

**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 EIGHTH 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 Eighth Quarterly Status Report for the quarter ending March 31, 2021.

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Dated: April 30, 2021

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on April 30, 2021, 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 do not receive such.

By: /s/ Stephanie Reed Traband  
STEPHANIE REED TRABAND

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**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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**EIGHTH 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 Eighth Quarterly Status Report for the quarter ending March 31, 2021.

**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, so NDIC and EFDG are now part of this receivership, and the Corporate Monitor Action has been closed.

As a reminder, 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 March 31, 2021, so I am filing this Report by the April 30<sup>th</sup> deadline.

Pursuant to paragraph 47 of the Appointment Order, the topics herein include:

- 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);
- 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,

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H. My recommendations for a continuation or discontinuation of the receivership and the reason for the recommendations.

I will continue to 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, the 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. I thereafter assumed full control of Argyle to secure, conserve, hold, manage, and prevent the loss of its 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 and hold NDIC’s and EFDG’s assets.

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There have been asset freezes over Defendants Aman, Harold Seigel and Seigel entity H.S. Management Group LLC (a Seigel entity that received approximately \$4.4 million from the Receivership Entities, and thus a relief defendant) [DE 40]. In addition, there have been asset freezes over the other relief defendants, including approximately \$2 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].

As discussed below, the SEC settled its claims against Winners Church and the Shipmans, so the approximately \$2 million that was frozen was initially deposited into the Court’s registry and during the subject quarter, I moved to transfer those funds to the Receivership account, which the Court promptly granted [DE 280, 282, 285-286]. I will ultimately make distributions, again upon future Court approval, to the victims from these funds and additional funds the Receiver obtains for the estate.

Also, as previously reported, a settlement was reached at mediation between the SEC, G7, and me. We finalized and filed the various G7 settlement documents [DE 251, DE 252]. The Court approved the settlement by issuing the SEC’s requested Judgment against G7 [DE 257] and the Order [DE 259] approving the settlement agreement between me and G7 [DE 252-1]. As previously reported, I have obtained possession of the 53 pieces from G7 pursuant to the settlements, some of which we have now determined to be owned by others, but the remainder of which will be sold at auction.

The SEC has also settled with all Defendants and all other Relief Defendants, and have had consent judgments entered by the Court, so they are no longer parties to the case. During the subject quarter, the remaining defendant Aman also consented to a consent judgment entered by

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the Court, so he too is no longer a party to the case [DE 290-291]. Aman was the last defendant to consent following his December 8, 2020 sentencing in the criminal case.

Since my appointment, my professionals 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 the Receivership Entities' books and records (hard copy and electronic).

Throughout this process, my professionals and I have continued to work 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 for the benefit of the Receivership Estate and its victims, including the global settlement between the SEC, G7 and me, which is further discussed below.

**2. Communications with Aman and the Seigels**

I have continued to communicate with Aman's and Seigels' counsels regarding relevant receivership issues, including, among other things: (i) the present location of diamonds, including those owned by investors or clients of the Seigels (further discussed below); (ii) the location of investor funds; and (iii) an explanation and accounting of what happened to the purported \$30-plus million that was raised from the investors;

As discussed in prior reports, Harold Seigel and his entity, H.S. Management Group, have been court ordered to respond to certain questions that I posed to them and to produce certain documents I had requested. In my view, Harold Seigel and H.S. Management Group have not yet answered under oath all of the written questions I asked and have not provided all of the documents requested, so we continue to pursue that information.

**3. The Business**

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

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.

**4. Subpoenas**

I previously reported the various subpoenas I served to third parties to discover information about assets and the use of investor funds. I have received the subpoena productions.

**5. Additional Demands**

Previously, I served several demand letters on third 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. I have received responses and have consulted the SEC about possible courses of action, mindful that the expense of the undertaking has to be justified given the potential recovery.

As previously reported, I discovered that a former professional of the Receivership Entities testified that he knew it operated as a Ponzi scheme. This particular professional has a \$1 million insurance policy. As a result, I previously made a demand on this professional for the entire insurance policy to be tendered, and after extended negotiations with that professional, we have reached a six-figure agreement in principle that is now being finalized, for which we will seek Court approval.<sup>1</sup> I will report the status of that anticipated settlement in my next Report.

**6. The Business Premises**

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<sup>1</sup> I am continuing to withhold the target's identity in order to protect the discussions and facilitate of a swift settlement.

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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 \$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 continue to communicate with the lawyers in the known pending cases to inform them of the Appointment Order and to confirm that the various courts are observing the stay of the other lawsuits. 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 should be or remain stayed, although the 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. Several of the pending lawsuits have required recent action by me, as the Courts have issued notices of lack of prosecution (and some have been previously dismissed for lack of prosecution), because the cases have been dormant because of the stay, so I have worked with investor counsel to confirm that the stay remains in place in those cases.

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**8. Receivership Appraiser**

As previously reported, I retained a diamond/jewelry appraiser named Jewelry by Frank Inc. Appraisal Service (principal Frank Graziano) (the “Appraiser” or “Jewelry by Frank”). The Appraiser 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 my appointment. That prior experience and familiarity with the diamonds benefitted the Estate, including by saving expenses associated with appraising the many diamonds I secured. As also previously reported, the Appraiser concluded three separate appraisals of: (i) the 104 pouches of rough colored diamonds that Aman turned over to me when this proceeding began and Aman’s fiancée’s engagement ring that Aman also turned over; (ii) the 38 pieces from the prior Carmelo De Stefano settlement; and (iii) the 53 diamonds/jewelry pieces held by G7. I have been in contact with him about conducting appraisals of the other pieces we obtained through our prior demands for return of receivership property. It is expected that such appraisals will be concluded in May 2021.

**9. Receivership CPA**

Pursuant to para. 50 of Section XIII of the Appointment Order, I filed, and this Court promptly granted, a motion to employ the accountants at the accounting firm Kaufman & Company P.A. [DE 202, 210]. Dana M. Kaufman, J.D., CPA, CVA, CFE, who is the principal shareholder of the firm, will have primary responsibility for this matter. Mr. Kaufman’s curriculum vitae (with a partial case list) was attached as Exhibit A to the motion to employ.

Mr. Kaufman is a longtime, respected certified public accountant and certified fraud examiner in South Florida. Mr. Kaufman is also a lawyer and has been appointed as a receiver several times in state and federal courts. Kaufman & Company P.A. specializes in, among other things, forensic accounting/litigation support in domestic relations, commercial litigation and

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bankruptcy and receivership matters; federal and state tax planning; federal and state tax return preparation; representation of clients before the IRS, Tax Court, and the various states' tax departments; and preparation of financial statements.

I needed to employ accountants because the Receivership Entities, through me as Receiver, need to prepare and file tax returns for certain prior tax years and future tax years. During the subject quarter, Mr. Kaufman's firm finished preparing and filing the Receivership Entities' tax returns for the outstanding pre-receivership tax years of 2017-2019.

**10. Marketing Plan**

I continue to have discussions with local and well-known auctioneers about planning for, and conducting, an auction for the pieces that I have secured. Because of the COVID-19 crisis, my plan is still to conduct the auction on the internet and to first market the auction through online internet advertising, telemarketing, e-marketing, social networking, and advance auction promotions in local and regional newspapers.

I have waited to conduct the auction for two reasons. First, the ongoing pandemic has certainly impacted the sales price of the various pieces that I am holding. If a short delay results in significantly increased prices, it is worth it; if the delay becomes too long, then I will rethink the decision, of course. Final decisions about the structure of the auction should be reached in the next quarter and be included in my next report.

**11. Aman Indictment**

Aman was arrested in September 2020. The Government charged Aman with wire fraud in connection with the allegations in this case. Aman waived his right to prosecution by indictment, had a \$25,000 bond set, and has pled guilty. Aman's sentencing occurred on December 8, 2020. Judge Rodolfo A. Ruiz sentenced Aman to seven (7) years imprisonment, three (3) years supervised release, and restitution in the amount of \$23,866,340.00. The case is *United States v.*

*Aman*, Case No. 9:20-cr-80062, in the U.S. District Court for the Southern District of Florida. As of this Report, *Aman* has not begun his prison sentence.

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

As of March 31, 2021, there was \$1,605,775.83 in the Argyle receivership bank account. The Argyle receivership account was recently funded with the approximate \$2 million in settlement monies from Relief Defendants Winners Church/the Shipmans.<sup>2</sup> The Argyle receivership account will be further funded once the auction is completed and my pursuit of the aforementioned professional has concluded.

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 March 31, 2021, there was \$46,775.70 in that account.

**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 the balances delineated above for the Argyle and EFDG/NDIC receivership accounts, respectively.

**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 Deposited into the Court's Registry**

As previously reported, the SEC settled with Winners Church and the Shipmans and Final Judgments were entered against them [DE 164, 166].

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<sup>2</sup> The current amount in the account is less than \$2 million because my professionals and I were recently paid our collective fees and reimbursed our collective expenses from five separate Court-approved fee applications that had been outstanding, and thus unpaid, from the start of this case for more than 18 months.

On December 20, 2019 (docketed on December 23, 2019), Winners Church and the Shipmans deposited various funds totaling \$1,444,221.58 into the Court's registry [DE 170-174]. On January 2, 2020 (docketed on January 3, 2020), Frederick Shipman deposited an additional \$229,372.06 [DE 177]. On July 16, 2020, Frederick Shipman deposited an additional \$287,799.07 [DE 222-223]. On February 17, 2021, the Clerk docketed that Frederick Shipman had deposited an additional \$43,486 on April 16, 2020 [DE 283]. Thus, a total of \$2,004,878.71 was deposited into the Court's registry.

Pursuant to the Final Judgments, I was 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 once the following predicate occurred: an order regarding disgorgement against either EFDG, NDIC, Argyle, or Aman. During the subject quarter, that predicate occurred when the Court issued a disgorgement order against the Receivership Entities via a Judgment of Permanent Injunction and Other Relief [DE 279]. Therefore, during the subject quarter, I filed a motion and supplement for transfer of the deposited funds to me, which the Court promptly granted [DE 280, 282, 285-286]. Shortly thereafter, I received from the Clerk the total of \$2,004,878.71 that had been deposited, plus interest, 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 previously reported, I obtained 104 pouches of uncut, unpolished colored diamonds from Aman shortly 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 Aman's fiancée's engagement ring.

All of these items have been appraised, are located in my safe deposit box, and are approved for sale to third parties. As noted above, I am in the process of finalizing the plan for an auction of the vast majority of those diamonds that have not been separately determined to be owned by others.

**b. Harold Seigel**

As previously reported, Harold Seigel was holding two cut yellow diamonds of 1.27 and 2.37 carats, which he later turned over to me upon my demand. They will not be included in the forthcoming auction, because I learned that these two diamonds are actually owned by an individual and are not owned by the Receivership Entities, nor were they invested with any of the Receivership Entities. Pursuant to the Court's Order determining the ownership of these two diamonds and others (discussed below), [DE 271], these items will be returned to their owners, conditioned upon the owners compensating the Receivership Estate their pro rata portion of my recovery efforts.

**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 made numerous demands for turnover, and one investor returned the diamonds/jewelry; however, others ignored my demand or informed me that they have already sold the pieces prior to my appointment.

These diamonds are also located in my safe deposit box, have been inventoried, and will be appraised and sold through the forthcoming auction.

**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. Upon

my demand for turnover, the landlord complied and turned over five diamonds to me. The diamonds are located in my safe deposit box and have been inventoried. The acknowledgement of receipt/list was attached as Exhibit F to my First Report.

During my investigation, I learned that one of the landlord diamonds is actually owned by an individual and is not owned by the Receivership Entities, nor was it invested with any of the Receivership Entities. The individual who owns the diamond has also provided to me satisfactory proof of ownership, thus, pursuant to the Court's ownership order referenced above [DE 271], I will be returning that diamond to its rightful owner, conditioned upon the owner compensating the Receivership Estate the pro rata portion of my recovery efforts.

Other vendors, like American Institute of Diamond Cutting, Inc. ("AIDC") also had diamonds from EFDG/NDIC. Upon my demand for the turnover of diamonds in its possession, AIDC complied and turned over three diamonds to me. Two of those diamonds have been determined to be owned by others and will be returned to their rightful owners, in the manner discussed above. The other will be sold as part of the forthcoming auction.

**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. As reported earlier, upon my demand, ultimately obtained possession of 38 pieces of jewelry and diamonds from Mr. De Stefano pursuant to an Agreed Order [DE 73]. As with the others, my plan is to sell these diamonds through the forthcoming auction.

**f. Local Diamond Stores**

Shortly after my appointment as Corporate Monitor, Aman disclosed to me that there were two local jewelry stores, G7 and Provident, that had recently received valuable diamonds owned by EFDG/NDIC.

**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. I have reported at length previously and in this report that the SEC and I both reached settlements with G7 that have been approved by this Court. I will not reiterate the terms of those settlements here, except to note the following, which is relevant to the future sale of the diamonds I obtained from G7 in October pursuant to the settlement. Of the 53 diamonds I obtained, we have since learned that 8 are owned by individuals, to whom I will be returning possession, pursuant to the requirements referenced above. The remaining 45 diamonds will be sold in the forthcoming auction, and I will be working with G7 to best monetize the results of the sale of these diamonds, consistent with the agreement with G7.

**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. Provident Jewelry ignored my initial demand email as well as my follow-up letter. I have consulted with the SEC about pursuing future actions against this 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. As previously reported, the horses were ultimately sold and the proceeds were deposited into the EFDG/NDIC bank account.

**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 continue my evaluation as to 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.

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 received.

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

As previously reported, I removed the remaining office items/personalty from the former business premises and have sold the various office items for \$2,555.00.

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

#### **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 asked me whether I have secured their diamonds. It appears that at least 14 identified diamonds owned by several investors or Seigel clients were held by G7, AIDC, EFDG's landlord, and Seigel. Those 14 diamonds are in my possession and, as stated above, I have been authorized to return the diamonds to their rightful owners (except the Seigel

diamond) pending them repaying the Receivership Estate their pro rata share of my recovery efforts. I am in ongoing communication with these owners about the return of their diamonds.

#### **8. The Colorado Property and Related Seigel Accounting Issues**

I am aware of the property in Colorado owned by Harold Seigel's wife. I will keep the victims updated regarding the ultimate disposition of this asset. As noted above, I continue to seek the Court-ordered information from the Seigels regarding any monies that might have been used for this home.

Meanwhile, the Seigels entered into consent judgments with the SEC. As such, final judgments were entered against H.S. Management Group [DE 254], Harold Seigel [DE 255] and Jonathan Seigel [DE 256], and collection on those judgments is beyond the scope of the Receivership Order.

#### **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)**

I continue the process of investigating potential litigation targets who either improperly received transfers directly or indirectly from the Receivership Entities and/or damaged the Receivership Entities (and ultimately the investors) due to their actions and/or inactions. As previously reported, whatever claims that I ultimately bring will be with the hopes, and a probability, of winning and collecting. Also, whatever claims that I ultimately bring must be fully vetted with and ultimately approved by the SEC. 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 potential 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. The SEC has previously provided me with their forensic reconstruction regarding solely investor transactions.

**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. It also appears that the Receivership Entities raised at least \$30 million. I am still in the process of calculating the actual amount of money raised and 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." This information will be utilized during the anticipated future claims procedure (*see* section G, *infra*).

I continue to update the receivership website ([naturaldiamondsreceivership.com](http://naturaldiamondsreceivership.com)) with court filings and information for investors. The receivership website also contains a registration form,<sup>3</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. My staff, professionals, and I regularly communicate with investors.

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

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<sup>3</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.

I will be seeking to establish a claims procedure motion in the next quarter. My intention remains to conclude the claims proceeding as soon as possible with as little claims litigation as possible and ultimately repay as many legitimate investor and creditor claims with available receivership funds as soon as practicable.

**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 the Receivership 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 Eighth Report with my Ninth Report at the conclusion of the next quarter.

Dated: April 30, 2021

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

# **EXHIBIT A**

<u>STANDARDIZED FUND ACCOUNTING REPORT</u>				
SECURITIES AND EXCHANGE COMMISSION				
vs.				
NATURAL DIAMONDS INVESTMENT CO., et al.				
CASE NO.: 19-CV-80633-ROSENBERG				
Reporting Period January 1, 2021 through March 31, 2021				
FUND ACCOUNTING				
			Detail	Subtotal
Line 1	Beginning Balance			\$67,126.02
Line 2	Business Income			\$1,807,143.10
Line 3	Cash and Securities			\$0.00
Line 4	Interest/Dividend Income			\$0.00
Line 5	Business Asset Liquidation			\$0.00
Line 6	Personal Asset Liquidation			\$0.00
Line 7	Third-Party Litigation Income			\$0.00
Line 8	Miscellaneous - Other			\$0.00
	<b>TOTAL FUNDS (Lines 1-8)</b>			<b>\$1,874,269.12</b>
	Decreases in Fund Balance:			
Line 9	<b>Disbursements to Investors</b>			\$0.00
Line 10	<b>Disbursements for Receivership Operations</b>			\$0.00
Line 10a	Disbursements to Receiver or Other Professionals			\$221,629.49
Line 10b	Business Asset Expenses (Bank Service Charge)			\$88.10
Line 10c	Personal Asset Expenses			\$0.00
Line 10d	Investment Expenses			\$0.00
Line 10e	Third-Party Litigation Expenses □			\$0.00
	Attorneys Fees			\$0.00
	Litigation Expenses			\$0.00
	<b>Total Third-Party Litigation Expenses</b>			\$0.00
	<b>Total Disbursements for Receivership Operations:</b>			<b>\$221,717.59</b>
Line 11	<b>Disbursements for Distribution Expenses Paid by the Fund:</b>			
Line 11a	Distribution Plan Development Expenses:			
	Fees			\$0.00
	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
	Administrative Expenses			\$0.00
	Miscellaneous - Other			\$0.00
	<b>Total Plan Development Expenses</b>			<b>\$0.00</b>
Line 11b	Distribution Plan Implementation Expenses:			
	Fees			
	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

	Administrative Expenses			\$0.00
	Investor Identification			\$0.00
	Notice/Publishing Approved Plan			\$0.00
	Claimant Identification			\$0.00
	Claims Processing			\$0.00
	Website Maintenance/Call Center			\$0.00
	Fund Administrator Bond			\$0.00
	Miscellaneous - Other			\$0.00
	Federal Account for Investor Restitution (FAIR) Reporting Expenses			\$0.00
	Total Plan Implementation Expenses Not Paid by the Fund			\$0.00
	<b>Total Disbursements for Distribution Expenses Paid by the Fund</b>			<b>\$0.00</b>
<b>Line 12</b>	<b>Disbursements to Court/Other:</b>			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			\$0.00
Line 12b	Federal Tax Payments			\$0.00
	<b>Total Disbursements to Court/Other:</b>			<b>\$0.00</b>
	<b>Total Funds Disbursed (Lines 9-11):</b>			<b>\$221,717.59</b>
<b>Line 13</b>	<b>Ending Balance (As of 3/31/2021):</b>			<b>1,652,551.53</b>
<b>Line 14</b>	<b>Ending Balance of Fund - Net Assets:</b>			
Line 14a	Cash & Cash Equivalents			\$0.00
Line 14b	Other Assets or Uncleared Funds			\$0.00
	<b>Total Ending Balance of Fund - Net Assets</b>			<b>\$0.00</b>
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	<b>Report of Items NOT to be Paid by the Fund:</b>			
<b>Line 15</b>	<b>Disbursements for Plan Administration Expenses Not Paid by the Fund:</b>			<b>\$0.00</b>
Line 15a	Fees			\$0.00
	Fund Administrator			\$0.00
	IDC			\$0.00
	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	Tax Advisers			\$0.00
	Administrative Expenses			\$0.00
	Miscellaneous			\$0.00
	<b>Total Plan Development Expenses Not Paid by the Fund</b>			<b>\$0.00</b>
<b>Line 15b</b>	<b>Plan Implementation Expenses Not Paid by the Fund:</b>			<b>\$0.00</b>
	Fees			
	Fund Administrator			\$0.00
	IDC			\$0.00

	Distribution Agent			\$0.00
	Consultants			\$0.00
	Legal Advisers			\$0.00
	Tax Advisers			\$0.00
	Administrative Expenses			\$0.00
	Investor Identification:			\$0.00
	Notice/Publishing Approved Plan			\$0.00
	Claimant Identification			\$0.00
	Claims Processing			\$0.00
	Website Maintenance/Call Center			\$0.00
	Fund Administrator Bond			\$0.00
	Miscellaneous			\$0.00
	FAIR Reporting Expenses			\$0.00
	<b>Total Plan Implementation Expenses Not Paid by the Fund</b>			<b>\$0.00</b>
Line 15c	<b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund:</b>			
	<b>Total Disbursements for Plan Administration Expenses Not Paid by the Fund</b>			<b>\$0.00</b>
<b>Line 16</b>	<b>Disbursements to Court/Other Not Paid by the Fund:</b>			<b>\$0.00</b>
Line 16a	Investment Expenses/CRIS Fees			\$0.00
Line 16a	Federal Tax Payments			\$0.00
	<b>Total Disbursements to Court/Other Not Paid by the Fund:</b>			<b>\$0.00</b>
<b>Line 17</b>	<b>DC &amp; State Tax Payments</b>			<b>\$0.00</b>
<b>Line 18</b>	<b>No. of Claims:</b>			
Line 18a	# of Claims Received This Reporting Period		0	
Line 18b	# of Claims Received Since the Inception of Fund		0	
<b>Line 19</b>	<b>No. of Claimants/investors:</b>		0	
Line 19a	# of Claimants/Investors Paid This Reporting Period		0	
Line 19b	# of Claimants/Investors Paid Since Inception of Fund		0	

Receiver:



By:

Jeffrey C. Schneider, Court Appointed Receiver

Jeffrey C. Schneider (printed name)

Date: April 30, 2021