

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
vs.)	Case No. 15-CV-00191-S-LDA
)	
PATRICK CHURCHVILLE,)	
CLEARPATH WEALTH MANAGEMENT, LLC,)	FIRST QUARTERLY STATUS
)	REPORT
Defendants,)	and
)	PRELIMINARY LIQUIDATION
and)	PLAN
)	
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.)	
)	

Stephen F. Del Sesto, Esq., the Court-appointed Receiver for and over the Estates of Patrick Churchville (“Churchville”), ClearPath Wealth Management, LLC (“ClearPath”), ClearPath Multi-Strategy Fund I, L.P. (“CPMSF I”), ClearPath Multi-Strategy Fund II, L.P. (“CPMSF II”), ClearPath Multi-Strategy Fund III, L.P. (“CPMSF III”) and HCR Value Fund, L.P. (“HCR”) (collectively the “Receivership Entities”), submits this **First Quarterly Status Report and Preliminary Liquidation Plan** (the “Report and Plan”) in accordance with the Order of this Court and for the purpose of providing “a plan for the fair, reasonable and efficient recovery and liquidation of all remaining, recovered and recoverable Receivership Property” as well as an update on the Receiver’s work and findings to date (“Investigation”). The facts presented in this Report and Plan may be supplemented, amended and/or corrected as the Investigation continues, and include the preliminary assessment of the Receiver’s counsel as well as the agents, consultants, and advisers retained by the Receiver’s counsel (the “Receiver Team”).

I. INTRODUCTION

The Receivership Entities are summarized as follows:

- a. **Churchville** – The sole owner and President of ClearPath. In that capacity, he served as an investment adviser to individual clients and to pooled investment vehicles, and has engaged in the business of directly or indirectly advising others as to the value of securities and/or as to the advisability of investing in, purchasing, or selling securities;
- b. **ClearPath** – a Rhode Island limited liability company and licensed investment advisor with a principal place of business located in Barrington, Rhode Island. In April 2013, ClearPath became the manager of several limited liability companies which are the general partners of the four affiliated, named Relief Defendants. ClearPath is also the advisor to the Relief Defendants, pursuant to management agreements between ClearPath and each of those funds;
- c. **CPMSF I** - is a Delaware limited partnership formed in 2008;
- d. **CPMSF II** – is a Delaware limited partnership formed in 2011;
- e. **CPMSF III** – is a Delaware limited partnership formed in 2009; and
- f. **HCR** – is a Delaware limited partnership formed in 2012.

Churchville and ClearPath managed a series of private investment funds that were structured as limited liability partnerships. ClearPath is the adviser to at least four affiliated private funds, pursuant to management agreements between ClearPath and each of the funds: ClearPath Multi-Strategy I, LLC; ClearPath Multi-Strategy II, LLC; ClearPath Multi-Strategy III, LLC; and HCR Value Fund GP, LLC (the “Funds”).¹ Churchville and ClearPath organized the Funds and HCR in a complex Series structure. It appears that the Funds retained ClearPath to provide investment advice, in exchange for management fees, expense reimbursement and placement fees.² The investors in each of the private funds held limited partnership interests in

¹ ClearPath Multi-Strategy I, LLC is the general partner of the CPMSF I fund. ClearPath Multi-Strategy II, LLC is the general partner of CPMSF II. ClearPath Multi-Strategy III, LLC is the general partner of CPMSF III. HCR Value Fund GP, LLC is the general partner of HCR Value.

² ClearPath was also entitled to receive a success fee from CPMSF III.

those Funds pursuant to Limited Partnership Agreements between the limited partners and the Funds.

The Limited Partnership Agreements for each Fund provide that Fund assets and capital are divided into separate Series, which in turn are accounted for as sub-partnerships within the Fund. In practice, each Series in the ClearPath funds was comprised of a distinct portfolio investment, and investors subscribed specifically to the particular Series in which they wanted to invest. Because each Series within the Funds was supposed to be accounted for as a separate sub-partnership, ClearPath provided investors with capital account statements specific to their Series, rather than to the Fund overall. As a result, distributions attributable to redemption of the portfolio investment associated with a particular Series were to be made only to those investors participating in those Series. Further, Investors were to receive distributions or other funds only from their interest in the Series, as opposed to the Fund overall. In essence, the investors owned investments in particular portfolio companies, while the portfolio companies were administered under the umbrella of the overall Fund, which paid ClearPath its management fees and other compensation. The Series were offered to Investors in a variety of different types of investments, including commercial secured loans, collections of other private funds, direct investments in private companies, and an investment in publicly traded equities and bonds.

On or about May 7, 2015, the Securities and Exchange Commission (“SEC”) commenced a civil enforcement action (the “Enforcement Action”) against Churchville and the Receivership Entities. *See* Complaint filed May 7, 2015 attached as Exhibit 1 (the “SEC Complaint”). The SEC Complaint alleges that Churchville, through ClearPath engaged in (1) fraud in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder; (2) fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 (“Securities Act”); (3) fraudulent conduct by an investment adviser, in violation of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”); and, (4) fraudulent conduct by an investment adviser to a pooled investment vehicle, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. Additionally, the SEC Complaint alleges that ClearPath failed to (a) comply with rules promulgated under the Advisers Act related to the custody of funds or securities of clients, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder; and, (b) adopt, implement, and annually review written policies and procedures

reasonably designed to prevent violation, by ClearPath and ClearPath's supervised persons, of the Advisers Act and the rules promulgated under the Advisers Act, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Finally, the Complaint alleges that Churchville aided and abetted ClearPath's violations of Section 206(4) of the Advisers Act and Rules 206(4)-2 and 206(4)-7. The SEC sought equitable relief, including injunctions against future violations of the securities laws, injunctions against the issuance, purchase, offer or sale of any securities, orders freezing all assets, disgorgement, prejudgment interest, civil monetary penalties and the appointment of a receiver.

Subsequent to the filing of the SEC Complaint, on or about June 2, 2015, the SEC and the Receivership Entities consented to the immediate entry of an order imposing preliminary injunction, freezing assets and for other equitable relief. *See* Order Imposing Preliminary Injunction, Freezing Assets and for Other Equitable Relief filed June 2, 2015 ("Freeze Order") attached as Exhibit 2. Soon thereafter, on or about July 14, 2015, the SEC filed a Motion for Appointment of a Receiver and Motion for Order Concerning HCR. Based upon those Motions, on or about July 30, 2015, the Court entered an Order Appointing Receiver and Order Concerning HCR. *See* Order Appointing Receiver ("Appointing Order") and Order Concerning HCR ("HCR Order") attached as Exhibit 3 and 4, respectively.

As discussed in greater detail below, since the entry of the Appointing Order the Receiver has commenced his investigation of the Receivership Entities. The investigation is still in its preliminary stages and is ongoing. To date, the investigation has identified several tangible assets, several investment vehicles and approximately 200 investors ("Investors") who engaged Churchville and/or ClearPath for investment advice and related services.³ Based upon the preliminary investigation, it appears that Investor funds fraudulently handled by Churchville and/or ClearPath exceeds \$15 million.

II. PROCEDURAL BACKGROUND

The Appointing Order directs the Receiver to: (a) use reasonable efforts to determine the nature, location, and value of all property interests of the Receivership Defendants which the Receivership Defendants own, possess, have a beneficial interest in, or control directly or

³ At this point the Receiver cannot confirm whether the approximately 200 identified Investors represent the entirety of the ClearPath investor group.

indirectly (“Receivership Property” or collectively all such interests, the “Receivership Estate”); (b) take custody, control, and possession of all Receivership Property and records relevant thereto, as well as sue for and collect, recover, receive, and take into possession from third parties all Receivership Property and records relevant thereto; (c) manage, control, operate, and maintain the Receivership Estate and hold in his possession, custody, and control all Receivership Property; (d) use Receivership Property for the benefit of the Receivership Estate, making payments and disbursements and incurring expenses as may be necessary or advisable in the ordinary course of business in discharging his duties as Receiver; (e) take any action which, prior to the entry of the Appointing Order, could have been taken by the officers, directors, partners, members, managers, trustees and agents of the Receivership Defendants; (f) engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities; (g) take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property; (h) issue subpoenas for documents and testimony consistent with the Federal Rules of Civil Procedure; (i) bring such legal actions on behalf of the Receivership Defendants based on law or equity in any state, federal, or foreign court, tribunal or agency as the Receiver deems necessary or appropriate in discharging his duties as Receiver; (j) pursue, resist, defend all suits, actions, claims and demands which may now be pending or which may be brought by or asserted against the Receivership Estate; and, (k) take such other action as may be approved by this Court. *See* Appointing Order, Paragraph II. 7.

The Receiver is submitting this Report and Plan pursuant to Paragraphs 53, 54, 55 and 56 of the Appointing Order. The Receiver will prepare and file subsequent quarterly reports and supplemental liquidation plans as required by the Appointing Order or as may be appropriate at a later date.

According to the SEC Complaint, beginning in December 2010 Churchville, through ClearPath, misappropriated and misused investors’ cash and assets through a years-long fraudulent scheme involving theft, covered up by false accounting entries, shadow accounts, and misrepresentations to his investors, as well as to financial institutions, to third-party administrators, and to ClearPath’s auditors and accountants. Churchville and ClearPath used several private funds established and/or managed by them as the vehicles for this fraudulent scheme. *See* SEC Complaint Paragraphs 1 and 2. Through this scheme ClearPath and

Churchville caused at least \$11 million in losses to the Funds they advised and controlled, by misappropriating the funds' cash in a series of Ponzi-like transactions. They misallocated and misappropriated investor assets, using monies that were due to be distributed to particular investors to pay for new investments or to fund distributions to unrelated investors. They further misallocated and misappropriate investor funds by using fund assets to secure undisclosed borrowing and by repaying the borrowed funds with monies that were due to be distributed to investors. Churchville and ClearPath were able to conceal these thefts and misappropriation from auditors, accountants, fund administrators and ClearPath staff through a series of deceptive acts and fraudulent accounting entries. *See* SEC Complaint Paragraphs 3 and 4. In several instances, Churchville and ClearPath used misappropriated funds to cover various business and personal expenses and frequently transferred cash from one fund to another, or from the Funds to ClearPath's bank account, to cover these expenses. At other times, Churchville and ClearPath would borrow against the Funds' assets and investments, using the borrowed funds to bankroll their business and personal expenses and investments held by ClearPath for their own benefit. When such investments proved profitable, Churchville and ClearPath would retain the profits for themselves. When the investments lost money, however, they would use monies that were owed to Fund investors to repay the loans. *See* SEC Complaint Paragraph 35. During several instances when Fund investors requested distributions of their investments, Churchville prolonged the scheme by lying to investors about the status, worth and disposition of those investments, lulling investors into thinking that at least a portion of their investments were intact, when, in fact, the money was gone. *See* SEC Complaint Paragraphs 5 and 38.

The Receiver and his team have been cooperating with the SEC to locate, gather and preserve assets of Churchville and ClearPath. The Receiver has also responded to numerous inquiries by various investors and other interested parties.

III. SUMMARY OF RECEIVERSHIP OPERATIONS AND FINDINGS TO DATE

As described above, the Appointing Order directs the Receiver to identify, locate, recover, and preserve all assets of the Receivership Estate for liquidation in accordance with a liquidation plan and, ultimately, distribution in accordance with a distribution plan to the appropriate parties. Accordingly, the Receiver and his team have been primarily focused on the following activities: (1) establishing the Receivership Estate for the benefit of investors, creditors

and other interested parties; (2) communicating with investors, creditors and other interested parties regarding the receivership; (3) investigating the financial condition of the Receivership Defendants; (4) investigating the current and potential financial value of various funds and investments of the Receivership Defendants; (5) evaluating and preserving Receivership Estate assets; (6) investigating and analyzing the flow and destination of investment funds taken by the Receivership Defendants; (7) overseeing and managing the liquidation of certain Receivership Estate assets; and, (8) investigating and analyzing claims of the Receivership Defendants against third parties.

A. Establishing the Receivership Estate

Subsequent to the Receiver's appointment on July 30, 2015, he sought and received approval from this Court to retain the accounting firm of Sansiveri Kimball & Co., LLP to assist with the forensic accounting and analysis of the financial condition and activities of the Receivership Defendants. The Receiver also retained copies of all documents collected by the SEC during its years long investigation of the Receivership Defendants and utilized Case Logistics to assist with the collection and review of electronically stored information. The Receiver established a dedicated electronic mail address (clearpathreceiver@dbslawfirm.com) to facilitate communications with investors, creditors and other interested parties. The Receiver is also finalizing the establishment of a website location where all parties can access, review and download pleadings, reports and other information related to the progress of this proceeding.

The Receiver has established one bank account on behalf of the Receivership Estate which has been used to hold funds received from an escrow held by Churchville's counsel. The Receiver anticipates that several additional accounts will be established as additional funds are seized or collected by the Receiver. Creating such segregated accounts controlled by the Receiver will ensure accuracy and complete control by the Receiver as he seizes or collects funds from various sources. The Receiver has not been required to address any legacy operating expenses (payroll, taxes, etc.) because all operations of ClearPath had ceased several months prior to the appointment of Receiver.

To the extent that any payments are made by the Receivership Estate, the Receiver will personally approve any such payments and the Receiver has implemented procedures and internal controls to ensure that all transactions are authorized by the Appointing Order and are

necessary for the preservation of the Receivership Estate. The Receiver and his team ensures that all such transactions are accurately recorded and monitored.

1. Assets Marshalled as of the Filing of this Report and Plan

Paragraph 7 of the Appointing Order authorizes the Receiver to take possession of all of the assets of the Receivership Defendants. Likewise, Sections IV and V of the Appointing Order requires all parties holding Receivership Defendant assets to turn such assets over to the Receiver or his agents. Since the Receiver was appointed on July 30, 2015, the Receiver Team has recovered approximately \$903,000 in cash.⁴ These funds were collected from a transfer of escrow funds held by Churchville's counsel.

Since the outset of the Receivership, the Receiver's team has actively pursued the known bank accounts of the Receivership Defendants. The Receiver and his team have been largely successful in marshalling and controlling the majority of the known Receivership Estate assets. However, as discussed below, certain of the Receivership Estate assets have not yet been recovered. The Receiver and his team continues to seek to recover these additional assets and to locate other assets.

2. Expenses and Disbursements as of the Filing of this Report and Plan

Since his appointment your Receiver has incurred the following administrative expenses:

- a. \$1,500.00 incurred from Sweeney Real Estate & Appraisal, One Turks Head Plaza, Suite 850 in Providence, Rhode Island. This expense is related to the appraisals for all parcels of real property owned by Churchville and/or Macaw;
- b. \$188.00 incurred from ParaSearch, Inc., 222 Jefferson Boulevard, Warwick, Rhode Island. This expense is related to lien searches for the Receivership Defendants;

⁴ On July 2, 2015, Mr. Churchville swore to a declaration that the funds were transferred from the following accounts:

- i. ClearPath Multi-Strategy Fund I, L.P. Operating Account (Amount: \$63,849.13);
- ii. ClearPath Multi-Strategy Fund I, L.P. Hastings Series Account (Amount: \$503,910.08);
- iii. ClearPath Multi-Strategy Fund I, L.P. HCRVF Series Account (Amount: \$330,725.45);
- iv. ClearPath Multi-Strategy Fund II, L.P. Operating Account (\$2,276.00);
- v. ClearPath Multi-Strategy Fund III, L.P. Operating Account (\$2,595.94).

On or around August 17, Mr. Churchville provided individual declarations for each account along with supporting account statements.

- c. \$196.00 incurred from Amy Catanzaro, 321 Tunk Hill Road, Hope, Rhode Island. This expense is related to title searches for the Barrington and Narragansett properties;
- d. \$81.00 incurred from Tim Thibodeau, 125 Olympia Avenue, Pawtucket, Rhode Island. This expense is related to a title search for the property located at 5 Starr Lane, Rehoboth, MA (the search revealed that this property is not currently an asset of the Receivership Defendants);
- e. \$740.00 incurred from Evidox Corporation, 207 South Street, 2nd Floor, Boston, Massachusetts. This expense is related to the upload and maintenance of the digital documents provided from the SEC;
- f. TBD incurred from Irving Shechtman & Co., Inc., 141 Power Road, Pawtucket, Rhode Island. This expense is related to preparation of an inventory and appraisal of the contents of the Barrington property;
- g. TBD incurred from Gentle Giant Storage, East Providence Rhode Island. This expense is related to the monthly storage charges for items removed from the former ClearPath office located at Maple Avenue, Barrington, Rhode Island.

Your Receiver has also incurred administrative expenses in the form of his law firm's fees and costs. Those fees, costs and expenses will be detailed in the Receiver's First Fee Application which will be filed at a later date. The Receiver has not made any disbursements to any party since his appointment.

3. Tangible Assets Identified

At the time of the Receiver's appointment Churchville had two real estate holdings in Rhode Island: (a) his primary residence in Barrington, Rhode Island; and (b) a residential condominium in Narragansett, Rhode Island. Both properties are encumbered by mortgages. In addition to the real property holdings, Churchville's other assets include: (i) 2013 Audi Q7; and (ii) a 2010 GMC Yukon; (iii) 1998 Doral (30') motor boat; (iv) miscellaneous personal property, including, computers, sports and exercise equipment, furniture, jewelry and electronics; (v) membership interest in a Rhode Island limited liability company named Macaw Investment Company, LLC

("Macaw"); (vi) miscellaneous office furniture and supplies.⁵ To the Receiver's knowledge there were no leased spaces held by any of the Receivership Defendants as of July 30, 2015. The Receiver has undertaken the task of data extraction from all computer equipment seized.

4. Investigating the Receivership Defendant's Financial Condition

The Receiver has identified numerous accounts, funds and other investments in which the Receivership Defendants may have held an interest, and is in the process of securing and marshaling those assets. The Receiver and his team have also begun to analyze financial records of the Receivership Defendants. Certain financial information in the Receivership Defendants' financial records has been found to be inadequate or incomplete. The Receiver Team is currently in the process of reconstructing several months of financial information. Because of the significant lack of documentation and the organization of this data, this process will be time-consuming, but it is necessary for the Receiver to identify additional assets, trace the proceeds of any fraudulent conduct, evaluate claims of creditors and investors, and identify potential claims against former employees, third parties (including other professionals), and any other parties that may have received assets of the Receivership Estate.

5. Evaluating and Preserving the Receivership Estate Assets

As part of the effort to marshal, identify and secure potential assets of the Receivership Estate, the Receiver and his team have communicated with numerous individuals and entities who are believed to have information about Receivership Assets. Initial communications with various third parties, have revealed the identities of numerous other individuals and entities that might have relevant information regarding the scheme, including potential business associates and investors of the Receivership Defendants and its principals. A substantial portion of the Receiver's work has consisted of the investigation, collection, and preservation of the assets described below.

i. Bank and Brokerage Accounts

As discussed above, the Receiver and his team sought to locate and identify all bank, brokerage and other accounts controlled by the Receivership Defendants that had conducted or were conducting business with any or all of the Receivership Defendants. The Receiver relied in part on a list of financial institutions provided by the SEC from the investigation that it had

⁵ The Receiver is bothered by the lack of any valuable tangible assets. In light of the circumstances of this case, the amount of money in question and the apparent lifestyle led by Churchville during the last five (5) years, the Receiver questions the substantial lack of any tangible assets of value.

conducted prior to the appointment of the Receiver. The Receiver also sought to ensure that all identified accounts were frozen and, to the extent necessary, is in the process of following up with each financial institution to obtain historical account information and account opening documents. The Receiver served on each bank, brokerage house, and financial institution that may have held Receivership Estate assets a Notice of Commencement of Receivership and Freeze of Assets and Instructions, which (i) requested from each institution from which assets have been seized a statement of all accounts and their balances held in the name of or for the benefit of any of the Receivership Defendants; and (ii) requested that those financial institutions provide the Receiver with all requested information and access to any accounts related to any of the Receivership Defendants. The process of identifying and seizing Receivership Estate assets is ongoing. At this point it is possible that not all funds have been recovered.

Many of the accounts identified by the SEC were closed, inactive or had a zero balance before the Receiver was appointed. The Receiver and his team are still investigating these accounts to confirm that no amounts are due to the Receivership Estate in regard to those accounts.

The Receiver does not believe that there are any material accounts of the Receivership Defendants that have not been seized. However, the Receiver and his team are still investigating the financial records of the Receivership Defendants to determine whether other institutions hold Receivership Assets. Likewise, the Receiver Team has not yet reconciled the Receivership Defendants' account records with the amount of funds recovered from the Receivership Defendants' accounts. As such, the Receiver has reserved all of his rights in that regard.

As of the date of this Report and Plan, the Receiver has recovered approximately \$910,000.00. This balance does not reflect the funds held in accounts the Receiver and his team have identified, but have not yet seized.

ii. Fund Investments

Similar to the above, the Receiver and his team have also sought to locate and identify all remaining fund investments made by the Receivership Defendants. The Receiver relied in part on a list of fund investments provided by the SEC from the investigation that it had conducted prior to the appointment of the Receiver. At this point the Receiver has identified 4 fund investments with funds actively held by those funds: (i) Hastings Equity Partners Investment Fund; (ii) PharmLogic; (iii) Data Central; and, (iv) HCR Value Fund.

The Receiver and his team are reviewing each of the above in order to determine funds available for recovery, time frame for that recovery and related claims that may be available relative to each.

a. *Hasting Equity Partners, LLC Investment Fund* - the majority of the funds in this investment were collected, escrowed and distributed as part of a Rhode Superior Court proceeding (Curtis Ball and Cinda Ball v. Patrick Churchville, et. al. docket number CA 2014-0425). The Receiver believes that a small amount of money remains from this investment and the Receiver is reviewing the Rhode Island Superior Court proceedings to determine if the Receivership Estate has any claims to the funds, or any portion, disbursed in that proceeding.

b. *PharmLogic* – The Receiver and his team continue to assess the short and long-term potential for this investment and the various potential options to liquidate. This investment fund has the most substantial paper value but is also the most speculative of all the funds.

c. *Data Central* - The Receiver and his team continue to assess the potential for this investment and the potential options to liquidate.

d. *HCR Value Fund* – Defendant ClearPath Wealth Management, LLC is entitled to a monthly \$25,000 management fee pursuant to the terms of the amended Limited Partnership Agreement of HCR Value Fund, LP. Furthermore, HCR Value Fund GP LLC, owned and operated by ClearPath Wealth Management, LLC and/or Patrick Churchville, owns 1.25% of the outstanding partnership interests in Series B of the HCR Value Fund, LP. The circumstances surrounding the Limited Partnership Agreement of HCR Value Fund, L.P. are more fully discussed in the Receiver’s September 30, 2015, Petition for Instructions Regarding the Proposed “HCR Value Fund, L.P. Amendment No. 1 to the Limited Partnership Agreement.” (Document #20)

The Receiver has been in active discussions with Acrewood Holdings, LLC (and related Acrewood parties) (“Acrewood”) regarding transfer of the general partner control over Series B to Acrewood GP and the settlement and liquidation of Churchville’s and ClearPath’s management and vestment interests in both Series A and Series B of the partnership with both Acrewood and Capio Acquisitions VII, LLC (and related Capio entities). In connection with these discussions, the Petition for Instructions seeks instruction regarding the Receiver’s execution of Amendment No. 1 to the HCR Value Fund, L.P. Limited Partnership Agreement

with Acrewood which would transfer the general partner control to Acrewood GP. In addition, the Receiver has been presented with a settlement agreement from Acrewood and Capio. The Receiver continues to negotiate the terms of that settlement and will present a Petition to the Court for approval and authorization once the settlement is acceptable to the Receiver. Once resolved, the recovery to the Receivership Estate will be in the range of \$500,000 to \$1 million.

iii. Assets Recovered

To date the Receiver and his team have identified and collected the following additional assets:

a. Real Property

As noted above, Churchville currently owns two residential properties in Rhode Island: his primary residence in Barrington, Rhode Island and a residential condominium in Narragansett, Rhode Island. Both properties are encumbered by mortgages but it appears that significant equity exists in each. The Receiver has secured expert appraisals for each property and intends to sell these properties in accordance with reasonable business terms.

The Receiver has received an offer for the Barrington property which he deems to be generally acceptable. An acceptance of that offer subject to certain conditions suggested by the Receiver has been communicated to the offeror. If the sale conditions are accepted by the offeror the Receiver expects a sale to occur in the coming months. Based upon the terms of sale, the NET sale proceeds to the Receivership Estate will be approximately \$400,000.00.

Regarding the Narragansett property, the Receiver is marketing the property with a real estate broker. It is expected that the property will be liquidated through a broker sale. However, if the property does not sell through the broker, the Receiver will assess the manner of sale and may elect to liquidate the property through auction.

b. Personal Property

As noted above, Churchville owned 2 private passenger vehicles and 1 motor boat. The Receivership Defendants also hold household and office furnishings in the Barrington property and at a storage facility located in East Providence, Rhode Island. Finally, there are household furnishings owned by Churchville stored at Doyle Avenue in Providence, Rhode Island (a property owned by Macaw Investment Company, LLC). The Receiver has secured expert appraisals for this property and intends to sell these properties in accordance with reasonable

business terms. It is anticipated that this property will be liquidated via public auction in the coming months. The Receiver is also investigating whether any other personal property was purchased with investor funds or other scheme funds and whether such property has been improperly transferred and/or titled to others. The Receiver

intends to vigorously pursue, with leave of the Court, the recovery of any and all personal property traceable to investor assets but held by others.

c. Other Property Interests

As noted above, Churchville holds no less than a 50% membership interest in Macaw.⁶ It is the Receiver's understanding that at the time of his appointment, Macaw held ownership interests in 2 pieces of real property located in Providence, Rhode Island: 14 Parade Street and 172-174 Doyle Avenue. Soon after the Receiver's appointment, Macaw advised that the 14 Parade Street property was under a Purchase & Sale Agreement for the sum of \$425,000.00. In order to properly assess the reasonableness of this contemplated sale, the Receiver secured an expert appraisal for this property and reviewed the terms of sale to confirm the reasonableness of those terms. The Receiver concluded that the sale price and terms of sale were reasonable and consented to the sale. A closing on this sale occurred this month and the Receiver is holding the NET proceeds of sale (approximately \$88,000) pending his determination and recommendation to this Court on whether and how those proceeds should be disbursed to the other member, Andrew Churchville Carlin ("Carlin").

The Doyle property is being marketed by a real estate broker retained by Macaw. Prior to any sale, similar to the Parade Street property, the Receiver will assess the reasonableness of any offer based upon an appraisal for this property and review of the terms of sale. The Receiver is also assessing other means (i.e. public auction, transfer for value to Carlin, etc.) of liquidation for this property. It is the Receiver's understanding that this property holds equity available for the Receivership Estate.

⁶ The other potential member of Macaw Investment Company, LLC is Churchville's relative and former ClearPath employee, Andrew Churchville Carlin ("Carlin"). Based upon the Receiver's review of the corporate records of Macaw, as of the commencement of this matter it does not appear that any financial interest in Macaw has yet transferred to Carlin.

iv. Analyzing Claims Against Third Parties

As discussed above, the Receiver and his team have focused its initial efforts primarily on locating and securing assets of the Receivership Estate. As more evidence is uncovered, the Receiver will increasingly broaden its recovery efforts to include claims against officers, employees, participants, professionals and others who benefited from this scheme. These claims will include common law claims and “clawback” claims under applicable fraudulent transfer statutes against those who ran the operations and “net-winner” participants, i.e. those who received back more (of other investor money) than they paid, invested with the Receivership Defendants. According to information obtained by the Receiver (in cooperation with the SEC), which has not yet been verified with all Receivership Defendants’ records, approximately 220 investors invested funds with the Receivership Defendants. Also, the Receiver intends to investigate potential claims against professionals and others involved in the scheme who may be liable for the role they played in facilitating the operation and will file suit accordingly after Court approval and if the Receiver believes that such a suit is warranted.

The Receiver’s investigations of these claims against third parties are in the preliminary stages. Thus, the Receiver is not yet able to predict the likelihood, amount or cost-effectiveness of any particular claim or the claims as a whole. The Receiver may, however, plan to first offer those who are required to return money to the Receivership Estate the opportunity to do so cooperatively in an effort to avoid costly litigation for all concerned.

With respect to potential claims against the Receivership Estate, the Receiver will, if necessary, move for a stay of such actions. If brought, the Receiver will evaluate the merits to such claims and will act accordingly. At this preliminary stage, the Receiver is not aware of any such claims asserted against the Receivership Estate.

IV. ASSET LIQUIDATION AND DISTRIBUTION OF PROCEEDS

As detailed above, the Receiver has undertaken the marshaling of Receivership Assets and will continue to do so as he identifies other Receivership Assets. To the extent that the Receiver believes that the Receivership Defendant holds causes of action that would provide a net benefit to the Receivership Estate, the Receiver will pursue those actions. At this stage, it is not clear how long these tasks will take.

While the time frame for recovering assets is unclear, the Receiver is mindful that the process of distributing these assets to the victims of the scheme is of paramount importance in this case. The preliminary investigation done by the Receiver and his team has shown that there may have been more than 220 investors involved in the scheme. The sheer volume of potential claimants has caused the Receiver to examine all possible avenues to streamline the claims and distribution process in this case so that he can return as much of the marshaled assets to the victims of the scheme as possible. The Receiver is, therefore, in the process of formulating a claims process and will seek this Court's approval of that process as soon as practicable. Additionally, the Receiver is considering whether it will be feasible to prepare and provide a preliminary distribution plan in this case.

V. CONSIDERATION OF BANKRUPTCY FILING

The Appointing Order permits the Receiver to determine whether it would be in the best interest of the Receivership Estate to cause the Receivership Defendants to seek bankruptcy protection. *See* Appointing Order Paragraph 46. At this time, the Receiver does not believe filing a bankruptcy case would be beneficial to the Receivership Estate. This is due, in large part, to the efficiencies and cost savings that can be realized in the receivership process over the increased costs of a bankruptcy case. Specifically, commencing a bankruptcy case may cause, among other things, the creation and appointment of multiple official committees, each with its own counsel and professionals whose fees are charged to the Estate. Likewise, filing a bankruptcy case would likely result in substantial transition costs. Moreover, it does not appear that there would be any advantage in recovery of assets of the Receivership Defendants from seeking bankruptcy protection at this time. However, the Receiver is continuing to evaluate his position on whether to seek bankruptcy protection for the Receivership Defendants and reserves his rights to cause the Receivership Defendants to seek such protection in the future.

VI. CONCLUSION

The Receivership investigation is ongoing. The next steps will involve increasingly broad recovery efforts, including the assertion of third party claims against officers, employees, investors, professionals and others who benefited from the scheme. The complexity of the scheme, the high numbers of transactions, investors, and missing or incomplete financial records will require additional and significant investigatory efforts.

Respectfully submitted,

/s/ Stephen F. Del Sesto, Receiver
Stephen F. Del Sesto, Esq. (Bar #6336)
*Receiver for Patrick Churchville, ClearPath
Wealth Management, LLC, ClearPath Multi-
Strategy Fund I, L.P., ClearPath Multi-
Strategy Fund II, L.P., and ClearPath Multi-
Strategy Fund III, L.P. and not individually*
Donoghue Barrett & Singal, P.C.
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Dated: October 22, 2015

CERTIFICATE OF SERVICE

I, Stephen F. Del Sesto, hereby certify that I filed the within document on the 23rd day of October, 2015, and that notice will be sent electronically to all counsel who are registered participants identified on the Mailing Information for Case No. 15-cv-00191-S-LDA.

/s/ Stephen F. Del Sesto

EXHIBIT 1

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

_____)	
SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.
)	
PATRICK CHURCHVILLE,)	
CLEARPATH WEALTH MANAGEMENT, LLC)	
)	JURY TRIAL DEMANDED
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.)	
_____)	

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“the Commission”) alleges the following against Defendants Patrick Churchville (“Churchville”), ClearPath Wealth Management, LLC (“ClearPath”), and Relief Defendants ClearPath Multi-Strategy Fund I, L.P., ClearPath Multi-Strategy Fund II, L.P., ClearPath Multi-Strategy Fund III, L.P., and HCR Value Fund, L.P. (collectively, the “Relief Defendants”), and hereby demands a jury trial:

SUMMARY OF THE ACTION

1. Beginning in December 2010, private fund manager Patrick Churchville, through his firm ClearPath Wealth Management, misappropriated and misused his investors’ cash and assets through a years-long fraudulent scheme involving theft, covered up by false accounting

entries, shadow accounts, and misrepresentations to his investors, as well as to financial institutions, to third-party administrators, and to ClearPath's auditors and accountants.

2. Relief Defendants, ClearPath Multi-Strategy Fund I, L.P. ("MSF I"), ClearPath Multi-Strategy Fund II, L.P. ("MSF II"), ClearPath Multi-Strategy Fund III, L.P. ("MSF III") (collectively, the "Funds"), and HCR Value Fund, L.P. ("HCR Value") are private funds managed by Churchville and ClearPath. Defendants used these funds as vehicles for their fraudulent scheme.

3. ClearPath and Churchville caused at least \$11 million in losses to the Funds they advised and controlled, by misappropriating the funds' cash in a series of Ponzi-like transactions. They misallocated and misappropriated investor assets, using monies that were due to be distributed to particular investors to pay for new investments or to fund distributions to unrelated investors. They further misallocated and misappropriate investor funds by using fund assets to secure undisclosed borrowing and by repaying the borrowed funds with monies that were due to be distributed due to investors. In addition, and most egregiously, ClearPath and Churchville stole approximately \$2.5 million of investors' funds to purchase Churchville's home overlooking Narragansett Bay.

4. Churchville and ClearPath engaged in a series of deceptive acts and fraudulent accounting entries to conceal their thefts and misappropriation from auditors, accountants, fund administrators and ClearPath staff.

5. When Fund investors requested distributions of their investments in September 2013, Churchville prolonged the scheme by lying to investors about the status, worth and disposition of those investments, lulling investors.

6. Through the activities alleged in this Complaint, Defendants have engaged in:

- a. fraud in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder;
- b. fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 (“Securities Act”);
- c. fraudulent conduct by an investment adviser, in violation of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”); and,
- d. fraudulent conduct by an investment adviser to a pooled investment vehicle, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

7. Additionally, ClearPath has failed to:

- a. comply with rules promulgated under the Advisers Act related to the custody of funds or securities of clients, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder; and,
- b. adopt, implement, and annually review written policies and procedures reasonably designed to prevent violation, by ClearPath and ClearPath’s supervised persons, of the Advisers Act and the rules promulgated under the Advisers Act, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

8. Churchville has also aided and abetted ClearPath’s violations of Section 206(4) of the Advisers Act and Rules 206(4)-2 and 206(4)-7 promulgated thereunder.

9. To halt the Defendants' ongoing unlawful conduct, maintain the status quo, and preserve any remaining assets for defrauded investors before entry of a final judgment, the Commission seeks emergency equitable relief, including a preliminary injunction, to:

- a. prohibit Defendants from continuing to violate the relevant provisions of the federal securities laws;
- b. freeze all assets held for the benefit the Defendants and the Relief Defendants and/or subject to their direct control and otherwise maintain the status quo;
- c. require Defendants to submit an accounting of investor funds and all other assets in their possession;
- d. prohibit Defendants from soliciting or accepting additional investments;
- e. prevent Defendants and Relief Defendants from destroying relevant documents;
- f. appoint a receiver over Defendants and Relief Defendants pursuant to Federal Rule of Procedure 66; and,
- g. authorize the Commission to take expedited discovery.

10. The Commission also seeks

- a. entry of a permanent injunction prohibiting Defendants from further violations of the relevant provisions of the federal securities laws;
- b. an order permanently restraining and enjoining Churchville from participating in the issuance, purchase, offer, or sale of any security, provided, however, that such injunction shall not prevent him from purchasing or selling securities listed on a national securities exchange for his own personal account;
- c. disgorgement of Defendants' ill-gotten gains, plus pre-judgment interest;
- d. disgorgement by the Relief Defendants of all unjust enrichment and/or ill-gotten gain received from Defendants, plus prejudgment interest; and,
- e. imposition of civil penalties due to the egregious nature of Defendants' violations.

JURISDICTION AND VENUE

11. The Commission seeks a permanent injunction and disgorgement pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)]. The Commission seeks the imposition of a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

12. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d), 77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78aa], and Sections 209(d), 209(e) and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), 80b-14].

13. Venue is proper in this District because, at all relevant times, ClearPath maintained offices in Rhode Island and Churchville maintained a residence in Rhode Island.

14. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

15. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

DEFENDANTS

16. **Patrick Churchville** (“Churchville”), age 46, lives in Barrington, Rhode Island. He is the sole owner and President of ClearPath. In that capacity, he has served as an investment

adviser to individual clients and to pooled investment vehicles, and has engaged in the business of directly or indirectly advising others as to the value of securities and/or as to the advisability of investing in, purchasing, or selling securities.

17. **ClearPath Wealth Management, LLC**, (“ClearPath”), an investment adviser licensed by the State of Rhode Island and is a Rhode Island limited liability corporation with its principal place of business in Barrington, Rhode Island. ClearPath was registered with the Commission as an investment adviser from January 3, 2008 through November 16, 2012, at which time ClearPath became an investment adviser registered with the state of Rhode Island. ClearPath’s change of registration corresponded with changes in the minimum levels of assets under management required for investment advisers registered with the Commission. According to its Form ADV filed with Rhode Island in April 2013, ClearPath is the manager of several limited liability companies (“LLCs”) which are the general partners of four affiliated private funds: the Multi-Strategy I, Multi-Strategy II, Multi-Strategy III (collectively herein, the “Funds”) and the HCR Value Fund (defined below). ClearPath is also the adviser to the Funds and to the HCR Value Fund, pursuant to management agreements between ClearPath and each of the funds.

RELIEF DEFENDANTS

18. **ClearPath Multi-Strategy Fund I, L.P.** (“MSF I”), formerly known as ClearPath Private Equity Fund, L.P., is a Delaware limited partnership formed in 2008.

19. **ClearPath Multi-Strategy Fund II, L.P.** (“MSF II”) is a Delaware limited partnership formed in 2011.

20. **ClearPath Multi-Strategy Fund III, L.P.** (“MSF III”), formerly known as the ClearPath Healthcare Receivables Investments Fund L.P., is a Delaware limited partnership formed in 2009.

21. **HCR Value Fund, L.P.** (“HCR Value”) is a Delaware limited partnership formed in 2012.

FACTUAL ALLEGATIONS

A. STRUCTURE OF THE CLEARPATH FUNDS

22. Starting at least in 2008, Churchville and ClearPath managed a series of private investment funds that were structured as limited liability partnerships

23. According to its Form ADV filed with Rhode Island in April 2013, ClearPath is the adviser to at least four affiliated private funds, pursuant to management agreements between ClearPath and each of the funds: ClearPath Multi-Strategy I, LLC; ClearPath Multi-Strategy II, LLC; ClearPath Multi-Strategy III, LLC; and HCR Value Fund GP, LLC.

24. **ClearPath Multi-Strategy I, LLC** is the general partner of the MSF I fund. Until November 2011, the MSF I was named the ClearPath Private Equity Fund, LP.

25. **ClearPath Multi-Strategy II, LLC** is the general partner of MSF II.

26. **ClearPath Multi-Strategy I, LLC** is the general partner of MSF III. Until November 2011, MSF III was named the ClearPath Health Care Receivables Investments Fund, L.P.

27. **HCR Value Fund GP, LLC** is the general partner of HCR Value.

28. MSF I, MSF II, and MSF III retained ClearPath to provide investment advice, in exchange for management fees, expense reimbursement, placement fees and, in the case of MSF III, a success fee.

29. Investors in each of the private funds held limited partnership interests in those funds. As such, the investors are limited partners in the funds, pursuant to Limited Partnership Agreements (“LPAs”) between the limited partners and the funds.

30. ClearPath and Churchville organized the Funds and HCR Value in a complex Series structure. Fund managers use a Series structure to offer different “Series” of shares or interests within a fund. Each Series generally has the same partnership rights in the fund, but may have different investment dates, different asset values, and often different assets.

31. The LPAs for each Fund provide that Fund assets and capital are divided into separate Series, which in turn are accounted for as sub-partnerships within the Fund.

32. In practice, each Series in the ClearPath funds was comprised of a distinct portfolio investment, and investors subscribed specifically to the particular Series in which they wanted to invest.

33. Because each Series within the Funds was supposed to be accounted for as a separate sub-partnership, ClearPath provided investors with capital account statements specific to their Series, rather than to the Fund overall. Distributions attributable to redemption of the portfolio investment associated with a particular Series were to be made only to those investors participating in those Series, in proportion to their respective investments. Investors were to receive distributions or other funds only from their interest in the Series, as opposed to the Fund overall. In essence, the investors owned investments in particular portfolio companies, while the

portfolio companies were administered under the umbrella of the overall Fund, which paid ClearPath its management fees and other compensation.

34. ClearPath and Churchville, through the Funds, offered Series in a variety of different types of investments, including commercial secured loans, collections of other private funds, direct investments in private companies, and an investment in publicly traded equities and bonds (held in a brokerage account at Oppenheimer & Co).

B. DEFENDANTS' SCHEME TO MISAPPROPRIATE INVESTOR ASSETS

i. Overview of Defendants' Fraudulent Scheme

35. Defendants misappropriated investor funds from the funds they managed and used some of the misappropriated funds to cover various business and personal expenses. Defendants frequently transferred cash from one fund to another, or from the Funds to ClearPath's bank account, to cover these expenses. At other times, Defendants would borrow against the Funds' assets and investments, using the borrowed funds to bankroll their business and personal expenses and investments held by ClearPath for the benefit of the Defendants. When such investments proved profitable, Defendants the profits for themselves. When the investments lost money, however, Defendants used monies that were owed to Fund investors to repay the loans.

36. Defendants' repeated diversions of Fund monies from their proper purposes left the Funds constantly short of money. Defendants used money from other investors to cover these holes. Defendants used money misappropriated from other Funds and investments to pay business expenses and to make redemption payments to investors who demanded their money back.

37. To perpetuate their scheme and avoid discovery, Defendants engaged in a constant stream of fraudulent misrepresentations and omissions to investors, prospective investors, ClearPath staff, Fund accountants and administrators, and investment entities.

38. Once Defendants could no longer conceal the fact that millions of dollars were missing from the Funds, they misrepresented and fraudulently omitted facts concerning why the funds were missing, and their intention and ability to pay them back. In doing so, Defendants lulled investors into thinking that at least a portion of their investments were intact, when, in fact, the money was gone.

ii. Defendants Misappropriated Funds from the Managed Futures Investment

39. In December 2010, Churchville and ClearPath diverted approximately \$1.6 million in proceeds from the redemption of an investment made as a Series in the MSF III fund through a series of unauthorized transfers. This Series was called “Managed Futures” and consisted of an investment by ClearPath with two commodities futures managers.

40. ClearPath and Churchville caused MSF III to redeem the Managed Futures Series investment in November 2010. Proceeds from the redemption totaled approximately \$6.6 million and were received by MSF III on December 22, 2010.

41. Instead of distributing the full \$6.6 million in proceeds to the investors in the Managed Futures Series, Churchville and ClearPath diverted \$1.6 million for their own uses through a series of unauthorized transfers.

42. Between December 23, 2010 and January 13, 2011, without authorization or authority, Churchville and ClearPath transferred approximately \$600,000 from MSF III’s bank

account ending in x5672 at Bank of American to ClearPath's main operating bank account ending in x2978 at Bank of America.

43. Using the funds from this unauthorized transfer, ClearPath and Churchville then paid various ClearPath expenses, including payroll and fees for accountants, valuation consultants, attorneys, and the Funds' administrator.

44. Churchville and ClearPath also transferred \$30,000 of the \$1.6 million to Churchville's personal accounts between December 29, 2010 and January 3, 2011. These payments to Churchville were recorded as capital distributions from ClearPath.

45. None of these payments could have been made by ClearPath without the unauthorized transfers, as the prior balance in the ClearPath main operating account was less than \$16,000. In other words, there was not sufficient money in the ClearPath operating fund to cover these expenses without the Churchville misappropriating from the Managed Futures Series redemption

46. This transfer violated the Management Agreement between ClearPath and the MSF III, because ClearPath was to pay certain of those fees from its management fee. MSF III recorded certain of the transfers to ClearPath as a receivable due from ClearPath, even though the Management Agreement does not appear to permit loans from the Funds to ClearPath, and ClearPath does not appear to have repaid MSF III. This withdrawal is also not consistent with the Management Agreement, under which ClearPath was to receive a management fee of 1.5% of the total capital contributions made by each Series paid in four quarterly installments.

47. ClearPath and Churchville also used approximately \$980,000 of funds from the Managed Futures Series redemption to invest in a Rhode Island-based pharmaceutical product incubator fund (the "Incubator Fund"). While Managed Futures Series investors' money was

used for this investment, the investment was not allocated to them or credited to their accounts in any way. Nor was it credited to any Series or investors in the MSF I fund. Instead, the investment was marked in ClearPath's books as "unallocated," which enabled ClearPath and Churchville to fraudulently hold this investment for their own benefit and/or for later sale to other investors.

48. In January 2011, ClearPath and Churchville distributed approximately \$4.9 million to the Managed Futures Series investors. They did not disclose to these investors that this distribution was substantially less than the actual amount received for the redemption of the Managed Futures Series. Nor did they disclose that they had spent the remaining redemption proceeds as detailed above.

49. These actions caused an approximately \$1.6 million deficit in the proceeds due to Managed Futures Series investors.

50. To conceal their misappropriation from the MSF III fund, in July 2011, ClearPath and Churchville raised money from new investors to fund what they represented to the new investors was a \$2 million healthcare receivables-related investment Series in the MSF III fund. Instead of using these funds to invest in the healthcare receivables-related investment, they used \$1.6 million of the cash received from new investors to pay the remaining distributions due to the Managed Futures Series investors. No disclosure was made to the new investors regarding the diversion of their investment money. The use of newly-raised money to fund distributions to earlier investors is typical of the behavior of those engaged in a Ponzi-like scheme.

iii. Defendants Misappropriated Funds from an Oppenheimer Investment; Churchville Used the Investors' Money to Purchase His House

51. When Churchville and ClearPath diverted the \$1.6 million from the funds raised for the purported healthcare receivables-related investment series in the MSF III fund to distribute to Managed Futures Series investors, they plugged one hole but created another. This led to another series of misrepresentations to a new set of investors. In the summer of 2011, Churchville and ClearPath began soliciting investors for the "Oppenheimer Public Markets Series," in the MSF I fund. This investment was marketed to investors as an investment in a balanced portfolio of publicly-traded equities and bonds. Churchville and ClearPath raised approximately \$4.9 million for this "OPCO" Series.

52. Instead of investing that money as they had represented, Churchville and ClearPath diverted: (a) approximately \$2.5 million to buy a house for Churchville; and (b) an additional \$1.6 million to fund the MSF III healthcare receivables-related investment described above.

53. In addition to this direct misappropriation of investor funds, Churchville and ClearPath found another way to defraud the investors in the OPCO Series. On or about July 28, 2011, Churchville and ClearPath opened brokerage accounts at Oppenheimer & Co. ("Oppenheimer"), an investment bank and full-service investment firm. Two of the accounts were opened in the name of MSF I and one was opened in the name of ClearPath Multi-Strategy Fund I LLC, the general partner of the MSF I fund, which was wholly owned and managed by ClearPath. Oppenheimer documentation for the general partner account and one of the MSF I accounts indicated that these were "shadow" or "clone" accounts of the original account (hereinafter, the "shadow accounts").

54. MSF I established and funded an account with Oppenheimer & Co. in August 2011 shortly after Churchville sent an email to investors about a new opportunity to invest in “publicly traded stocks and bonds.” Churchville circulated a portfolio strategy document created for ClearPath by a director at Oppenheimer. The document indicated that the historical application of the strategy was less volatile and more profitable than the S&P 500 and Russell 2500 indices

55. Churchville did not, as promised, invest in a balanced portfolio of publicly traded securities. Instead, he placed 100% of the funds into government agency bonds and short-term U.S. Treasury bonds. Neither Churchville nor ClearPath disclosed the change in investment strategy to the OPCO Series limited partners of MSF I.

56. Churchville and ClearPath then misused and misappropriated the MSF I OPCO Series investors’ money. Using the low-risk bonds as collateral, Churchville used the “shadow accounts” to borrow against the investors’ assets to the maximum allowed by Oppenheimer.

57. On August 12, 2011, the same day that ClearPath deposited the investor funds in the main MSF I Oppenheimer account, Churchville borrowed \$2.5 million from Oppenheimer by taking a margin loan against the OPCO Series bond investments. While Churchville took this money for his own purposes, the margin loan obligated the OPCO Series investors to repay the loan from their investments.

58. The loan proceeds were not received by the fund. Instead they passed through the Oppenheimer account that had been opened under the name of the general partner entity, and were then deposited into ClearPath’s main operating bank account.

59. Statements for the “shadow” account reflected the \$2.5 million loan on August 12, 2011. Churchville instructed Oppenheimer to transfer the \$2.5 million to the MSF I general

partner's Oppenheimer account. On the same day, these funds were transferred to the ClearPath Multi-Strategy I LLC account ending in x3171 and immediately paid by wire to ClearPath's main operating account at Bank of America.

60. On the same day, approximately \$2.3 million of the money that had been funneled through the OPCO shadow accounts to ClearPath's bank account was paid directly to a real estate title company for the purchase of Churchville's personal residence overlooking Narragansett Bay in Barrington, Rhode Island. Churchville's house purchase closed on or about August 15, 2011.

61. On August 31, 2011, ClearPath and Churchville further defrauded their investors by borrowing an additional \$1.6 million through a margin loan secured by the OPCO investment. The margin loan obligated the OPCO Series investments, but was used by Churchville and ClearPath to cover up their prior misappropriation of money from an unrelated fund.

62. Similar to the \$2.5 million loan above, the \$1.6 million loan proceeds were also not received by MSF I, but were again passed through the general partner's Oppenheimer account, and then deposited into ClearPath's main operating bank account on August 31, 2011. On September 2, 2011, ClearPath and Churchville transferred approximately \$1.6 million of the loan proceeds from ClearPath's main operating account to MSF III's bank account ending in x5672 at Bank of America. These funds were immediately used to pay for a portion of the investment in healthcare-related receivables that ClearPath and Churchville had promised investors in MSF III their money would be used for, before ClearPath and Churchville had diverted their money in July 2011.

63. At that time, neither Churchville nor ClearPath informed investors that Churchville had: (a) failed to invest their money in a balanced portfolio of publicly traded

securities; or (b) margined the investments he did make; or (c) used the proceeds of those margin loans for his personal use and for the benefit of ClearPath.

64. Beginning in November 2011, OPCO representatives repeatedly asked Churchville to pay down the margin balance and invest in other securities. In April 2012, Oppenheimer demanded repayment of the margin loan. Because Churchville and ClearPath had used the OPCO investors' investments as the collateral for the loan of approximately \$4.1 million, OPCO was entitled to, and did, collect repayment directly from the U.S. Treasury bond investments in the main OPCO accounts, when those bonds matured. In other words, Churchville and ClearPath obtained money from the OPCO investors by representing that their money would be invested in a balanced portfolio of publicly traded securities, but instead invested in low-risk government bonds, borrowed \$4.1 million of that investment, and stuck the investors with the bill. Once the loan was repaid, only \$585,000 was left in the OPCO account.

65. To compound the fraud, on or about October 2, 2012, Churchville and ClearPath then transferred the \$585,000 that remained in the OPCO account, through a series of intermediate accounts, to an entirely different fund, the HCR Value Fund. After transferring the OPCO investors' money to a fund in which they were not invested, Churchville then used that money to make payments on an entirely different investment.

66. Even after there was no money remaining in the OPCO accounts and the accounts were closed, Churchville and ClearPath lulled certain investors by falsely representing that their Oppenheimer investment still existed and that they had not received their return on investment because it was "pending liquidation."

67. Through a series of false and misleading accounting entries on ClearPath's ledgers, Churchville and ClearPath concealed the misappropriation of \$2.5 million of OPCO

investor funds for the purchase of Churchville's house and the misappropriation of \$1.6 million of OPCO investor funds for transfer to another . In this way, Churchville and ClearPath concealed their misappropriation of OPCO Series funds from ClearPath employees, accountants, fund administrators, and fund investors.

68. Unlike the other Series investments it managed, ClearPath maintained an entirely separate general ledger for the OPCO Series investment. The 2012 general ledger for MSF I does not include any reference to OCPO. In other words, ClearPath kept the accounting entries for the OPCO Series off the books of MSF I. Additionally, ClearPath and Churchville made no accounting entries reflecting the loan against the OPCO Series investments.

69. In January 2013, Churchville and ClearPath paid more than \$1 million to the family members of one investor who had been asking a series of questions about the disposition of the OPCO Series investment. As there were insufficient funds left in the OPCO accounts to cover this payment, Defendants funded this distribution by using monies that were owed to investors in other Series.

70. In January 2013, Churchville and ClearPath paid \$1.4 million in purported distributions to OPCO Series investors, which payments were funded directly from proceeds of the redemption of an entirely unrelated Series investment (the Feingold O'Keeffe Series, described below).

iv. Defendants Used Investor Money to Obtain a Loan Which They Used to Fund Investments on their Own Behalf

71. MSF I included a Series investment in the Feingold O'Keeffe Distressed Loan Fund, LP (the "Feingold O'Keeffe Series"), a fund managed by a Boston-based asset

management firm that offers investments in alternative asset markets. This investment was MSF I's largest, representing more than half of MSF I's assets.

72. In November 2011, ClearPath applied for a line of credit from Commerce Bank, based in Worcester, Massachusetts. The loan was secured by the Feingold O'Keeffe Series in MSF I, as well by as the MSF I itself.

73. In January 2012, Churchville caused ClearPath to draw \$3.75 million from the line of credit, and to deposit that money in a newly-opened Commerce Bank account in the name of MSF I.

74. Immediately after Defendants had drawn on the line of credit, Churchville and ClearPath used the funds to make two investments in healthcare receivables totaling \$3.5 million. Churchville then caused ClearPath to transfer \$250,000 to a new bank account in the name of MSF II, and to send \$245,000 from that account to invest in the Incubator Fund. ClearPath and Churchville did not record any accounting entries to reflect the loan, the loan proceeds, or the investments funded by the loan proceeds on the books and records of MSF I, MSF II, or ClearPath. These investments were kept off the books, presumably so that Defendants would be in a position to reap the profits for themselves if the value of the investments went up.

75. Neither Churchville nor ClearPath disclosed to Feingold O'Keeffe Series investors the existence of the line of credit secured by the investors' assets. Nor did they disclose to investors that \$3.75 million had been drawn on the line of credit and used to fund investments for the benefit of Churchville and ClearPath.

76. Churchville and ClearPath used fraudulent and misleading accounting to conceal the existence of the line of credit, the proceeds, and the healthcare receivables investment made with the cash, including:

- a. The general ledgers for MSF I and MSF II did not reflect any transactions in January 2012 for the Commerce Bank accounts. In fact, the general ledgers reflected no transactions related to these bank accounts until October 2012;
- b. In August 2012, Churchville and ClearPath caused the remaining cash in the Commerce Bank accounts for MSF I and MSF II to be transferred to a separate Commerce Bank account in the name of ClearPath. By doing so, Defendants ensured that anyone (such as an auditor, accountant, or fund administrator) reviewing the bank statements would believe the accounts had been opened in October 2012, masking the existence of the prior receipt of loan proceeds;
- c. ClearPath itself paid the interest on the Commerce Bank loan, even though the loan was in the name of MSF I, to further conceal the existence of the loan from fund administrators and accountants; and,
- d. No accounting records for MSF I reflect the line of credit, and MSF I general ledgers and trial balances do not reflect the use of \$3.5 million to fund the two healthcare receivables entities investments.

77. By year-end 2012, the Feingold O’Keeffe Series investments had produced substantial gains. Churchville and ClearPath instructed Feingold O’Keeffe to liquidate all Fund investments, and approximately \$10 million was sent to the Commerce Bank MSF I bank

account. A substantial portion of the proceeds from the final redemption appears to have been diverted to uses other than paying investors the returns owed to them.

78. ClearPath and Churchville used approximately \$3.8 million from the Feingold O’Keeffe Series redemption to repay the Commerce Bank loan; they used \$1.8 million to fund distribution payments for the OPCO Series investors; and they transferred at least \$1.7 million to other ClearPath-managed funds.

79. None of these uses of the redemption proceeds were disclosed to investors or authorized in any way by the limited partnership agreements investors had signed to invest in the Feingold O’Keeffe Series.

80. In sum, ClearPath put the Feingold O’Keeffe Series assets at risk by using them as collateral for a loan, undisclosed to Series investors. Churchville caused ClearPath to use the loan for ClearPath itself; then repaid the loan using money that belonged to investors in the Feingold O’Keeffe Series investment.

v. Defendants Continued to Divert Money from Redeemed Investments to Investments for Their Own Benefit

81. Between May 2011 and October 2011, Churchville and ClearPath raised money for a second round of investments in the Managed Futures Series.

82. In August and September of 2012, Churchville and ClearPath caused approximately 80% of the Managed Futures investment to be redeemed, yielding approximately \$3.6 million.

83. Instead of paying this \$3.6 million to Managed Futures Series investors, Defendants only distributed approximately \$1.7 million to Managed Futures investors, and used the remaining proceeds to make improper payments including: (a) approximately \$1.1 million to

another Incubator Fund investment; (b) approximately \$392,000 to pay distributions to investors in an unrelated MSF III series investment; and (c) \$400,000 to the HCR Value fund, which was not allocated to any Managed Futures investor. These payments were without authorization or disclosure to Series investors, and were contrary to the representations made to Series investors.

vi. Additional Fraudulent Transactions

84. ClearPath and Churchville continued their scheme by regularly commingling investor contributions and distributions across Series, in violation of the LPAs for the Funds.

85. In order to silence inquisitive or concerned investors, ClearPath and Churchville made proportionally larger payments to certain investors who raised questions regarding the disposition of their investments. Recipients of these larger distributions included both a Churchville family member and a long-term investor who had complained to Rhode Island securities regulators about Churchville's treatment of the investor's private advisory account.

86. Throughout the course of their scheme, Churchville and ClearPath caused false and misleading entries to be created in ClearPath and the Funds' accounting records. This misleading accounting allowed Defendants to conceal their fraudulent scheme from ClearPath staff, fund auditors, accountants, and fund administrators.

87. ClearPath and Churchville also made unauthorized transfers of investor money from the Funds to fund HCR Value. Between September 26, 2012 and May 3, 2013, Defendants paid approximately \$3.7 million into the HCR Value fund.

vii. Defendants' Fraudulent Scheme Netted Defendants Substantial Cash at the Expense of Their Investors

88. In sum, Defendants misappropriated and misallocated over \$11 million in investor money, as reflected in the Defendants' own documents.

89. By engaging in the conduct described above, ClearPath and Churchville misappropriated at least \$6 million for ClearPath's and Churchville's personal uses, including \$2.5 million stolen from investors to purchase Churchville's house and \$3.5 million stolen from investors to make investments for the benefit of ClearPath itself.

90. As a result of Defendants' misappropriation and commingling of investors' money for their personal and business uses, Defendants caused at least \$11 million dollars in investor losses.

C. DEFENDANTS CONTINUALLY MADE FRAUDULENT MISREPRESENTATIONS TO PERPETUATE THEIR SCHEME

91. Defendants' fraudulent scheme depended on a stream of fraudulent misrepresentations and material omissions in their communications with investors concerning what Defendants had actually done with the investors' money.

92. Defendants made constant fraudulent misrepresentations and material omissions to investors and potential investors regarding the use of the money that investors had entrusted to them. Those misrepresentations included, but were not limited to:

- a. In August 2011, potential investors in the OPCO Series were told that the investment would be a balanced portfolio and were provided materials reflecting a strategy of investment in public equities and corporate bonds. In

reality, this strategy was never implemented. Defendants invested the money in government bonds and borrowed against the bonds for their own purposes.

- b. Starting in December 2010, ClearPath and Churchville sent investors capital account statements that omitted to disclose that their accounts had been diminished or encumbered by the use of their assets for purposes unrelated to them. Nor did the capital account statements reflect that certain of the investments had been redeemed.
- c. At no time prior to 2014 did the Defendants tell Feingold O’Keeffe Series investors that their investment money had been used to repay the Commerce Bank line of credit or that they had borrowed against the OPCO Series investment.

93. Defendants misrepresented the status of various Series investments. Those misrepresentations included, but were not limited to:

- a. In early 2013, an investor sought to redeem his investments and move from ClearPath to a new adviser. For months thereafter, Defendants provided a variety of excuses, while omitting to tell the investor that his money had actually been diverted for other purposes.
- b. In October 2013, an investor emailed Churchville regarding the location and status of his investments. Churchville replied that the money was “at the companies.” In reality, the Series investments at issue had been fully redeemed months before and the proceeds had been dissipated by the Defendants. Churchville made similar comments regarding other investments

throughout 2013. These statements, and those like them, were designed to lull investors into believing that their investments were safe.

94. ClearPath and Churchville also made misstatements stemming from the loss of Series investments in loans the Funds made to healthcare receivables vehicles. The vehicles were alleged to have been involved in a Ponzi scheme. Investors in this scheme suffered losses totaling approximately \$23 million.

95. Not until September 2013, when the principals of the healthcare receivables investments were indicted, did Churchville notify investors of these losses. At that time, investors began to request that Defendants return what remained of their assets.

96. Because Defendants themselves had been misappropriating investor money, they were unable to return the requested money to their investors when asked. Defendants deflected those requests through a series of misrepresentations about why they could not then give investors back their money.

97. Beginning at the end of the 2013, Defendants proposed that investors enter a “distribution plan” under which Churchville and ClearPath would repay investors. In communications to investors about the distribution plan, Defendants continued to make misrepresentations and fraudulent omissions about the nature and cause of the shortfall in funds. This series of fraudulent misrepresentations and omissions were designed by Defendants to keep investors from discovering the nature and extent of Defendants’ fraud and to lull the investors and dissuade the investors from seeking legal redress or reporting Defendants to the authorities.

98. For instance, on February 4, 2013, a ClearPath officer sent a memorandum to ClearPath investors. This letter blamed a part of the losses on Defendants’ poor “fund administration.” However, Defendants also continued to misrepresent the nature of the losses.

For instance, Defendants misrepresented that “a number of investments did not produce returns (such as “OpCo”)” which was untrue. The letter also stated that, “the Funds’ principal lending bank terminated the lines of credit that were previously used to fund recurring cash flow needs, investor payouts, and other liquidity needs of the Funds...,” when, in reality, Defendants had used the Commerce Bank loan to invest for ClearPath’s benefit, and had used Feingold O’Keeffe Series redemptions to repay the loan. The memorandum also fraudulently omitted that the main reason that the Funds could not pay the liquidation demands of investors was because Defendants’ had stolen investors’ money and had also used investors’ money to fund Defendant’s own investments.

D. RELIEF DEFENDANTS RECEIVED INVESTORS FUNDS DERIVED FROM THE UNLAWFUL ACTS OR PRACTICES OF THE DEFENDANTS.

99. MSF I received funds derived from Defendants’ fraudulent scheme. Between October 2009 and October 2014, there were 38 transfers of cash between MSF I and the other Multi-Strategy funds or the HCR Value Fund.

100. Several of these transfers related to the unauthorized diversion of investment redemptions or loan proceeds, including the transfer of \$1.2 million to the MSF III fund on January 30, 2013, sourced from the prior day’s Feingold O’Keeffe redemption. This transfer reimbursed MSF III for a \$1.2 million transfer to HCR Value it had improperly made on behalf of MSF I in October 2012, which, in turn, was funded by the redemption of Managed Futures investment.

101. In addition, according to accounting documents prepared by the fund administrator for ClearPath’s Funds, MSF I held unallocated investments for the benefit of the Defendants totaling approximately \$1.5 million as of December 31, 2014. These unallocated

investments were principally funded by diverting redemptions or loan proceeds from unrelated investments, monies which properly belonged to the particular Limited Partners who had invested in the Series investments at issue.

102. MSF II received funds derived from Defendants' fraudulent scheme. Between January 2012 and April 2014, there were 12 transfers of cash between MSF II and the other Multi-Strategy funds or the HCR Value Fund.

103. Several of these transfers related to the unauthorized diversion of investment redemption or loan proceeds, including the \$250,000 transfer received from MSF I on January 5, 2012 which was funded from the Commerce Bank loan proceeds using MSF I assets as collateral. This specific transfer, which was used to fund an investment in the Incubator Fund, was never recorded in the books and records for MSF I or MSF II.

104. In addition, according to accounting documents prepared by the fund administrator for ClearPath's Funds, MSF II held unallocated investments for the benefit of the Defendants totaling approximately \$123,000 as of December 31, 2014. These unallocated investments were principally funded by diverting redemptions or loan proceeds from unrelated investments, monies which properly belonged to the particular Limited Partners who had invested in the Series investments at issue.

105. MSF III received funds derived from Defendants' fraudulent scheme. Between October 2009 and September 2013, there were 24 transfers of cash between MSF III fund and the other Multi-Strategy funds or the HCR Value Fund.

106. Several of these transfers related to the unauthorized diversion of investment redemption or loan proceeds, including the two transfers of \$1.2 million referenced above. In October 2012, MSF III transferred \$1.2 million of cash sourced from the redemption proceeds of

Managed Futures Series to the HCR Value Fund on behalf of MSF I. In January 2013, MSF I reimbursed MSF III for this inter-fund loan using proceeds from the redemption of the Feingold O’Keeffe Series.

107. In addition, according to accounting documents prepared by the fund administrator for ClearPath’s Funds, MSF III held unallocated investments for the benefit of the Defendants totaling approximately \$1.1 million as of December 31, 2014. These unallocated investments were principally funded by diverting redemptions or loan proceeds from unrelated investments, monies which properly belonged to the particular Limited Partners who had invested in the Series investments at issue.

108. The HCR Value Fund received funds derived from Defendants’ fraudulent scheme. Between September 2012 and October 2014, there were 35 transfers of cash between HCR Value Fund and the Multi-Strategy Funds.

109. Specifically, the Multi-Strategy funds were the primary sources of initial funding for the HCR Value Fund which was established in 2012. Between September 26, 2012 and May 3, 2013, the Multi-Strategy funds contributed \$3.7 million to the HCR Value Fund.

110. Several of these transfers were funded by the unauthorized diversion of investment redemption or loan proceeds, including the transfer of \$1.2 million received from MSF III in October 2012 which was funded from the Managed Futures Series redemption.

FIRST CLAIM FOR RELIEF

**ClearPath and Churchville's Fraud in the
Purchase or Sale of Securities in Violation of
Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

111. The Commission repeats and incorporates by reference the allegations in paragraphs 1-110 above as if set forth fully herein.

112. As detailed above, Defendants engaged in a fraudulent scheme through a Series of fraudulent acts, statements, and material omissions through which investor funds were misappropriated for the Defendants' personal and business uses.

113. By engaging in the conduct described above, Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) have engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

114. Defendants' conduct involved fraud, deceit, manipulation, and/or deliberate or reckless disregard of regulatory requirements and directly or indirectly resulted in substantial losses to other persons.

115. As a result, Defendants have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

SECOND CLAIM FOR RELIEF

**ClearPath and Churchville's Fraud in the Offer or Sale of Securities
In Violation of Section 17(a) of the Securities Act**

116. The Commission repeats and incorporates by reference the allegations in paragraphs 1-115 above as if set forth fully herein.

117. Defendants, directly and indirectly, acting intentionally, knowingly, recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have obtained or are obtaining money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

118. As a result, Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

THIRD CLAIM FOR RELIEF

**ClearPath and Churchville's
Fraudulent Conduct by an Investment Adviser in
Violation of Section 206(1) and 206(2) of the Advisers Act**

119. The Commission repeats and incorporates by reference the allegations in paragraphs 1-118 above as if set forth fully herein.

120. At all relevant times, Patrick Churchville and ClearPath were "investment advisers" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)]. ClearPath and Churchville each were in the business of providing investment advice

concerning securities for compensation. Churchville was also an investment adviser due to his ownership, management and control of ClearPath.

121. As set forth above, Churchville and ClearPath misappropriated money from their advisory clients through a scheme to defraud and through transactions, practices, and courses of business which operated as a fraud or deceit upon their advisory clients.

122. Churchville and ClearPath, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud clients and/or potential clients; or (b) have engaged or are engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

123. As a result, Churchville and ClearPath have violated and, unless enjoined, will continue to violate Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)].

FOURTH CLAIM FOR RELIEF

ClearPath and Churchville's Fraudulent Conduct as an Investment Adviser to a Pooled Investment Vehicle in Violation of Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder

124. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 123 above as if set forth fully herein.

125. At all times relevant to this Complaint, the Defendants acted as investment advisers to the ClearPath Funds, a pooled investment vehicle as defined in Rule 206(4)-8(b) [17 C.F.R. § 275.206(4)-8(b)].

126. Defendants, while acting as investment advisers to pooled investment vehicles, by use of the mails, and the means and instrumentalities of interstate commerce, directly or

indirectly, engaged in acts, practices, or courses of businesses which were fraudulent, deceptive or manipulative. The Defendants made untrue statements of a material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to investors or prospective investors in the pooled investment vehicles, and otherwise engaged in acts, practices, or courses of businesses that were fraudulent, deceptive or manipulative with respect to investors or prospective investors in the pooled investment vehicles.

127. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 206(4) of the Advisers Act [15 U.S.C. §80b-6(4)] and Rule 206(4)-8 thereunder [15 C.F.R. 275.206(4)-8].

FIFTH CLAIM FOR RELIEF

ClearPath's Violation of Section 206(4) of the Advisers Act and Rule 206(4)-2 Thereunder

128. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 127 above as if set forth fully herein.

129. In 2011, ClearPath was an investment adviser required to be registered or required to be registered under Section 203 of the Advisers Act [15 U.S.C. § 80b-3].

130. In 2011, by using the mails or means or instrumentalities of interstate commerce, directly or indirectly, while acting as an investment adviser, ClearPath had custody and control over the Funds' assets.

131. During 2011 or thereafter, the Funds never underwent a surprise annual examination by an independent accountant nor did ClearPath provide investors with audited financial statements.

132. By engaging in the conduct described above, ClearPath directly and indirectly violated, and unless enjoined will continue to violate, Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-2 thereunder [17 C.F.R § 275.206(4)-2].

SIXTH CLAIM FOR RELIEF

**Churchville Aided and Abetted ClearPath's
Violation of Section 206(4) of the Advisers Act and Rule 206(4)-2 Thereunder**

133. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 132 above as if set forth fully herein.

134. In 2011, ClearPath was an investment adviser required to be registered or required to be registered under Section 203 of the Advisers Act [15 U.S.C. § 80b-3].

135. In 2011, by using the mails or means or instrumentalities of interstate commerce, directly or indirectly, while acting as an investment adviser, ClearPath had custody and control over the Funds' assets.

136. During 2011 or thereafter, the Funds never underwent a surprise annual examination by an independent accountant nor did ClearPath provide investors with audited financial statements.

137. Churchville knew or recklessly disregarded that ClearPath's conduct was improper and knowingly rendered to ClearPath substantial assistance in this conduct.

138. As a result, Churchville aided and abetted, and unless enjoined will continue to aid and abet, ClearPath's violation of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-2 thereunder [17 C.F.R § 275.206(4)-2].

SEVENTH CLAIM FOR RELIEF

**ClearPath's Violation of
Section 206(4) of the Advisers Act and Rule 206(4)-7 Thereunder**

139. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 138 above as if set forth fully herein.

140. At all relevant times, ClearPath was an investment adviser, within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11), to the Funds.

141. ClearPath used an off-the-rack compliance manual that was not customized to ClearPath's business. For instance, it did not contain any policies or procedures concerning the management of private funds.

142. By engaging in the conduct described above, acting intentionally, recklessly, and/or negligently, ClearPath provided investment advice to its clients without adopting and implementing written policies and procedures reasonably designed to prevent violation, by ClearPath and ClearPath's supervised persons, of the Advisers Act and the rules promulgated under the Advisers Act. Nor did ClearPath engage in annual review of such policies and procedures.

143. By reason of the foregoing, ClearPath violated, and unless enjoined will continue to violate, Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-7 thereunder [17 C.F.R § 275.206(4)-7].

EIGHTH CLAIM FOR RELIEF

**Churchville Aided and Abetted ClearPath's
Violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 Thereunder**

144. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 143 above as if set forth fully herein.

145. At all relevant times, ClearPath was an investment adviser, within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11), to the Funds.

146. ClearPath used an off-the-rack compliance manual that was not customized to ClearPath's business. For instance, it did not contain any policies or procedures concerning the management of private funds.

147. By engaging in the conduct described above, acting intentionally, recklessly, and/or negligently, ClearPath provided investment advice to its clients without adopting and implementing written policies and procedures reasonably designed to prevent violation, by ClearPath and ClearPath's supervised persons, of the Advisers Act and the rules promulgated under the Advisers Act. Nor did ClearPath engage in annual review of such policies and procedures.

148. Churchville knew or recklessly disregarded that ClearPath's conduct was improper and knowingly rendered to ClearPath substantial assistance in this conduct.

149. As a result, Churchville aided and abetted, and unless enjoined will continue to aid and abet, ClearPath's violation of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-7 thereunder [17 C.F.R. § 275.206(4)-7].

NINTH CLAIM FOR RELIEF

**Other Equitable Relief, Including Unjust Enrichment and Constructive Trust
(Relief Defendants)**

150. The Commission repeats and incorporates by reference the allegations in paragraphs 1-149 above as if set forth fully herein.

151. Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)] states: “In any action or proceeding brought or instituted by the Commission under any provision of the securities laws, the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.”

152. The Relief Defendants have received investors funds derived from the unlawful acts or practices of the Defendants under circumstances dictating that, in equity and good conscience, they should not be allowed to retain such funds.

153. Further, specific property acquired by the Relief Defendants is traceable to Defendant’s wrongful acts and there is no reason in equity why the Relief Defendants should be entitled to retain that property.

154. As a result, the Relief Defendants are liable for unjust enrichment and should be required to return their ill-gotten gains, in an amount to be determined by the Court. The Court should also impose a constructive trust on property in the possession of the Relief Defendants that is traceable to Defendants’ wrongful acts.

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

- A. Enter a preliminary injunction, order freezing assets, and order for other equitable

relief in the form submitted with the Commission's motion for such relief;

B. Enter a permanent injunction restraining Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]; Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], Sections 206(1), (2), and (4) of the Advisers Act [15 U.S.C. §80b-6(1), (2), & (4)] and Rules 206(4)-2, 206(4)-7, and 206(4)-8 thereunder [[17 C.F.R. § 275.206(4)-2, -7, & -8].

C. Enter an order permanently restraining and enjoining Churchville from participating in the issuance, purchase, offer, or sale of any security, provided, however, that such injunction shall not prevent him from purchasing or selling securities listed on a national securities exchange for his own personal account;

D. Require Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

E. Require the Relief Defendants to disgorge all unjust enrichment and/or ill-gotten gain received from Defendants, plus prejudgment interest, with said moneys to be distributed in accordance with a plan of distribution to be ordered by the Court;

F. Require Defendants to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)];

G. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered;

H. Appoint a receiver over Defendants and Relief Defendants pursuant to Federal Rule of Civil Procedure 66;

I. Award such other and further relief as the Court deems just and proper.

JURY DEMAND

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION
By its attorneys,

/s/ Marc J. Jones

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DATED: May 7, 2015

EXHIBIT 2

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

_____)
SECURITIES AND EXCHANGE COMMISSION,)
	Plaintiff,)
)
v.)
)
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 IMPOSING PRELIMINARY INJUNCTION, FREEZING ASSETS AND FOR
OTHER EQUITABLE RELIEF**

WHEREAS the defendants Patrick Churchville and ClearPath Wealth Management, LLC ("ClearPath") (collectively, the "Defendants"), and Relief Defendants ClearPath Multi-Strategy Fund I, L.P. ("Multi-Strategy I"), ClearPath Multi-Strategy Fund II, L.P. ("Multi-Strategy II"), and ClearPath Multi-Strategy Fund III, L.P. ("Multi-Strategy III"), (collectively, "The ClearPath Funds") without admitting any allegations of the Complaint, except as to jurisdiction, have reviewed this Order Imposing Preliminary Injunction, Freezing Assets and For Other Equitable Relief (the "Order") and consented to its immediate entry without an adjudication on the merits of any issue of fact or law; and,

WHEREAS the Court finds that the relief set forth in the Order is necessary and appropriate for the benefit of investors who may have been injured as a result of the conduct alleged in this lawsuit; and,

WHEREAS the Court is authorized to grant the relief set forth in this Order pursuant to the Federal Rules of Civil Procedure, its general equitable authority and also pursuant to Section 21(d)(5) of the Securities Exchange Act of 1934 [15 U.S.C. § 78u(d)(5)].

I.

IT IS HEREBY ORDERED that Defendants are restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IT IS HEREBY FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Order by personal service or otherwise: (a) Defendants' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendants or with anyone described in (a).

II.

IT IS HEREBY FURTHER ORDERED that Defendants are restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IT IS HEREBY FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Order by personal service or otherwise: (a) Defendants' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendants or with anyone described in (a).

III.

IT IS HEREBY FURTHER ORDERED that Defendants are restrained and enjoined from violating Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §80b-6(1) & (2)], by, directly or indirectly, through the use of the mails or any means or instruments of interstate commerce:

- (a) employing devices, schemes, or artifices to defraud; or
- (b) engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

while acting as an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)].

IT IS HEREBY FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Order by personal service or otherwise: (a) Defendants' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendants or with anyone described in (a).

IV.

IT IS HEREBY FURTHER ORDERED that Defendants are restrained and enjoined from violating Section 206(4) of the Advisers Act [15 U.S.C. §80b-6(4)], and Rule 206(4)-8 thereunder [17 C.F.R. §275.206(4)-8] by, directly or indirectly, through the use of the mails or any means or instruments of interstate commerce, engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative, or to:

- (a) make any untrue statement of material fact or to omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to any investor or prospective investor in a pooled investment vehicle; or
- (b) otherwise engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

while acting as an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)].

IT IS HEREBY FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Order by personal service or otherwise: (a) Defendants' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendants or with anyone described in (a).

V.

IT IS HEREBY FURTHER ORDERED that Defendant ClearPath is restrained and enjoined from violating Section 206(4) of the Investment Adviser's Act of 1940, 15 U.S.C. §80b-4, and Rules 206(4)-2 and 206(4)-7 promulgated thereunder, [17 C.F.R. §§206(4)-2 and 206(4)-7] by the use of any means or instrumentality of interstate commerce, or the mails to engage in any act, practice or course of business that is fraudulent, deceptive, or manipulative, including:

- (1) having custody of client funds unless:
 - (a) it sends quarterly account statements to each of its clients for whom funds or securities are maintained identifying the amount of funds and of each security of which it has custody and setting forth all transactions during each period;
 - (b) a public accountant verifies those funds and securities at least annually; and the independent public accountant notifies the Commission within one business day upon finding any material discrepancy; and

- (2) providing investment advice unless it adopts and implements written policies and procedures reasonably designed to prevent violation of the Investment Adviser Act and rules promulgated thereunder.

IT IS HEREBY FURTHER ORDERED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Order by personal service or otherwise: (a) Defendant ClearPath's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

VI.

IT IS HEREBY FURTHER ORDERED that:

A. Except as detailed in Paragraph VI.C, below, the Defendants and the ClearPath Funds, and each of their officers, agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, including via facsimile or email transmission, or overnight delivery service, shall hold and retain funds and other assets of Defendants presently held by them, for their direct or indirect benefit, under their direct or indirect control or over which they exercise actual or apparent investment or other authority, in whatever form such assets may presently exist and wherever located, and are restrained from taking any actions to withdraw, sell, pay, transfer, dissipate, assign, pledge, alienate, encumber, dispose of, or diminish the value of in any way (including, but not limited to, making any charges on any credit card or draws on any other credit arrangement), any funds and other assets of the Defendants or presently held by them, for their direct or indirect benefit, under their direct or indirect control, or over which they exercise actual

or apparent investment or other authority, in whatever form such assets may presently exist and wherever located.

B. All banks, brokerage and other financial institutions (including but not limited to Bank of America, Citizens Bank, Commerce Bank, Fidelity), and other persons or entities that receive actual notice of this Order by personal service or otherwise, including via facsimile or email transmission, or overnight delivery service, holding any funds or other assets in the name, for the direct or indirect benefit, or under the direct or indirect control of the Defendants or over which the Defendants exercise actual or apparent investment or other authority, in whatever form such assets may presently exist and wherever located, shall hold and retain within their control and prohibit the withdrawal, removal, sale, payment (including, but not limited to, any charges on any credit card or draws on any other credit arrangement), transfer, dissipation, assignment, pledge, alienation, encumbrance, diminution in value, or other disposal of any such funds or other assets; and that such funds and assets are hereby frozen.

C. Any real property currently directly or indirectly, wholly or partially owned or held by Churchville, including but not limited to Churchville's residence and any real estate owned by Macaw Investment Company LLC or any other entity in which Churchville directly or indirectly owns an interest may be sold under the following circumstances:

1. The property may be listed for sale by any broker unaffiliated with and unrelated to either Patrick Churchville or ClearPath, provided the broker charges no more than a standard market commission for its services;
2. Counsel for Churchville will notify counsel for the Commission of all offers to purchase the property (detailing price, any conditions to the sale,

and whether Churchville recommends the offer be accepted) before the offer is accepted;

3. Counsel for the Commission shall notify counsel for Churchville within forty-eight (48) hours of receiving the offer to purchase the property whether it agrees or objects to the sale of the property at the offered price. The Commission may object to the proposed sale of the property if, in the opinion of counsel for the Commission, the sale at the offered price is below a reasonable market value for the property or the sale may otherwise harm the interests of investors who may have been injured as a result of the conduct alleged in this lawsuit. If counsel for the Commission objects to the sale of the property at the offered price and counsel for Churchville disagrees with the SEC's position, the matter will be immediately submitted to the Court for determination.
4. All net proceeds from the sale due seller or otherwise payable to Defendants and/or their officers, agents, servants, employees and attorneys and those persons in active concert or participation with them (after deducting reasonable and ordinary expenses and adjustments associated with the sale of the property including but not limited to payment of any liens, mortgages, encumbrances, broker fees, transfer stamps, tax adjustments and counsel fees, etc.) shall be deposited in an escrow account as established by counsel for the Defendants and the Commission.
5. Paragraph VI.C.4 immediately above requiring the escrow of all net proceeds associated with the sale of any property shall not apply to any

deposits tendered by any prospective buyers. Instead, any deposits tendered under a purchase and sale agreement may be held separately in escrow with the broker or counsel representing either the buyer or seller in the proposed transaction and shall not be subject to the provisions of Paragraphs VI.A and VI.B, above;

6. All money deposited pursuant to Paragraph VI.C.4 shall be held and retained in an escrow account as established by counsel for the Defendants and the Commission, and shall be subject to the provisions of Paragraphs VI.A and VI.B, above.

D. The above Paragraphs VI.A, VI.B, and VI.C shall immediately cease to apply to any assets located within the United States, including any bank, brokerage or other financial institution account, which becomes subject to any later order entered by any federal court as a result of proceedings which may be filed by the United States or any department or agency thereof under any federal civil or criminal forfeiture statute, to the extent such later order requires the transfer of any asset to the United States government.

VII.

IT IS HEREBY FURTHER ORDERED that within seven (7) days from the entry of this Order, that Defendants shall deposit all funds in their control or disposal not presently held at another financial institution into an escrow account as established by counsel for the Defendants and the Commission. The Court further orders that within seven days from the entry of this Order, Defendants shall each provide an affidavit or declaration under penalty of perjury that these steps have been taken.

VIII.

IT IS HEREBY FURTHER ORDERED that the Defendants shall submit in writing and serve upon the Commission, within thirty (30) business days following service of this Order upon them, an accounting identifying:

1. By name and address, all persons, entities and accounts currently holding funds or assets derived from the transfers or payments from any of the Defendants or the ClearPath Funds during the time period September 1, 2014 to the present, and the reason each received the funds or assets (the identification shall include the amount each received, the date received, the reason received, the institution and account number or location in which the funds or other assets are held and the name, address, account number and financial institution of the person or entity who provided each with the funds or other assets);

2. Assets of every type and description with a value of at least five hundred dollars (\$500) presently owned by or held for the direct or indirect benefit, or subject to the direct or indirect control, of Defendants, whether in the United States or elsewhere;

3. All accounts held at any bank, brokerage or other financial institution in the United States or elsewhere in the name, for the direct or indirect benefit, or under the direct or indirect control of Defendants, the ClearPath Funds and/or HCR Value Fund, L.P. or in which Defendants, the ClearPath Funds and/or HCR Value Fund, L.P. have or had any direct or indirect beneficial interest, at any time from January 1, 2008 to the present.

IX.

IT IS HEREBY FURTHER ORDERED that the Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, including via facsimile

or email transmission, or overnight delivery service, are hereby prohibited from soliciting, accepting, or depositing any monies obtained from actual or prospective investors, investment advisory clients or other clients or customers, or from exercising any discretionary authority they may have over clients' accounts or assets pending the resolution of this action, nor may they open new accounts at any bank, brokerage firm, or other financial institution.

X.

IT IS HEREBY FURTHER ORDERED that the Defendants shall submit in writing to the Commission, within seven (7) business days following service of this Order upon them, a list of all street and mailing addresses (including without limitation postal box numbers), telephone or facsimile transmission numbers (including without limitation pagers and mobile telephones), electronic mail addresses, safety deposit boxes, and storage facilities used by them or under their direct or indirect control, at any time since January 1, 2010.

XI.

IT IS HEREBY FURTHER ORDERED that the Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, including via facsimile or email transmission, or overnight delivery service, are hereby restrained from destroying, mutilating, concealing, altering, disposing, or transferring custody of any items, including but not limited to any books, records, documents, correspondence, contracts, agreements, assignments, obligations, tape recordings, computer media or other property relating to Defendants or the misconduct described in the Complaint.

XII.

IT IS HEREBY FURTHER ORDERED that the Commission, notwithstanding the provisions of Fed. R. Civ. P. 26(d) and the Local Rules of this Court, may commence discovery in aid of its asset freeze in this case.

XIII.

IT IS HEREBY FURTHER ORDERED that Defendants will produce to the Commission all documents responsive to the investigative subpoenas previously served on them, within thirty (30) days of the entry of this Order.


XIV.

IT IS HEREBY FURTHER ORDERED that, as the parties have agreed that the appointment of a receiver in this action will be necessary and appropriate for the purposes of marshaling and preserving all assets of the Defendants and those assets of the ClearPath Funds that: (a) are attributable to funds derived from investors or clients of the Defendants; (b) are held in constructive trust for the Defendants; (c) were fraudulently transferred by the Defendants; and/or (d) may otherwise be includable as assets of the estates of the Defendants, the Court directs counsel for the Defendants and the Commission to confer with one another in order to identify a prospective receiver and establish the scope of the receiver's duties. Counsel shall report back to the Court on or before July 15, 2015 regarding the appointment of a receiver. A proposed Order Appointing a Receiver may be submitted to the Court on or before July 15, 2015 if the parties are in agreement or, if the parties have not reached an agreement, the matter may be submitted to the Court for determination concerning the identity of the Receiver, the appropriate powers and duties of the Receiver and the provisions of the Order Appointing Receiver.

XV.

IT IS HEREBY FURTHER ORDERED that this Order is entered without prejudice to any party's right to present any evidence or argument to the Court and to seek any modification of or relief from any part of this Order. Unless otherwise ordered by the Court, this Order shall remain in effect until entry of an Order or other final disposition of this action.

It is SO ORDERED.



Hon. William E. Smith
UNITED STATES DISTRICT JUDGE

Dated: June 2, 2015

EXHIBIT 3

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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-000191-S-LDA

ORDER APPOINTING RECEIVER

WHEREAS this matter has come before this Court upon motion of the Plaintiff U.S. Securities and Exchange Commission (“SEC,” “Commission,” or “Plaintiff”) to appoint a receiver in the above-captioned action; and,

WHEREAS the Court finds that, based on the record in these proceedings, the appointment of a receiver in this action is necessary and appropriate for the purposes of marshaling and preserving all assets of Defendant Patrick Churchville (“Churchville”) and Defendant ClearPath Wealth Management, LLC (“ClearPath”) (Churchville and ClearPath are collectively referred to herein as the “Defendants” and the assets of Churchville and ClearPath are

referred to herein as the "Receivership Assets") and those assets of Relief Defendant Clearpath Multi-Strategy Fund I, L.P. ("Multi-Strategy I"), Relief Defendant Clearpath Multi-Strategy Fund II, L.P. ("Multi-Strategy II") and Relief Defendant Clearpath Multi-Strategy Fund III, L.P. ("Multi-Strategy III")¹ (collectively, the "ClearPath Funds") that: (a) are attributable to funds derived from investors or clients of the Defendants; (b) are held in constructive trust for the Defendants; (c) were fraudulently transferred by the Defendants; and/or (d) may otherwise be includable as assets of the estates of the Defendants (collectively, the "Recoverable Assets"); and,

WHEREAS this Court has subject matter jurisdiction over this action and personal jurisdiction over the Defendants, and venue properly lies in this district.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED

THAT:

1. This Court hereby takes exclusive jurisdiction and possession of the assets, of whatever kind and wherever situated, of the Churchville, ClearPath, and the ClearPath Funds (collectively, the "Receivership Defendants").

2. Until further Order of this Court, *Donoghue, Barrett* *a Singal - Stephen F. Dolan, Esq.* is hereby appointed to serve without bond as receiver (the "Receiver") for the estates of the Receivership Defendants.

¹ HCR Value Fund, L.P. is intentionally omitted from the list of Relief Defendants subject to this Order. Although named as a Relief Defendant in the initial complaint filed by the SEC, HCR Value Fund, L.P. is not subject to this Order Appointing Receiver or this Court's June 2, 2015 Order Imposing Preliminary Injunction Freezing Assets and For Other Equitable Relief [Doc. 13].

I. Asset Freeze

3. Except as otherwise specified herein, and consistent with this Court's June 2, 2015 Order Imposing Preliminary Injunction, Freezing Assets, and For Other Equitable Relief [Doc. No. 13], all Receivership Assets and Recoverable Assets are frozen until further order of this Court. Accordingly, all persons and entities with direct or indirect control over any Receivership Assets and/or any Recoverable Assets, other than the Receiver, are hereby restrained and enjoined from directly or indirectly transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing such assets. This freeze shall include, but not be limited to, Receivership Assets and/or Recoverable Assets that are on deposit with financial institutions such as banks, brokerage firms and mutual funds.

II. General Powers and Duties of Receiver

4. The Receiver shall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, managers and general partners of the entity Receivership Defendants under applicable state and federal law, by the governing charters, by-laws, articles and/or agreements in addition to all powers and authority of a receiver at equity, and all powers conferred upon a receiver by the provisions of 28 U.S.C. §§ 754, 959 and 1692, and Fed. R. Civ. P. 66.

5. The trustees, directors, officers, managers, employees, investment advisors, accountants, attorneys and other agents of the Receivership Defendants are hereby dismissed and the powers of any general partners, directors and/or managers are hereby suspended. Such persons and entities shall have no authority with respect to the Receivership Defendants' operations or assets, except to the extent as may hereafter be expressly granted by the Receiver.

The Receiver shall assume and control the operation of the Receivership Defendants and shall pursue and preserve all of their claims.

6. No person holding or claiming any position of any sort with any of the Receivership Defendants shall possess any authority to act by or on behalf of any of the Receivership Defendants.

7. Subject to the specific provisions in Sections III through XIV, below, the Receiver shall have the following general powers and duties:

- A. To use reasonable efforts to determine the nature, location and value of all property interests of the Receivership Defendants, including, but not limited to, monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, rights and other assets, together with all rents, profits, dividends, interest or other income attributable thereto, of whatever kind, which the Receivership Defendants own, possess, have a beneficial interest in, or control directly or indirectly ("Receivership Property" or, collectively, the "Receivership Estates");
- B. To take custody, control and possession of all Receivership Property and records relevant thereto from the Receivership Defendants; to sue for and collect, recover, receive and take into possession from third parties all Receivership Property and records relevant thereto;
- C. To manage, control, operate and maintain the Receivership Estates and hold in his possession, custody and control all Receivership Property, pending further Order of this Court;
- D. To use Receivership Property for the benefit of the Receivership Estates, making payments and disbursements and incurring expenses as may be necessary or advisable in the ordinary course of business in discharging his duties as Receiver;
- E. To take any action which, prior to the entry of this Order, could have been taken by the officers, directors, partners, managers, trustees and agents of the Receivership Defendants;
- F. To engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, accountants, attorneys, securities traders, registered representatives,

financial or business advisers, liquidating agents, real estate agents, forensic experts, brokers, traders or auctioneers;

- G. To take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property;
- H. The Receiver is authorized to issue subpoenas for documents and testimony consistent with the Federal Rules of Civil Procedure;
- I. To bring such legal actions based on law or equity in any state, federal, or foreign court as the Receiver deems necessary or appropriate in discharging his duties as Receiver;
- J. To pursue, resist and defend all suits, actions, claims and demands which may now be pending or which may be brought by or asserted against the Receivership Estates; and,
- K. To take such other action as may be approved by this Court.

III. Access to Information

8. The individual Receivership Defendants and the past and/or present officers, directors, agents, managers, general partners, trustees, attorneys, accountants and employees of the entity Receivership Defendants, as well as those acting in their place, are hereby ordered and directed to preserve and turn over to the Receiver forthwith all paper and electronic information of, and/or relating to, the Receivership Defendants and/or all Receivership Property; such information shall include but not be limited to books, records, documents, accounts and all other instruments and papers.

9. Within ten (10) days of the entry of this Order, the Receivership Defendants shall file with the Court and serve upon the Receiver and the Commission a sworn statement, listing:
(a) the identity, location and estimated value of all Receivership Property; (b) all employees (and job titles thereof), other personnel, attorneys, accountants and any other agents or contractors of

the Receivership Defendants; and, (c) the names, addresses and amounts of claims of all known creditors of the Receivership Defendants.

10. Within thirty (30) days of the entry of this Order, the Receivership Defendants shall file with the Court and serve upon the Receiver and the Commission a sworn statement and accounting, with complete documentation, covering the period from January 1 of 2008 to the present:

- A. Of all Receivership Property, wherever located, held by or in the name of the Receivership Defendants, or in which any of them, directly or indirectly, has or had any beneficial interest, or over which any of them maintained or maintains and/or exercised or exercises control, including, but not limited to: (a) all securities, investments, funds, real estate, automobiles, jewelry and other assets, stating the location of each; and (b) any and all accounts, including all funds held in such accounts, with any bank, brokerage or other financial institution held by, in the name of, or for the benefit of any of them, directly or indirectly, or over which any of them maintained or maintains and/or exercised or exercises any direct or indirect control, or in which any of them had or has a direct or indirect beneficial interest, including the account statements from each bank, brokerage or other financial institution;
- B. Identifying every account at every bank, brokerage or other financial institution: (a) over which Receivership Defendants have signatory authority; and (b) opened by, in the name of, or for the benefit of, or used by, the Receivership Defendants;
- C. Identifying all credit, bank, charge, debit or other deferred payment card issued to or used by each Receivership Defendant, including but not limited to the issuing institution, the card or account number(s), all persons or entities to which a card was issued and/or with authority to use a card, the balance of each account and/or card as of the most recent billing statement, and all statements for the last twelve months;
- D. Of all assets received by any of them from any person or entity, including the value, location, and disposition of any assets so received;
- E. Of all funds received by the Receivership Defendants, and each of them, in any way related, directly or indirectly, to the conduct alleged in the Commission's Complaint. The submission must clearly identify, among

other things, all investors, the securities they purchased, the date and amount of their investments, and the current location of such funds;

- G. Of all expenditures exceeding \$1,000 made by any of them, including those made on their behalf by any person or entity; and
- H. Of all transfers of assets made by any of them.

11. Within thirty (30) days of the entry of this Order, the Receivership Defendants shall provide to the Receiver and the Commission copies of the Receivership Defendants' federal income tax returns for 2008 to the present, with all relevant and necessary underlying documentation.

12. Churchville and the entity Receivership Defendants' past and/or present officers, directors, agents, attorneys, managers, shareholders, employees, accountants, debtors, creditors, managers and general partners, and other appropriate persons or entities shall answer under oath to the Receiver all questions which the Receiver may put to them and produce all documents as required by the Receiver regarding the business of the Receivership Defendants, or any other matter relevant to the operation or administration of the receivership or the collection of funds due to the Receivership Defendants. In the event that the Receiver deems it necessary to require the appearance of the aforementioned persons or entities, the Receiver shall make its discovery requests in accordance with the Federal Rules of Civil Procedure. Nothing in this paragraph shall be construed to abridge Defendant Churchville's privilege against self-incrimination pursuant to the Fifth Amendment to the United States Constitution or Defendants' attorney-client privilege.

13. To issue subpoenas to compel testimony of persons or production of records, consistent with the Federal Rules of Civil Procedure and applicable Local Rules, except for the

provisions of Fed. R. Civ. P. 26(d)(1), concerning any subject matter within the powers and duties granted by this Order.

14. The Receivership Defendants are required to assist the Receiver in fulfilling his duties and obligations. As such, they must respond promptly and truthfully to all requests for information and documents from the Receiver. Nothing in this paragraph shall be construed to abridge Defendant Churchville's privilege against self-incrimination pursuant to the Fifth Amendment to the United States Constitution or Defendants' attorney-client privilege.

IV. Access to Books, Records and Accounts

15. The Receiver is authorized to take immediate possession of all assets, bank accounts or other financial accounts, books and records and all other documents or instruments relating to the Receivership Defendants. All persons and entities having control, custody or possession of any Receivership Property are hereby directed to turn such property over to the Receiver.

16. The Receivership Defendants, as well as their agents, servants, employees, attorneys, any persons acting for or on behalf of the Receivership Defendants, and any persons receiving notice of this Order by personal service, facsimile transmission or otherwise, having possession of the property, business, books, records, accounts or assets of the Receivership Defendants are hereby directed to deliver the same to the Receiver, his agents and/or employees.

17. All banks, brokerage firms, financial institutions, and other persons or entities which have possession, custody or control of any assets or funds held by, in the name of, or for

the benefit of, directly or indirectly, and of the Receivership Defendants that receive actual notice of this Order by personal service, facsimile transmission or otherwise shall:

- A. Not liquidate, transfer, sell, convey or otherwise transfer any assets, securities, funds, or accounts in the name of or for the benefit of the Receivership Defendants except upon instructions from the Receiver;
- B. Not exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court;
- C. Within five (5) business days of receipt of that notice, file with the Court and serve on the Receiver and counsel for the Commission a certified statement setting forth, with respect to each such account or other asset, the balance in the account or description of the assets as of the close of business on the date of receipt of the notice; and,
- D. Cooperate expeditiously in providing information and transferring funds, assets and accounts to the Receiver or at the direction of the Receiver.

V. Access to Real and Personal Property

18. The Receiver is authorized to take immediate possession of all personal property of the Receivership Defendants, wherever located, including but not limited to electronically stored information, computers, laptops, hard drives, external storage drives, and any other such memory, media or electronic storage devices, books, papers, data processing records, evidence of indebtedness, bank records and accounts, savings records and accounts, brokerage records and accounts, certificates of deposit, stocks, bonds, debentures, and other securities and investments, contracts, mortgages, furniture, office supplies and equipment.

19. The Receiver is authorized to take immediate possession of all real property of the Receivership Defendants, wherever located, including but not limited to all ownership and leasehold interests and fixtures. Upon receiving actual notice of this Order by personal service, facsimile transmission or otherwise, all persons other than law enforcement officials acting

within the course and scope of their official duties, are (without the express written permission of the Receiver) prohibited from: (a) entering such premises; (b) removing anything from such premises; or, (c) destroying, concealing or erasing anything on such premises. Notwithstanding the foregoing, Churchville and his immediate family are permitted to continue to occupy his current residence at 121 Nyatt Road, Barrington, Rhode Island, until such time as this Court orders otherwise. The Receiver may apply to this Court to request Churchville and his family vacate the 121 Nyatt Road property. The Receiver is directed to coordinate the sale of the Churchville residence at 121 Nyatt Road with the currently engaged realtor. If, after 90 days has past from the appointment of the Receiver, the Receiver believes that it is in the interest of the Receivership Estate to engage a different realtor (or no realtor) to sell the 121 Nyatt Road property, the Receiver may do so, after giving notice to the parties.

20. In order to execute the express and implied terms of this Order, the Receiver is authorized to change door locks to the premises described above, with the exception of the Churchville residence at 121 Nyatt Road, Barrington, Rhode Island. The Receiver shall have exclusive control of the keys. The Receivership Defendants, or any other person acting or purporting to act on their behalf, are ordered not to change the locks in any manner, nor to have duplicate keys made, nor shall they have keys in their possession during the term of the receivership.

21. The Receiver is authorized to open all mail directed to or received by or at the offices or post office boxes of the Receivership Defendants, and to inspect all mail opened prior to the entry of this Order, to determine whether items or information therein fall within the mandates of this Order.

22. Upon the request of the Receiver, the United States Marshal Service, in any judicial district, is hereby ordered to assist the Receiver in carrying out his duties to take possession, custody and control of, or identify the location of, any assets, records or other materials belonging to the Receivership Estate.

VI. Notice to Third Parties

23. The Receiver shall promptly give notice of his appointment to all known officers, directors, agents, employees, shareholders, creditors, debtors, managers, general partners, and limited partners of the Receivership Defendants, as the Receiver deems necessary or advisable to effectuate the operation of the receivership.

24. All persons and entities owing any obligation, debt, or distribution with respect to an ownership interest to any Receivership Defendant shall, until further ordered by this Court, pay all such obligations in accordance with the terms thereof to the Receiver and its receipt for such payments shall have the same force and effect as if the Receivership Defendant had received such payment.

25. In furtherance of his responsibilities in this matter, the Receiver is authorized to communicate with, and/or serve this Order upon, any person, entity or government office that he deems appropriate to inform them of the status of this matter and/or the financial condition of the Receivership Estates. All government offices which maintain public files of security interests in real and personal property shall, consistent with such office's applicable procedures, record this Order upon the request of the Receiver or the Commission.

26. The Receiver is authorized to instruct the United States Postmaster to hold and/or reroute mail which is related, directly or indirectly, to the business, operations or activities of any

of the Receivership Defendants (the "Receiver's Mail"), including all mail addressed to, or for the benefit of, the Receivership Defendants. The Postmaster shall not comply with, and shall immediately report to the Receiver, any change of address or other instruction given by anyone other than the Receiver concerning the Receiver's Mail. The Receivership Defendants shall not open any of the Receiver's Mail and shall immediately turn over such mail, regardless of when received, to the Receiver. All personal mail of any individual Receivership Defendants, and/or any mail appearing to contain privileged information, and/or any mail not falling within the mandate of the Receiver, shall be released to the named addressee by the Receiver. The foregoing instructions shall apply to any proprietor, whether individual or entity, of any private mail box, depository, business or service, or mail courier or delivery service, hired, rented or used by the Receivership Defendants. The Receivership Defendants shall not open a new mailbox, or take any steps or make any arrangements to receive mail in contravention of this Order, whether through the U.S. mail, a private mail depository or courier service.

27. Subject to payment for services provided, any entity furnishing water, electric, telephone, sewage, garbage or trash removal services to the Receivership Defendants shall maintain such service and transfer any such accounts to the Receiver unless instructed to the contrary by the Receiver.

28. The Receiver is authorized to assert, prosecute and/or negotiate any claim under any insurance policy held by or issued on behalf of the Receivership Defendants, or their officers, directors, agents, employees or trustees, and to take any and all appropriate steps in connection with such policies.

VII. Injunction Against Interference with Receiver

29. The Receivership Defendants and all persons receiving notice of this Order by personal service, facsimile or otherwise, are hereby restrained and enjoined from directly or indirectly taking any action or causing any action to be taken, without the express written agreement of the Receiver, which would:

- A. Interfere with the Receiver's efforts to take control, possession, or management of any Receivership Property; such prohibited actions include but are not limited to, using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution, or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any Receivership Property;
- B. Hinder, obstruct or otherwise interfere with the Receiver in the performance of his duties; such prohibited actions include but are not limited to, concealing, destroying or altering records or information;
- C. Dissipate or otherwise diminish the value of any Receivership Property; such prohibited actions include but are not limited to, releasing claims or disposing, transferring, exchanging, assigning or in any way conveying any Receivership Property, enforcing judgments, assessments or claims against any Receivership Property or any Receivership Defendant, attempting to modify, cancel, terminate, call, extinguish, revoke or accelerate (the due date), of any lease, loan, mortgage, indebtedness, security agreement or other agreement executed by any Receivership Defendant or which otherwise affects any Receivership Property; or,
- D. Interfere with or harass the Receiver, or interfere in any manner with the exclusive jurisdiction of this Court over the Receivership Estates.

30. The Receivership Defendants shall cooperate with and assist the Receiver in the performance of his duties.

31. The Receiver shall promptly notify the Court, Commission counsel, and counsel for the Defendants of any failure or apparent failure of any person or entity to comply in any way with the terms of this Order.

VIII. Stay of Litigation

32. As set forth in detail below, the following proceedings, excluding the instant proceeding and all police or regulatory actions and actions of the Commission related to the above-captioned enforcement action, are stayed until further Order of this Court:

All civil legal proceedings of any nature, including, but not limited to, bankruptcy proceedings, arbitration proceedings, foreclosure actions, default proceedings, or other actions of any nature involving: (a) the Receiver, in his capacity as Receiver; (b) any Receivership Property, wherever located; (c) any of the Receivership Defendants, including subsidiaries and partnerships; or, (d) any of the Receivership Defendants' past or present officers, directors, managers, agents, or general partners sued for, or in connection with, any action taken by them while acting in such capacity of any nature, whether as plaintiff, defendant, third-party plaintiff, third-party defendant, or otherwise (such proceedings are hereinafter referred to as "Ancillary Proceedings").

33. The parties to any and all Ancillary Proceedings are enjoined from commencing or continuing any such legal proceeding, or from taking any action, in connection with any such proceeding, including, but not limited to, the issuance or employment of process.

34. All Ancillary Proceedings are stayed in their entirety, and all Courts having any jurisdiction thereof are enjoined from taking or permitting any action until further Order of this Court. Further, as to a cause of action accrued or accruing in favor of one or more of the Receivership Defendants against a third person or party, any applicable statute of limitation is tolled during the period in which this injunction against commencement of legal proceedings is in effect as to that cause of action.

IX. Managing Assets

35. For each of the Receivership Estates, the Receiver shall establish one or more custodial accounts at a federally insured bank to receive and hold all cash equivalent Receivership Property (the "Receivership Funds").

36. The Receiver's deposit account shall be entitled "Receiver's Account, Estate of ClearPath Wealth Management, LLC" together with the name of the action.

37. The 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.

38. Subject to Paragraph 39, immediately below, the Receiver is authorized to locate, list for sale or lease, engage a broker for sale or lease, cause the sale or lease, and take all necessary and reasonable actions to cause the sale or lease of all real property in the Receivership Estates, either at public or private sale, 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 real property.

39. Upon further Order of this Court, pursuant to such procedures as may be required by this Court and additional authority such as 28 U.S.C. §§ 2001 and 2004, the Receiver will be authorized to sell, and transfer clear title to, all real property in the Receivership Estates.

40. The Receiver is authorized to take all actions to manage, maintain, and/or wind-down business operations of the Receivership Estates, including making legally required payments to creditors, employees, and agents of the Receivership Estates and communicating with vendors, investors, governmental and regulatory authorities, and others, as appropriate.

41. The Receiver shall take all necessary steps to enable the Receivership Funds to obtain and maintain the status of a taxable "Settlement Fund," within the meaning of Section

468B of the Internal Revenue Code and of the regulations, when applicable, whether proposed, temporary or final, or pronouncements thereunder, including the filing of the elections and statements contemplated by those provisions. The Receiver shall be designated the administrator of the Settlement Fund, pursuant to Treas. Reg. § 1.468B-2(k)(3)(i), and shall satisfy the administrative requirements imposed by Treas. Reg. § 1.468B-2, including but not limited to (a) obtaining a taxpayer identification number, (b) timely filing applicable federal, state, and local tax returns and paying taxes reported thereon, and (c) satisfying any information, reporting or withholding requirements imposed on distributions from the Settlement Fund. The Receiver shall cause the Settlement Fund to pay taxes in a manner consistent with treatment of the Settlement Fund as a "Qualified Settlement Fund." The Receivership Defendants shall cooperate with the Receiver in fulfilling the Settlement Funds' obligations under Treas. Reg. § 1.468B-2.

X. Investigate and Prosecute Claims

42. Subject to the requirement, in Section VII above, that leave of this Court is required to resume or commence certain litigation, the Receiver is authorized, empowered and directed to investigate, prosecute, defend, intervene in or otherwise participate in, compromise, and/or adjust actions in any state, federal or foreign court or proceeding of any kind as may in his discretion, and in consultation with Commission counsel and counsel for the Defendants, be advisable or proper to recover and/or conserve Receivership Property.

43. Subject to his obligation to expend receivership funds in a reasonable and cost-effective manner, the Receiver is authorized, empowered and directed to investigate the manner in which the financial and business affairs of the Receivership Defendants were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings, for the benefit

and on behalf of the Receivership Estate, as the Receiver deems necessary and appropriate; the Receiver may seek, among other legal and equitable relief, the imposition of constructive trusts, disgorgement of profits, asset turnover, avoidance of fraudulent transfers, rescission and restitution, collection of debts, and such other relief from this Court as may be necessary to enforce this Order. Where appropriate, the Receiver should provide prior notice to Counsel for the Commission and counsel for the Defendants before commencing investigations and/or actions.

44. The Receiver hereby holds, and is therefore empowered to waive, all privileges, including the attorney-client privilege, held by all entity Receivership Defendants with the exception of Churchville.

45. The receiver has a continuing duty to ensure that there are no conflicts of interest between the Receiver, his Retained Personnel (as that term is defined below), and the Receivership Estate.

XII. Bankruptcy Filing

46. The Receiver may seek authorization of this Court to file voluntary petitions for relief under Title 11 of the United States Code (the "Bankruptcy Code") for the Receivership Defendants. If a Receivership Defendant is placed in bankruptcy proceedings, the Receiver may become, and may be empowered to operate each of the Receivership Estates as, a debtor in possession. In such a situation, the Receiver shall have all of the powers and duties as provided a debtor in possession under the Bankruptcy Code to the exclusion of any other person or entity. Pursuant to Paragraph 4 above, the Receiver is vested with management authority for all entity Receivership Defendants and may therefore file and manage a Chapter 11 petition.

47. The provisions of Section VIII above bar any person or entity, other than the Receiver, from placing any of the Receivership Defendants in bankruptcy proceedings.

XII. Liability of Receiver

48. Until further Order of this Court, the Receiver shall not be required to post bond or give an undertaking of any type in connection with his fiduciary obligations in this matter.

49. The Receiver and his agents, acting within scope of such agency ("Retained Personnel") are entitled to rely on all outstanding rules of law and Orders of this Court and shall not be liable to anyone for their own good faith compliance with any order, rule, law, judgment, or decree. In no event shall the Receiver or Retained Personnel be liable to anyone for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel.

50. This Court shall retain jurisdiction over any action filed against the Receiver or Retained Personnel based upon acts or omissions committed in their representative capacities.

51. In the event the Receiver decides to resign, the Receiver shall first give written notice to the Commission's counsel of record and the Court of its intention, and the resignation shall not be effective until the Court appoints a successor. The Receiver shall then follow such instructions as the Court may provide.

XIII. Recommendations and Reports

52. The Receiver is authorized, empowered and directed to develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property (the "Liquidation Plan") and to distribute Receivership Property to investors in the affected Funds, as alleged in the Complaint.

53. Within forty-five (45) days of the entry date of this Order, the Receiver shall file the Liquidation Plan in the above-captioned action, with service copies to counsel of record.

54. Within thirty (30) days after the end of each calendar quarter, the Receiver shall file and serve a full report and accounting of each Receivership Estate (the "Quarterly Status Report"), reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estates.

55. The Quarterly Status Report shall contain the following:

- A. A summary of the operations of the Receiver;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of the receivership;
- D. A description of all known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Estate, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments);
- F. A list of all known creditors with their addresses and the amounts of their claims;
- G. The status of Creditor Claims Proceedings, after such proceedings have been commenced; and,

H. The Receiver's recommendations for a continuation or discontinuation of the receivership and the reasons for the recommendations.

56. On the request of the Commission, the Receiver shall provide the Commission with any documentation that the Commission deems necessary to meet its reporting requirements, that is mandated by statute or Congress, or that is otherwise necessary to further the Commission's mission.

XIV. Fees, Expenses and Accountings

57. Subject to Paragraphs 58 – 64 immediately below, the Receiver need not obtain Court approval prior to the disbursement of Receivership Funds for expenses in the ordinary course of the administration and operation of the receivership. Further, prior Court approval is not required for payments of applicable federal, state or local taxes.

58. Subject to Paragraph 59 immediately below, the Receiver is authorized to solicit persons and entities ("Retained Personnel") to assist him in carrying out the duties and responsibilities described in this Order. The Receiver shall not engage any Retained Personnel without first obtaining an Order of the Court authorizing such engagement.

59. The Receiver and Retained Personnel are entitled to reasonable compensation and expense reimbursement from the Receivership Estates as described in the "Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission" (the "Billing Instructions") agreed to by the Receiver. Such compensation shall require the prior approval of the Court.

60. Within forty-five (45) days after the end of each calendar quarter, the Receiver and Retained Personnel shall apply to the Court for compensation and expense reimbursement

from the Receivership Estates (the "Quarterly Fee Applications"). At least thirty (30) days prior to filing each Quarterly Fee Application with the Court, the Receiver will serve upon counsel for the Commission and counsel for the Defendants a complete copy of the proposed Application, together with all exhibits and relevant billing information in a format to be provided by SEC staff.

61. All Quarterly Fee Applications will be interim and will be subject to cost benefit and final reviews at the close of the receivership. At the close of the receivership, the Receiver will file a final fee application, describing in detail the costs and benefits associated with all litigation and other actions pursued by the Receiver during the course of the receivership.

62. Quarterly Fee Applications may be subject to a holdback in the amount of 20% of the amount of fees and expenses for each application filed with the Court. The total amounts held back during the course of the receivership will be paid out at the discretion of the Court as part of the final fee application submitted at the close of the receivership.

63. Each Quarterly Fee Application shall:

- A. Comply with the terms of the Billing Instructions agreed to by the Receiver; and,
- B. Contain representations (in addition to the Certification required by the Billing Instructions) that: (i) the fees and expenses included therein were incurred in the best interests of the Receivership Estate; and, (ii) with the exception of the Billing Instructions, the Receiver has not entered into any agreement, written or oral, express or implied, with any person or entity concerning the amount of compensation paid or to be paid from the Receivership Estate, or any sharing thereof.

64. At the close of the Receivership, the Receiver shall submit a Final Accounting, in a format to be provided by Commission staff, as well as the Receiver's final application for compensation and expense reimbursement.

IT IS SO ORDERED, this 30th day of July, 2015.

W. E. Smith
Hon. William E. Smith
UNITED STATES DISTRICT JUDGE

EXHIBIT 4

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

_____)	
SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.15-cv-00191-S-LDA
)	
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.)	
_____)	

[Proposed]

ORDER CONCERNING HCR VALUE FUND, L.P.

WHEREAS on June 2, 2015, this Court entered an Order Imposing Preliminary Injunction, Freezing Assets, and For Other Equitable Relief (Docket No. 13) after finding that the relief set forth in the June 2 Order is necessary and appropriate for the benefit of investors who may have been injured as a result of the conduct alleged in this lawsuit; and,

WHEREAS, at the request of the Commission and the Defendants, Patrick Churchville and ClearPath Wealth Management, LLC (“ClearPath”), this Court did not include relief defendant HCR Value Fund, L.P. (“HCR Value”) in the injunctive provisions of the June 2 Order, so that the value of certain assets and prospective assets would not be diminished; and,

WHEREAS, the relief set forth in this Order is necessary and appropriate for the benefit of investors who may have been injured as a result of the conduct alleged in this lawsuit; and

WHEREAS the Court is authorized to grant the relief set forth in this Order pursuant to the Federal Rules of Civil Procedure, its general equitable authority and also pursuant to Section 21(d)(5) of the Securities Exchange Act of 1934 [15 U.S.C. § 78u(d)(5)].

I.

IT IS HEREBY ORDERED that, notwithstanding any provision of this Court's June 2, 2015 Order, any money due to HCR Value by any person or entity (including CP Medical, LLC and/or its related entities) may be paid to HCR Value at the time it comes due. Neither this Order nor the Court's June 2 Order alters or altered the obligation of any person or entity to pay or distribute to HCR Value (and/or its partners, officers, agents, servants, employees and attorneys) monies due under previous agreements with HCR Value or the Defendants or the amounts or timing of any such payments.

II.

IT IS HEREBY FURTHER ORDERED that all monies received by HCR Value from any party which would if distributed be distributable to, or which would be payable to, the Defendants, or any of Defendants' officers, agents, servants, employees and attorneys, then it shall be deposited in the escrow account established pursuant to Section VII of this Court's June 2, 2015 Order and shall be subject to the asset freeze provisions of Section VI.A of the June 2 Order. All monies received by HCR Value for the benefit of any investor(s) in HCR Value Series B (not including the Defendants and/or their partners, officers, agents, servants, employees and attorneys) may be distributed to such investor(s), pursuant to any prior contract or agreement. All monies received by HCR Value (regardless of for whom that money benefits) shall be reported within 7 days to counsel for the Commission and any receiver appointed in this matter.

III.

IT IS HEREBY FURTHER ORDERED that HCR Value Series B may continue to operate, pursuant to the terms of the “Agreement Regarding Continuing HCRVF Operations” executed May 21, 2015 by and among various HCR Value investor entities, HCR Value, HCR Value Fund GP, LLC, and Defendants, and that such HCR Value investor entities may replace HCR Value Fund GP, LLC as general partner with an entity controlled by the same entity which controls such HCR Value investor entities, and in so doing may convert any interest of a Defendant in HCR Value to a special limited partner interest, provided that:

- 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, above; and,
- c) Defendant Patrick Churchville play no investment advisory role in the on-going operations of HCR Value.

IV.

IT IS HEREBY FURTHER ORDERED that the HCR Value general partner shall notify the Receiver appointed for the receivership estates of Churchville and ClearPath whenever any material change in any agreement or contract or any new agreement or contract is contemplated by or proposed to HCR Value or the HCR Value general partner. If such

agreement, contract, or material change would harm the interests of the receivership estate, the Receiver may apply to this Court for relief.

V.

IT IS HEREBY FURTHER ORDERED that this Order is entered without prejudice to any party's right to present any evidence or argument to the Court and to seek any modification of or relief from any part of this Order. Unless otherwise ordered by the Court, this Order shall remain in effect until entry of an Order or other final disposition of this action.

It is SO ORDERED.



Hon. William E. Smith
UNITED STATES DISTRICT JUDGE

Dated: 7/30, 2015