

**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.,
et al.,

Defendants,

H.S. MANAGEMENT GROUP LLC, et al.,

Relief Defendants.

**ORDER APPROVING SETTLEMENT AGREEMENT WITH FROEHLICH &
DE LA RUA CPA FIRM, LLC, BEATRIZ DE LA RUA, AND JOHN F. FROEHLICH**

This matter comes before the Court upon the Receiver’s Unopposed Motion to Approve Settlement with Froehlich & de la Rua CPA Firm, LLC, Beatriz de la Rua and John F. Froehlich, and Incorporated Memorandum of Law [D.E. 297] (the “Motion”).

On May 16, 2021, the Court appointed a Receiver to this civil-enforcement action. DE 20 at 2. The Court authorized the Receiver to pursue claims and demand in order to marshal the assets of the Receivership Estate. *Id.* at 3-4. Pursuant to that authorization, the Receiver served a formal demand to Froehlich & de la Rua CPA Firm, LLC, Beatriz de la Rua, and John F. Froehlich (the “Accountants”), the former accountants for Receivership Entities, “advising of his intent to pursue claims related to professional negligence and breach of fiduciary duty related to the accounting work done for the Receivership Entities prior to their resignation in 2018” and “demanding a payment for policy limits.” DE 297 at 2. After several months of negotiations, the Receiver and the Accountants agreed to settle. *Id.* The terms are set forth in detail in the Settlement Agreement attached to the Motion as Exhibit A [DE 297-1], however, the core of the agreement is that the Accountants will pay \$750,000 to the Receiver in exchange for a release (subject to the approval

of the Court). DE 297 at 2.

A district court reviews settlements proposed by receivers for fairness, reasonableness, and adequacy. *Sterling v. Stewart*, 158 F. 3d. 1199, 1203 (11th Cir. 1998). District courts also must inquire into the good faith of the receiver. *Id.* The determination of fairness is left to the sound discretion of the district court. *Id.* at 1202. The Court's fairness analysis typically requires a review of the following factors: (1) the likelihood of success at trial; (2) the range of possible recovery; (3) the point on or below the range of discovery at which settlement is fair, adequate, and reasonable; (4) the complexity, expense, and duration of litigation; (5) the substance and amount of opposition to the proposed settlement; and (6) the stage of the proceedings at which the settlement was achieved. *Id.* at n.6. The Receiver contends that upon due consideration of these governing factors, the Settlement Agreement should be approved. The Court agrees and finds that the proposed Settlement Agreement is a fair, reasonable, and adequate resolution of the Receiver's claims against the Accountants. Further, the Court finds that the Settlement Agreement is the product of good faith compromise and resolution.

The Court, having reviewed the Motion and being otherwise fully advised, hereby **ORDERS** and **ADJUDGES** that:

- 1 The Receiver's Motion to Approve Settlement with Froehlich & de la Rua CPA Firm, LLC, Beatriz de la Rua and John F. Froehlich, and Incorporated Memorandum of Law is **GRANTED** [DE 297].
- 2 The Settlement Agreement is **APPROVED** [DE 297-1].

DONE and **ORDERED** in Chambers in West Palm Beach, Florida, this 9th day of July, 2021.


ROBIN L. ROSENBERG
UNITED STATES DISTRICT JUDGE