

**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.

/

**NOTICE OF FILING TENTH 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 Tenth Quarterly Status Report for the quarter ending September 30, 2021.

**Case No. 9:19-CV-80633-ROSENBERG**

Dated: November 1, 2021

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on November 1, 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

**SERVICE LIST**

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SOUTHERN DISTRICT OF FLORIDA  
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**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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**TENTH 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 Tenth Quarterly Status Report for the quarter ending September 30, 2021.

**INTRODUCTION**

This will be a much shorter report than my other reports, not because I do not have much to report, but because I want to focus on the accomplishments that my team and I have made in the last quarter, which pertain to the distribution efforts that are currently underway. Since my last report, I have concluded the claims submission process, which means that all proof of claim forms

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have been received (and the deadline to submit them—also known as the “claims bar date”—has since expired). I am now starting to evaluate the claims received with an eye toward distribution. Since my last report, I amended my agreement with Gold 7 of Miami, LLC (“G7”) to maximize the Receivership Estate’s recovery under that structure, now that we have discovered that several of the pieces that Jose Aman sold to G7 were actually owned by others. And lastly, I have made strides toward scheduling the auction of the jewelry, diamonds, and other items that I have secured.

The Appointment Order requires me to file Quarterly Status Reports within 30 days of the end of each calendar quarter. This report will cover the period from July 1, 2021 through September 30, 2021, including the three main areas summarized above.

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

**1. The claims procedure and auction**

As the Court is aware, I commenced a claims procedure in late June. I gave notice to all known investors and creditors of the process and the deadline for claimants to submit their proof of claim forms was, pursuant to an order from this Court, September 30, 2021—the last day of the quarter covered by this report. I sent out claim forms to over 350 investors and potential creditors by mail and email, and I made a claim form, along with information about the claims procedure, on the website that I created—[www.naturaldiamondsreceivership.com](http://www.naturaldiamondsreceivership.com). As of September 30, 2021, we had received 212 claim forms. My team and I are currently evaluating the claims and the loss evidence provided therein. We do not yet have a total value for the aggregate claims, because certain claimants did not include all of their bank account information, but it is estimated to be over \$30 million, which is consistent with the results of the SEC’s initial investigations.

My goal is to submit a motion outlining the proposed distribution for these claims within the next quarter or by early 2022, at the latest. That motion will be filed after all claimants have been given an opportunity to cure the deficiencies of their proof of claim form and submit all

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required documentation for me to confirm their “net investment” amount. In other words, I will have an exact amount of the aggregate claim amount by then. That distribution will be funded by the amounts currently held in the Receivership bank accounts (identified in Exhibit A), along with the proceeds of the auction of the diamonds, jewelry, and other items in my possession.

I am in the process of finalizing plans for the auction, but this process has been difficult for a number of reasons. The timing of the auction was obviously hampered by the global pandemic. In addition, it has been challenging to find a competent auctioneer for these specialty pieces. Moreover, as the Court is aware, diamonds that were owned by others were stored with Receivership Entity diamonds. This unfortunately led to the sale of many of those diamonds to fund the continuance of the Ponzi scheme, meaning a loss of those individuals’ diamonds. This has created a challenge for me, because we continue to receive inquiries from individuals who are looking for their diamonds and I want to be very sure that the Receivership does not sell any diamonds that are owned by others, so I waited for the claims procedure to be concluded to review all claims to confirm that no one else is claiming ownership of any diamonds beyond the 18 diamonds we know now.

**2. The modification of the agreement with G7**

As previously reported, a settlement was reached at mediation between the SEC, G7, and me, which was approved by the Court [DE 257 and DE 252-1]. As part of that settlement, 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. However, because more of those diamonds have been determined to be owned by others than anticipated at the time of the original settlement, G7 and I entered into an addendum to slightly modify the sale procedure for the remaining diamonds (*i.e.*, the non-investor-owned diamonds), which was approved by this Court [DE 307].

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**3. Demands**

As previously reported, I discovered that a former professional of NDIC and EFDG testified that he knew they operated as a Ponzi scheme. I threatened to sue and eventually reached a consensual resolution in the amount of \$750,000. On July 6, 2021, I moved to approve the \$750,000 settlement with the accounting firm [DE 297] and the Court promptly granted that motion [DE 298] on July 9, 2021. The settlement payment has since been made and will be included in distributions to victims.

**4. Other Pending Lawsuits**

As I reported earlier, I continue to communicate with the lawyers and presiding judges in the known pending cases against the Receivership Entities, the Seigels, and/or Aman to confirm that the various courts are observing the stay of those other lawsuits. Several of the pending lawsuits continue to require action by me, as the courts continue to issue notices of lack of prosecution or schedule status checks, because the cases have been dormant because of the stay, so I have worked with investor counsel to file the appropriate motions and notices to ensure that the stay remains in place in those cases.

**5. Communications with Victims and Investors**

I continue to update the receivership website with court filings and other information for investors. My staff, professionals, and I regularly communicate with investors, especially during the claims process while they had questions about completing the proof of claim forms and the attachments thereto. Indeed, during the claims procedure, those inquiries came in daily and my staff and I strived to thoroughly respond to all of them to ensure that all investors had the information they needed to fully complete and submit their claim forms.

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**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 September 30, 2021, there was \$2,247,012.83 in the Argyle receivership bank account. 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 defined in prior reports) that was closed. As of September 30, 2021, there was \$46,575.70 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**

In the last quarter, I generated the \$750,000 from my settlement with the former accountant described above. No new diamonds or other items have been obtained. Therefore, I will simply refer to my prior reports, incorporated here by reference, for a detailed explanation of the property maintained on hand.

**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 to be very mindful and sensitive of the issue of expenses and the necessity for efficiency regarding any potential claims to be brought on behalf of the Receivership Estate. Any such determination must be fully vetted with and ultimately approved by the SEC. At this time, I do not anticipate bringing any additional claims.



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

According to the SEC's forensic work, it appears that the Receivership Entities raised at least \$30 million. My preliminary review of the claims we have received leads me to the same conclusion. As noted above, my team and I are reviewing the claims received and I plan to submit a motion with a proposed distribution plan for all holders of allowed claims within the next quarter or early 2022, depending on how long it takes to resolve any objections.

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

I detailed the status of the claims procedure above in section A and the status of all lawsuits brought by investors. Until and unless I assert objections to claims, there is nothing further to report here at this time.

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

I obviously recommend that the Receivership continue. At this juncture, all that remains is for me to sell the items I have secured and distribute the proceeds to holders of allowed claims. At this point, I anticipate a need for the Receivership to continue into the second quarter of 2022, at which time I will likely recommend a discontinuation.

Dated: November 1, 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 July 1, 2021 through September 30, 2021				
FUND ACCOUNTING				
			Detail	Subtotal
Line 1	Beginning Balance			\$1,593,059.45
Line 2	Business Income			\$0.00
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		Settlement (Froehlich & De La Rua, CPA)	\$750,000.00
Line 8	Miscellaneous - Other			\$0.00
	<b>TOTAL FUNDS (Lines 1-8)</b>			<b>\$2,343,059.45</b>
	<b>Decreases in Fund Balance:</b>			
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			\$49,390.92
Line 10b	Business Asset Expenses (Bank Service Charge)			\$80.00
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>\$49,470.92</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>\$49,470.92</b>
<b>Line 13</b>	<b>Ending Balance (As of 9/30/2021):</b>			<b>2,293,588.53</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>
Line 16	<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>
Line 17	<b>DC &amp; State Tax Payments</b>			<b>\$0.00</b>
Line 18	<b>No. of Claims:</b>		212	
Line 18a	# of Claims Received This Reporting Period		212	
Line 18b	# of Claims Received Since the Inception of Fund		212	
Line 19	<b>No. of Claimants/investors:</b>		212	
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: November 1, 2021