

**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 REPLY IN SUPPORT OF MOTION
FOR JUDICIAL DETERMINATION REGARDING OWNERSHIP
OF FOURTEEN DIAMONDS IN THE RECEIVER’S POSSESSION**

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”), replies in support of his Motion for Judicial Determination Regarding Ownership of Fourteen Diamonds in the Receiver’s Possession (the “Motion”) [DE # 264] and notes that, despite his earlier objection, Harold Seigel has since confirmed his agreement as to 13 of the 14 diamonds. Therefore, the Receiver moves the Court for an Order determining ownership of 13 of the 14 diamonds and/or pieces of jewelry and reserve jurisdiction to revisit the one piece as to which Harold Seigel claims an interest.

Brief Background

In the Motion, the Receiver explained that he had identified 14 diamonds that appeared to be owned by non-parties who had not utilized those diamonds for an investment in any of the Receivership Entities. The Receiver sought entry of an order determining the ownership of those diamonds and recommended that the Court determine that they were *not* part of the Receivership Estate and should be returned to their rightful owners. Prior to filing the Motion, the Receiver had been in contact with the majority of those non-parties or had otherwise obtained documentation confirming their ownership, as set forth more fully in the Motion.

The Thirteen Diamonds

At no time prior to the filing of that Motion, despite multiple opportunities and court orders, did Harold Seigel advise the Receiver that he asserted an ownership interest in either the diamonds recovered from Relief Defendant Gold 7 of Miami, LLC (“G7”), the American Institute of Diamond Cutting, LLC (a buyer and seller of diamonds with Eagle), or 125 Worth Partners LLC (Eagle’s landlord). After the Receiver filed the Motion, Mr. Seigel filed a very broad response, in which he claimed an interest in various items recovered and held by the Receiver, but without addressing the 14 diamonds at issue in the Motion. [DE 265]. Over the past week, the Receiver has worked with Mr. Seigel’s counsel to focus them on the issue—whether or not Mr. Seigel claims an interest in any of the 14 diamonds. The Receiver has been able to obtain Mr. Seigel’s confirmation that the Receiver’s determination of ownership of 13 of the diamonds is correct. Thus, Mr. Seigel does not object to the relief requested as to those 13 diamonds.

Seigel’s Claim as to the Remaining Diamond

However, Mr. Seigel is now asserting an ownership interest in the diamond bearing GIA #16361851. In the Motion, the Receiver noted that the owner of this diamond had not contacted

the Receiver, but that the Receiver had obtained documents confirming that person's ownership of the diamond.

As this Court is aware, the Receiver had been asking Mr. Seigel to answer questions regarding the ownership of diamonds for many months. [*See, e.g.*, DEs 212, 219, 258.] Indeed, both the Magistrate Judge and this Court have issued orders compelling Mr. Seigel to answer those questions. [DEs 237 and 263.] In fact, in his Order Memorializing Rulings [DE 237], the Magistrate Judge compelled Mr. Seigel to answer the Receiver's ownership-related interrogatories under oath. The Receiver served Mr. Seigel with interrogatories that directly addressed the ownership of *this particular diamond*—referring to the owner by name.

Rather than complying with the Order, Mr. Seigel objected to that Order and filed a “notice of compliance” [DE 261] that was anything but. He asserted objections that had already been rejected by the Magistrate Judge and did not answer any questions about the ownership of the diamonds. This Court entered an order [DE 263] overruling Mr. Seigel's objections to the Magistrate Judge's order and compelling Mr. Seigel to answer the Receiver's questions.

Had Mr. Seigel answered the Receiver's requests pursuant to either the Receivership Order or even the Order Judge's Order, then perhaps he could have alerted the Receiver to what he is now claiming, which is that he purchased this diamond from the owner that is reflected in the Receiver's records. Mr. Siegel did not raise the issue when he attended the inspection and appraisal of the diamonds at G7, or at any time thereafter.

Now that Mr. Seigel is claiming that he purchased this particular diamond, and he is working to provide complete documentation to the Receiver, the Receiver will contact the owner to confirm the claim made by Mr. Seigel. As noted above, the Receiver had not previously seen anything to demonstrate such a transaction occurred, and Mr. Seigel had not claimed an interest

before now. Therefore, the Receiver requests that this Court allow the Receiver to complete his investigation into the claim made by Mr. Seigel as to the one diamond and bring the issue back to the Court for final resolution at that time.

Until then, there is nothing stopping this Court from making the determination as to the remaining 13 diamonds.

CONCLUSION

The Receiver respectfully requests that this Court grant the Motion as to 13 of the 14 diamonds, reserve jurisdiction as to GIA #16361851, issue the proposed Order attached as Exhibit A, and provide such other relief as is just and proper.

Dated: November 12, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 12, 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
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**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 264]. 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, all diamonds identified in the Motion, with the possible exception of GIA #16361851 are not part of the Receivership Estate. The Court reserves jurisdiction to make a determination as to that diamond at a later time.

3. The Receiver shall return the other thirteen 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 thirteen, and require the owners of those diamonds to pay 1/13 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