

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

**RECEIVER’S RESPONSE TO
ROSENBERGS’ OBJECTION TO THE RECEIVER’S INSIDER DESIGNATION**

Now comes Stephen F. Del Sesto, Esq. solely in his capacity as the Court-appointed Receiver for Defendants Patrick Churchville and ClearPath Wealth Management, LLC and Relief Defendants ClearPath Multi-Strategy Fund I, L.P., ClearPath Multi-Strategy Fund II, L.P., and ClearPath Multi-Strategy Fund III, L.P. (collectively, the “Receivership Entities”), (the “Receiver”) and hereby responds to Linda Rosenberg’s, individually and as executrix of the Estate of S. Michael Rosenberg, (collectively, the “Rosenbergs”) objection to the Receiver’s designation of the Rosenbergs as “insiders.”

On July 20, 2020, the United States Securities and Exchange Commission (the “SEC”) filed a memorandum in support of the Receiver’s “insider” designation for the Rosenbergs. ECF

No. 171. The Receiver adopts the arguments and rationales set forth by the SEC in its memorandum in support herein. As put forth by the SEC, regardless of the road taken by the Receiver and this Court with respect to the Rosenbergs, the Rosenbergs are not entitled to any recovery from the Receivership Estate. First, the Rosenbergs are “net winners” by \$312,869 and, thus, an “insider” designation is merely superfluous.

Second, the Rosenbergs are properly characterized by the Receiver as “insiders” because, *inter alia*, (1) the Rosenbergs received \$1.5 million from JR Receivables in 2008; (2) Linda Rosenberg’s company was a centerpiece in loan discussion between ClearPath and Receivable Partners; (3) accounting evidences that funds flowed from Linda Rosenberg’s company and Receivable Partners pursuant to two (2) loan agreements; (4) Linda Rosenberg had a business relationship with the entity at the center of the Maryland Ponzi scheme; (5) Linda Rosenberg was accused of assisting Jonathan Rosenberg with purchasing certain debt portfolios; and (6) Linda Rosenberg was aware of Churchville’s Ponzi scheme and other financial crimes.

Third, the law of equitable subordination does not assist the Rosenbergs. Rosenbergs knowingly received money from (and, flowed money through) the Maryland and ClearPath Ponzi schemes. Given the Rosenbergs’ actions set forth herein, the Rosenbergs’ claims would be equitable subordinated to the benefit of other creditors to the Receivership Estate.

Accordingly, the Receiver respectfully requests that this Court deny the opportunity to award the Rosenbergs' any recovery from the Receivership Estate and uphold the Receiver's designation of the Rosenbergs' as "insiders."

Respectfully submitted,

/s/ Stephen F. Del Sesto

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

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July 24, 2020

CERTIFICATE OF SERVICE

I, Stephen F. Del Sesto, hereby certify that I filed the within document on July 24, 2020, 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