

**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 ELEVENTH 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 Eleventh Quarterly Status Report for the quarter ending December 31, 2021.

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

Dated: January 31, 2022

Respectfully submitted,

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-and-

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CERTIFICATE OF SERVICE

I hereby certify that on January 31, 2022, 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.

**ELEVENTH 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 Eleventh Quarterly Status Report for the quarter ending December 31, 2021.

INTRODUCTION

In the last quarter, my team and I made strides toward completing the claims evaluation process and conducted the auction of the diamonds and jewelry I secured since the time of my appointment. We also continued our regular communication with victims regarding the status of the receivership and the claims process, and we were required to take steps to confirm the stays of

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

state court cases remain in place. 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 October 1, 2021 through December 31, 2021.

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—<https://naturaldiamondsreceivership.com>.

As of September 30, 2021, we had received 212 claim forms. Many of those claims were deficient in terms of the requisite documentation or with regard to how the losses were calculated. We therefore had to reach out to those claimants to obtain the required information or otherwise work with them to reach agreement on the amounts of the claims. By way of example, many claimants did not include proof of their investments or misunderstood that “reinvestment” or “rollover” of their original funds did not constitute a separate investment because fresh money was not sent to any of the Receivership Entities. This has proven to be a more labor-intensive task than anticipated, but our goal was to reduce the number of objections that I would have to make. Indeed, given the economics of the case, my goal is to try to resolve and eliminate *all* objections, which will reduce the amount of funds I might have to reserve until the resolution of any objections and eliminate the possibility of having to make a second distribution.

As of the filing of this report, there are fewer than 10 claimants with whom we are communicating in an effort to obtain documentation or resolve potential objections. I am still on

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

track to submit a proposed distribution plan in in the first quarter of 2022. As of right now, the approximate amount of allowed claims is over \$27 million. The distribution to those claimants will be funded by the amounts currently held in the Receivership bank accounts (identified on Exhibit A), along with the proceeds of the auction of the diamonds, jewelry, and other items in my possession (which amount is discussed more fully below).

The auction of the diamonds, jewelry, and coins in my possession took place on January 12, 2022. We used Stampler Auctions, an auction company well-known in South Florida and to the bankruptcy and receivership community. The delivery of the majority of sold items took place the week of January 17, and the auctioneer's final reports are being prepared. I anticipate receiving those reports and the funds from the auction within the next two weeks. Unfortunately, the auction did not yield nearly the amount I had hoped to obtain for the victims. Almost all of the cut diamonds and jewelry were sold, but most of the rough diamonds did not sell, so I must now look for another way to monetize those diamonds for the victims.

Pursuant to the agreement with Gold7, LLC ("G7"), some of the proceeds from the auction will be paid to G7, and G7 is now required to use its best efforts to sell the remaining pieces subject to the remaining agreement with G7 for the mutual benefit of G7 and the Receivership. Because I will receive the auctioneer's report in the middle of February and will receive an update from G7 in that same timeframe, I will provide an update to victims on the receivership website before the end of the next quarter, so that victims do not have to wait for my next report to learn about the sale of the remaining diamonds and jewelry. Unfortunately, I can estimate, at this juncture, that the auction will yield only about \$250,000 to the Receivership estate. As stated above, however, there are additional items that still need to be sold.

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

2. Other Pending Lawsuits

As I noted above, 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 some action, as the courts continue to issue notices of lack of prosecution, schedule status checks, or improperly place the cases on trial dockets, 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.

3. 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 and after the claims process while they had questions about the claim forms and the status of the evaluation process. My staff and I strive to respond to inquiries fully, yet efficiently, to continue to maximize the recovery available to all victims.

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 December 31, 2021, there was \$2,219,286.63 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 \$46,450.70 in that account.

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

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, no new diamonds, funds, or other items were 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. As noted above, as further proof of my sensitivity to costs, my team and I are striving to minimize the number of objections to be filed so as to minimize those costs to the Receivership Estate as well. At this time, I do not anticipate bringing any additional claims.

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. As noted above, the anticipated amount of allowed claims is approximately \$27 million. As also noted above, I anticipate submitting a proposed distribution plan for all holders of allowed claims in the near future (within the first quarter of 2022), with very few objections.

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

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 remaining items that did not sell at auction, resolve the few pending objections to claims, and distribute the proceeds to holders of allowed claims. At this point, I anticipate a need for the Receivership to continue into the second or third quarter of 2022, at which time I will likely recommend a discontinuation.

Dated: January 31, 2022

/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 October 1, 2021 through December 31, 2021				
FUND ACCOUNTING				
			Detail	Subtotal
Line 1	Beginning Balance			\$2,293,588.53
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			\$0.00
Line 8	Miscellaneous - Other		Acknowledgment of Receipt of Diamond from Ron Cheron	\$650.00
	TOTAL FUNDS (Lines 1-8)			\$2,294,238.53
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			\$0.00
Line 10	Disbursements for Receivership Operations			\$0.00
Line 10a	Disbursements to Receiver or Other Professionals		Order Granting Eighth Fee Application	\$28,306.20
Line 10b	Business Asset Expenses (Bank Service Charge)		Wire Transfer Fee -\$35.00 Wire Transfer Fee-\$35.00 Safe Deposit Rental-\$125.00	\$195.00
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
	Total Third-Party Litigation Expenses			\$0.00
	Total Disbursements for Receivership Operations:			\$28,501.20
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
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
	Total Plan Development Expenses			\$0.00
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
	Total Disbursements for Distribution Expenses Paid by the Fund			\$0.00
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			\$0.00
Line 12b	Federal Tax Payments			\$0.00
	Total Disbursements to Court/Other:			\$0.00
	Total Funds Disbursed (Lines 9-11):			\$28,501.20
Line 13	Ending Balance (As of 12/31/2021):			2,265,737.33
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			\$0.00
Line 14b	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets			
OTHER SUPPLEMENTAL INFORMATION:		Report of Items NOT to be Paid by the Fund:		
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			\$0.00
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
	Total Plan Development Expenses Not Paid by the Fund			\$0.00
Line 15b	Plan Implementation Expenses Not Paid by the Fund:			\$0.00
	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
	Total Plan Implementation Expenses Not Paid by the Fund			\$0.00
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund:			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			\$0.00
Line 16	Disbursements to Court/Other Not Paid by the Fund:			\$0.00
Line 16a	Investment Expenses/CRIS Fees			\$0.00
Line 16a	Federal Tax Payments			\$0.00
	Total Disbursements to Court/Other Not Paid by the Fund:			\$0.00
Line 17	DC & State Tax Payments			\$0.00
Line 18	No. of Claims:		212	
Line 18a	# of Claims Received This Reporting Period		212	
Line 18b	# of Claims Received Since the Inception of Fund		212	
Line 19	No. of Claimants/investors:		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: January 31, 2022