IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

WIGBERTO LUGO-MENDER, as the duly appointed Trustee in the liquidation of EURO PACIFIC INTERNATIONAL BANK, INC., Plaintiff, v. **QENTA, INC.; PETER D. SCHIFF; BRENT DE JONG; ET AL.,** Defendants. **EURO PACIFIC FUNDS SCC LTD.; EURO PACIFIC SECURITIES, INC.; EURO PACIFIC CARD SERVICES LTD.; AND GLOBAL CORPORATE STAFFING LTD.** Parties in Interest.	**CIVIL NO.**: 25-1501 (PAD)

REPLY IN SUPPORT OF MOTION FOR SANCTIONS

TO THE HONORABLE COURT:

COMES NOW Defendant Peter D. Schiff ("Schiff" or "Defendant"), through the undersigned counsel, and respectfully files this Reply in Support of his Motion for Sanctions (Docket No. --; Motion).

I. INTRODUCTION

Wigberto Lugo-Mender's ("Trustee") Opposition to Motion for Sanctions ("Opposition", Docket No. 99) confirms the merits of Mr. Schiff's request. On every specific, documented misrepresentation or material omission Mr. Schiff identified, the Trustee offers no answer. Mr. Schiff requests sanctions primarily on three grounds, each tied to an exhibit or a record cite: that the Verified Complaint's (Docket No. 1) central factual allegations against Mr. Schiff are demonstrably false (Rule 11(b)(3)); that its Commodities Exchange Act ("CEA") and RICO

theories are legally baseless (Rule 11(b)(2)); and that it was filed for an improper purpose (Rule 11(b)(1)). The Opposition runs twenty-two pages. The Trustee offers no proof to rebut Mr. Schiff's arguments.

The pattern is most apparent wherever the Trustee's brief reaches a load-bearing proposition. He asserts that "Rule 11 must be applied with particular caution in complex fraud and RICO litigation." Opposition at 3. He does not cite any law in support of this statement. The law is the opposite: because a RICO charge carries "an almost inevitable stigmatizing effect," counsel's pre-filing duty is *heightened*. *Katzman v. Victoria's Secret Catalogue*, 167 F.R.D. 649, 660–61 (S.D.N.Y. 1996)(Citations omitted.) He asserts that "courts should exercise particular caution before imposing sanctions against fiduciaries." Opposition at 11. He similarly fails to cite any case law or statutory authority that stands for this proposition. He argues that a claim is sanctionable "only where there exists no colorable basis whatsoever for the claim under any reasonable interpretation of the governing law." Opposition at 15. The Trustee provides no authority for this averment. The Opposition's legal framing rests on propositions the Trustee was unable, or unwilling, to support.

The factual record is no different. The Trustee's Complaint was sworn and accompanied with a twenty-four-page declaration. Yet on the charge that Mr. Schiff conspired with co-Defendants Qenta, Inc. ("Qenta") and Brent de Jong, that sworn record identifies no document Mr. Schiff authored, no misrepresentation he made, and no predicate act he committed. On the specific falsehoods Mr. Schiff's motion identified, the Opposition is silent. It does not defend the allegation that Mr. Schiff controlled the bank's website during the period of the alleged "joint statements." It does not defend the claim that the Trustee recovered the customer silver; Mr. Schiff did. It does not address the regulator's approval of the liquidation plan. These

points are conceded. The Trustee instead gripes about Mr. Schiff's "public persona," his "commercial brand," and his "post-settlement tantrum." Opposition at 4, 18.

There is a reason for the Trustee's silence. The documents he held before he filed suit completely undercut the Trustee's theory of the case. Two months before the Verified Complaint, Qenta sent the Trustee written notice terminating the PAA — a letter that blamed *the Trustee* for the impasse. Shortly thereafter, Mr. Schiff sued Qenta twice to freeze and recover the very assets the Trustee now says were stolen by collusion. The Trustee thus knew every exculpatory fact before he prosecuted his claims — and the Opposition still does not engage them. Confronted with that record, the Trustee offers not a document but a phrase: that Mr. Schiff's suit against his alleged co-conspirator was "reactive damage control." Opposition at 5–6.

That is the Opposition in miniature. While the Motion attaches over a dozen exhibits, the Opposition refuses to squarely engage with its content. And the Trustee's answer to that imbalance of proof has been to try to end the inquiry rather than meet it. First, the Trustee answered the Motion with adjectives and characterizations about Mr. Schiff's motives, going so far as to characterize his filings as a tantrum, then by opposing Mr. Schiff's leave to file this very Reply (Docket No. 102), and throughout by urging the Court to rule on mootness rather than the merits of the request for sanctions. A litigant confident in his pleading does not work this hard to keep it from being scrutinized.

Rule 11 asks not whether the filer has a double motive in requesting sanctions, but whether the Verified Complaint had objectively reasonable factual and legal support when it was filed. The Trustee's inability to supply that support now, after full briefing, his own sworn declaration, and three years of unfettered access to the bank's records and systems, confirms it was never there. At a minimum, the disputes the Trustee manufactures cannot be resolved on his

say-so, and the Court should grant the limited discovery and evidentiary hearing the Motion requested and the Opposition never opposed.

II. ARGUMENT

A. Dismissal with prejudice does not moot Mr. Schiff's request for sanctions.

The Trustee's one genuinely new argument, that the case's dismissal with prejudice moots the Motion, is foreclosed by the very case he cites in support of his proposition. Specifically, the Trustee cites *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384 (1990), for the proposition that the "central purpose of Rule 11 is to deter baseless filings." DE 99 at 17. But the holding of *Cooter & Gell* is that a district court retains jurisdiction to impose Rule 11 sanctions *after* the underlying action is dismissed — indeed, even after a voluntary dismissal. 496 U.S. at 395–98. The case the Trustee invokes to escape the Motion is the case that forecloses his escape.

The Trustee's argument also ignores half of what Rule 11 does. A Rule 11 sanction "usually serves two main purposes: deterrence *and* compensation." *Navarro-Ayala v. Nunez*, 968 F.2d 1421, 1426 (1st Cir. 1992). The Court may award the fees "directly resulting from" the misrepresentations. *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186 n.5 (2017). "Nothing left to deter" does not reach the fees Mr. Schiff was forced to incur defending a pleading the Trustee knew to be false because fees and costs already incurred do not evaporate because the case settled.

Finally, by the letter of Rule 11, the violation is measured at the moment of filing and advocacy, not at dismissal. A dismissal procured by settlement between *other* parties — Mr. Schiff did not sign the Settlement Agreement, and was dismissed without his participation — says nothing about whether the allegations against Mr. Schiff had support on September 16, 2025. Tellingly, the Trustee's decision to brief the point of mootness twice (DE 99 § IV; DE 102)

confirms that whether the settlement mooted the request for sanctions is a live, contested issue the Court must decide. A controversy spent enough to deny a reply is not spent enough to require two briefs defending its disposition.

B. Records in the Trustee's possession prior to filing directly refute his central theory of liability against Mr. Schiff.

The Trustee's core theory of liability is that Mr. Schiff and Qenta were co-conspirators in a scheme to defraud EPB's customers. Records in the Trustee's own possession when he verified the Complaint reflect the opposite.

On July 11, 2025, Qenta sent the Trustee formal notice terminating the PAA. The letter was addressed to the Trustee and copied to his counsel of record. Mr. Schiff acted within *six days* of the same termination notice. He moved in this District to freeze and recover approximately $80 million in EPB customer assets; when that motion was denied on standing grounds, he re-filed in New York and obtained a temporary restraining order from Justice Jamieson, who found a likelihood of success on the merits. The TRO was affirmed by Judge Castel in New York and later vacated only because Mr. Schiff, as shareholder of EPB, lacked standing — not for any want of evidence, and not for any finding of wrongdoing. *See* Docket No. 14 at §II(B); *see also* Docket No. 14, Exhs. 1–3. The Trustee, who indisputably *did* have standing, was invited by that ruling to step into the litigation. He declined, waited, and sued Mr. Schiff, the one person who had acted, and labeled him a criminal.

It is not possible to reconcile this record with a conspiracy. One does not spend months and hundreds of pages litigating across two jurisdictions to enjoin and claw back $80 million if one's aim is to *steal* that same $80 million. The Trustee's answer, that Mr. Schiff's suits against Qenta were "reactive damage control," is not a denial that the suit happened or that he had knowledge of it prior to filing the Verified Complaint. The Trustee concedes the point, but

attempts to spin it by speculating about Mr. Schiff's motive in filing suit. Motive is not relevant. The Trustee had knowledge of the fact that Mr. Schiff had sued his alleged co-conspirators to attempt to recoup the very assets he is now accused of attempting to steal. Yet, the Verified Complaint did not mention it. Months later, the Trustee still cannot put forth a reasonable explanation why this was so.

This is dispositive of Rule 11(b)(3). The omission of Mr. Schiff's litigation against Qenta — from a complaint that attached hundreds of pages of exhibits — was not an oversight. It was the deliberate omission of the single fact that collapses the pleading's premise.

C. The Trustee's Opposition fails to address the deliberate falsehoods identified in the Motion.

The Trustee's failure to address the discrete misrepresentations identified by Mr. Schiff in his Motion is a concession of the validity of Mr. Schiff's position.

First, the Motion showed that the Trustee falsely told this Court he recovered over $10 million in customer silver, when in fact it was Mr. Schiff who demonstrated to the Singapore custodian that the metal belonged to the bank and secured its return. Motion at 14; Docket No. 14 at 5–6 & Exhs. 4–6. The Opposition does not defend the Trustee's statement. It does not mention the silver at all. An unrebutted, record-supported false statement to the Court, by a fiduciary who verified his pleading under oath, is itself sanctionable.

Second, the Verified Complaint alleged the bank's website "remained under the control of Schiff and/or Qenta" during the period of the alleged joint statements. Docket No. 1, ¶ 28. The Motion showed Qenta controlled the domain from September 30, 2022 until late July 2025, when Mr. Schiff regained access. Motion at 7–8, 13. The Opposition does not defend the allegation; it pivots to communications Mr. Schiff sent *to the Trustee* — a different subject entirely. The factual predicate for the "joint statements" charge is abandoned.

Third, the Complaint intimates the Voluntary Liquidation Plan was an instrument of fraud. An insidious plan prepared by Mr. Schiff. The Motion showed the Plan was reviewed, revised, and *approved* by both OCIF and the Trustee himself. Motion at 13. The Opposition never engages the approval. A plan the regulator and the Trustee approved cannot simultaneously be the scheme they were defrauded by.

Fourth, the Verified Complaint alleged that Mr. Schiff and/or Qenta retained control over customer data, obstructing access by regulators and complicating the liquidation. Docket No. 1, ¶ 41. The Motion showed that Mr. Schiff repeatedly and explicitly offered to provide the Trustee with all information in his possession. Motion at 13; Exhs. 1–3. The Opposition does not acknowledge the offers, does not dispute the June 30, 2022 transfer of control, and does not explain how a defendant who volunteered his records obstructed access to them.

Arguments not addressed in an opposition are waived. The Court may treat these unrebutted, record-based showings as established. *See United States v. Zannino*, 895 F.2d 1, 17 (1st Cir. 1990) (Holding "issues adverted to in a perfunctory manner, unaccompanied by some effort at developed argumentation, are deemed waived.")

Beneath the specific falsehoods identified above lies a more pervasive defect that the Opposition never confronts: the Trustee's reliance on undifferentiated group pleading. Across twenty-two pages, the Opposition refers to "Defendants," to "Schiff, Qenta, and related parties," and to "Defendants' conduct," almost never separating Mr. Schiff's alleged role from Qenta's. Rule 9(b) does not permit this. In a fraud action, allegations must be pleaded with particularity as to each defendant. *DiVittorio v. Equidyne Extractive Indus.*, 822 F.2d 1242, 1247 (2d Cir. 1987). The Trustee's recourse to collective formulations is not a stylistic choice. It is necessitated by the absence of Schiff-specific evidence. In twenty-two pages of opposition, the Trustee does not

identify a single document Mr. Schiff authored, a single statement he made, or a single act he took that establishes his agreement to a racketeering scheme.

Finally, and perhaps most importantly, the Trustee's broader operational allegation, that Mr. Schiff "stood at the very center of the migration process," Opposition at 9, is contradicted by direct testimony from inside Qenta itself. Mr. Luiz Gustavo Rezende Schober, who served as a Sales and Trading Manager on the trading desk at EPB from July 2015 through July 2022 and then at Qenta from September 2022 through June 2024, can attest to the fact that customer migration was directed exclusively by the Trustee and Qenta; that employees engaged in migration work were instructed by both the Trustee and Qenta not to take direction from Mr. Schiff; and that Mr. Schiff in fact had no operational role in the customer migration, customer onboarding, account reconciliation, or asset-transfer processes. ***See*** **Exhibit 1** (Declaration of Luiz Gustavo Rezende Schober), The Trustee's contemporaneous instruction to operations personnel, that Mr. Schiff was outside the migration apparatusm cannot be reconciled with a verified pleading swearing that he stood at its center. The Trustee's pre-filing conduct contradicts the Trustee's pre-filing knowledge, and the contradiction is itself evidence of the Rule 11(b)(3) violation and of the Rule 11(b)(1) improper purpose.

D. The Motion does not allege a "competing narrative," but a pattern of deliberate falsehoods.

The Trustee's principal legal refrain is that Rule 11 "does not authorize sanctions merely because a defendant offers a competing narrative," and that allegations are not "verifiably false" simply because a defendant disputes them. Opposition at 12–13. The Opposition recites both propositions without any supporting authority.

Every authority the Trustee marshals in his Opposition involves information the plaintiff genuinely lacked at filing. That premise is false in this case. The Trustee did not lack

information; he possessed it. He controlled the bank's records for three years. He held the termination letter. He had Mr. Schiff's entire litigation record against Qenta months before he prosecuted his claims. The information asymmetry his cited cases depend on runs in the opposite direction.

This is therefore not a quarrel between two reasonable inferences drawn from the same ambiguous facts. Mr. Schiff came forward with affirmative, documentary proof of the suits against Qenta, the silver recovery, and the website timeline, each of which the Trustee possessed or could trivially access, and each of which he ignored. That is not advocacy of a competing view; it is "clos[ing] [one's] eyes to the overwhelming evidence" that the pleading was untrue. *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 2002 WL 59434, at *1 (S.D.N.Y. 2002).

The Trustee's insistence on his own thoroughness in investigating the case defeats his excuse. A litigant who touts his "extensive investigation" in defense of his demonstrably false allegations confirms one of two things—either his investigation was wholly inadequate, or he is acting in bad faith. "A pure heart no longer excuses an empty head," and only culpable carelessness — not bad faith — is required to award sanctions. *Lancellotti v. Fay*, 909 F.2d 15, 19 (1st Cir. 1990); *Cruz v. Savage*, 896 F.2d 626, 634 (1st Cir. 1990).

E. The legal theories remain baseless, and the Opposition defends the statutes rather than their application to Mr. Schiff.

The Motion argued the Trustee's Verified Complaint is sanctionable because its legal theories are utterly baseless and there is no reasonable basis for the Trustee's counsel to have believed Mr. Schiff's actions were violative of the CEA or RICO. Regarding the Motion's arguments on the RICO claim—no cognizable enterprise, no pattern of racketeering, and no fraud pleaded with particularity under Rule 9(b)—the Opposition answers one sliver of one ground — that scienter may be alleged generally under Rule 9(b). Opposition 99 at 13–14. But

Rule 9(b)'s general-allegation allowance is for state of mind only; the circumstances constituting the fraud must still be pleaded with particularity. The Opposition never identifies an enterprise, never identifies a pattern, and never identifies a single misrepresentation by Mr. Schiff. On a motion that put all three squarely in issue, that silence concedes the RICO theory had no factual basis as to Mr. Schiff.

More fundamentally, the Trustee's RICO architecture is structurally defective as to Mr. Schiff. Mr. Schiff is named in only one RICO count — Count III, the § 1962(d) conspiracy claim. His supposed "agreement" rests entirely on signing the PAA and on undefined "subsequent coordinated actions." Docket No. 1, ¶¶ 77–79. The PAA, however, was reviewed and approved by both OCIF and the Trustee himself. Declaration ¶¶ 34, 46. A transaction approved by the regulator and the court-appointed fiduciary cannot, as a matter of law, supply the "agreement" necessary to sustain a § 1962(d) claim against the seller.

A § 1962(d) conspirator must have agreed to facilitate the commission of the substantive RICO offense; doing business with conspirators, or facilitating a transaction later said to have been misused, is not enough. *Salinas v. United States*, 522 U.S. 52, 65 (1997); *Beck v. Prupis*, 529 U.S. 494, 506–07 (2000). The Trustee's own Declaration confirms Mr. Schiff did not agree to the alleged scheme: it attributes every act of misappropriation to Qenta (Declaration ¶¶ 50–59, 62, 75, 91) and casts Mr. Schiff in opposition to both Qenta and the Trustee from 2023 onward (*id.* ¶¶ 74, 77, 80). A sworn investigation that places a defendant in adversarial posture with the alleged co-conspirator cannot, in the same breath, supply the evidentiary support for the defendant's agreement to that co-conspirator's scheme. This falls woefully short of satisfying Rule 11(b)(2).

Similarly, the Motion showed that the private right of action under the Commodity Exchange Act requires conduct falling within one of four narrowly defined transactional categories, and that Mr. Schiff is not alleged to have engaged in any of them. Motion at 17. The Opposition responds with tonnage — ounces of gold, ounces of silver — and the bare assertion that the CEA is "well-established." Opposition 99 at 8–9, 14. It never addresses the four-category requirement. It conflates the existence of the statute with its application to this defendant. On these facts, no reasonable inquiry could have produced a CEA claim against Mr. Schiff; pleading one was not merely insufficient, it was frivolous.

The verified pleadings confirm the point. The *only* "misrepresentations" the Trustee attributes to Mr. Schiff appear at paragraph 84 of his declaration — and the Trustee concedes they were made *after* Qenta terminated the PAA, while Mr. Schiff was suing Qenta to recover the assets. The statements themselves are not deceptive; they are calls to action telling customers that the silver and metals belong to the bank and urging them to press the Trustee to release their property. A man does not defraud customers by telling them to reclaim their assets from his supposed co-conspirator.

F. Limited discovery and an evidentiary hearing are necessary to properly dispose of this matter.

If the Court is not prepared to grant sanctions on the present record, the Opposition itself supplies the reason to order limited discovery and a hearing. The frivolity of the claims against Mr. Schiff was never tested, because the case settled as to every other party and was dismissed before discovery, before any merits ruling, and before the Verified Complaint was ever subjected to adversarial scrutiny. The Trustee now argues both that the pleading cannot be shown baseless and that nothing remains to deter. He cannot have it both ways. A party may not benefit from the

fact that his pleading died before it could be examined while resisting the narrow discovery that would examine it.

i. The Trustee's irreconcilable defenses warrant discovery.

As a threshold matter, the Trustee's two defenses cannot coexist. He argues, on one hand, that the Verified Complaint was "the product of an extensive investigation," supported by audited statements and "over 300 pages of documentary support." Opposition 99 at 2, 6–7. He argues, on the other, that the key facts "resided almost entirely in the possession of Defendants" and could not be known before discovery. *Id.* at 12. Both cannot be true. If the investigation was exhaustive, then the Trustee had access to the proof of the falsity of the allegations against Mr. Schiff. If the facts were beyond his reach, then he pleaded a RICO and CEA conspiracy *without* evidence, which is the textbook Rule 11(b)(3) violation. Either branch warrants discovery into what the Trustee's pre-filing file actually contained.

ii. The Trustee's own standard requires a hearing.

The Opposition insists that intent, knowledge, and participation in a scheme cannot be resolved before discovery because they lie within the parties' control. *Id.* at 12–14. If the Court were to apply that standard symmetrically, then it would have to permit discovery into the Trustee's reasons for filing this suit. Specifically, if state of mind for RICO purposes cannot be resolved on the papers, then neither the Trustee's improper purpose under Rule 11(b)(1) nor the adequacy of his pre-filing inquiry can be resolved on his self-serving declaration. Where, as here, one alleged co-conspirator demonstrably sued the other before suit was filed, a court should demand more than conclusory pleading before crediting the conspiracy theory.

iii. The Trustee's Declaration is untested.

The entire Opposition rests on the Trustee Declaration's account of his own diligence. But the Trustee cannot rely on the challenged Declaration as proof that the Declaration was itself the product of reasonable inquiry. Mr. Schiff has had no opportunity to probe it because the Trustee dismissed this case. Whether the Trustee's inquiry was objectively reasonable — measured by "the complexity of the subject matter, the party's familiarity with it, the time available for inquiry, and the ease of access to the requisite information," *CQ Int'l Co. v. Rochem Int'l, Inc.*, 659 F.3d 53, 62–63 (1st Cir. 2011) — is a question of fact a hearing exists to resolve. Hearings and discovery are appropriate to that inquiry. *Baker v. Alderman*, 158 F.3d 516, 525–26 (11th Cir. 1998); *Sea Village Marina, LLC v. A 1980 Carlcraft Houseboat*, 2010 WL 338060, at *6 (D.N.J. 2010); Mot. at 19–20. The Opposition never addressed that part of the Motion.

Moreover, the Trustee alleges the facts were within Defendants' control and unknowable. Mr. Schiff says the Trustee held full control of the bank's systems and records from June 30, 2022 forward — three years, thousands of emails, hundreds of documents — plus the termination letter and the entire DE 14 record. The Court cannot deny the Motion without crediting the Trustee's contested account over Mr. Schiff's documentary one. That is what discovery and a hearing are for.

iv. The improper-purpose evidence stands unrebutted.

The Motion supported Rule 11(b)(1) with specific, documented facts: the Trustee's counsel blocked Mr. Schiff's email (Exhs. 14–15), and OCIF's counsel issued a cease-and-desist in response to his advocacy (Exh. 16). The Opposition answers none of it.The Trustee, who claims he "had a duty to act quickly," ignored Mr. Schiff's repeated requests to act, waited sixty-seven days after the termination notice to file suit, and then sued the one party who had

acted. "Acting quickly" and two months of inaction are not easily reconciled. Discovery is essential to reconciling these inconsistencies.

The Opposition also asserts that Mr. Schiff "repeatedly threatened to pursue Rule 11 sanctions if his demands concerning the settlement structure were not accepted" and that he "made good on those threats." Opposition at 3, 20. This is a brazen misrepresentation of reality. Mr. Schiff offered to withdraw the pending Motion in exchange for the Trustee's pursuit of specific protections for EPB customers against Qenta. The Trustee declined that offer. Offering to withdraw a properly filed and pending motion is not a threat to file one; it is a settlement overture the Trustee chose not to accept. Recasting that overture as evidence of an improper purpose inverts what actually happened and underscores the rhetorical strain that runs throughout the Opposition.

The Trustee's broader institutional defense, that "Courts should exercise particular caution before imposing sanctions against fiduciaries acting in representative capacities pursuant to regulatory authority," Opposition at 11, is a prudential dodge. Rule 11 applies uniformly to all litigants and counsel; statutory authority to investigate misconduct is not authority to file unsupported claims. *Pavelic & LeFlore v. Marvel Entm't Grp.*, 493 U.S. 120, 126 (1989). A liquidator may investigate; he may not, on the strength of his appointment, level federal racketeering charges he cannot substantiate against an individual whom his own investigation places in opposition to the alleged scheme. The chilling effect to be guarded against is not the application of Rule 11 to fiduciaries; it is the use of regulatory authority as a shield against the rule's ordinary operation.

G. The Trustee's own settlement refutes the racketeering narrative.

The Trustee argues that "frivolous controversies do not produce settlement structures of this magnitude." Opposition 99 at 15–16. But Mr. Schiff did not settle, and the settlement was with Qenta. The complexity of a Qenta resolution is no measure of whether the allegations against *Mr. Schiff* had any basis. The argument confuses the size of the dispute with the merit of the claim against a particular defendant.

Moreover, the executed Settlement Agreement, which the Trustee himself put in issue, describes this dispute, in its own recitals, as the product of "regulatory requirements, operational challenges, and disputes between the Parties" and "delays in the implementation" of a commercial agreement. Not a word of fraud, racketeering, or scheme. The same instrument provides that nothing in it is an admission of wrongdoing by anyone (Settlement Agreement, § 1.2), releases Qenta, the supposed lead racketeer, in full, and binds the Trustee to refrain from disparaging the very parties he branded a criminal enterprise. The Trustee's footnote acknowledging that Qenta "ultimately worked cooperatively" with him (Opposition at 2 n.1) cannot be reconciled with a verified pleading that cast Qenta as the hub of a $50 million RICO conspiracy. A coordinated racketeering scheme does not end in a global release and a mutual promise not to speak ill of the racketeers.

The point is sharpened by the Trustee's treatment of Brent de Jong. Mr. de Jong — the individual whom the Verified Complaint identified as the Qenta principal and as Mr. Schiff's alleged co-conspirator— was dismissed with prejudice and personally released, despite not being a party to the Settlement Agreement. The Trustee thus extended a personal release to the individual he had identified as the architect of the alleged racketeering enterprise. If Mr. de Jong's conduct merited a personal release the Trustee received nothing for, the conspiracy in

which Mr. Schiff is alleged to have participated did not exist as the Verified Complaint described it. There is no conspiracy of one.

Nor does the substance of the settlement support the Trustee's claim that its "magnitude" reflects the strength of his case. The settlement left a discount on customer-owned gold in place, left over $10 million in mutual fund assets under Qenta's control, and left non-reverse-migrated customer property in Qenta's possession past the 60-day window. Those are not terms a fiduciary extracts from a racketeering enterprise alleged to have stolen $50 million from customers.

H. Rule 11 does not require proof of legal harm.

The Trustee says Mr. Schiff "suffered no cognizable legal harm." DE 99 at 18. That is not the standard, and the harm is self-evident: a government-appointed fiduciary labeled a nationally known financial commentator and asset manager — whose business depends on customer trust in his handling of their funds — a racketeer in a verified federal pleading. Rule 11 polices exactly this injury, because a civil RICO charge carries "an almost inevitable stigmatizing effect" on those it names. *Katzman v. Victoria's Secret Catalogue*, 167 F.R.D. 649, 660–61 (S.D.N.Y. 1996). The Trustee's repeated emphasis on Mr. Schiff's public profile emphasizes the magnitude of the harm caused by his baseless filing.

The Trustee's own filings confirm his awareness of these stakes. He characterized Mr. Schiff's response to the Verified Complaint as directed "at what seems to be a public effort to manage and protect his personal reputation and public image, a concern especially acute given his status as a known financial commentator, media personality, and public figure whose personal brand are built upon public trust and perception." Docket No. 25 at 1. The Opposition repeats the theme, deriding Mr. Schiff's "public persona" and "commercial brand." Opposition at 4, 18. A litigant who knew, before filing, the precise reputational stakes of his pleading and who

nevertheless chose to level unsupported federal racketeering allegations against an individual whose livelihood depends on his fiduciary credibility cannot now invoke the very harm he intended to inflict as a reason to defeat sanctions. The knowing infliction of reputational damage on a named defendant, by a government-appointed fiduciary, through a verified federal complaint the filer's own sworn record does not support, is the improper purpose Rule 11(b)(1) was written to deter.

WHEREFORE, Defendant Peter D. Schiff respectfully requests the Court **GRANT** his Motion for Sanctions as requested.

RESPECTFULLY SUBMITTED in San Juan, Puerto Rico on this June 15, 2026.

WE HEREBY CERTIFY: Today we have electronically filed the foregoing document using the CM/ECF system which will send a copy and notification of filing to all counsel of record.

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