total Disbursements to Court/Other Not Paid by the Fund:</b>			\$0.00

Line 16	DC & State Tax Payments			50.00
Line 15a	No. of Claims:			0
Line 16b	# of Claims Received this Reporting Period			
	# of Claims Received Since Inception of Fund			
Line 17	No. of Claimants/Investors:			
Line 18	# of Claimants/Investors Paid this Reporting Period	0		50.00
Line 18a	# of Claimants/Investors Paid Since Inception of Fund	0		50.00
Line 18b				
Line 19				
Line 19a				
Line 19b				
Line 19c				
Line 19d				
Line 19e				
Line 19f				
Line 19g				
Line 19h				
Line 19i				
Line 19j				
Line 19k				
Line 19l				
Line 19m				
Line 19n				
Line 19o				
Line 19p				
Line 19q				
Line 19r				
Line 19s				
Line 19t				
Line 19u				
Line 19v				
Line 19w				
Line 19x				
Line 19y				
Line 19z				
Printed Name	<p><i>Jeffrey Schneider</i></p>			
Date:	<p>January 31, 2020</p>			

# EXHIBIT B

JEFFREY C. SCHNEIDER, Receiver  
Citigroup Center  
201 S. Biscayne Boulevard, 22<sup>nd</sup> Floor  
Miami, FL 33131  
Email: [naturaldiamondsreceivership@klsg.com](mailto:naturaldiamondsreceivership@klsg.com)  
Website: [www.naturaldiamondsreceivership.com](http://www.naturaldiamondsreceivership.com)

January 16, 2020

**VIA WEB POSTING**

**Re: *Securities and Exchange Commission v. Natural Diamonds Investment Co., et al.*  
United States District Court Southern District of Florida  
Case No. 19-CV-80633-ROSENBERG**

Dear Investors:

I hope everyone had a nice holiday. I have some great news to report. The United States Securities and Exchange Commission (the "SEC") has settled its claims against Jose Aman's church and its principals, who are Relief Defendants in the case. The settlement is for approximately \$2.1 million, which is the total amount of money that the church and its principals received from Aman and/or the receivership entities. The settlement is a remarkable result and we should be grateful to the SEC for its work on your behalf. The Court recently entered Judgments memorializing the settlement and approximately \$1.7 million of the approximate \$2.1 million settlement has already been paid by the church and its principals into the Court's registry. I intend to file a motion to have the settlement funds transferred to me, as Receiver, for purposes of a future Court-approved distribution to the victims.

In addition, and as you may recall from my previous reports, I obtained 104 pouches of rough, uncut colored diamonds from Jose Aman shortly after I was appointed. I have filed a motion, which the Court recently granted, for authority to sell those diamonds. Therefore, I am currently in the process of marketing, selling, and monetizing for your benefit those diamonds and will deposit all sales proceeds in the receivership account for your benefit. I have also received a written appraisal of those diamonds, but I cannot disclose the appraised values because doing such would likely lower any offers or bids I ultimately receive. However, I can tell you that these rough, uncut diamonds are not worth millions of dollars in their current state.

Please also note that the 104 pouches do not contain the 19.5-carat rough green diamond that was the centerpiece of many of the Eagle investment contracts. That specific diamond is currently held by Relief Defendant Gold 7 of Miami, LLC ("Gold 7") and is subject to the Court's previously-issued asset freeze. As I mentioned in my last letter, Gold 7 received dozens of diamonds and two pieces of jewelry from Aman, in exchange for which it transferred over \$900,000 to him. The claims against Gold 7 are currently being litigated in the SEC's action. Mediation with Gold 7, the Seigels, and Aman is scheduled for March 3, 2020.

I am currently and will be discussing potential settlements with certain nonparties, which would add additional assets and/or funds into the Receivership Estate. I cannot disclose any further specifics at this time, but every settlement will be subject to Court-approval and will thus be publicly disclosed at that time. I also anticipate filing ancillary receivership lawsuits this year against certain people or entities that either improperly received investor-derived funds and/or caused damages to the receivership entities (and ultimately you).

Regarding the home and property in Colorado, the SEC and I continue to be aware of the issue and continue our analysis of this sizeable asset. We will continue to keep you posted.

I also continually receive questions from people regarding whether I have secured their diamonds that they were storing through the Seigels in South Florida. The diamonds that I, as Receiver, have secured and the diamonds held by Gold 7 are described in the Exhibits to my First Report filed in July 2019 and are publicly available for viewing in the Court Documents section of the receivership website – <https://naturaldiamondsreceivership.com>. Therefore, please review the Exhibits to my First Report online and contact me as soon as possible if you believe your diamonds are being held by me or Gold 7.

As a reminder, please check the receivership website for additional progress in the receivership. You can also leave me messages or ask questions on the dedicated receivership number: 786-347-2563. You can also send email inquiries or comments to the dedicated email address that I created: [naturaldiamondsreceivership@k1sg.com](mailto:naturaldiamondsreceivership@k1sg.com). We will try our best to return all calls and respond to all emails.

My staff and I continue to work diligently to secure assets and recover as much value as possible and will continue to report on our efforts by filing periodic, quarterly reports with the Court, which will also be made available on the website.

Thank you in advance for your continued cooperation, patience, and understanding. I wish you and your families the very best in 2020.

Sincerely,



Jeffrey C. Schneider  
Receiver