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7 Attorneys for Receiver
 8 GEOFF WINKLER

9 UNITED STATES DISTRICT COURT
 10 CENTRAL DISTRICT OF CALIFORNIA
 11 WESTERN DIVISION

12 SECURITIES AND EXCHANGE
 13 COMMISSION,

14 Plaintiff,

15 v.

16 RALPH T. IANNELLI and ESSEX
 CAPITAL CORP.,

17 Defendants.

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

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

Date: April 9, 2020

Time: 10:00 a.m.

Ctrm: 6D

Judge Hon. Fernando M. Olguin

18
 19 **TO ALL INTERESTED PARTIES, THEIR COUNSEL OF RECORD,**
 20 **AND THIS HONORABLE COURT:**

21 **PLEASE TAKE NOTICE THAT**, in accordance with this Court's
 22 December 21, 2018 Order Regarding Preliminary Injunction and Appointment of a
 23 Permanent Receiver (the "Appointment Order") (ECF No. 66), its February 1, 2019
 24 Order in Aid of Receivership (the "Order in Aid") (ECF No. 69), and its September
 25 9, 2019 Order Regarding Permanent Injunction (the "Permanent Injunction") (ECF
 26 No. 113), Geoff Winkler (the "Receiver"), the Court-appointed permanent receiver
 27 for Defendant Essex Capital Corporation ("Essex") and its subsidiaries and affiliates
 28 (collectively, the "Receivership Entities" or "Entities"), hereby submits the

1 following Fourth Interim Report and Petition for Further Instructions (the "Report")
2 for the period from October 1, 2019 through December 31, 2019 (the "Reporting
3 Period").

4 **I. PRELIMINARY STATEMENT.**

5 As reflected in the Receiver's First Interim Report and Petition for Further
6 Instructions (the "First Report") (ECF No. 78); Second Interim Report and Petition
7 for Further Instructions (the "Second Report") (ECF No. 103); and Third Interim
8 Report and Petition for Further Instructions (the "Third Report") (ECF No. 123), and
9 as further detailed below, the Receiver continues to make substantial progress in his
10 efforts to identify, marshal, and administer the available assets of the Receivership
11 Entities ("Receivership Assets" or "Assets"). Since the submission of the Third
12 Report, and by way of summary, the Receiver has:

- 13 • Recovered an additional \$587,494.59, in cash (with a December 31,
14 2019 balance of cash on-hand of \$2,440,441.57), and continued to
15 administer other, non-cash Assets valued at potentially as much as
16 approximately \$22.3 million, including prospective third-party
17 recoveries, for the benefit and administration of the Receivership
18 Entities;
- 19 • Continued to develop and refine his conclusions regarding the business
20 and financial activities of the Receivership Entities, including in
21 connection with pending efforts to identify and marshal additional
22 Assets;
- 23 • Refined his global accounting, with a particular emphasis on those
24 transactions: (1) believed to relate to recoverable Assets; or
25 (2) reflecting funds raised from and paid out to investors in, and other
26 creditors of, the Receivership Entities, and which should enable the
27 Receiver to conduct an efficient and expedient claims process, as
28 discussed further below;

- 1 • Updated his inventory of known Receivership Assets, including cash
2 on-hand, investments, receivables (including revenue from pending
3 equipment leases), and known claims against third parties, including
4 claims on outstanding notes owed to Essex;
- 5 • Negotiated and entered into a Settlement Agreement and Release (the
6 "Settlement Agreement"), subject to Court approval, as reflected in the
7 Receiver's Motion for Order Approving and Authorizing Performance
8 of Settlement Agreement and Release (the "Settlement Motion") (ECF
9 No. 136), relating to Essex's claims in the action styled Essex Capital
10 Corp. v. Garipalli, et al., S.D.N.Y. Case No. 17-cv-06347 (the
11 "Garipalli Action"), pursuant to which the Receivership Entities are
12 expected to recover more than \$900,000 in gross proceeds, as discussed
13 below and in the Settlement Motion;
- 14 • Continued to monitor and participate in all known, pre-receivership
15 litigation in California state courts involving or implicating the
16 Receivership Entities or their Assets, and advised those courts of the
17 litigation stay and self-help bar contained within the Appointment
18 Order, as necessary;
- 19 • Refined his anticipated claims against third parties believed to be in
20 wrongful possession of Receivership Assets, with a focus on his
21 anticipated pursuit of disgorgement claims, as will be set forth in the
22 Receiver's anticipated and forthcoming motion to pursue disgorgement
23 claims and establish associated litigation and settlement procedures;
- 24 • Continued to execute his plan for recovering and maximizing the value
25 of available Receivership Assets including, but not limited to, his
26 pursuit of 915 Elm Avenue CVL, LLC ("CVL") as set forth in the
27 Receiver's Motion for Authority to Pursue Litigation Against 915 Elm
28 Avenue CVL, LLC, and the corresponding draft Complaint for

1 Damages and Declaratory Relief (the "CVL Motion and Complaint")
2 (ECF No. 125); and

- 3 • Refined his contemplated claims process for the evaluation of investor
4 and creditor claims against the Receivership Entities, which will be the
5 subject of the Receiver's anticipated and forthcoming Motion for Order:
6 (1) Establishing Claims Procedures; (2) Setting Claims Bar Date; and
7 (3) Approving Proposed Claim Form (the "Motion for Order
8 Establishing Claims Procedures").

9 As reflected in the Appointment Order and the Permanent Injunction, the
10 Receiver is vested with exclusive authority and control over the Receivership
11 Entities and all Receivership Assets, and has been authorized, empowered, and
12 directed to, among other things: (1) take exclusive authority and control over all
13 Receivership Assets; (2) conduct such investigation and discovery as necessary to
14 identify and locate outstanding Receivership Assets; (3) preserve and prevent the
15 dissipation of Receivership Assets; and (4) provide an accounting to the Court and
16 the Securities and Exchange Commission (the "Commission") regarding the
17 business and financial activities of the Receivership Entities. The Receiver, having
18 diligently pursued these goals since the inception of the receivership, including
19 during the Reporting Period, hereby presents his efforts, analysis, preliminary
20 conclusions, and recommendations, below.

21 **II. RELEVANT PROCEDURAL HISTORY.**

22 The Receiver invites the Court and all interested parties to review the
23 following materials¹ for a general summary of the relevant facts and procedural
24 background underlying the above-captioned case, including the Receiver's
25 appointment and the activities of the Receiver and his professionals:

- 26 • Commission's Complaint, filed on June 5, 2018 (ECF No. 1);

27
28 ¹ These materials, and others, are available on the Receiver's website, www.essex-receivership.com.

- 1 • Essex's Answer to the Complaint, filed on August 1, 2018 (ECF
2 No. 37);
- 3 • The Appointment Order, entered on December 21, 2018 (ECF No. 66);
- 4 • Order in Aid, entered on February 1, 2019 (ECF No. 69);
- 5 • Mediation Report, filed on April 5, 2019 (ECF No. 74);
- 6 • First Report, filed on April 30, 2019 (ECF No. 78);
- 7 • Final Judgment as to Defendant Ralph T. Iannelli, entered on June 5,
8 2019 (ECF No. 93);
- 9 • Judgment Against Defendant Essex, entered on September 9, 2019
10 (ECF No. 110);
- 11 • Permanent Injunction, entered on September 9, 2019 (ECF No. 113);
- 12 • Proposed Intervenor CVL's Motion to Intervene and to Remove CVL's
13 Assets from the Court-Ordered Asset Freeze (the "CVL Intervention
14 Motion"), filed on September 25, 2019 (ECF No. 115);
- 15 • Opposition of Receiver to CVL Intervention Motion, filed on October
16 2, 2019 (ECF No. 119);
- 17 • Commission's Opposition to CVL Intervention Motion, filed on
18 October 2, 2019 (ECF No. 120);
- 19 • Third Report, filed on November 18, 2019 (ECF No. 123);
- 20 • CVL Motion and Complaint, filed on December 5, 2019 (ECF
21 No. 125);
- 22 • CVL's Non-Opposition to the CVL Motion and Complaint, filed on
23 December 19, 2019 (ECF No. 127);
- 24 • Intervenors Perry and Wolansky's Motion to Lift the December 21,
25 2018 Stay Order with Respect to the Penny Lane and Central Park
26 Properties, filed on December 26, 2019 (ECF No. 130);
- 27
- 28

- 1 • Response of Receiver to Intervenor's Motion to Lift the December 21,
2 2018 Stay Order with Respect to the Penny Lane and Central Park
3 Properties, filed on January 2, 2020 (ECF No. 131);
- 4 • Commission's Response to Intervenor's Perry and Wolansky's Motion to
5 Lift the December 21, 2018 Stay Order with Respect to the Penny Lane
6 and Central Park Properties, filed on January 2, 2020 (ECF No. 132);
7 and
- 8 • Settlement Motion, filed on January 7, 2020 (ECF No. 136).

9 **III. RECEIVER'S ACTIVITIES AND EFFORTS SINCE THE THIRD**
10 **REPORT.**

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

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

14 As of the date of his most recent Standardized Fund Accounting Report,
15 attached hereto as **Exhibit 1**, the Receiver held a total of approximately \$2.4 million
16 for the administration and benefit of the Receivership Entities. In addition, he
17 continues to hold and administer non-cash Assets, the value of which he has
18 estimated at approximately \$22 million, including prospective third-party
19 recoveries. Specifically, in addition to the cash and non-cash Assets already in the
20 Receiver's possession, he has identified the following as Assets of the receivership
21 estate (the "Estate"), subject to the Receiver's authority under the terms of the
22 Permanent Injunction:

23 1. **CVL and associated notes and repayment obligations.**

24 During and before the Reporting Period, the Receiver reviewed numerous
25 transactions relating to CVL, an LLC created in November 2015, by and between
26 Defendant Ralph Iannelli and another individual, William S. Reyner, Jr., to
27 purchase, own, and operate a hardware and building materials store in Carpinteria,
28 California, along with its associated personal and real property (collectively, the

1 "Lumber Yard"). Based on his review of the available materials, the Receiver
2 concluded that CVL's purchase of the Lumber Yard was funded in large part by a
3 note in the principal amount of \$1.5 million (the "Gally Note"), payable by Essex –
4 which took no interest in CVL – to J&G Clay Properties, LLC and its principal,
5 James Gally (collectively, "Mr. Gally"). Contemporaneously with the Gally Note,
6 CVL executed a companion note (the "CVL Note") in the amount of \$1.5 million,
7 payable to Essex and which was intended to repay Essex for its extension of credit
8 and obligation to repay the Gally Note. CVL later issued Essex a second note (the
9 "Second CVL Note") in the amount of \$125,000, along with another note in the
10 amount of \$125,000 payable to Mr. Iannelli, and which the Receiver's analysis
11 indicates was funded with money from the Receivership Entities.

12 Essex repaid approximately \$453,683.56 to Mr. Gally during the pre-
13 receivership period in satisfaction of its obligation on the Gally Note, but the note is
14 presently in default. The CVL Note matured on January 14, 2019 and is also now in
15 default. The Second CVL Note is payable on demand. However, CVL has
16 contested its repayment obligations to Essex in connection with the CVL Note and
17 the Second CVL Note, each of which is now in default. Over and above the
18 payment obligation incurred by Essex to Mr. Gally, and Essex's attendant right to be
19 repaid by CVL, the Receiver further confirmed that at least \$643,000 was diverted
20 from Essex bank accounts and transferred, through Mr. Iannelli, to CVL, apparently
21 in connection with Mr. Iannelli's purchase of his personal interest in CVL. In other
22 words, over \$2,100,000 in Essex funds and obligations were used and incurred in
23 connection with CVL.

24 As a consequence of the magnitude of the above-described transactions, and
25 their potential value to the Receivership Entities, the Receiver previously requested
26 that Mr. Iannelli assign his interest in CVL to the receivership, and demanded that
27 CVL satisfy its payment obligations in connection with the CVL Note and the
28 Second CVL Note. Mr. Iannelli initially indicated that he was amenable to the

1 Receiver's proposed assignment, but conditioned the assignment on matters beyond
2 the Receiver's control. As of the date of this Report, Mr. Iannelli has not transferred
3 his interest in CVL to the receivership.

4 Likewise, CVL has not satisfied its repayment obligations to Essex. Instead,
5 and notwithstanding the amount of Receivership Assets implicated in CVL's
6 acquisition of the Lumber Yard, in October 2019, CVL filed its Intervention
7 Motion, seeking to intervene for the purpose of securing relief from the Court-
8 ordered asset freeze with respect to, at least, the real property associated with the
9 Lumber Yard, and to prevent the Receiver from taking any action relating to CVL's
10 other assets. (See, e.g., ECF No. 115-1.) Both the Receiver and the Commission
11 opposed the CVL Intervention Motion.

12 In light of the Receiver's determination that over \$2.1 million in Essex funds
13 and obligations are inextricably intertwined with CVL and its purchase of the
14 Lumber Yard, and in an effort to enforce CVL's outstanding repayment obligations
15 to Essex, the Receiver filed the CVL Motion and Complaint, pursuant to which the
16 Receiver seeks Court permission to commence litigation against CVL. The claims
17 and prayer for relief are set forth in detail in the draft CVL Complaint. The
18 Receiver hereby respectfully reiterates his request for permission to commence
19 litigation against CVL, in a form consistent with the draft CVL Complaint.

20 2. The Garipalli Action.

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

25 As reflected in prior submissions to the Court, the Receiver reviewed the key
26 pleadings in the Garipalli Action, including Essex's original and amended
27 complaints, along with materials provided by Essex's original special litigation
28 counsel for the matter, Locke Lord LLP ("Locke Lord"), and other documents

1 supporting Essex's claims, and determined that the causes of action alleged by Essex
2 merited further prosecution in order to determine, among other things, whether an
3 appropriate near-term settlement could be secured for the benefit of the Entities.

4 In furtherance of these litigation goals, and as reflected in his request for
5 Court approval of his retention of Locke Lord as special litigation counsel in the
6 Garipalli Action, as presented in the First Report and Second Report, the Receiver
7 authorized Locke Lord to take those steps necessary to preserve and prosecute
8 Essex's claims in the Garipalli Action. The Receiver later participated in a June 19,
9 2019 settlement conference, which he hoped would yield a near-term resolution of
10 the matter.

11 The conference did not immediately result in a settlement. Thereafter, and
12 having further discussed potential litigation fees and expenses with Locke Lord, the
13 Receiver determined it would be appropriate to engage new special litigation
14 counsel for the litigation and to pursue dedicated settlement discussions. To that
15 end, the Receiver decided to replace Locke Lord as special litigation counsel with
16 New York attorney Jay Teitelbaum, of the Teitelbaum Law Group, LLC
17 (collectively, "Teitelbaum"), whom the Receiver concluded had the requisite
18 experience to secure an appropriate settlement of the claims alleged in the Garipalli
19 Action, on financial terms appropriately aligned with the nature of the receivership.

20 Since its substitution for Locke Lord in September 2019, Teitelbaum
21 diligently pursued the Receiver's litigation and settlement aims in the Garipalli
22 Action. In early November 2019, and on the Receiver's behalf, Teitelbaum
23 successfully negotiated a settlement of the Garipalli Action, subject to Court
24 approval. The terms of the settlement are memorialized in the Settlement
25 Agreement, which was executed by the parties thereto on December 6 and 9, 2019,
26 and which was attached as an exhibit to the Receiver's declaration in support of the
27 Settlement Motion. Pursuant to the terms of the Settlement Agreement, Sequoia has
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1 agreed to pay the Receiver \$925,000, in exchange for the dismissal of the Garipalli
2 Action, a dismissal of all parties, and a mutual release.

3 The Receiver has determined, in his reasonable business judgment, that the
4 terms of the Settlement Agreement represent a net benefit to the Estate. After
5 reviewing all relevant information including records recently obtained by his
6 counsel of record, Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen
7 Matkins"), and his special litigation counsel for the Garipalli Action, the Receiver
8 has concluded that further pursuit of Essex's claims in connection with the Garipalli
9 Action would require extensive additional discovery, potentially at a significant
10 expense to the Estate and, even if the litigation were pursued, the likelihood of
11 prevailing remains uncertain. The Receiver further determined that the settlement
12 payment of \$925,000, as reflected in the Settlement Agreement, represents a
13 significant percentage of the damages that Essex could prove it suffered.
14 Accordingly, the Receiver ultimately concluded that the payment contemplated by
15 the Settlement Agreement reflects an appropriate compromise, sufficient to
16 adequately compensate the Receivership Entities. Therefore, the Receiver filed his
17 Settlement Motion on January 7, 2020, and hereby respectfully reiterates his request
18 for Court approval of the settlement, as memorialized in the Settlement Agreement,
19 and Court authorization for him to perform his agreed-upon obligations thereunder.

20 3. Receivership Entity Leases.

21 The Receivership Entities are presently parties to three (3) active equipment
22 leases as of the date of the filing of this Report, all of which were financed by
23 Montecito Bank & Trust ("MBT"). Pursuant to its rights under its financing
24 agreements, MBT is presently acting as a *de facto* servicer for the leases, collecting
25 payments from lessees and remitting lease revenue (less funds sufficient to cover the
26 Entities' loan payments to MBT) to the Receiver. During the Reporting Period, the
27 Receiver continued to coordinate with MBT to ensure that its administrative
28 processes for loan servicing are consistent with the fiduciary nature of the Receiver's

1 appointment including, but not limited to, MBT's preparation and production of
2 monthly reconciliations, and MBT's retention of loan payments and other funds.

3 During the Reporting Period, the Receiver also continued to administer
4 Essex's active equipment leases, which have accounted for approximately
5 \$1.2 million in income since the inception of the receivership, with an outstanding,
6 aggregate value of just over \$895,000. In addition, the Receiver arranged buyouts
7 of leased Assets at the termination of a number of leases, thereby generating over
8 \$990,000 in additional income for the administration and benefit of the Receivership
9 Entities, since the inception of the receivership. The Receiver will continue to
10 administer the Entities' active equipment leases as a going concern, and arrange
11 buyouts, in order to collect their remaining value for the benefit of the Receivership
12 Entities.

13 4. Profiting Investors.

14 In the Ponzi scheme context, "the general rule is that to the extent innocent
15 investors have received payments in excess of the amount of principal that they
16 originally invested, those payments" are subject to disgorgement to the Receiver as
17 fraudulent transfers. Donell v. Kowell, 533 F.3d 762, 770 (9th Cir. 2008). The
18 Receiver has identified numerous Receivership Entity investors whom he believes
19 profited from their investments in the Entities.

20 Of course, the Receiver must balance the potential expense of pursuing all
21 possible disgorgement claims against the likelihood of prevailing on those claims
22 and the anticipated aggregate recovery. To that end, the Receiver expects that his
23 initial disgorgement efforts will focus on those investors whose individual net
24 winnings were at least \$100,000. The Receiver is presently preparing his
25 anticipated motion to pursue disgorgement claims and establish associated litigation
26 and settlement procedures, pursuant to which the Receiver will seek Court
27 authorization to pursue disgorgement claims and establish the procedures that will
28 govern those efforts. The procedures set forth therein are designed to resolve the

1 disgorgement claims efficiently, conserve existing receivership estate resources, and
2 maximize the available recovery for the Estate. Given the Receiver's detailed
3 preliminary analysis of prospective claims against third parties, the procedures by
4 which the Receiver will recommend pursuing profiting Receivership Entity
5 investors will be streamlined and provide a strong incentive to settle the
6 disgorgement claims without litigation.

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

8 There are presently two (2) matters pending before the Superior Court of
9 California, County of Santa Barbara, both of which are stayed pursuant to Article X
10 of the Permanent Injunction: (1) Gabler v. Essex Capital Corp., et al., Santa Barbara
11 Superior Court Case No. 18CV03423 (the "Gabler Action"); and (2) Dennis, et al. v.
12 Iannelli, et al., Santa Barbara Superior Court Case No. 18CV03317 (the "Dennis
13 Action").

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

21 The Receiver and his counsel of record, Allen Matkins, have continued to
22 monitor the Gabler Action and the Dennis Action, and have informed the courts
23 presiding over both actions of the litigation stay imposed by the Appointment Order
24 and maintained by the Permanent Injunction, in order to protect and preserve the
25 Estate from diminution. The Receiver will continue to monitor and, through
26 counsel, make necessary appearances in the Gabler Action and the Dennis Action,
27 and keep the courts presiding over those actions abreast of developments in the
28 instant action, as appropriate.

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

2 The Receiver's accounting analysis has facilitated his anticipated approach to
3 processing anticipated investor and creditor claims against the Receivership Entities.
4 Specifically, and on the basis of his money-in/money-out ("MIMO"), or netting
5 accounting analysis, the Receiver believes he has identified the amounts outstanding
6 and owed by the Entities to an overwhelming majority of those investors and
7 creditors who, on a MIMO basis, appear to have realized net losses from their
8 investments in or contributions to the Entities. As of the date of this Report, the
9 Receiver has identified sixty-five (65) individuals and entities whose collective net
10 losses from their investments in or contributions to the Receivership Entities exceed
11 \$38.7 million.

12 As will be detailed in the Receiver's forthcoming Motion for Order
13 Establishing Claims Procedures, the Receiver anticipates a claims process, subject to
14 Court approval, whereby the Receiver: (1) transmits a written notice to each known
15 Entity investor and creditor reflecting the amount of the investor's or creditor's
16 calculated claim against the Entities, as developed from the Receiver's records, and
17 invites the investor or creditor to accept or ratify the claim amount by executing and
18 returning an accompanying claim form; and (2) invites any investor or creditor who
19 disputes the Receiver's claim calculation to submit formal notice of such dispute and
20 provide the Receiver with associated supporting information, on or before a bar date
21 to be established by the Court on motion by the Receiver. Once all non-disputed
22 and disputed claims are processed, and the Receiver has come to a final
23 recommendation regarding the treatment of each claim, he will thereafter petition
24 the Court for an order accepting and approving his recommended treatment of
25 claims, along with his proposed plan for making distributions on allowed investor
26 and creditor claims.

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

2 As reflected in the Second Report and Third Report, the Receiver has
3 determined that the business operations of the Receivership Entities were not
4 profitable, and that the Entities were unsustainable absent additional cash infusions
5 from new investment or borrowing. Moreover, given that Essex was purporting to
6 pay out so-called returns on investment to certain investors, it is clear that, given
7 Essex's financial condition – and notwithstanding the fact that it did operate a
8 functional (albeit unprofitable) equipment leasing business – those returns were
9 largely funded by funds obtained from new investors or from new borrowing, the
10 very definition of a Ponzi scheme. See, e.g., Donell, 533 F.3d at 767, n.2.

11 Mr. Iannelli also appears to have taken out more than \$7.4 million from Essex
12 than he had put in. By the end of 2018, this figure grew to more than \$17.3 million.
13 When considered in the context of Essex's operational difficulties, its overall assets
14 in excess of liabilities dropped significantly from December 2009 to December
15 2016, leaving Essex at substantial risk of being unable to repay its investors in full.
16 On the basis of his accounting and analysis, the Receiver is confident that the
17 Entities were used to operate a Ponzi scheme.

18 In addition to the millions in net funds that Mr. Iannelli misappropriated from
19 the Receivership Entities, the Receiver has identified seventy-nine (79) investors
20 who, on a MIMO basis, appear to have realized net profits from their investments in
21 the Receivership Entities (collectively, the "Net Winners"). Twenty-five (25) of the
22 Net Winners received net profits, in the aggregate, of approximately \$8 million.
23 Another twenty parties (20) received net profits, in the aggregate, in excess of
24 \$630,000, but their individual profit amounts fell below \$100,000. One
25 international entity, which is currently in receivership itself, profited by
26 approximately \$350,000 from its dealings with the Receivership Entities. The
27 remaining thirty-three (33) parties all profited by at least \$100,000, with total profits
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1 in excess of \$25.1 million. The Receiver will seek authority to pursue recovery of
2 profits paid to these Net Winners shortly.

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

4 In accordance with the Order in Aid, the Receiver continues to maintain a
5 receivership website for this matter (www.essex-receivership.com), which, among
6 other things, he uses as a means of communicating with Receivership Entity
7 investors. Specifically, the Receiver posts all of his filings to the website, which
8 also includes a portal through which investors and other interested parties may
9 register to receive email notice of such filings. The Receiver will post additional
10 updates to the website as they become relevant and available.

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

12 Assuming the Court authorizes the Receiver to undertake the actions
13 recommended herein, as well as to continue those actions provided for in the
14 Appointment Order, the Order in Aid, and the Permanent Injunction, the Receiver
15 proposes to submit a further interim report to this Court, addressing his progress,
16 findings, conclusions, and additional recommendations, in approximately 90 days.

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

- 3 1. Accepting this Report;
4 2. Authorizing the Receiver to continue to administer the Receivership
5 Entities and their Estate in accordance with the terms of the Appointment Order, the
6 Order in Aid, and the Permanent Injunction; and
7 3. Providing such other and further relief as the Court deems necessary
8 and appropriate.
9

10 Dated: March 2, 2020

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

13 By: /s/ David R. Zaro

14 DAVID R. ZARO
15 Attorneys for Receiver
16 GEOFF WINKLER
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VERIFICATION

I have read the foregoing FOURTH 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 February 27, 2020, 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 10/01/2019 to 12/31/2019

| FUND ACCOUNTING (See instructions) | | | | |
|------------------------------------|---|-----------------|-----------------|------------------|
| | | Detail | Subtotal | Grand Total |
| Line 1 | Beginning Balance (As of 10/01/2019): | \$ 2,295,585.76 | | |
| | Increases in Fund Balance: | | | |
| Line 2 | Business Income | \$ 586,987.03 | | |
| Line 3 | Cash and Securities (in transit) | - | | |
| Line 4 | Interest/Dividend Income | 507.56 | | |
| 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): | | \$ 587,494.59 | \$ 2,883,080.35 |
| | 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> | - | | |
| Line 10b | <i>Business Asset Expenses</i> | (442,638.78) | | |
| 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 | | \$ (442,638.78) | |
| Line 10f | <i>Tax Administrator Fees and Bonds</i> | | - | |
| Line 10g | <i>Federal and State Tax Payments</i> | | - | |
| | Total Disbursements for Receivership Operations | | | \$ (442,638.78) |
| 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): | | | \$ (442,638.78) |
| Line 13 | Ending Balance (As of 12/31/2019): | | | \$ 2,440,441.57 |
| Line 14 | Ending Balance of Fund - Net Assets: | | | |
| Line 14a | <i>Cash & Cash Equivalents</i> | | 2,440,441.57 | |
| Line 14b | <i>Investments</i> | | 132,751.65 | |
| Line 14c | <i>Other Assets or Uncleared Funds</i> | | 22,228,137.12 | |
| | Total Ending Balance of Fund - Net Assets | | | \$ 24,801,330.34 |

STANDARDIZED FUND ACCOUNTING REPORT for SEC v. Essex Capital Corporation
 Receivership; Civil Docket No. 18-cv-05008-FMO-AFM
 Reporting Period from 10/01/2019 to 12/31/2019

| OTHER SUPPLEMENTAL INFORMATION: | | Detail | Subtotal | Grand Total |
|---------------------------------|--|--------|----------|-------------|
| Line 15 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | | | |
| <i>Line 15a</i> | <i>Plan Development Expenses Not Paid by the Fund</i> | | | |
| | 1. Fees: | | | |
| | Fund Administrator | \$ - | | |
| | IDC | - | | |
| | Distribution Agent | - | | |
| | Consultants | - | | |
| | Legal Advisers | - | | |
| | Tax Advisers | - | | |
| | 2. Administrative Expenses | - | | |
| | 3. Miscellaneous | - | | |
| | Total Plan Development Expenses Not Paid by the Fund | | \$ - | |
| <i>Line 15b</i> | <i>Plan Implementation Expenses Not Paid by the Fund:</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. FAIR Reporting Expenses | - | | |
| | Total Plan Implementation Expenses Not Paid by the Fund | | \$ - | |
| <i>Line 15c</i> | <i>Tax Administrator Fees & Bonds Not Paid by the Fund</i> | | | |
| | Total Disbursements for Plan Administration Expenses Not Paid by the Fund | | | - |
| Line 16 | Disbursements to Court/Other Not Paid by the Fund | | | |
| <i>Line 16a</i> | <i>Investment Expenses/CRIS Fees</i> | | \$ - | |
| <i>Line 16b</i> | <i>Federal Tax Payments</i> | | - | |
| | Total Disbursements to Court/Other Not Paid by the Fund: | | | \$ - |
| Line 17 | DC & State Tax Payments | | | \$ - |
| Line 18 | No. of Claims: | | | |
| <i>Line 18a</i> | <i># of Claims Received This Reporting Period</i> | 0 | | |
| <i>Line 18b</i> | <i># of Claims Received Since Inception of Fund</i> | 0 | | |
| Line 19 | No. of Claimants/Investors: | | | |
| <i>Line 19a</i> | <i># of Claimants/Investors Paid This Reporting Period</i> | 0 | | |
| <i>Line 19b</i> | <i># of Claimants/Investors Paid Since Inception of Fund</i> | 0 | | |

Receiver: **Geoff Winkler**

By: 

Geoff Winkler
(printed name)

Managing Director, Alvarez & Marsal Disputes and Investigations, LLC
Receiver, Essex Capital Corporation, et al.

Date: February 14, 2020

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 **March 2, 2020**, I caused to be served on all the parties to this action addressed as stated on the attached service list the document entitled: **FOURTH INTERIM REPORT AND PETITION FOR FURTHER INSTRUCTIONS OF RECEIVER, GEOFF WINKLER.**

- 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.
- ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.
- 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 **March 2, 2020** 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