

**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 UNOPPOSED MOTION FOR AUTHORITY TO SELL  
REMAINING JEWELRY AND OTHER ITEMS HE SECURED;  
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. (“EFDG”), and Argyle Coin, LLC (“Argyle”) (collectively, the “Receivership Entities”), moves the Court for authority to sell the remaining diamonds, jewelry, and other items he secured while serving as either Monitor or Receiver and which were not previously the subject of prior motions seeking authorization to sell (collectively, the “Jewelry”).

**A. Background**

1. This Motion involves the Jewelry that the Receiver secured during his time as

Monitor (before he became Receiver) and which is not otherwise owned by various victims.<sup>1</sup>

2. This Motion and the attached proposed Order (Exhibit A) also follow the same form and template from the previously-granted Motions [DE 168, 200, 252] and issued Orders [DE 179, 201, 259] through which the Receiver sought and received Court permission to sell jewelry obtained from Jose Aman, Carmelo deStefano, and Gold7 of Miami, LLC.

3. On May 16, 2019, the Court appointed the Receiver for Argyle in the Order Granting Plaintiff Securities and Exchange Commission's Motion for Appointment of Receiver [DE 20] (the "Appointment Order"). On July 11, 2019, the Court issued an Order expanding the Receivership to include NDIC and EFDG. Prior to that expansion, the Receiver had served as Monitor over those entities pursuant to an order entered by Judge Middlebrooks in *Round v. NDIC*, Case No. 18-cv-81151.

4. Under the express terms of the Appointment Order, the Receiver is required to obtain possession of and liquidate the assets of the Receivership Entities for the benefit of the Receivership Estate. In addition, the Receiver is authorized to institute such actions and legal proceedings, for the benefit of the Receivership Entities, their investors and other creditors, as the Receiver deems necessary against those individuals and entities that the Receiver may claim have, among other things, wrongfully, illegally or otherwise improperly received or transferred monies or other proceeds directly or indirectly traceable from investors of the Receivership Entities, their officers, directors, employees, affiliates, subsidiaries, or any persons acting in concert or participation with them, or against any transfers of money or other proceeds directly or indirectly traceable from the investors of the Receivership Entities.

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<sup>1</sup> Ownership of certain diamonds and pieces of jewelry was the subject of this Court's December 4, 2020 order [DE 273].

5. During his appointment as Monitor and Receiver, the Receiver obtained certain jewelry and diamonds from non-parties including a former attorney for the Receivership Entities, and the Receivership Entities' former landlord. He also took possession of special limited-edition coins that may have been owned by Harold Seigel or other non-parties. As noted above, these items described in this paragraph and paragraph 6 are collectively referred to as the "Jewelry."

6. The Receiver obtained 5 items from one non-party, one ring from the former attorney, and 5 diamonds from the landlord (one of which has been determined to be owned by an individual). Since the Receiver obtained these items, they have been kept in the Receiver's safe deposit box and have been inventoried. The Receiver's Acknowledgments of Receipts (redacted for privacy) for these items are attached hereto as Composite Exhibit B. The coins have likewise been kept securely by the Receiver.

7. At this point, the Receiver does not anticipate receiving any additional diamonds or jewelry from any other third parties, but to the extent he does, this motion also seeks permission by the Court to sell any similarly-situated diamonds and jewelry.

8. The jewelry and diamonds were property of the estate, not the individuals and entities that turned them over, and should now be sold for the benefit of the victims. To the extent the coins are not owned by other parties, the Receiver also seeks permission to sell those items for the benefit of the victims.<sup>2</sup> Therefore, the Receiver is filing this Motion.

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<sup>2</sup> Although ownership of the coins may still be an open item, as Mr. Seigel claims individual ownership, the Receiver has communicated with Mr. Seigel's counsel as to the allocation of any credits resulting from the sale against his obligations under the Final Judgment entered by this Court on October 13, 2020 [DE 255].

9. As discussed below, the Receiver recommends that the Jewelry be liquidated promptly using his discretion regarding pricing and marketing and best efforts to realize the highest price(s) possible for the Jewelry.

10. 28 U.S.C. § 2004 states that a receiver should follow the requirements of 28 U.S.C. § 2001 “unless the court orders otherwise.” Specifically, 28 U.S.C. § 2001 requires, among other things, that: (1) three disinterested appraisers appraise the items sold; (2) the sale be at least two-thirds of the appraised value; (3) the terms of the sale be published in a newspaper of general circulation at least ten days before confirmation of the sale; and (4) no confirmation of the sale if a bona fide offer is made of at least 10 percent above the offered price.

11. The Receiver has already obtained an appraisal for the diamonds and jewelry from the Receiver’s appraiser. The coins have not been appraised, but the Receiver will be consulting experienced auctioneers to set appropriate pricing for these items.

12. The Receiver does not believe that it is in the best interests of the Receivership Estate to obtain two additional appraisals, which would require the Receiver to file another motion to employ two additional appraisers, and incur the significant costs associated with such appraisals, simply to satisfy 28 U.S.C. § 2001. For the same reason, the Receiver does not believe it is in the best interests of the Receivership to obtain a separate appraisal of the coins.

13. In addition, the Receiver does not believe that it is in the best interests of the Receivership Estate to publish the terms of any proposed sale(s) of the Jewelry in a newspaper for four weeks because there could literally be 9 possible sales to different buyers. Given the separate publications required and the already very limited resources available in this receivership, this would be cost-prohibitive. The same would be true for any sale of the coins, as there would have to be multiple separate publications and the potential for multiple separate buyers.

14. As such, requiring the Receiver to meet the elements of 28 U.S.C. § 2001 would be cost-prohibitive and undoubtedly defeat the purpose of the Receiver efficiently selling the Jewelry. Therefore, the Receiver respectfully requests that he not be required to sell the Jewelry in conformance with 28 U.S.C. § 2001 or 28 U.S.C. § 2004. As stated above, the Receiver will, of course, use his best efforts to realize the highest price(s) possible for the Jewelry.

**B. Memorandum of Law**

15. 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)). These powers include the authority to approve the sale of property of the Receivership Entities. *Clark on Receivers* § 482 (3d ed. 1992) citing *First National Bank v. Shedd*, 121 U.S. 74, 87, (1887) (A court of equity having custody and control of property has power to order a sale of the property in its discretion). Indeed, Courts appointing a receiver "should see that the business is liquidated as economically and speedily as possible, unless its continuance is demonstrably beneficial to creditors." *Jones v. Village of Proctorville*, 290 F.2d 49, 50 (6th Cir. 1961) (citation omitted).

16. Pursuant to the Appointment Order and 28 U.S.C. § 754, the Receiver has complete jurisdiction over the assets at issue and, subject to the Court's approval, has authority to sell such assets to a third-party purchaser. *See SEC v. American Capital Investments Co.*, 98 F.3d 1133, 1144 (9th Cir. 1996) (providing under Section 754, a receiver is "vested with complete jurisdiction and control of all such property and selling such property is simply an exercise of that control.").

Moreover, a receiver's sale of personal property is governed by 28 U.S.C. § 2004, which directs that any personal property sold under order of the Court be sold in accordance with 28 U.S.C. § 2001, unless the Court orders otherwise.

17. Unless otherwise ordered, § 2001(b) requires that three separate appraisals are conducted, that the sale terms are published in a circulated newspaper ten days prior to sale, and that the sales price is not less than two-thirds of the appraised value. Because of the above-described circumstances, the Receiver requests that the Court use its statutorily-granted discretion to depart from the stated requirements of the statute and order otherwise to approve the future sale(s) of the Jewelry in a self-executing manner pursuant to this Motion.

18. Courts within this District, including this Court itself, have relieved receivers from the requirements of 28 U.S.C. § 2001 and/or § 2004 on several occasions. Copies of such representative Orders, including multiple Orders in this case, were filed with the earlier similar motions and have been entered in this case, so they are not filed again here.

19. The goal of a receiver charged with liquidating assets is to obtain the best value for the estate available under the circumstances. *Fleet Nat'l Bank v. H & D Entertainment, Inc.*, 926 F. Supp 226, 239-240 (D.C. Mass. 1996), citing *Jackson v. Smith*, 254 U.S. 586 (1921). Further, the paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. See, e.g., *In re Food Barn Stores, Inc.*, 107 F.3d 558, 564-65 (8th Cir. 1997).

20. The Receiver will use his discretion to obtain the highest and best offer in the market for the subject assets and maximize the value of the Receivership Estate. "When a sale of receivership assets is ordered by the court, the assets should be sold at the 'best price under the circumstances.'" *SEC v. Schooler*, 2013 U.S. Dist. LEXIS 162559 (S.D. Cal. Nov. 14, 2013)

(citations omitted). Here, the public market will dictate the fair value price that an individual or entity is willing to pay for any asset.

21. In addition, the Court's broad authority over the Receivership Estate includes the equitable power "to sell property free of liens, transferring the lien to the proceeds." *Seaboard Nat'l Bank v. Rodgers Milk Products Co.*, 21 F.2d 414, 416 (2d Cir. 1927). "It has long been recognized that under appropriate circumstances, a federal court presiding over a receivership may authorize the assets of the receivership to be sold free and clear of liens and related claims." *Regions Bank v. Egyptian Concrete Co.*, 2009 U.S. Dist. LEXIS 111381 at \*18-19 (E.D. Mo. Dec. 1, 2009) (citations omitted). Indeed, a sale free and clear of liens, encumbrances, interests or other claims is customary in receiverships under §§ 2001 and 2004, and in bankruptcy cases under 11 U.S.C. § 363. See e.g., *AgStar Fin. Servs., PCA v. Eastwood Dairy, LLC*, 2012 U.S. Dist. LEXIS 51052 at \*5-6 (S.D. Ohio April 11, 2012); *Regions Bank*, 2009 U.S. LEXIS 111381 at \*18-19; *In re Touse, Inc.*, No. 08-10928-JKO (Bankr. S.D. Fla. Dec. 21, 2009) (Docket Entry 3432); *In re Protective Products of America, Inc.*, No. 10-10711-JKO (Bankr. S.D. Fla. Jan. 19, 2010); and *SEC v. McGinn, Smith & Co., Inc.*, No. 1:10-CV-457-GLS-CFH (N.D.N.Y. Apr. 4, 2012) (Docket Entry 580).

22. All sale(s) of the Jewelry should be final and free and clear of any liens, encumbrances, interests, or other claims with respect to the subject assets. A "free and clear" provision is essential to the transaction to maximize the value of the assets by reducing the risks to the buyers against potential claims.

23. For the Court's information, no creditor or other party has recorded any UCC-1's, or otherwise attempted to perfect any liens, against the Jewelry. The request that the sale(s) be

“free and clear of any liens” is merely a cautionary one to help to facilitate the potential sale(s) of the Jewelry and preclude any issues subsequent thereto.

24. Based on the above, the Court should exercise its authority and discretion, dispense with the requirements of 28 U.S.C. § 2001 or 28 U.S.C. § 2004, and authorize the Receiver to sell the Jewelry using his discretion in a self-executing manner.

25. The Receiver would like to note that paragraph 31 of the Appointment Order provides that “[t]he Receiver may, without further Order of this Court, transfer, compromise, or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms and in the manner the Receiver deems most beneficial to the Receivership Estate, and with due regard to the realization of the true and proper value of such Receivership Property.”

26. Given the foregoing, the Receiver did not technically need to file this Motion; the Receiver is filing this Motion for cautionary purposes to ensure there is an issued Order that, among other things, provides that: (1) title can be passed from the Receiver to the potential buyer(s); (2) any sales are final and free and clear of any liens, encumbrances, interests, or other claims with respect to the subject assets; and (3) there is a clear exception from the requirements of 28 U.S.C. § 2001 and 28 U.S.C. § 2004. The proposed Order attached as Exhibit A provides for the foregoing relief.

### **C. Local Rule Certification**

27. Pursuant to Local Rule 7.1(a)(3), the Receiver hereby certifies that he has conferred with counsel for the SEC, the only remaining party to this lawsuit about the requested relief, and the SEC has consented.

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

Dated: October 26, 2021

Respectfully submitted,

**LEVINE KELLOGG LEHMAN  
SCHNEIDER + GROSSMAN LLP**  
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By: /s/ Stephanie Reed Traband  
STEPHANIE REED TRABAND  
Florida Bar No. 0158471  
Primary: [srt@lklsg.com](mailto:srt@lklsg.com)

### **CERTIFICATE OF SERVICE**

I hereby certify that on October 26, 2021, 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**

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# **EXHIBIT A**

**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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**ORDER GRANTING RECEIVER’S UNOPPOSED MOTION FOR AUTHORITY  
TO SELL REMAINING JEWELRY AND OTHER ITEMS HE SECURED**

THIS CAUSE came before the Court upon the Receiver’s Unopposed Motion for Authority to Sell Remaining Jewelry and Other Items He Secured (the “Motion”) [DE \_\_\_\_]. Having reviewed the Motion and the record in this case, the Court finds granting the Motion is in the Estate’s best interests. Accordingly, it is hereby

**ORDERED AND ADJUDGED** as follows:

1. The Receiver’s Motion is **GRANTED**.
2. The Receiver is authorized to sell the Jewelry (as defined in the Motion), using his sole discretion regarding pricing and the manner of sale. The Receiver is also authorized to sell any additional items that are determined to be property of the Receivership Estate that may later come into his possession.

3. For the reasons stated in the Motion, the Receiver is relieved from the statutory requirements under 28 U.S.C. §§ 2001 and 2004.

4. The Receiver is authorized to sell and close on any sale(s) of the Jewelry, without further Order from this Court, free and clear of all liens, claims, interests, and encumbrances, with any such liens, claims, interests, and encumbrances attaching to the proceeds of the sale(s) of the Jewelry.

5. For the reasons stated in the Motion, the Receiver is deemed the legal, lawful, and appropriate owner of the Jewelry and has the unqualified right to sell them.

6. The Court finds that the Receiver's recommendations in the Motion reflect the Receiver's sound business judgment and constitute a proper exercise of his fiduciary duties.

7. The Receiver is authorized and empowered to take such steps, incur and pay such costs and expenses from the Receivership Estate, and do such things as may be reasonably necessary to implement and effect the terms and requirements of this Order.

**DONE and ORDERED** in Chambers at West Palm Beach, Palm Beach County, Florida on this \_\_\_\_ day of October, 2021.

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**ROBIN L. ROSENBERG**  
**UNITED STATES DISTRICT JUDGE**

Copies to Counsel of Record

# **EXHIBIT B**

April 22, 2019

Re: Corporate Monitor: Case No. 18-181151-CV-MIDDLEBROOKS/BRANNON

This receipt confirms that the Corporate Monitor has received various diamonds, including pink and green diamonds, and earrings from [REDACTED] on April 22, 2019. Pictures of same will be taken at the time of turnover and provided to Mr. [REDACTED]. Mr. [REDACTED] confirms that the subject diamonds and earrings are the entirety of the diamonds and jewelry that Jose Aman previously gave him.

The Corporate Monitor has not confirmed whether the diamonds and jewelry that are being turned over are the same diamonds and jewelry that Jose Aman gave [REDACTED], nor is the Corporate Monitor able to confirm the value of the diamonds and jewelry that are being turned over at this time.

AGREED

*Robert Carey, Esq., as agent for Jeffrey Schneider*  
Jeffrey C. Schneider  
Corporate Monitor  
*Schneider*  
*Corporate Monitor*

  
[REDACTED]

April 30, 2019

Re: Corporate Monitor: Case No. 18-181151-CV-MIDDLEBROOKS/BRANNON

This receipt confirms that the Corporate Monitor has received the ring from [REDACTED] on April 30, 2019. Pictures of same will be taken at the time of turnover and provided to Mr. [REDACTED]. Mr. [REDACTED] confirms that the subject ring is the entirety of the jewelry that Jose Aman previously gave him.

Neither party is able to confirm the value of the ring that is being turned over at this time.

AGREED

Robert Carey for Jeffrey Schneider as Corporate Monitor

Robert Carey, as Designated Agent for Corporate Monitor

Signatures redacted

April 22, 2019

Re: Corporate Monitor: Case No. 18-181151-CV-MIDDLEBROOKS/BRANNON

This receipt confirms that the Corporate Monitor has received various diamonds, including pink, <sup>green</sup> and green diamonds, and earrings from [REDACTED] on April 22, 2019. Pictures of same will be taken at the time of turnover and provided to Mr. [REDACTED]. Mr. [REDACTED] confirms that the subject diamonds and earrings are the entirety of the diamonds and jewelry that Jose Aman previously gave him.

The Corporate Monitor has not confirmed whether the diamonds and/or jewelry that are being turned over are the same diamonds and jewelry that Jose Aman gave [REDACTED], nor is the Corporate Monitor able to confirm the value of the diamonds and jewelry that are being turned over at this time.

AGREED

List of diamonds that [REDACTED] gave to Corporate Monitor

Jeffrey C. Schneider  
Corporate Monitor

*Handwritten:* Jeffrey Schneider  
Corporate Monitor

① OVR 0.24 FUP-PK1A  
DA-10199  
GIA 2135394395

② GIA 6181312413

③ GIA 2187312446

④ GIA 5182394863

⑤ GIA 2155766748

[REDACTED]

Initial [REDACTED]

Initial BC for Jeffrey Schneider  
as Corporate Monitor