

**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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**RECEIVER'S NOTICE OF SEIGELS' NON-COMPLIANCE WITH  
MAGISTRATE JUDGE'S ORAL AND WRITTEN ORDER**

Jeffrey C. Schneider, not individually, but solely in his capacity as the Court-appointed receiver (the "Receiver"), hereby gives notice that Defendant Harold Seigel and his entity, Relief Defendant H.S. Management Group, LLC's (together, the "Seigels"), have not complied with the Magistrate Judge's Order—entered orally at a hearing on September 8, 2020 and memorialized in a written Order entered on September 17, 2020 (the "Magistrate's Order")—despite the fact that their motion to stay [DE 248] was denied [DE 249] and their Objection [DE 247] does not stay the obligations contained in the Magistrate's Order.

1. In an unprecedented display of hubris, the Seigels have granted themselves the stay of the Magistrate's Order that the Magistrate Judge denied. They knew their Objection to the Magistrate's Order did not stay their obligation to comply, because they accompanied their

Objection with a motion to stay compliance [DE 248].<sup>1</sup> That motion to stay was denied [DE 249].

2. Nor was the denial of their motion to stay ambiguous. The Magistrate Judge noted that this “involves a straightforward application of the Receivership Order’s grant of broad authority to investigate matters relevant to the Receivership Entities, including tracing funds that went out of those entities.” [DE 249 at 2.] The Magistrate Judge then stated—clearly and unambiguously—that “there is no likelihood of success on the merits of the appeal.” [*Id.* at 3.]

3. Despite those admonitions, and despite being denied that stay, the Seigels have not complied with the Magistrate’s Order; they have simply ignored the Receiver’s interrogatories and document requests (the “Requests”). The Magistrate’s Order required compliance by 5:00 p.m. on October 8, 2020, but when serving the Requests, the Receiver afforded the Seigels a full 30 days after service to respond—until October 19, 2020.

4. It is unfortunate, but no less than 12 pleadings have already been filed regarding the Receiver’s pursuit of basic information from the Seigels. The first request was sent by email over a year ago. (*See* Exhibit A.) It is nothing short of remarkable that the Receiver has had to expend this much time and effort to obtain basic information relating to the receivership from the Seigels.

5. By way of example, the Seigels apparently obtained diamonds and jewelry from

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<sup>1</sup> “Even though a party may object to a magistrate judge’s order on a non-dispositive matter, the order is nonetheless a final order absent reversal by the district court. As a result, an objection to such final order does not stay the order or relieve the party of the obligation to comply with the order.” *Tempay, Inc. v. Biltres Staffing of Tampa Bay, LLC*, 929 F. Supp. 2d 1255 (M.D. Fla. 2013)(citing, *inter alia*, *Maness v. Meyers*, 419 U.S. 449, 458 (1975) and *Carlucci v. Piper Aircraft Corp.*, 775 F.2d 1440, 1448 (11th Cir. 1985) (failure to comply with discovery order absent a stay warranted sanctions under Fed. R. Civ. P. 37)).

individuals who wished to sell them, re-certify them, appraise them, or just have them held for safekeeping. Some of those diamonds were evidently stolen by Defendant Jose Aman and ended up in the hands of third parties, such as Relief Defendant Gold 7 of Miami, LLC. During the course of the receivership, the Receiver has located or recovered 14 of those diamonds. For almost a year, the Receiver has been asking the Seigels about these transactions so the Receiver can determine if those 14 diamonds belong in the receivership or not. Because the diamonds were obtained by the Siegels, this is basic information about the administration of the receivership about which only the Seigels have knowledge, but for almost a year now, they have refused to answer the Receiver's questions or produce the requested documents. The Receiver will soon be filing a motion regarding this issue; unfortunately, he will do so without the benefit of the information from the Seigels.

6. At this juncture, the Court may wish to consider sanctions and/or contempt, as there does not seem to be any other way to compel the Seigels to comply with their court-ordered obligations.

Dated: October 22, 2020

Respectfully submitted,

**LEVINE KELLOGG LEHMAN  
SCHNEIDER + GROSSMAN LLP**  
201 South Biscayne Boulevard  
Citigroup Center, 22nd Floor  
Miami, FL 33131  
Telephone: (305) 403-8788  
Facsimile: (305) 403-8789

By: s/Stephanie Reed Traband  
STEPHANIE REED TRABAND  
Florida Bar No. 0158471  
srt@lklsg.com  
ar@lklsg.com  
*Counsel for the Receiver*

**CERTIFICATE OF SERVICE**

I hereby certify that on October 22, 2020, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who do not receive such.

By: /s/ Stephanie Reed Traband  
STEPHANIE REED TRABAND

**SERVICE LIST**

*Counsel for Securities and Exchange Commission:*

Amie Riggle Berlin, Esq.  
Senior Trial Counsel  
Linda S. Schmidt, Esq.  
Senior Trial Counsel  
Securities and Exchange Commission  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131  
Email: [berlina@sec.gov](mailto:berlina@sec.gov)

*Counsel for Harold Seigel, Jonathan Seigel, and H.S. Management Group LLC:*

Ellen M. Kaplan, Esq.  
Law Office of Ellen M. Kaplan P.A.  
9900 W Sample Rd Fl 3  
Coral Springs, Florida 33065  
Email: [ellenkaplanesq@aol.com](mailto:ellenkaplanesq@aol.com)

*Counsel for Gold 7 of Miami, LLC:*

Aaron Resnick, Esq.  
Law Offices of Aaron Resnick, P.A.  
100 Biscayne Boulevard, Suite 1607  
Miami, Florida 33132  
E-mail: [aresnick@thefirmmiami.com](mailto:aresnick@thefirmmiami.com)

*Counsel for Winners Church, Frederick Shipman, and Whitney Shipman:*

Carl Schoeppl, Esq.  
Terry A.C. Gray, Esq.  
Schoeppl Law, P.A.  
4651 North Federal Highway  
Boca Raton, Florida 33431  
Email: [carl@schoeppllaw.com](mailto:carl@schoeppllaw.com)  
[tgray@schoeppllaw.com](mailto:tgray@schoeppllaw.com)

**Via Email**

*Jose Aman, pro se*

E-mail: [joseaman123@gmail.com](mailto:joseaman123@gmail.com)

# **EXHIBIT A**

## Stephanie Reed Traband

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**From:** Stephanie Reed Traband  
**Sent:** Tuesday, September 17, 2019 12:00 PM  
**To:** Ellen Kaplan Esq  
**Cc:** Jeffrey C. Schneider  
**Subject:** Inquiry from a claimant about a diamond

Ellen,

We have received an inquiry from [REDACTED] about the location of a diamond, bearing the GIA number of [REDACTED] 0412. [REDACTED] has advised that it is a 0.25 carat radiant cut fancy deep pink argyle diamond (strawberry color to the naked eye) that [REDACTED] purchased from Harold Siegel from his online auction in June 2013. He was holding it for [REDACTED] in his safe. [REDACTED] asked if the Receivership has it, and neither the Receiver nor G7 have it. Can you please check with Mr. Siegel as to where this diamond is and let us know?

Thanks,  
Stephanie

**Stephanie Reed Traband**  
*Partner*



LEVINE KELLOGG LEHMAN SCHNEIDER + GROSSMAN LLP  
201 South Biscayne Boulevard  
22nd Floor, Citigroup Center  
Miami, FL 33131  
305.722.8995 (direct)  
305.403.8788 (main)  
305.403.8789 (fax)

[vCard](#) | [Bio](#) | [Website](#)

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