

UNITED STATES DISTRICT COURT
DISTRICT OF RHODE ISLAND

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

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

**ORDER APPROVING MOTION TO AUTHORIZE
INITIAL INTERIM DISTRIBUTION, ESTABLISH RECORD DATES
AND SET INITIAL INTERIM DISTRIBUTION DATE**

This matter came before this honorable Court upon Stephen F. Del Sesto, Esq.’s, solely in his capacity as the Court-appointed Receiver (the “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”) Motion to Authorize Initial Interim Distribution to Approved Class 3 Claims, Establish Record Dates and Set Initial Interim Distribution Date (the “Motion”). Through the Motion, the Receiver sought an Order from this Court approving his Motion to (i) authorize an interim distribution on account of allowed class 3 claims, (ii) establish a record date for eligibility to receive the Initial Interim Distribution on the Initial Interim Distribution Date, (iii) set the Initial Interim Distribution Date, and (iv) establish Subsequent Record Dates and Subsequent Distribution Dates for making the Initial Interim Distribution to Class 3 Claimants whose claims are allowed prior to a Subsequent Record Date (the “Motion”).¹

¹ Capitalized terms used, but not defined herein, shall have the meanings ascribed them in the Motion.
{Proposed Order - Motion to Auth Initial Record and Dist Dates.1}

After reviewing and considering the Motion, considering the Receiver's oral presentation of the Motion and considering the comments made by the Plaintiff and counsel to Defendant Patrick Churchville, the Court hereby GRANTS the Motion in all respects. The Court specifically notes that this Order does not purport to determine the validity or priority of any claims filed against the Receivership Estate. The validity and priority of all claims will be addressed through the Claim Determination process established by this Court pursuant to its Order Approving Distribution Procedures and Certain Other Relief entered on or about July 1, 2018 (the "Distribution Order") (Document No. 118) and, if necessary and appropriate, separate litigation.

**IT IS HEREBY FOUND, DETERMINED, ORDERED, ADJUDGED,
AND DECREED, AS FOLLOWS:**

1. The notice of the Motion was sent to all interested persons and entities, including, without limitation, those persons or entities that submitted claims to the Receiver, (a) via first class mail, postage prepaid, (b) via electronic mail to all electronic mail addresses on file with the Receiver; and, (c) via published notice of the Motion on the dedicated website established by the Receiver for this matter and this Court finds that such notice constitutes good and sufficient notice of the Motion and all the relief sought therein.

2. At the appropriate time, the Receiver is authorized, but not directed, to make the Initial Interim Distribution directly to the Claimants who hold Allowed Claims in Class 3 pursuant to the Distribution Plan and the Receiver's Claim Recommendation.

3. The Initial Interim Distribution Record Date shall be November 14, 2018. On such date, the Receiver shall appear before this Court and present for approval those Claims of Class 3 Claimants who did not submit any objection to the Receiver's Claim Recommendation and those Class 3 Claims to which the Receiver and the Claimant have mutually resolved any objection or dispute raised relative to the Receiver's Claim Recommendation. Further, pursuant to paragraph 23 of the Distribution Order (Document No. 118) no Class 3 Claim will be approved unless and until the claimant has submitted the required W-9 or W-8 forms (as applicable), the filing of which shall also evidence the Class 3 Claimants' release of any claims against the Receivership Estate. All other Claimants who have objected to the Receiver's Claim Recommendation for their respective claim(s) and which dispute(s) are not resolved prior to November 14, 2018, shall continue the resolution process established by the Distribution Order

(Document No. 118) and be eligible for approval and distribution on one of the appropriate Subsequent Record Dates established herein.

4. The Initial Interim Distribution Date for all Class 3 Claims approved by this Court on November 14, 2018 shall be December 15, 2018.

5. The first Subsequent Record Date for the Initial Interim Distribution shall be scheduled on or about February 15, 2019.

6. Additional Subsequent Record Dates for the Initial Interim Distribution shall occur on each of the last business days of each calendar quarter subsequent to the first Subsequent Record Date established in paragraph 5 of this Order.

7. The first Subsequent Distribution Date for the Initial Interim Distribution shall be March 31, 2019.

8. Additional Subsequent Distribution Dates for the Initial Interim Distribution shall occur on the last business day of the calendar month that directly follows a Subsequent Record Date.

9. The methodology for determining the amount of reserves to be held by the Receiver for the holders of Class 3 Claims that are not allowed by the Initial Distribution Record Date, but have not been disallowed, is proper. The amount to be reserved by the Receiver for the holders of Class 3 Claims that are not allowed as of the Initial Distribution Record Date shall be determined and held in the manner set forth in the Motion.

10. The Receiver shall establish a reserve on account of Class 3 Claims that are not allowed on November 14, 2018. The reserve shall be an amount equal to the Initial Interim Distribution Amounts that would be necessary to pay such Class 3 Claimants, consistent with the Receiver's Claim Recommendation, after applying the Rising Tide methodology.

11. The Receiver shall not reserve on account of any Claim asserted or classified in Classes 2, 4 or 5.

12. The Receiver shall not reserve on account of any Claim asserted in Class 3 that has been disallowed.

13. The Receiver shall reserve sufficient funds to pay all the costs, fees and expenses incurred in administering the Receivership Estate in accordance with orders of this Court.

14. No Claimant has asserted a valid Claim that shall be classified in Class 2 pursuant to the Distribution Plan. All Claimants that assert that his or her Claim should be treated in Class 2 shall be classified in Class 3, 4 or 5, as applicable, in accordance with such Claimant's initial filings and applicable law.

15. Consistent with paragraph 36 of the Distribution Order (Document No. 118), the Receiver shall file under seal any and all exhibits and appendices to the Claim Recommendation, the Receiver's "Motion to Designate Certain Class 3 Claimants as 'Insiders' and Disallow Claims" and any other pleading which requires the identification of specific investor claimants.

16. Consistent with the terms of the Distribution Order (Document No. 118), no more than three (3) business days following the Receiver's sealed filing of the Claim Recommendation/Determination with the Court and the filing of the "Receiver's Motion to Designate Certain Class 3 Claimants as 'Insiders' and Disallow Claims" (the "Notice Date"), the Receiver shall deliver, via first class mail, postage pre-paid, to each Class 3 Claimant notice of the sealed filing and the filing of the Receiver's "Motion to Designate Certain Class 3 Claimants as 'Insiders' and Disallow Claims" (the "Notice"). Such Notice shall include for each individual Class 3 Claimant:

- a. the financial data that the Receiver determined, prepared and relied upon to formulate the Class 3 Claim recommendation;
- b. consistent with paragraph 5 of the Distribution Order (Document No. 118), a statement confirming and advising each Class 3 Claimant that he/she/it shall have thirty (30) days from the Notice Date to object or otherwise respond to the Claim Determination for their Class 3 Claim;
- c. a statement indicating whether the Class 3 Claimant has been designated by the Receiver as a so-called "insider" (as such term will be defined in the Receiver's to be filed "Motion to Designate Certain Class 3 Claimants as 'Insiders' and Disallow Claims"); and, advising each such designated Class 3 Claimant that he/she/it shall have thirty (30) days from the Notice Date to object or otherwise respond to the designation of the Claimant as an "insider".

17. The Receiver shall provide to the Plaintiff and counsel to Defendant Churchville the names of all Class 3 Claimants that the Receiver has designated as possible "insiders". Following receipt and no less than ten (10) days prior to a hearing on the Receiver's "Motion to Designate Certain Class 3 Claimants

as ‘Insiders’ and Disallow Claims,” Plaintiff and counsel to Churchville shall provide the Receiver with any and all information in their possession or known to them which may support or refute the Receiver’s designation of a Class 3 Claimant as an “insider”.

IT IS SO ORDERED, this 36th day of August, 2018.



Honorable William E. Smith
United States District Judge