

**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.

**RECEIVER’S UNOPPOSED MOTION FOR JUDICIAL DETERMINATION
REGARDING OWNERSHIP OF FOURTEEN DIAMONDS IN THE RECEIVER’S
POSSESSION; INCORPORATED MEMORANDUM OF LAW**

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. (“Eagle”), and Argyle Coin, LLC (“Argyle”) (collectively, the “Receivership Entities” or “Receivership Estate”), moves the Court for an Order determining the ownership of 14 diamonds and/or pieces of jewelry that were located on Receivership property or that the Receiver has otherwise come into possession of, but which appear to be owned by individuals who did not invest those diamonds with the Receivership Entities.

As set forth more fully below, the Receiver has conferred with counsel for the SEC, Amie Riggle Berlin, who consents to the relief recommended herein by the Receiver, and all other Defendants and Relief Defendants (except for Jose Aman) have since settled with the SEC and

had consent judgments entered by the Court. Mr. Aman has also consented to a settlement with the SEC, but the terms of it will be finalized only after his sentencing in his criminal case.

BACKGROUND

1. Introduction

In every receivership, there are assets that get caught in the net of the proverbial receivership, but that do not really belong there. Here, there are pieces that individual defendant Jose Aman (“Aman”) evidently sold, loaned, or consigned to Relief Defendant Gold 7 of Miami, LLC (“G7”), individual defendant Harold Seigel, the American Institute of Diamond Cutting, LLC (“AIDC”) (a buyer and seller of diamonds with Eagle), and 125 Worth Partners LLC (Eagle’s landlord), but it appears that the diamonds were stolen from individuals that placed their diamonds with the individual defendants to be appraised, certified, stored and/or auctioned, and not because they invested those diamonds with any of the Receivership Entities.¹

Prior orders of this Court, and the recently-executed Settlement Agreement [DE 252-1] between the Receiver and G7, authorize the Receiver to sell all diamonds in the Receivership Estate, but because of the unique nature of the diamonds discussed herein, the Receiver seeks the Court’s determination as to the ownership and disposition of the diamonds of these non-parties before selling these particular diamonds. Indeed, for the reasons stated below, the Receiver recommends that these pieces not be considered to be part of the Receivership Estate, and thus not sold to be distributed to the victims of the fraud; instead, these pieces should be carved out of the Receivership Estate and returned to the individuals who own them.

¹ The Receiver has also learned that Aman apparently stole other diamonds owned by these (and other) individuals, but the Receiver has been unable to locate the other diamonds.

2. Eight Diamonds from G7

On June 4, 2019, the Court issued the Order Imposing Asset Freeze and Other Relief as to Relief Defendant Gold 7 of Miami, LLC (the “G7 Asset Freeze”) [DE 55]. The G7 Asset Freeze included 53 diamonds and jewelry pieces possessed and unsold by G7 in the list attached as Exhibit 1 to the Settlement Agreement (collectively, the “53 Diamonds/Jewelry”). Since this proceeding began, the Receiver has learned that eight of the 53 pieces are actually owned by five individuals.² The eight G7 pieces are highlighted in the document attached as Exhibit A. Four of these five individuals have contacted the Receiver and have satisfactorily provided documentary proof of their ownership of their specific pieces. One individual has not contacted the Receiver, but the Receiver has independently confirmed this person’s interest in one of the pieces.³

The Receiver recently filed a Motion to Approve the G7 Settlement Agreement [DE 252]. To eliminate any duplication between the filings, the Receiver incorporates the “Background” section of that Motion into this Motion. The relevant G7/Receiver settlement terms regarding these eight diamonds provide that (a) certain individuals have claimed that their diamonds are among the 53 Diamonds/Jewelry; (b) the Receiver shall address that issue by separate motion (*i.e.*, this motion); and (c) such pieces will be removed from the universe of pieces to be immediately sold – while that issue is being addressed by the Court – so as to not delay liquidating the remaining pieces.

² For privacy purposes, the Receiver will not be disclosing the identity of these individuals.

³ One person owns four diamonds, and four people own the other four diamonds.

3. Three Diamonds from AIDC

As part of his duties while Corporate Monitor for two of the Receivership Entities (NDIC and EFDG) in Case No. 9:18-civ-81151 that was pending before Judge Middlebrooks, the Receiver obtained possession of three diamonds that had been transferred to AIDC by either the Receivership Entities or Aman. To date, the Receiver continues to hold those diamonds as part of the Receivership Estate. The Receiver has identified three diamonds from the group transferred to the Receiver by AIDC that belong to two individuals: GIA numbers 14933242, 15114587, and 2155112349. One has provided satisfactory proof of ownership of two of the three diamonds, and the Receiver has independently confirmed the interest of the other person in the other diamond.

4. Two Diamonds from Harold Seigel

Harold Seigel (“Seigel”) was holding two cut yellow diamonds. Shortly after the Receiver’s appointment as Corporate Monitor, he learned that these two diamonds had been provided by Aman to Seigel’s counsel (in the Corporate Monitor Action) as potential security for the payment of legal bills. The diamonds had been returned by Seigel’s counsel to Seigel (through Aman’s sister) almost immediately before Eagle’s and NDIC’s decision to stipulate to the Receiver’s appointment as Corporate Monitor in the Corporate Monitor action. The Receiver was not initially advised by the Seigels or their then counsel of these diamonds or this transfer (which, again, immediately preceded his appointment). When the Receiver learned about it, given these circumstances, the Receiver demanded that the two diamonds be turned over to him. The next day, Seigel delivered the two diamonds to the Receiver with GIA certificates bearing GIA numbers 2105851842 and 17207398. Again, the individual who owns these two diamonds has provided to the Receiver satisfactory proof of ownership.

5. One Diamond from 125 Worth Partners LLC

Apparently, the landlord for the Receivership Entities' business premises, 125 Worth Partners LLC, had been holding diamonds given to him by Aman as a sign of good faith for making future rent payments. The Receiver sent the landlord a series of demand emails requesting the turnover of the diamonds. The landlord complied and turned over five diamonds to the Receiver; one is owned by an individual who has provided to the Receiver satisfactory proof of ownership. The diamond bears GIA number 2135394395.

The fourteen diamonds referenced above are being stored in the Receiver's safe deposit box and not being marketed while the Court addresses the issue of ownership raised herein so as to not delay selling the remaining pieces. For the reasons discussed below, the Receiver recommends returning all fourteen diamonds to their rightful owners, whom, again, the Receiver has identified and confirmed. To the extent the Receiver is able to locate any other diamonds claimed by these individuals or others, the Receiver would similarly recommend an order broad enough to authorize the Receiver to also return those diamonds to their owners without having to file another motion. Toward that end, contemporaneous with the filing of this motion, the Receiver has posted a request on the receivership website, asking all individuals who may have provided a diamond or jewelry to anyone associated with the defendants for any reason other than investment in one of the Receivership Entities to contact the Receiver immediately with proof and details of ownership.

MEMORANDUM OF LAW

As stated above, the Receiver came into possession of the above pieces through the means described above. Nearly all of these people have contacted the Receiver regarding this issue and have satisfactorily provided documents to prove their ownership interest. These people have also

stated that they did not authorize the individual defendants, Receivership Entities, or anyone else to take their diamonds to G7, AIDC or 125 Worth Partners LLC for any purpose.

The Court's power to supervise an equity receivership and determine the appropriate action to be taken in the administration of the receivership is extremely broad. *SEC v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992); *SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1230 (D.C. Cir. 1989). The Court's wide discretion derives from the inherent powers of an equity court to fashion relief. *Id.* at 1566 (citing *SEC v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 372 (5th Cir. 1982)). Without question, the Court is empowered to determine the subject issue on equitable grounds.

The Receiver recommends that these above-identified pieces not be part of the Receivership Estate, and thus not sold pursuant to the G7/Receiver Settlement Agreement or any sale order by this Court for multiple related reasons.

First, the victims of this proceeding invested large sums of money with the Receivership Entities for purported large investment returns. However, the subject victims did not use these diamonds as payment or collateral for making any investments with the Receivership Entities, nor did they sell these diamonds to the Receivership Entities. Rather, as stated above, these people had these diamonds stored in and/or sent to the Receivership Entities' offices for purposes of a future potential auction, resale, certification by GIA, and/or safekeeping. Therefore, the Receivership Entities came into possession of these pieces through other means. In other words, these pieces were not "invested" with the Receivership Entities and these victims did not invest these pieces in the Receivership Entities. The Receivership Entities or the Individual Defendants merely possessed them for other reasons (*i.e.*, auction, resale, certification by GIA, etc.).

In addition, these diamonds are segregated, identifiable assets. These diamonds are not "cash" that is subject to commingling. These diamonds were separately identified and can be

easily returned by the Receiver to their rightful owners. One can imagine Aman borrowing a car from his neighbor. When the Court issued its initial freeze orders, the car would be captured in the ambit of the freeze and the Receiver would take possession of the car, but that does not mean that the car belongs in the Receivership Estate, or that the Receiver has legal title, because the neighbor is not similarly situated to the many investors that invested in the Receivership Entities. Returning these diamonds to their rightful owners is thus no different than returning the neighbor's car.

The Receiver is sensitive to the argument under *SEC v. Elliott*, 953 F.2d 1560 (11th Cir. 1992) that these diamonds were stolen from these victims, not unlike monies were stolen from victims that invested in the Receivership Entities, and that these items were swept into and ultimately commingled with the underlying scheme. The Receiver is also sensitive to the argument under *SEC v. Elliott* that returning these diamonds to their owners would give them a priority over the victims in the Receivership Estate who lost all or most of their investment money with the Receivership Entities. However, the analysis under *Elliott* involves assets for which ownership had transferred to the Receivership Entities or which were otherwise fungible (such as money). Here, the facts are distinguishable from *Elliott*. Ownership was not transferred to the Receivership Entities – only possession was – and the diamonds here are not fungible and are easily identifiable.

Similar to how the Receiver has entrusted his bank to hold the Receivership diamonds for his benefit, but has not transferred control of them, these individuals unfortunately chose to entrust some or all of the individual defendants with their diamonds for resale, certification, or safekeeping. Therefore, notwithstanding the potential arguments under *Elliott*, the Receiver believes that the most equitable result is to return these diamonds to their owners for the above reasons. Because their property would be returned to them, they would not be making claims in

the Receivership later, unless they also invested money with one of the Receivership Entities, so claims against the Receivership Estate would be reduced by returning these items. Respectfully, although the Receiver has shared his opinions herein, the Receiver acknowledges that it is for the Court to make the ultimate determination, not the Receiver.

The Expenses Associated with this Undertaking

Should the Court determine that the 14 diamonds should be returned, then the Receiver proposes, after consultation with the SEC, that the expense associated with this endeavor not be taxed on the other investors of the Receivership Estate. To accomplish this, the Receiver will identify the time entries related to this effort and divide that time by 14 and make that amount a cost to the owners to get their diamonds back. As with the ownership issue, this is also just the Receiver's suggestion and the ultimate determination is the Court's. The Receiver believes, however, that this is a fair approach that allows the subject investors/nonparties to get their pieces back for a relatively nominal expense while also eliminating any expense on the investors of the Receivership Estate associated with this effort.

The Receiver will be serving a copy of this Motion on the subject investors/nonparties for whom he has email addresses, as well as posting this Motion on the receivership website for all investors and victims to review so that anyone potentially affected has notice of this Motion and an opportunity to be heard. The Receiver will also file any and all responses that he receives from any individuals.

CERTIFICATION WITH COUNSEL

Pursuant to Local Rule 7.1(a)(3), the Receiver hereby certifies that he has conferred with counsel for the SEC, Amie Riggle Berlin, who has advised that she consents to the relief recommended herein by the Receiver. All Defendants and Relief Defendants (except for Jose

Aman) have settled with the SEC and have had consent judgments entered by the Court. Mr. Aman has also consented to a settlement with the SEC, but the terms will be finalized after his sentencing in the criminal case. The Receiver has consulted with Mr. Aman and he, too, does not oppose the recommended contained herein.

CONCLUSION

The Receiver respectfully requests that this Court grant this Motion, issue the proposed Order attached as Exhibit B, and provide such other relief as is just and proper.

Dated: November 4, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 4, 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

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DATE	NAME	BILL OF SALE	FORM OF PAYMENT	PAYMENT AMT./INT.	WEIGHT	SHAPE	COLOR	CLARITY	GIA	SALE	PAYMENT RECEIVED
1/28/2019	Jose Angel Aman	2014	30,000 cash on 01/28/19	\$70,000.00	1.19	RADIANT	FP		14927875		
		2029* There was a server's error on the electronic bill of sale control number, which was entered as 2040.									
2/8/2019	Jose Angel Aman	2037	260,000 WIRE 02/08/19, 40,000 CASH 02/08/19, 100,000 cash 02/27/19	\$425,000.00	1.05	HEART	NFB	IF	13251569	\$430,000.00	3/13/19 WIRE DEPOSIT BANK OF AMERICA, N.A. /ORG-40SE ANGEL AMAN SRFF 2019031300274351 TRNW190313062864 TRFM B5DYDMNHA
					0.72	CUSHION	FG	VVS1	210559425		←
					1.1	HEART	FD ORANGE	I3	17204549		←
					0.41	PEAR	FPURPL RED		10886813		←
		2040	15,000 CASH 02/19/19		1.69	EMERALD	FVY	IF	15722811		←
2/11/2019	Jose Angel Aman	2038	WIRE 02/11/19	\$150,000.00	6.49	ROUGH	GRAY-GREEN		2205068693		
	Jose Angel Aman				3.19	ROUGH	YELL-GREEN		2205068984		
	Jose Angel Aman				1.02	PEAR	FVY	S12	6207069620		
	Jose Angel Aman				1.21	CUSHION	FG	S12	2203059552		
	Jose Angel Aman				2.69	ROUND	FY	VVS1	2200069610		
	Jose Angel Aman				1.16	HEART	FVY	IF	2145783027		
	Jose Angel Aman				1.14	OVAL	FY	IF	2115394465		
	Jose Angel Aman				1.06	RADIANT	FVY	IF	15156049		←
	Jose Angel Aman				1.33	RADIANT	FY	IF	13864139		
	Jose Angel Aman				1.34	RADIANT	FVY	IF	15856162		
	Jose Angel Aman				1.16	CUSHION	FG	I3	5101927897		
	Jose Angel Aman				1.15	RADIANT	FY	IF	17158913		
2/18/2019	Jose Angel Aman				2044	130,000 WIRE ON 02/19/19, 100,000 WIRE ON 02/21/19	\$230,000.00	1.02	RADIANT	FVY	IF
	Jose Angel Aman	0.82	RADIANT	FVY				IF	NONE		
	Jose Angel Aman	BRACELET/NECKLACE									
	Jose Angel Aman	1.48	CUSHION	FY				IF	1116483881		
	Jose Angel Aman	0.65	CUSHION	FVY				IF	18766976		
	Jose Angel Aman	0.50	CUSHION	IF				IF	14246048		
	Jose Angel Aman	0.62	CUSHION	FVY				IF	14573475		
	Jose Angel Aman	0.62	RADIANT	FVY				IF	16361851		←
	Jose Angel Aman	0.3	ROUND	FPURP					2155220051		
	Jose Angel Aman	0.46	CUSHION	FVY				IF	17258098		
	Jose Angel Aman	1.34	RADIANT	FVY				IF	15672430		
	Jose Angel Aman	1.01	PRINCESS	I				VSI	1158653487		
	Jose Angel Aman	1.15	CUSHION	FVY				IF	13099932		
	Jose Angel Aman	0.59	PRINCESS	FP					15256448		
	Jose Angel Aman	0.24	ROUND	FPURP				VSI	2151086246		
	Jose Angel Aman	0.36	MARQUISE	FV PURP				ring	212953006		←
	Jose Angel Aman	0.7	PEAR	FVY/OR					15800447		
	Jose Angel Aman	0.39	ROUND	FPURP					151049150		
	Jose Angel Aman	1	CUSHION	I				VSI	1166226009		
	Jose Angel Aman	1.12	OVAL	FVY				IF	17250782		
	Jose Angel Aman	1.02	MARQUISE	FD Grayish Yel Green					14787578		
	Jose Angel Aman	0.31	OVAL	FORP				S12	2155268032		
	Jose Angel Aman	1.14	RADIANT	FVY				IF	15626894		
	Jose Angel Aman	0.55	EMERALD	FD BROWN ORAN/PINK					13254896		
	Jose Angel Aman	0.89	CUSHION	FVY				IF	15838070		
	Jose Angel Aman	0.25	ROUND	FV PURP					2155748589		
	Jose Angel Aman	0.41	ROUND	FLP					1152194003		←
	Jose Angel Aman	0.32	PRINCESS	FP				S12	1152090048		
	Jose Angel Aman	0.31	ROUND	PURPLE PINK					1511750310		
	Jose Angel Aman	4.28	ROUGH	GREEN					NONE		
	Jose Angel Aman	19.35	ROUGH	GREEN					NONE		
	Jose Angel Aman	5.14	ROUGH	GREEN					NONE		
	Jose Angel Aman	6.78	ROUGH	GREEN					NONE		
	Jose Angel Aman	6.39	ROUGH	PINK		NONE					
	Jose Angel Aman	5.66	ROUGH	GREEN		NONE					
				TOTAL PAID					ESTIMATED VALUE RECEIVED	TOTAL SOLD	
				\$875,000.00					\$855,000.00	\$430,000.00	

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

NATURAL DIAMONDS INVESTMENT CO.,
EAGLE FINANCIAL DIAMOND GROUP INC.
a/k/a DIAMANTE ATELIER,
ARGYLE COIN, LLC,
JOSE ANGEL AMAN,
HAROLD SEIGEL, &
JONATHON H. SEIGEL,

Defendants,

H.S. MANAGEMENT GROUP LLC,
GOLD 7 OF MIAMI, LLC,
WINNERS CHURCH INTERNATIONAL INC.
OF WEST PALM BEACH, FLORIDA,
FREDERICK D. SHIPMAN, &
WHITNEY SHIPMAN,

Relief Defendants.

_____ /

**ORDER GRANTING RECEIVER'S UNOPPOSED MOTION FOR
JUDICIAL DETERMINATION REGARDING OWNERSHIP
OF FOURTEEN DIAMONDS IN THE RECEIVER'S POSSESSION**

THIS CAUSE came before the Court upon the Receiver's Unopposed Motion for Judicial Determination Regarding Ownership of Fourteen Diamonds in the Receiver's Possession (the "Motion") [DE ____]. The Court has reviewed the Motion, the record, and being otherwise advised in the premises, it is hereby **ORDERED and ADJUDGED** that:

1. The Motion is **GRANTED**.

2. For the reasons stated in the Motion, the fourteen diamonds identified in the Motion are not part of the Receivership Estate.

3. The Receiver shall return the fourteen diamonds to their owners whom the Receiver has identified. As part of that process, the Receiver shall segregate the fees incurred by his professionals and him on this issue, divide the total fees by fourteen, and require the owners of those diamonds to pay 1/14 of those fees in order to obtain their respective diamond.

4. Should the Receiver come into possession of or learn of any additional diamonds that were similarly provided to Harold Seigel or his companies, but not as an investment in the Receivership Entities, the Receiver is authorized to follow the same protocol set forth herein without the need for further motion.

DONE and ORDERED in Chambers at West Palm Beach, Palm Beach County, Florida on this ___ day of _____, 2020.

ROBIN L. ROSENBERG
UNITED STATES DISTRICT JUDGE

Copies to Counsel of Record