

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

SECURITIES AND EXCHANGE COMMISSION,)
)
 Plaintiff,)
)
 vs.)
)
 PATRICK CHURCHVILLE,)
 CLEARPATH WEALTH MANAGEMENT, LLC,)
)
 Defendants,)
)
 and)
)
 CLEARPATH MULTI-STRATEGY FUND I, L.P.,)
 CLEARPATH MULTI-STRATEGY FUND II, L.P.,)
 CLEARPATH MULTI-STRATEGY FUND III, L.P.,)
 HCR VALUE FUND, L.P.,)
)
 Relief Defendants.)
)

Case No. 15-CV-00191-S-LDA

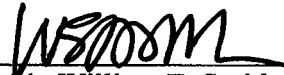
**ORDER APPROVING RECEIVER’S PETITION FOR INSTRUCTIONS REGARDING
THE PROPOSED “HCR VALUE FUND, L.P. AMENDMENT NO. 1 TO THE LIMITED
PARTNERSHIP AGREEMENT”**

This matter came before the Court on September 30, 2015 and on October 29, 2015 on the “Receiver’s Petition for Instructions Regarding the Proposed ‘HCR Value Fund, L.P. Amendment No. 1 to the Limited Partnership Agreement’” (Document # 20) filed on September 30, 2015 by Stephen F. Del Sesto, as the Court-appointed Receiver for Defendants Patrick Churchville and ClearPath Wealth Management, LLC and Relief Defendants ClearPath Multi-Strategy Fund I, L.P., ClearPath Multi-Strategy Fund II, L.P., and ClearPath Multi-Strategy Fund III, L.P. (collectively “Receivership Entities”). Having considered the Receiver’s Petition and all filings related thereto and having heard arguments of counsel for the parties,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

The Receiver's Petition is approved and the Receiver is hereby authorized to execute and perform the HCR Value Fund, L.P. Amendment No. 1 to the Limited Partnership Agreement in the form attached to this Order as Exhibit A.

IT IS SO ORDERED, this 4th day of November, 2015.



Honorable William E. Smith
UNITED STATES DISTRICT JUDGE

EXHIBIT A

HCR VALUE FUND, L.P.

Proposed Amendment NO. 1 TO THE LIMITED PARTNERSHIP AGREEMENT

THIS AMENDMENT No. 1 to the Limited Partnership Agreement ("*Amendment No. 1*") of HCR Value Fund, L.P., a Delaware limited partnership (the "*Partnership*") is executed this ____ day of September 2015 (the "*Effective Date*") by HCR Value Fund GP, LLC, a Delaware limited liability company, as general partner of the Partnership (the "*General Partner*"), by and through Stephen F. Del Sesto in his sole capacity as Court appointed Receiver for the receivership estate of Patrick Churchville ("*Churchville*"), Acrewood HCR GP, LLC (the "*New General Partner*"), Acrewood Holdings, LLC, a Delaware limited liability company, ("*Holdings*") Acrewood 2013, L.P. ("*Acrewood 2013*") and Acrewood 2014, L.P. ("*Acrewood 2014*"). Capitalized terms used in this Amendment No. 1 and not otherwise defined shall have the meanings ascribed to them in the Agreement of Limited Partnership of the Partnership dated August 7, 2012 (as further amended, restated or revised from time to time, the "*Partnership Agreement*" or "*HCRVF LPA*").

BACKGROUND

WHEREAS, the Partnership is a series limited partnership formed in August 2012 for the purposes of investing in health care receivables. There are currently two series of limited partnership interests contemplated by the Partnership Agreement: Series A, which is not authorized to make new investments ("*Series A*") and Series B which is authorized to make new investments ("*Series B*");

WHEREAS, Acrewood Investment Management, LP ("*Acrewood GP*") is the general partner and Holdings is the manager of Acrewood 2013 and of Acrewood 2014. Acrewood 2013 owns 51.667% of the outstanding partnership interests of Series A and Acrewood 2013 and Acrewood 2014 collectively own 98.75% of the outstanding partnership interests of Series B. Acrewood GP is the sole member of New General Partner;

WHEREAS, on June 2, 2015, the United States District Court for the District of Rhode Island (the "*Court*") issued an Order (the "*June 2 Order*") freezing the assets of Patrick Churchville ("*Churchville*") and ClearPath Wealth Management, LLC ("*ClearPath*"), among others, in connection with a complaint filed in May 2015 by the Securities Exchange Commission alleging mismanagement of funds. Prior to the June 2 Order, on May 21, 2015, the Partnership, Churchville, ClearPath, Holdings, Acrewood 2013 and Acrewood 2014 entered into an Agreement Regarding Continuing HCRVF Operations (the "*Continuing Operations Agreement*");

WHEREAS, on or about July 30, 2015 the Court entered an Order Appointing Receiver, appointing Stephen F. Del Sesto, Esq. as Receiver of Churchville, ClearPath and their respective receivership estates (the "*Receiver*");

WHEREAS, pursuant to Section 1.1 of the Continuing Operations Agreement, Holdings gave notice to ClearPath and Churchville on July 6, 2015, that, by reason of the June 2 Order, Churchville and ClearPath (or any entity owned by them) was prevented from acting as Management Company as contemplated by Section 4.3 of the HCRVF LPA, and Holdings therefore became authorized to exercise all management discretion afforded by Section 4.3 of the HCRVF LPA;

WHEREAS, on July 30, 2015, the Court entered an Order (the "*July 30 Order*") which provided that Series B may continue to operate pursuant to the terms of the Continuing Operations Agreement. In addition, the July 30 Order provided that the Partnership's investor entities who were party to the Continuing Operations Agreement, i.e. Acrewood 2013 and Acrewood 2014, could replace the General

Partner with an entity controlled by the same entity which controls such investor entities, i.e. with an entity controlled by Acrewood GP, and in so doing could convert any interest of a Defendant (as defined in the July 30 Order) in the Partnership to a special limited partner interest, *provided that*, by reason thereof: (a) no financial interest of the Defendants (including but not limited to rights to distributions or payments in respect of any capital contribution, carried interest, or management fees due to or accrued for the benefit of the Defendants) be dissipated or diminished; (b) to the extent any of these financial interests are realized and/or received by Defendants, that the money be escrowed and frozen pursuant to the provisions of Section II of the July 30 Order; and (c) Churchville play no investment advisory role in the on-going operations of the Partnership;

WHEREAS, the General Partner and New General Partner, with the approval, if required, of Holdings, Acrewood 2013 and Acrewood 2014, desire to amend the Partnership Agreement so that (i) with respect to Series B, New General Partner shall be the sole general partner of the HCRVF, while the General Partner remains as the sole general partner of the Partnership with respect to Series A, (ii) the economic rights of the General Partner in the Partnership with respect to Series B are converted, without diminution in economic value, to a non-voting interest of a special limited partner in the Partnership, and (iii) the New General Partner and the Partnership clarify that the Partnership is a series partnership and that the Series A and Series B interests in the Partnership have no claims or obligations with respect to one another. Acrewood 2013 and Acrewood 2014, as the sole limited partners in the Partnership with respect to Series B wish to consent to such restructuring of Series B;

WHEREAS, pursuant to Section 10.1 of the Partnership Agreement, the General Partner is permitted to transfer its general partnership interest in the Partnership to certain other entities. A transfer to the New General Partner requires the consent of a majority in interest of the Limited Partners. Acrewood 2013 and Acrewood 2014 represent a majority in interest (or more) of both Series A and Series B; and

WHEREAS, pursuant to 12.1 of the Partnership Agreement, the Partnership Agreement may be amended by the General Partner and a majority in interest of the Limited Partners, and pursuant to Section 12.1.4 of the Partnership Agreement, it may be amended by the General Partner without the consent of any Limited Partners if the amendment is to surrender any right granted to the General Partner under the Partnership Agreement provided that such amendment does not subject any Limited Partner to any material adverse economic consequences or alter or waive in any material respect the duties or obligations of the General Partner to the Partnership or the Limited Partners.

NOW, THEREFORE, the parties hereto hereby amend the Partnership Agreement as follows:

1. Transfer to New General Partner. Except as provided herein and in paragraph 2 hereof, the General Partner hereby assigns and transfers all of its interest as a general partner with respect to Series B in the Partnership to the New General Partner other than the right to receive distributions and other payments which would be made to the General Partner if the assignment and transfer contemplated by this Section 1 were not undertaken (such rights to distributions and payments being herein referred to as the "**GP Distribution Rights**"). As such the New General Partner shall have all of the rights, privileges and obligations as a general partner of a limited partnership under the Delaware Revised Uniform Limited Partnership Act, but shall not be entitled to any distributions from the Partnership. The New General Partner shall be entitled to the indemnification protections set forth in Article 11 of the Partnership Agreement.

2. Conversion of Residual Interest to Special Limited Partner Interest. The General Partner's GP Distribution Rights are hereby converted into a special limited partner interest in the

Partnership (“*Special LP Interest*” and the General Partner as the holder thereof, the “*Special Limited Partner*”). The Special LP Interest shall entitle the holder thereof to all financial interests, distributions and other payments in respect of any capital contribution, carried interest, management fees hereinbefore or hereinafter due, and indemnification to the extent provided in the Partnership Agreement and the Agreement Regarding Continuing HCRVF Operations dated May 21, 2015, which would have been provided to the General Partner in respect of Series B if the assignment and transfer contemplated by Section 1 were not undertaken. From time to time as may reasonably be requested by the holder of the Special L.P. Interest, the New General Partner shall account to the holder of the Special L.P. Interest as to the existence and value of its financial interests, distributions and other payments that may be due from the Partnership. The Special LP Interest shall be non-voting and transferable in accordance with Section 10.2 of the Partnership Agreement in the same manner as the interests of Limited Partners are thereunder transferable. The Special LP Interest shall not entitle the holder thereof to participate in the governance or control of any aspect of Series B. The Special Limited Partner is hereby admitted to the Partnership.

3. General Partner. Section 3.4.1 of the Partnership Agreement is hereby amended to read as follows:

The management, policies and control of Series A of the Partnership shall be vested exclusively in HCR Value Fund GP, LLC (the “**Series A General Partner**”). The management policies and control of Series B of the Partnership shall be vested exclusively in Acrewood HCR GP, LLC (the “**Series B General Partner**”). All references in this Agreement to the General Partner shall mean the Series A General Partner will respect to all matters pertaining to Series A and to the Series B General Partner with respect to all matters pertaining to Series B.

The Series A General Partner and the Series B General Partner shall undertake all steps deemed necessary or appropriate by the Series B General Partner to effect and preserve the series nature of the Partnership so that (i) the liabilities of the Partnership which are attributable solely to Series A are satisfied only from assets of Series A, (ii) the liabilities of the Partnership which are attributable solely to Series B are satisfied only from assets of Series B, and (iii) any liabilities attributable to both Series A and Series B shall be paid from the assets of each series in proportion to their contribution to such liability, and if such contribution is not determinable, then in proportion to the aggregate asset values at the time the liability first became known and quantified.

In the event that an action to be undertaken by the Partnership is not divisible by Series, such as may be the case with tax elections allowed under Section 3.4.2, such actions shall be undertaken by the Partnership only if authorized by the both the Series B General Partner and the Series A General Partner. In the event that any action to be undertaken by the Series A General Partner (including any action described in the preceding sentence) is not permitted to be undertaken by reason of a government action or court order (or similar restriction), then, if such action affects the ability of any Series B Limited Partner (or affiliate thereof) which is also a Series A Limited Partner to receive distributions in respect of Series A investments, then the Series B General Partner shall be authorized to act in the stead of the Series A General Partner for

purposes of such action (unless the Series B General Partner acting in such capacity is prohibited by law, rule, regulation or court order). Without limiting the foregoing, any decision or action which is required by order of the Court to be submitted for approval to the Receiver, shall be so submitted and any such decision required by order of the Court to be approved by the Court, shall be so submitted by the Receiver or by the Series B General Partner (or its designee).

Notwithstanding any of the foregoing, for purpose of Article 6 (Distributions), all references to "General Partner" in Article 6 shall only mean the Series A General Partner as the Series B General Partner shall not be entitled to any distributions under the Partnership Agreement.

4. Series A General Partner Unaffected. For clarity, the parties hereto hereby confirm that, except as expressly provided in Section 3 above, the General Partner shall remain the general partner of the Partnership for all purposes with respect to Series A and that the New General Partner shall have no responsibility or liability for any actions undertaken, nor have any obligations, with respect to Series A.

5. Schedule A. Schedule A with respect to Series B is hereby amended to be in the form attached hereto as *Appendix I*.

6. Management Company. Section 4.3 of the Partnership Agreement is hereby amended to add the following sentence at the end thereof:

Notwithstanding anything to the contrary in this Section 4.3, Acrewood Holdings, LLC ("**Holdings**") shall be the Management Company with respect to Series B. The Management Fee in respect of Series B, which is \$25,000 per calendar month, shall continue to be paid to ClearPath Wealth Management, LLC, subject to offsets resulting from indemnification claims to the extent provided in that certain Agreement Regarding Continuing Operations dated May 21, 2015 by and among Holdings, the General Partner and the Partnership (among others), to the extent such offsets are determined and allowed by a final, non-appealable order of the Court, for so long as Management Fee is payable under this Agreement in respect of Series B.

7. Transfers General Partner Interest. Section 10.1 of the Partnership Agreement is hereby amended to add the following at the end thereof:

Except as required by law, rule, regulation or court order, in no event shall the Series A General Partner transfer its interest to any person without the consent of the Series B General Partner, which consent may be withheld, delayed or conditioned as the Series B General Partner may determine to be in the best interests of the Series B General Partner and the investors in Series B.

8. Effective Date. The General Partner hereby confirms that Acrewood 2013 and Acrewood 2014 have the requisite ownership interests to approve an amendment to the Partnership Agreement if such consent is required. Therefore, the parties agree that this Amendment No.1 shall be effective from and after the Effective Date.

9. Other Provisions. All other provisions of the Partnership Agreement shall remain in full force and effect and shall be unaffected by the provisions set forth in this Amendment No. 1.

10. Governing Law; Severability of Provisions. It is the intention of the parties that the internal laws of the State of Delaware and, in particular, the provisions of the Act, shall govern the validity of the Agreement, as amended by this Amendment No. 1, the construction of its terms and interpretation of the rights and duties of the parties.

11. Entire Agreement. The Partnership Agreement as amended hereby constitutes the entire agreement with respect to the subject matters of the Partnership Agreement and supersedes any prior agreement or understandings among the Partners thereto, oral or written with respect to the subject matter hereof, all of which are hereby canceled. Nothing herein shall supersede, restrict or otherwise limit the rights and obligations of the parties under the Continuing Operations Agreement.

12. Instruments to be Read Together. This Amendment No. 1 shall form a part of the Partnership Agreement for all purposes, and the Partnership Agreement and this Amendment No. 1 shall be read together. Each reference to "Agreement", "hereunder," "hereof," "herein" or words of like import in the Partnership Agreement shall mean and be a reference to the Partnership Agreement as amended by this Amendment No. 1.

IN WITNESS WHEREOF, the General Partner, intending to be legally bound hereby, has executed this Amendment No. 1 to the Limited Partnership Agreement of HCR Value Fund, L.P. on the day and year first above written.

Acrewood 2014, L.P.
**By: Acrewood Investment Management, LP, its
general partner**

By: Acrewood GP, LLC, its general partner

By: _____
Stephen Chang, Managing Member

HCR Value Fund GP, LLC

By: _____
*Stephen F. Del Sesto solely in his capacity as
Receiver for the Receivership Estate of Patrick
Churchville*

Acrewood 2013, L.P.
**By: Acrewood Investment Management, LP, its
general partner**

By: Acrewood GP, LLC, its general partner

By: _____
Stephen Chang, Managing Member

Acrewood Holdings, LLC

**By: Acrewood GP, LLC, its managing
member**

By: _____
Stephen Chang, Managing Member

Acrewood HCR GP, LLC
**By: Acrewood Holdings, LLC, managing
member**

By: Acrewood GP, LLC, its managing member

By: _____

Stephen Chang, Managing Member

APPENDIX I

HCRVF Series B
Schedule A
as of August __, 2015

<u>Partner</u>	<u>Commitment</u>	<u>Unfunded Commitment</u>	<u>Percentage Interest</u>
General Partner:			
Acrewood HCR GP, LLC	\$0	\$0	0%
Limited Partners:			
Acrewood 2013, L.P.	\$13,750,000	\$5,646,254	68.75%
Acrewood 2014, L.P.	\$6,000,000	\$2,463,820	30.00%
Special Limited Partner:			
HCR Value GP, LLC	\$250,000	\$102,659	1.25%
TOTAL:	\$20,000,000	\$8,212,733	100%