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 14 GEOFF WINKLER

15 UNITED STATES DISTRICT COURT
 16 CENTRAL DISTRICT OF CALIFORNIA
 17 WESTERN DIVISION

18 SECURITIES AND EXCHANGE
 19 COMMISSION,

20 Plaintiff,

21 v.

22 RALPH T. IANNELLI and ESSEX
 23 CAPITAL CORP.,

24 Defendants.

Case No. 2:18-cv-05008-FMO-AFM

THIRD INTERIM REPORT AND
 PETITION FOR FURTHER
 INSTRUCTIONS OF RECEIVER,
 GEOFF WINKLER

Date: December 19, 2019

Time: 10:00 a.m.

Ctrm: 6D

Judge Hon. Fernando M. Olguin

25 **TO ALL INTERESTED PARTIES AND THEIR COUNSEL OF**
 26 **RECORD, AND THIS HONORABLE COURT:**

27 **PLEASE TAKE NOTICE THAT**, in accordance with this Court's
 28 December 21, 2018 Order Regarding Preliminary Injunction and Appointment of a
 Permanent Receiver (ECF No. 66) (the "Appointment Order") and its February 1,
 2019 Order in Aid of Receivership (ECF No. 69) (the "Order in Aid"), Geoff
 Winkler (the "Receiver"), the Court-appointed permanent receiver for Defendant
 Essex Capital Corporation ("Essex") and its subsidiaries and affiliates (collectively,
 the "Receivership Entities" or "Entities"), hereby submits the following Third

1 Interim Report and Petition for Further Instructions (the "Report") for the period
2 from July 1, 2019 through September 30, 2019 (the "Reporting Period").

3 **I. PRELIMINARY STATEMENT.**

4 As reflected in the Receiver's First Interim Report and Petition for Further
5 Instructions (the "First Report") [ECF No. 78] and his Second Interim Report and
6 Petition for Further Instructions (the "Second Report") [EC No. 103], and as further
7 detailed below, the Receiver continues to make substantial progress in his efforts to
8 identify, marshal, and administer the available assets of the Receivership Entities
9 ("Receivership Assets" or "Assets"). Since the submission of the Second Interim
10 Report, and by way of summary, the Receiver has:

- 11 • Recovered another \$983,954.66, in cash (with a September 30, 2019
12 balance of cash on-hand of \$2,359,950.01), and continued to administer
13 other, non-cash Assets valued at approximately \$7.5 million, for the
14 benefit and administration of the Receivership Entities;
- 15 • Refined his preliminary analysis of the business and financial activities
16 of the Receivership Entities, including in connection with his efforts to
17 identify and marshal additional Receivership Assets;
- 18 • Based on his review of more than 455,000 pages of materials, reflecting
19 hundreds of thousands of individual transactions, refined his
20 preliminary, global accounting, with a particular emphasis on those
21 transactions: (1) believed to relate to recoverable Assets; and
22 (2) reflecting funds raised from and paid out to investors in, and other
23 creditors of, the Receivership Entities, and which should enable the
24 Receiver to conduct an efficient and expedient claims process later in
25 the case¹, as discussed further below;

26
27
28 ¹ The Receiver anticipates submitting an accounting report prior to or concurrently
with his next interim report.

- 1 • Confirmed his conclusion that the business and operations of the
2 Receivership Entities were not sustainable absent ongoing infusions of
3 new funds from investors or lenders – a critical hallmark of a Ponzi-
4 like investment scheme;
- 5 • Updated his inventory of known Receivership Assets, including cash
6 on-hand, investments, receivables (including revenue from pending
7 equipment leases), and known claims against third parties, including
8 claims on outstanding notes owed to Essex;
- 9 • Continued to prosecute Essex's claims in the action styled Essex
10 Capital Corp. v. Garipalli, et al., S.D.N.Y. Case No. 17-cv-06347 (the
11 "Garipalli Action"), participated in an initial settlement conference in
12 connection with the claims alleged by Essex in the Garipalli Action,
13 and – most recently – engaged new special litigation counsel to pursue
14 a prospective settlement in a manner consistent with the fiduciary
15 nature of his appointment as Receiver. As addressed below, these
16 efforts have resulted in a tentative settlement of the Garipalli Action;
- 17 • Continued to monitor and participate in all known, pre-receivership
18 litigation in California state courts involving or implicating the
19 Receivership Entities or their Assets, and advised those courts of the
20 litigation stay and self-help bar contained within the Appointment
21 Order, as necessary;
- 22 • Continued to execute his plan for recovering and maximizing the value
23 of available Receivership Assets;
- 24 • Refined his analysis of prospective claims against third parties,
25 including prospective disgorgement claims against parties believed to
26 be in wrongful possession of Receivership Assets; and
- 27 • Developed a contemplated claims process for the recovery and
28 evaluation of investor and creditor claims against the Receivership

1 Entities, which process will be submitted for Court approval in a
2 separate, later motion.

3 As reflected in the Appointment Order and the Court's September 9, 2019
4 Order Regarding Permanent Injunction (the "Permanent Injunction") [ECF
5 No. 113], the Receiver is vested with exclusive authority and control over the
6 Receivership Entities and all Receivership Assets, and has been authorized,
7 empowered, and directed to, among other things: (1) take exclusive authority and
8 control over all Receivership Assets; (2) conduct such investigation and discovery
9 as necessary to identify and locate outstanding Receivership Assets; (3) preserve
10 and prevent the dissipation of Receivership Assets; and (4) provide an accounting to
11 the Court and the Commission regarding the business and financial activities of the
12 Receivership Entities. The Receiver, having diligently pursued these goals since the
13 inception of the receivership, including during the Reporting Period, hereby presents
14 his efforts, analysis, preliminary conclusions, and recommendations, below.

15 **II. RELEVANT PROCEDURAL HISTORY.**

16 The Receiver invites the Court and all interested parties to review the
17 following materials² for a general summary of the relevant facts and procedural
18 background underlying the above-captioned case, including the Receiver's
19 appointment and the activities of the Receiver and his professionals:

- 20 • Commission's Complaint, filed on June 5, 2018 [ECF No. 1];
- 21 • Intervenors' Notice of Motion and Motion to Intervene and Appoint
22 Monitor, filed on July 26, 2018 [ECF No. 32];
- 23 • Essex's Answer to the Complaint, filed on August 1, 2018 [ECF
24 No. 37];
- 25 • Order Regarding Preliminary Injunction, entered on October 1, 2018
26 [ECF No. 53];

27
28 ² These materials, and others, are available on the Receiver's website, www.essex-receivership.com.

- 1 • Report of Preliminary Accounting of Defendant Essex Capital
2 Corporation and Recommendations of Court-Appointed Monitor Geoff
3 Winkler, filed on December 6, 2018 [ECF No. 60-1];
- 4 • The Appointment Order, entered on December 21, 2018 [ECF No. 66];
- 5 • Motion for Order in Aid of Receivership, filed on January 9, 2019
6 [ECF Nos. 67 and 67-1];
- 7 • Order in Aid, entered on February 1, 2019 [ECF No. 69];
- 8 • Mediation Report, filed on April 5, 2019 [ECF No. 74];
- 9 • First Report, filed on April 30, 2019 [ECF No. 78];
- 10 • Final Judgment as to Defendant Ralph T. Iannelli, entered on June 5,
11 2019 [ECF No. 93];
- 12 • Abstract of Judgment Regarding Disgorgement, entered on June 20,
13 2019 [ECF No. 94];
- 14 • Abstract of Judgment Regarding Civil Penalty, entered on June 20,
15 2019 [ECF No. 95];
- 16 • Judgment Against Defendant Essex Capital Corporation, entered on
17 September 9, 2019 [ECF No. 110];
- 18 • Permanent Injunction, entered on September 9, 2019 [ECF No. 113];
- 19 • Proposed Intervenor CVL's Motion to Intervene and to Remove CVL's
20 Assets from the Court-Ordered Asset Freeze (the "CVL Intervention
21 Motion") [ECF No. 115, *et seq.*], filed on September 25, 2019;
- 22 • Opposition of Receiver to CVL Intervention Motion [ECF No. 119],
23 filed on October 2, 2019; and
- 24 • Commission's Opposition to CVL Intervention Motion [ECF No. 120],
25 filed on October 2, 2019.
- 26
- 27
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1 **III. RECEIVER'S ACTIVITIES AND EFFORTS SINCE THE SECOND**
2 **REPORT.**

3 Of the tasks identified above, the Receiver's most critical undertakings during
4 the Reporting Period include:

5 **A. Asset Identification, Administration, Recovery, And Monetization.**

6 As of the date of his most recent Standardized Fund Accounting Report,
7 attached hereto as **Exhibit 1**, the Receiver held a total of approximately
8 \$2,359,940.01 for the administration and benefit of the Receivership Entities. In
9 addition, he continues to hold and administer non-cash Assets whose value he has
10 estimated at approximately \$7.5 million. In addition to the cash and non-cash
11 Assets already in the Receiver's possession, he has identified the following as Assets
12 of the receivership estate, subject to the Receiver's authority under the terms of the
13 Permanent Injunction;

- 14 1. 915 Elm Avenue CVL, LLC and associated notes and repayment
15 obligations.

16 The Receiver has completed a review of numerous transactions relating to
17 915 Elm Avenue CVL, LLC ("CVL"), an LLC created in November 2015, by and
18 between Defendant Ralph Iannelli and another individual, William S. Reyner, Jr., to
19 purchase, own, and operate a hardware and building materials store in Carpinteria,
20 California, along with its associated personal and real property (collectively, the
21 "Lumber Yard"). Based on his review of the available materials, the Receiver has
22 concluded that CVL's purchase of the Lumber Yard was funded in large part by the
23 a note in the principal amount of \$1.5 million, payable by Essex – which took no
24 interest in CVL – to J&G Clay Properties, LLC and its principal, James Gally
25 (collectively, "Mr. Gally"). Contemporaneously with the Gally Note, CVL executed
26 a companion note (the "CVL Note") in the amount of \$1.5 million, payable to Essex
27 and intended to repay Essex for its extension of credit and obligation to repay the
28 Gally Note. CVL later issued Essex a second note (the "Second CVL Note") in the

1 amount of \$125,000, along with another note in the amount of \$125,000 payable to
2 Mr. Iannelli, and which the Receiver's analysis strongly suggests was funded with
3 money from the Receivership Entities.

4 Essex paid approximately \$453,683.56 to Mr. Gally in satisfaction of the
5 Gally Note in the pre-receivership period, but the note is now in default. The CVL
6 Note matured on January 14, 2019 and is now in default. The Second CVL Note is
7 payable on demand. However, CVL has disclaimed its repayment obligations to
8 Essex in connection with the CVL Note and the Second CVL Note, each of which is
9 now in default. Over and above the payment obligation incurred by Essex to Gally,
10 and Essex's attendant right to be repaid by CVL, the Receiver has also confirmed
11 that at least \$643,000 was diverted from Essex bank accounts and transferred,
12 through Mr. Iannelli, to CVL, apparently in connection with Mr. Iannelli's purchase
13 of his personal interest in the LLC. In other words, over \$2,100,000 in Essex funds
14 and obligations were used and incurred in connection with CVL.

15 As a consequence of the magnitude of the above-described transactions, and
16 their potential value to the Receivership Entities, the Receiver previously requested
17 that Mr. Iannelli assign his interest in CVL to the receivership, and demanded that
18 CVL satisfy its payment obligations in connection with the CVL Note and the
19 Second CVL Note. Mr. Iannelli initially indicated that he was amenable to the
20 Receiver's proposed assignment, subject to certain conditions that were beyond the
21 Receiver's control. As of the date of this Report, Mr. Iannelli has not transferred his
22 interest in CVL to the receivership.

23 Likewise, CVL has declined to satisfy its repayment obligations to Essex.
24 Instead, and notwithstanding the amount of Receivership Assets implicated in
25 CVL's acquisition of the Lumber Yard, in October 2019, CVL filed its Intervention
26 Motion, seeking to intervene for the purpose of securing relief from the Court-
27 ordered asset freeze with respect to, at least, the real property associated with the
28 Lumber Yard, and to prevent the Receiver from taking any action relating to CVL's

1 other assets. (See, e.g., ECF No. 115-1.) Both the Receiver and the Commission
2 opposed CVL's Intervention Motion. The Receiver intends to enforce the notes
3 against CVL, whether or not the Court grants the Intervention Motion. Accordingly,
4 unless CVL promptly pays the notes, the Receiver intends to pursue an action
5 against CVL (and potentially others affiliated with CVL) to enforce the CVL notes.

6 2. The Garipalli Action.

7 At the time of the Receiver's appointment, Essex was already prosecuting the
8 Garipalli Action, in which, Essex alleged damages arising in connection with
9 commercial lease agreements implicating Sequoia Healthcare Services, LLC
10 ("Sequoia") and its principals.

11 As reflected in prior submissions to the Court, the Receiver reviewed the key
12 pleadings in the Garipalli Action, including Essex's original and amended
13 complaints, along with materials provided by Essex's original special litigation
14 counsel for the matter, Locke Lord LLP ("Locke Lord"), and other documents
15 supporting Essex's claims, and determined that the causes of action alleged by Essex
16 merited further prosecution in order to determine, among other things, whether a
17 near-term settlement could be secured for the benefit of the Entities.

18 In furtherance of these litigation goals, and as reflected in his request for
19 Court approval of his retention of Locke Lord as special counsel in the Garipalli
20 Action, as presented in the First and Second Reports, the Receiver authorized Locke
21 Lord to take those steps necessary to preserve and prosecute Essex's claims in the
22 Garipalli Action. He later participated in a June 19, 2019 settlement conference
23 which he hoped would yield a near-term resolution of the matter.

24 The conference did not immediately result in a settlement. Thereafter, and
25 having further discussed potential litigation fees and expenses with Locke Lord, the
26 Receiver determined it would be appropriate to engage new special litigation
27 counsel for the litigation and to pursue dedicated settlement discussions. To that
28 end, the Receiver decided to replace Locke Lord as special litigation counsel with

1 New York attorney Jay Teitelbaum, of the Teitelbaum Law Group, LLC
2 (collectively, "Teitelbaum"), whom the Receiver concluded had the requisite
3 experience to secure an appropriate settlement of the claims alleged in the Garipalli
4 Action, on financial terms appropriately aligned with the nature of the receivership.

5 Since its substitution for Locke Lord in October 2019, Teitelbaum has
6 diligently pursued the Receiver's litigation and settlement aims in the Garipalli
7 Action. In early November 2019, and on the Receiver's behalf, Teitelbaum
8 successfully negotiated a tentative settlement of the Garipalli Action, which
9 settlement, when finalized, will be submitted to this Court for approval on separate
10 motion of the Receiver, and which is expected to result in a substantial recovery.

11 3. Receivership Entity Leases.

12 The Receivership Entities are presently parties to six (6) active equipment
13 leases as of the date of the filing of this Report, all of which were financed by
14 Montecito Bank & Trust ("MBT"). Pursuant to its rights under its financing
15 agreements, MBT is presently acting as a *de facto* servicer for the leases, collecting
16 payments from lessees and remitting lease revenue (less funds sufficient to cover the
17 Entities' loan payments to MBT) to the Receiver. During the Reporting Period, the
18 Receiver continued to coordinate with MBT to ensure that its administrative
19 processes for loan servicing are consistent with the fiduciary nature of the Receiver's
20 appointment, including, but not limited to, MBT's preparation and production of
21 monthly reconciliations, and MBT's retention of loan payments and other funds.

22 During the Reporting Period, the Receiver also continued to administer
23 Essex's active equipment leases, which have accounted for approximately
24 \$1,205,028.00 in income since the inception of the receivership, with an outstanding
25 value of just over an additional \$1,182,000.00. In addition, the Receiver arranged
26 buyouts of leased Assets at the termination of a number of leases, thereby generating
27 over \$440,231.00 in additional income for the administration and benefit of the
28 Receivership Entities since the submission of the Second Report. The Receiver will

1 continue to administer the Entities' active equipment leases as a going concern, and
2 arrange buyouts, in order to collect their remaining value for the benefit of the
3 Receivership Entities.

4 4. Profiting Investors.

5 In the Ponzi scheme context, "the general rule is that to the extent innocent
6 investors have received payments in excess of the amount of principal that they
7 originally invested, those payments" are subject to disgorgement to the Receiver as
8 fraudulent transfers. Donell v. Kowell, 533 F.3d 762, 770 (9th Cir. 2008). As noted
9 in the Receiver's Second Report, he has identified numerous Receivership Entity
10 investors whom he believes profited from their investments in the Entities. Based
11 on the Receiver's accounting, the aggregate amount of profit actually paid out to
12 these investors exceeds \$41 million.

13 Of course, the Receiver must balance the potential expense of pursuing all
14 possible disgorgement claims against the likelihood of prevailing on those claims
15 and the anticipated aggregate recovery. To that end, the Receiver expects that his
16 initial disgorgement efforts will focus on fifteen (15) investors who, in the
17 aggregate, appear to have received profits in excess of \$23 million, and whose
18 individual net winnings were at least \$500,000. The Receiver expects to petition the
19 Court for authority to pursue disgorgement claims by way of separate motion within
20 ninety (90) days of the submission of this Report.

21 **B. Attending To Pre- Receivership Litigation.**

22 There are presently two (2) matters pending before the Superior Court of
23 California, County of Santa Barbara, both of which are stayed pursuant to Article X
24 of the Permanent Injunction: (1) Gabler v. Essex Capital Corp., et al., Santa Barbara
25 Superior Court Case No. 18CV03423 (the "Gabler Action"); and (2) Dennis, et al. v.
26 Iannelli, et al., Santa Barbara Superior Court Case No. 18CV03317 (the "Dennis
27 Action").
28

1 The plaintiff in the Gabler Action has alleged that defendants Melissa
2 Iannelli, Ralph Iannelli, and Essex breached the terms of a promissory note,
3 pursuant to which the plaintiff allegedly loaned \$2.2 million to Essex. The plaintiff
4 in the Dennis Action alleges that defendants Ralph Iannelli and Essex operated a
5 fraudulent investment scheme, and seeks relief upon the following causes of action:
6 (1) negligence; (2) violation of California security laws; (3) negligence per se;
7 (4) fraud; and (5) financial elder abuse.

8 The Receiver and his counsel of record, Allen Matkins Leck Gamble Mallory
9 & Natsis LLP ("Allen Matkins"), have continued to monitor the Gabler Action and
10 the Dennis Action, and have informed the courts presiding over both actions of the
11 litigation stay imposed by the Appointment Order and maintained by the Permanent
12 Injunction, in order to protect the estate of the Receivership Entities (the "Estate")
13 from diminution. The Receiver will continue to monitor and, through counsel, make
14 necessary appearances in the Gabler Action and the Dennis Action, and keep the
15 courts presiding over those actions abreast of developments in the instant action, as
16 appropriate.

17 **C. Development Of An Approach To Investor And Creditor Claims.**

18 The Receiver's accounting analysis has facilitated his approach to addressing
19 and processing anticipated investor and other creditor claims against the
20 Receivership Entities. Specifically, and on the basis of his money-in/money-out, or
21 netting analysis, the Receiver believes he can identify the amounts outstanding and
22 owed by the Entities to an overwhelming majority of their investors and creditors.
23 Accordingly, the Receiver anticipates transmitting a claims summary to each known
24 investor and creditor, identifying his estimated amount of each investor's or
25 creditor's claim. Any parties seeking to dispute the Receiver's calculations would
26 then be given an opportunity, by a bar date to be set by the Court on motion of the
27 Receiver, to provide the Receiver with materials in support of their position.

28

1 After all non-disputed and disputed claims are processed, the Receiver will
2 petition the Court for an order accepting and approving his recommended treatment
3 of claims, along with his proposed plan for making distributions on allowed investor
4 and creditor claims. The Receiver expects to petition the Court for relief in
5 connection with his recommended claims process within ninety (90) days after the
6 submission of this Report.

7 **D. Updating And Refining Accounting Conclusions.**

8 As reflected in the Second Report, the Receiver has determined that the
9 business operations of the Receivership Entities were not profitable, and that the
10 Entities were unsustainable absent additional cash infusions from new investment or
11 borrowing. Moreover, given that Essex was purporting to pay out so-called returns
12 on investment to certain investors, it is clear that, given its financial condition – and
13 notwithstanding the fact that it did operate a functional (albeit unprofitable)
14 equipment leasing business – those returns were largely funded by funds obtained
15 from new investors or new borrowing, the very definition of a Ponzi investment
16 scheme. See, e.g., Donell, 533 F.3d at 767 n.2. Moreover, by the end of 2009,
17 Mr. Iannelli appears to have taken out more than \$7 million from Essex than he had
18 put in. By the end of 2018, this figure grew to more than \$15 million. When
19 considered in the context of Essex's operational difficulties, its overall assets in
20 excess of liabilities dropped significantly from December 2009 to December 2016,
21 leaving Essex at substantial risk of being unable to repay its investors in full. On the
22 basis of his accounting and analysis, the Receiver is confident that the Entities were
23 used to operate a Ponzi-like investment scheme.

24 **E. Communications With Investors And Other Interested Parties.**

25 In accordance with the Order in Aid, the Receiver continues to maintain a
26 receivership website for this matter (www.essex-receivership.com), which, among
27 other things, he is using as a means of communicating with Receivership Entity
28 investors. Specifically, the Receiver is posting all of his filings to the website,

1 which also includes a registration portal through which investors and other
2 interested parties may register to receive email notice of such filings. The Receiver
3 will post additional updates to the website as they become relevant and available.

4 **IV. CONCLUSION AND PETITION FOR FURTHER INSTRUCTIONS.**

5 Assuming the Court authorizes the Receiver to undertake the actions
6 recommended herein, as well as to continue those actions provided for in the
7 Appointment Order and the Order in Aid, the Receiver proposes to submit a further
8 interim report to this Court, addressing his progress, findings, final conclusions, and
9 additional recommendations, in approximately 90 days.

10 Accordingly, and based on the foregoing, the Receiver respectfully requests
11 that the Court enter an order:

- 12 1. Accepting this Report;
- 13 2. Authorizing the Receiver to continue to administer the Receivership
14 Entities and their Estate in accordance with the terms of the Appointment Order;
- 15 3. Authorizing the Receiver to undertake the recommendations presented
16 herein, including formally approving the Receiver's engagement of Teitelbaum as
17 replacement special litigation counsel in the Garipalli Action; and
- 18 4. Providing such other and further relief as the Court deems necessary
19 and appropriate.

20
21 Dated: November 18, 2019

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
DAVID R. ZARO
JOSHUA A. DEL CASTILLO
NORMAN M. ASPIS

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25 By: /s/ Joshua A. del Castillo
JOSHUA A. DEL CASTILLO
Attorneys for Receiver
GEOFF WINKLER

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VERIFICATION

I have read the foregoing THIRD INTERIM REPORT AND PETITION FOR FURTHER INSTRUCTIONS OF RECEIVER, GEOFF WINKLER, and know its contents.

I am the Receiver appointed in the above-entitled action. I believe the matters stated in the foregoing document are true, to the best of my knowledge.

Executed on November 18, 2019, at Salem, Oregon.



Geoff Winkler, Receiver

STANDARDIZED FUND ACCOUNTING REPORT for SEC v. Essex Capital Corporation
 Receivership; Civil Docket No. 18-cv-05008-FMO-AFM
 Reporting Period from 07/01/2019 to 09/30/2019

FUND ACCOUNTING (See instructions)				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 07/01/2019):	\$ 2,205,350.02		
	Increases in Fund Balance:			
Line 2	Business Income	\$ 983,448.12		
Line 3	Cash and Securities (in transit)	-		
Line 4	Interest/Dividend Income	506.54		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Lines 1 - 8):		\$ 983,954.66	\$ 3,189,304.68
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	(682,199.57)		
Line 10b	<i>Business Asset Expenses</i>	(147,165.10)		
Line 10c	<i>Personal Asset Expenses</i>	-		
Line 10d	<i>Investment Expenses</i>	-		
Line 10e	<i>Third-Party Litigation Expenses</i>	-		
	1. Attorney Fees	\$ -		
	2. Litigation Expenses	-		
	Total Third-Party Litigation Expenses		\$ (829,364.67)	
Line 10f	<i>Tax Administrator Fees and Bonds</i>		-	
Line 10g	<i>Federal and State Tax Payments</i>		-	
	Total Disbursements for Receivership Operations			\$ (829,364.67)
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	<i>Distribution Plan Development Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	Total Plan Development Expenses		\$ -	
Line 11b	<i>Distribution Plan Implementation Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	-		
	IDC.....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	-		
	Claimant Identification.....	-		
	Claims Processing.....	-		
	Web Site Maintenance/Call Center.....	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	-		
	Total Plan Implementation Expenses		\$ -	
	Total Disbursements for Distribution Expenses Paid by the Fund			\$ -
Line 12	Disbursements to Court/Other:			
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	\$ -		
Line 12b	<i>Federal Tax Payments</i>	-		
	Total Disbursements to Court/Other:		\$ -	
	Total Funds Disbursed (Lines 9 - 11):			\$ (829,364.67)
Line 13	Ending Balance (As of 09/30/2019):			\$ 2,359,940.01
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	<i>Cash & Cash Equivalents</i>		2,359,940.01	
Line 14b	<i>Investments</i>		123,332.84	
Line 14c	<i>Other Assets or Uncleared Funds</i>		15,191,260.07	
	Total Ending Balance of Fund - Net Assets			\$ 17,674,532.92

PROOF OF SERVICE

Securities and Exchange Commission v. Ralph T. Iannelli and Essex Capital Corporation
USDC, Central District of California – Case No. 2:18-cv-05008-FMO-AFM

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 865 S. Figueroa Street, Suite 2800, Los Angeles, California 90017-2543.

On **November 18, 2019**, I caused to be served the document entitled: **THIRD INTERIM REPORT AND PETITION FOR FURTHER INSTRUCTIONS OF RECEIVER, GEOFF WINKLER** on all the parties to this action addressed as stated on the attached service list.

OFFICE MAIL: By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with the firm's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

OVERNIGHT DELIVERY: I deposited in a box or other facility regularly maintained by express service carrier, or delivered to a courier or driver authorized by said express service carrier to receive documents, a true copy of the foregoing document(s) in sealed envelope(s) or package(s) designed by the express service carrier, addressed as indicated on the attached service list, with fees for overnight delivery paid or provided for.

HAND DELIVERY: I caused to be hand delivered each such envelope to the office of the addressee as stated on the attached service list.

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E-FILING: By causing the document to be electronically filed via the Court's CM/ECF system, which effects electronic service on counsel who are registered with the CM/ECF system.

FAX: By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

I declare that I am employed in the office of a member of the Bar of this Court at whose direction the service was made. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on **November 18, 2019** at Los Angeles, California.

/s/ Martha Diaz
Martha Diaz

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SERVICE LIST

Securities and Exchange Commission v. Ralph T. Iannelli and Essex Capital Corporation
USDC, Central District of California – Case No. 2:18-cv-05008-FMO-AFM

Mark Riera, Esq.
Jeffer Mangels Butler & Mitchell LLP
1900 Avenue of the Stars, 7th Floor
Los Angeles, CA 90067-4308

Michael O. Mena
Akerman LLP
98 SE 7th Street, Suite 1100
Miami, FL 33131

STANDARDIZED FUND ACCOUNTING REPORT for SEC v. Essex Capital Corporation
 Receivership; Civil Docket No. 18-cv-05008-FMO-AFM
 Reporting Period from 07/01/2019 to 09/30/2019

FUND ACCOUNTING (See instructions)				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 07/01/2019):	\$ 2,205,350.02		
	Increases in Fund Balance:			
Line 2	Business Income	\$ 983,448.12		
Line 3	Cash and Securities (in transit)	-		
Line 4	Interest/Dividend Income	506.54		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Lines 1 - 8):		\$ 983,954.66	\$ 3,189,304.68
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership Operations			
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	(682,199.57)		
Line 10b	<i>Business Asset Expenses</i>	(147,165.10)		
Line 10c	<i>Personal Asset Expenses</i>	-		
Line 10d	<i>Investment Expenses</i>	-		
Line 10e	<i>Third-Party Litigation Expenses</i>	-		
	1. Attorney Fees	\$ -		
	2. Litigation Expenses	-		
	Total Third-Party Litigation Expenses		\$ (829,364.67)	
Line 10f	<i>Tax Administrator Fees and Bonds</i>		-	
Line 10g	<i>Federal and State Tax Payments</i>		-	
	Total Disbursements for Receivership Operations			\$ (829,364.67)
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	<i>Distribution Plan Development Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	Total Plan Development Expenses		\$ -	
Line 11b	<i>Distribution Plan Implementation Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	-		
	IDC.....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	-		
	Claimant Identification.....	-		
	Claims Processing.....	-		
	Web Site Maintenance/Call Center.....	-		
	4. Fund Administrator Bond	-		
	5. Miscellaneous	-		
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	-		
	Total Plan Implementation Expenses		\$ -	
	Total Disbursements for Distribution Expenses Paid by the Fund			\$ -
Line 12	Disbursements to Court/Other:			
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	\$ -		
Line 12b	<i>Federal Tax Payments</i>	-		
	Total Disbursements to Court/Other:		\$ -	
	Total Funds Disbursed (Lines 9 - 11):			\$ (829,364.67)
Line 13	Ending Balance (As of 09/30/2019):			\$ 2,359,940.01
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	<i>Cash & Cash Equivalents</i>		2,359,940.01	
Line 14b	<i>Investments</i>		123,332.84	
Line 14c	<i>Other Assets or Uncleared Funds</i>		15,191,260.07	
	Total Ending Balance of Fund - Net Assets			\$ 17,674,532.92

PROOF OF SERVICE

Securities and Exchange Commission v. Ralph T. Iannelli and Essex Capital Corporation
USDC, Central District of California – Case No. 2:18-cv-05008-FMO-AFM

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 865 S. Figueroa Street, Suite 2800, Los Angeles, California 90017-2543.

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