

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,)
)
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.)
_____)

RECEIVER’S SECOND INTERIM FEE APPLICATION

Now comes, Stephen F. Del Sesto, the Court-appointed Receiver for Defendants Patrick Churchville and ClearPath Wealth Management, LLC and Relief Defendants ClearPath Multi-Strategy Fund I, L.P., ClearPath Multi-Strategy Fund II, L.P., and ClearPath Multi-Strategy Fund III, L.P. (collectively “Receivership Entities”) and hereby submits his Second Interim Fee Application. This Fee Application conforms to the “Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission” as required pursuant to Paragraph 59 of this Court’s July 30, 2015 Order Appointing Receiver (Document No. 16). The billing invoices of Donoghue Barrett & Singal, P.C. and Sansiveri, Kimball & Co., LLP, the Receiver’s financial advisor as approved by this Court’s October 19, 2015 Order (Document No. 32), supporting this Second Interim Fee Application were previously provided to the Commission and will be provided to the Court under separate cover.

1. Information About the Applicant and the Application

- a. The period of time covered by this Application is from October 1, 2015 through and including December 31, 2015.
- b. The Receiver was appointed on July 30, 2015.
- c. The Applicant has utilized the following professionals and paraprofessionals at the following rates:

Donoghue Barrett & Singal, P.C.

- i. Stephen F. Del Sesto, Partner: \$350/hour
- ii. William M. Dolan III, Partner: \$350/hour
- iii. Nicholas L. Nybo, Associate: \$250/hour
- iv. William K. Wray, Jr., Associate: \$250/hour
- v. Julie A. Zaccagnini, Paralegal: \$185/hour
- vi. Deborah L. Medeiros, Paralegal: \$185/hour

Sansiveri, Kimball & Co., LLP

- i. Catherine M. Parente, CPA, Partner: \$275/hour
- ii. Kenji Greenberg, CPA: \$126/hour

- d. This Fee Application is the second interim application and, as such, there has been one previous fee application. The Receiver's First Interim Fee Application requested approval of fees, costs and expenses in the amount of \$79,522.29, which accrued from the commencement of the receivership proceeding through and including September 30, 2015, was approved by Order of this Court dated January 28, 2016 (Document No. 55). The Receiver was authorized to fully satisfy those fees, costs and expenses and has done so since the entry of the January 28, 2016 Order.

2. Case Status (Narrative)

- a. Since the commencement of the receivership proceeding through the filing of this Application the Receiver has collected funds totaling \$1,892,809.11. As of the filing of this Fee Application the Receiver has \$1,807,629.93 on hand comprised of the following funds:

- i. \$903,356.60 in funds that were in the possession of the law firm of Lepizzera & Laprocina¹;
- ii. \$35,523.57 in funds collected via the Receiver's closeout of bank accounts held by Defendants at Bank of America;
- iii. \$89,224.99 in NET sale proceed funds collected via the sale of the Parade Street property owned by Macaw Investment Company, LLC ("Macaw")²;
- iv. \$714,226.09 in funds wired to the Receivership Estate in connection with and subject to this Court's Orders entered on or about November 4, 2015 (Document Nos. 40 and 41) regarding the HCR Value Fund, LP Amendment and Settlement with the Acrewood Parties and Capiro Parties;
- v. \$4,152.75 in funds wired into the Receivership Estate as a supplemental distribution in connection with and subject to this Court's Orders entered on or about November 4, 2015 (Document Nos. 40 and 41) regarding the HCR Value Fund, LP Amendment and Settlement with the Acrewood Parties and Capiro Parties;
- vi. \$6,000.00 in funds collected from Point Judith Country Club which was due to be refunded to Defendant Churchville;
- vii. \$4,025.62 in funds collected via the Receiver's closeout of a bank account held by Defendant ClearPath Wealth Management, LLC at Commerce Bank;
- viii. \$120,000.00 in funds paid by the Buyers as a deposit in connection with the Purchase and Sales Agreement entered into between Buyers and the Receiver for the sale of real property located at 121 Nayatt Road, Barrington, Rhode Island³;
- ix. \$14,750.00 in funds paid by the Buyer as a deposit in connection with the Purchase and Sales Agreement entered into between Buyer and the Receiver for

¹ The origin of these funds was more fully described in the Receiver's First Quarterly Status Report.

² These funds are being held in escrow pending a determination of allocation among the Macaw Investment Company, LLC members, specifically, Defendant Churchville and Mr. Drew Churchville Carlin. Based upon the Receiver's review of the Macaw company documents and a discussion with Mr. Carlin, it is the Receiver's belief that Defendant Churchville is entitled to the entirety of the proceeds after satisfaction of Macaw's reasonable and appropriate business debts. The Receiver anticipates seeking instruction from this Court regarding these funds in the near future.

³ These funds are being held in escrow pending this Court's approval of the Receiver's Petition to Sell Real Property Located at 121 Nayatt Road Via Private Sale Free and Clear of Liens, Claims and Encumbrances (Document No. 57) and pending the closing on the sale of that property. The gross purchase price for that property is \$2.4 million.

the sale of real property located at 6 Whitney Court, Unit 10, Narragansett, Rhode Island⁴; and

x. \$1,549.49 in interest earned as a result of the Receiver holding the above referenced funds in multiple interest bearing deposit accounts.

In terms of accrued administrative expenses, since the filing of the Receiver's First Interim Fee Application the Receiver has incurred the following:

- i. \$24.20 incurred from JP Morgan Chase Bank, N.A., National Subpoena Processing, 7610 West Washington Street, Indianapolis, Indiana. This expense is related to JP Morgan Chase Bank, N.A.'s research and document production in response to the Receiver's request for a search to identify active accounts held by Defendants;
- ii. \$271.00 incurred from Amy Catanzaro, 321 Tunk Hill Road, Hope, Rhode Island. This expense is related to updating the current owner title searches for the Barrington and Narragansett properties into full title searches in preparation for the sale of those properties;
- iii. \$84.00 incurred from the Town of Barrington, Rhode Island, Town Clerk's Office, 283 County Road, Barrington, Rhode Island. This expense is related to the Receiver's recording of this Court's Order Appointing Receiver with the Town of Barrington's Registry of Deeds;
- iv. \$70.00 incurred from the Town of Narragansett, Rhode Island, Town Clerk's Office, 25 Fifth Avenue, Narragansett, Rhode Island. This expense is related to the Receiver's recording of this Court's Order Appointing Receiver with the Town of Narragansett's Registry of Deeds;
- v. \$659.75 incurred from Brewer Cove Haven Marina, 101 Narragansett Avenue, Narragansett, Rhode Island. This expense is related to the installation of outdrive motors and the moving and loading of Defendant

⁴These funds are being held in escrow pending this Court's approval of the Receiver's Petition to Sell Real Property Located at 6 Whitney Court, Unit 10 Via Private Sale Free and Clear of Liens, Claims and Encumbrances and pending the closing on the sale of that property. The Receiver's Petition to Sell will be filed with this Court in the next 1-2 weeks.

- Churchville's boat for transportation to remove the vessel from the Marina;
- vi. \$58.00 incurred from Armeny Inc. Property Management, PO Box 6758, Warwick, Rhode Island. This expense is related to the Receiver's request to obtain The Polo Club Condominium Association's Condominium Documents in connection with the anticipated sale of the real estate located at 6 Whitney Court, Unit 10, Narragansett, Rhode Island;
 - vii. \$110.00 incurred from James Sylvester, Constable, 37 Hunters Knoll, Smithfield, Rhode Island. This expense is related to service of a Subpoena issued by the Receiver upon Oppenheimer & Co., Inc.⁵;
 - viii. \$267.20 incurred from Beacon Hill Research, Inc., 2 Park Plaza, Suite 409, Boston, Massachusetts. This expense is related to the service of three Subpoenas issued by the Receiver upon Mr. Harvey Mason, Capstone Corporate Finance, LLC, and Commerce Bank & Trust Company⁶;
 - ix. \$5,027.00 incurred from Gentle Giant Storage, 125 Amaral Street, East Providence, Rhode Island. This expense is related to the monthly storage charges (August 2015 through and including March 2016) for items removed from the former ClearPath Wealth Management, LLC office previously located at Maple Avenue, Barrington, Rhode Island, as well as Gentle Giant's fee to remove and deliver numerous boxes of files and filing cabinets containing investor files from the storage facility to the Receiver's office; and
 - x. 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 as well as the removal and transportation of Defendant Churchville's boat from Brewer Cove Haven Marina.

⁵ The expense of James Sylvester was paid in advance by Donoghue Barrett & Singal, PC and by inclusion of this expense in this Fee Application the Receiver is seeking reimbursement for the advance payment made to Mr. Sylvester.

⁶ The expense of Beacon Hill Research, Inc. was paid in advance by Donoghue Barrett & Singal, PC and by inclusion of this expense in this Fee Application the Receiver is seeking reimbursement for the advance payment made to Beacon Hill Research, Inc.

The Receiver has yet to identify which funds are unencumbered.

- b. As set forth above, the Receiver has collected funds totaling \$1,892,809.11. In addition to the amounts set forth in Paragraph 2(a) above, and the disbursements previously approved by this Court as itemized in the Receiver's First Interim Fee Application, the Receiver has made a disbursement from the funds held in escrow, in accordance with this Court's Consent Order dated July 30, 2015 (Document No. 18), to Target Litigation Consulting, Inc. in the amount of \$1,910.70.

At this time, the Receiver cannot estimate when the case is expected to close.

- c. The Receiver is currently in the process of finalizing a proposed claims procedure to present to the Commission and the Court for their approval. The Receiver expects to move the Court within the next 1-2 months to establish a claims bar date that the Receiver will recommend stay open for a period of no less than one hundred and twenty (120) days after the Court enters its Order.
- d. Description of the Assets in the Receivership Estate:
 - i. Property at 121 Nayatt Road, Barrington, Rhode Island. Appraisal: Withheld. Current Offer: \$2,400,000. Consistent with the terms of this Court's Order Appointing Receiver (Document No. 16), this property was marketed by a broker. As described in further detail in the Receiver's Petition to Sell Real Property Located at 121 Nayatt Road Via Private Sale Free and Clear of Liens, Claims and Encumbrances (Document No. 57), and subject to this Court granting the Petition, it is the Receiver's intention to proceed forward with a closing on the sale of this property in the early part of April 2016;
 - ii. Property at 6 Whitney Court, Unit 10, Narragansett, Rhode Island. Appraisal: Withheld. Current Offer: \$295,000. This property is being marketed by a broker. Subject to this Court's approval, the Receiver has accepted the current offer and is preparing an appropriate Petition to Sell Real Property Via Private Sale which will be filed with this Court in the next 1-2 weeks;

- iii. Property at 172-174 Doyle Avenue, Providence, Rhode Island. This property is owned by Macaw and the Receiver believes that the Estate will be entitled to 100% of the sale proceeds NET of closing costs and adjustments and satisfaction of Macaw's reasonable and appropriate business debts. The Receiver is advised by Mr. Drew Churchville Carlin that this property is being marketed by a broker and, at this time, the Receiver has received and approved the terms of a Purchase and Sales Agreement for the property in the amount of \$180,000;
 - iv. 1998 thirty-foot Doral fiberglass powerboat ("Ripple 2"). Appraisal: Withheld. The Receiver is currently working with Irving Shechtman & Co., Inc. to market the vessel and coordinate a public auction sale;
 - v. 2013 Audi Q7. Appraisal: \$24,000 - \$26,000. Based upon communications with and documents provided by VW Credit Leasing, Ltd., the lien holder, the Receiver determined there was no equity in this vehicle and thus arrangements were made for the lien holder to retrieve the vehicle;
 - vi. 2008 GMC Yukon Denali. Appraisal: \$11,000 - \$12,000. Based upon communications with and documents provided by Bank of America, N.A., the lien holder, the Receiver determined there was no equity in this vehicle and thus arrangements were made for the lien holder to retrieve the vehicle; and
 - vii. Various home and office furnishings. Appraisal: Withheld. At this time, the Receiver intends to dispose of the property through a public auction sale.
- e. The Receiver is currently investigating but is not in a position to report the liquidated or unliquidated claims that are available to the Receiver (or the likelihood of success thereof). Pursuant to his September 30, 2015, Petition to Engage Financial Advisor and this Court's October 19, 2015, Order granting the Receiver's Petition (Document No. 32), the Receiver engaged a financial advisor to assist the Receiver in the financial and accounting analyses required to understand the nature of the Receivership Entities' potential claims.

3. Current and Previous Billings

- a. The Receiver currently requests approval in the amount of \$123,086.81, comprised of both compensation for fees and reimbursable expenses incurred from October 1, 2015 through and including December 31, 2015. In connection with the Receiver's First Interim Fee Application, the Receiver previously requested compensation in the amount of \$79,522.29.

In addition to the Receiver's fees, costs and reimbursable expenses identified above, the Receiver is also requesting approval of the fees incurred from Sansiveri, Kimball & Co., LLP, the Receiver's Court approved financial advisor, for the period of September 15, 2015 through and including December 31, 2015 totaling \$10,077.30.

- b. Pursuant to this Court's January 28, 2016, Order (Document No. 55), compensation and expenses totaling \$79,522.29 were previously awarded.

c. Total Hours and Amounts Billed by Donoghue Barrett & Singal, P.C.:

- | | | |
|------|----------------------------------|-----------------------------------|
| i. | Stephen F. Del Sesto, Partner: | 99.40 hours totaling \$34,160.00 |
| ii. | William M. Dolan III, Partner: | 31.90 hours totaling \$11,165.00 |
| iii. | Nicholas L. Nybo, Associate: | 230.60 hours totaling \$57,225.00 |
| iv. | William K. Wray, Jr., Associate: | 1.70 hours totaling \$425.00 |
| v. | Julie A. Zaccagnini, Paralegal: | 86.30 hours totaling \$15,503.00 |
| vi. | Deborah L. Medeiros, Paralegal: | 16.70 hours totaling \$3,089.50 |

Total Hours and Amounts Billed by Sansiveri, Kimball & Co., LLC:

- | | | |
|-----|----------------------------------|---------------------------------|
| i. | Catherine Parente, CPA, Partner: | 20.70 hours totaling \$5,692.50 |
| ii. | Kenji Greenberg, CPA: | 34.80 hours totaling \$4,384.80 |

4. Standardized Fund Accounting Report

As required by the “Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission”, the Standardized Fund Accounting Report is attached hereto as “Exhibit A”⁷.

CERTIFICATION

The Certifying Professional has read the Application. To the best of the Applicant’s knowledge, information and belief formed after reasonably inquiry, the Application and all fees and expenses therein are true and accurate and comply with the Billing Instructions. All fees contained in the Application are based on the rates listed in the Applicant’s fee schedule and such fees are reasonable, necessary and commensurate with the skill and experience required for the activity performed. The Applicant has not included the amount for which reimbursement sought is the amortization of the cost of any investment, equipment, or capital outlay (except to the extent that such amortization is included within the permitted allowable amounts set forth herein for photocopies and facsimile transmission). In seeking reimbursement for a service which the Applicant justifiably purchased or contracted for from a third party (such as copying, imaging, bulk mail, messenger service, overnight courier, computerized research, or title and lien searches), the Applicant requests reimbursement only for the amount billed to the Applicant by the third-party vendor and paid by the Applicant to such vendor. If such services are performed by the Receiver, the Receiver will certify that it is not making a profit on such reimbursable service.

In addition, the Applicant certifies that any and all charges incurred in connection with any potential litigation is likely to produce a net economic benefit to the Estate based on reviews of: (i) the legal theories upon which the action is based, including issues of standing; (ii) the likelihood of collection on any judgment which might be obtained; and (iii) alternative methods of seeking relief, such as retention of counsel on a contingency basis.

⁷ Exhibit A includes reporting through the end of the most recent quarter (October 2015 through and including December 31, 2015) as well as through months ending January 2016 and February 2016.

/s/ Stephen F. Del Sesto, Receiver
Stephen F. Del Sesto, Esq.
Certifying Professional and Applicant

/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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March 29, 2016

EXHIBIT A

STEPHEN F. DEL SESTO, ESQ.
DONOGHUE BARRETT & SINGAL, P.C.
ONE CEDAR STREET, SUITE 300
PROVIDENCE, RHODE ISLAND 02903
401-454-0400
sdelsesto@dbslawfirm.com

STANDARDIZED FUND ACCOUNTING REPORT

CIVIL – RECEIVERSHIP FUND

PATRICK CHURCHVILLE
CLEARPATH WEALTH MANAGEMENT, LLC,
CLEARPATH MULTI-STRATEGY FUND I, L.P.
CLEARPATH MULTI-STRATEGY FUND II, L.P.
CLEARPATH MULTI-STRATEGY FUND III, L.P.

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF
RHODE ISLAND
CIVIL COURT DOCKET NO.: 1:15-CV-00191-S-LDA

REPORTING PERIOD 07/30/2015 TO 02/29/2016

STANDARDIZED FUND ACCOUNTING REPORT for CLEARPATH WEALTH MANAGEMENT, LLC, ET AL. - Cash Basis
 Patrick Churchville and ClearPath Wealth Management, LLC Receivership; Civil Court Docket No.: 1:15-cv-00191-S-LDA
 Reporting Period 07/30/2015 to 02/29/2016

FUND ACCOUNTING:

		Detail	Subtotal	Grand Total
Line 1	Beginning Balance	\$0.00		
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income	\$0.00		
Line 3	Cash and Securities	\$942,905.79		
Line 4	Interest/Dividend Income	\$1,549.49		
Line 5	Business Asset Liquidation	\$714,226.09		
Line 6	Personal Asset Liquidation (*includes deposits for real estate sales)	\$209,224.99		
Line 7	Third-Party Litigation Income			
Line 8	Miscellaneous - Other	\$6,000.00		
	Total Funds Available (Lines 1 - 8)			\$1,873,906.36
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors	\$0.00		
Line 10	Disbursements for Receivership Operations:			
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	-\$79,522.29		
Line 10b	<i>Business Asset Expenses</i>	-\$952.20		
Line 10c	<i>Personal Asset Expenses</i>	-\$2,584.75		
Line 10d	<i>Investment Expenses</i>	-\$151.24		
Line 10e	<i>Third-Party Litigation Expenses</i>	\$0.00		
	1. Attorney Fees			
	2. Litigation Expenses			
	<i>Total Third-Party Litigation Expenses</i>		\$0.00	
Line 10f	<i>Tax Administrator Fees and Bonds</i>	\$0.00		
Line 10g	<i>Federal and State Tax Payments</i>	\$0.00		
	Total Disbursements for Receivership Operations		-\$83,210.48	
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	<i>Distribution Plan Development Expenses:</i>			
	1. Fees:	\$0.00		
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisers			
	Tax Advisers			
	2. Administrative Expenses	\$0.00		
	3. Miscellaneous	\$0.00		
	<i>Total Plan Development Expenses</i>		\$0.00	
Line 11b	<i>Distribution Plan Implementation Expenses:</i>			
	1. Fees:	\$0.00		
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisers			
	Tax Advisers			
	2. Administrative Expenses	\$0.00		
	3. Investor Identification:	\$0.00		
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond	\$0.00		

	5. Miscellaneous	\$0.00		
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	\$0.00		
	<i>Total Plan Implementation Expenses</i>		\$0.00	
	Total Disbursements for Distribution Expenses Paid by the Fund		\$0.00	
Line 12	Disbursements to Court/Other:	-\$1,910.70		
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>			
Line 12b	<i>Federal Tax Payments</i>			
	Total Disbursements to Court/Other:		-\$1,910.70	
	Total Funds Disbursed (Lines 9 - 12)			-\$85,121.18
Line 13	Ending Balance (As of 02/29/2016)			\$1,788,785.18
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	<i>Cash & Cash Equivalents</i>			
Line 14b	<i>Investments</i>			
Line 14c	<i>Other Assets or Uncleared Funds</i>	\$249,223.62		
	Total Ending Balance of Fund - Net Assets			\$2,038,008.80

OTHER SUPPLEMENTAL INFORMATION:

		Detail	Subtotal	Grand Total
	Report of Items NOT to Be Paid by the Fund:			
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	<i>Plan Development Expenses Not Paid by the Fund:</i>			
	1. Fees:	\$0.00		
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisers			
	Tax Advisers			
	2. Administrative Expenses	\$0.00		
	3. Miscellaneous	\$0.00		
	<i>Total Plan Development Expenses Not Paid by the Fund</i>		\$0.00	
Line 15b	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			
	1. Fees:	\$0.00		
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisers			
	Tax Advisers			
	2. Administrative Expenses	\$0.00		
	3. Investor Identification:	\$0.00		
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond	\$0.00		
	5. Miscellaneous	\$0.00		
	6. FAIR Reporting Expenses	\$0.00		
	<i>Total Plan Implementation Expenses Not Paid by the Fund</i>		\$0.00	
Line 15c	<i>Tax Administrator Fees & Bonds Not Paid by the Fund</i>	\$0.00		
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund		\$0.00	

Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	<i>Investment Expenses/CRIS Fees</i>	\$0.00		
Line 16b	<i>Federal Tax Payments</i>	\$0.00		
	Total Disbursements to Court/Other Not Paid by the Fund:		\$0.00	
Line 17	DC & State Tax Payments	\$0.00		
Line 18	Number of Claims:	0		
Line 18a	<i>Number of Claims Received This Reporting Period</i>	0		
Line 18b	<i>Number of Claims Received Since Inception of Fund</i>	0		
Line 19	Number of Claimants/Investors:	0		
Line 19a	<i>Number of Claimants/Investors Paid This Reporting Period</i>	0		
Line 19b	<i>Number of Claimants/Investors Paid Since Inception of Fund</i>	0		