UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	**CV 18-5008 FMO (AJRx)**	Date	**March 9, 2026**
Title	**Securities and Exchange Commission v. Ralph T. Iannelli, et al.**		

Present: The Honorable	Fernando M. Olguin, United States District Judge	
Vanessa Figueroa	None	None
Deputy Clerk	Court Reporter / Recorder	Tape No.
Attorney Present for Plaintiff:	Attorney Present for Defendants:	
None Present	None Present	

Proceedings: (In Chambers) Order Re: Pending Motion

Having reviewed and considered all the briefing filed with respect to Proposed Intervenor Jim Gally's ("Gally") Motion to Clarify, Modify or Grant Relief from Receivership Injunction; and, to Intervene (Dkt. 314, "Motion"), the court finds that oral argument is not necessary to resolve the Motion, see Fed. R. Civ. P. 78(b); Local Rule 7-15; Willis v. Pac. Mar. Ass'n, 244 F.3d 675, 684 n. 2 (9th Cir. 2001), and concludes as follows.

BACKGROUND[1]

I. TRANSACTION AT ISSUE.

In December 2015, prior to the commencement of this action, Gally and two entities under his control[2] entered into an Asset Purchase Agreement with 915 Elm Avenue CVL, LLC ("CVL"), an LLC owned and controlled by Ralph T. Iannelli ("Iannelli") and non-party William Reyner ("Reyner"), by which Gally sold a lumber yard ("Lumberyard") to CVL. (See Dkt. 314-1, Declaration of Jim Gally in Support of Motion ("Gally Decl.") at ¶ 2-3); (Dkt. 314-1, Exh. 1, Asset Purchase Agreement at ECF 6-28); (Dkt. 319-1, Declaration of Geoff Winkler ("Winkler Decl.") at ¶ 4); (Dkt. 319, Opposition of Receiver to Motion ("Opp") at 6-7). Pursuant to the Asset Purchase Agreement, Gally was to be paid $4,175,000. (See Dkt. 314-1, Gally Decl. at ¶ 3). That amount was to be paid as follows: (1) $2.675 million by CVL, in cash; and (2) a repayment obligation memorialized by a promissory note ("Essex Note") incurred exclusively by Essex Capital Corporation ("Essex") – which was not a party to the Asset Purchase Agreement, to Gally – personally, in the amount of $1.5 million. (See Dkt. 314-1, Gally Decl. at ¶ 3); (Dkt. 314-1, Exh. 1, Asset Purchase Agreement at § 3.1); (Dkt. 319-1, Winkler Decl. at ¶¶ 4-5); (Dkt. 319-1, Exh.

[1] Capitalization, quotation marks, and emphasis in record citations may be altered without notation.

[2] The two entities are not relevant to the instant Motion and the court will at times refer to Gally in the singular.

A, Essex Note). CVL made the $2.675 million cash payment, (see Dkt. 314-1, Gally Decl. at ¶ 3), but according to Gally, the 1.5 million "was never paid." (Id.). However, according to the Receiver, while Essex failed to completely satisfy its obligation to Gally, (see Dkt. 319-1, Winkler Decl. at ¶ 6), Essex did pay him approximately $454,000 prior to the commencement of this action, leaving $1,046,316 unpaid on the Essex Note. (See id.).

II. PRESENT ACTION.

On June 5, 2018, the Securities and Exchange Commission ("SEC") filed a complaint against Iannelli and Essex (collectively, "defendants"), alleging that defendants violated the anti-fraud provisions of: (1) Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5; and (2) Section 17(a) of the Securities Act of 1933, 15 U.S.C. § 77q(a). (See Dkt. 1, Complaint at ¶¶ 88-95). The SEC alleged that Iannelli, a "securities fraud recidivist[,]" engaged in a fraudulent scheme by attracting investment through the sale of promissory notes to investors promising a high rate of return. (See id. at ¶ 4). The investor returns were supposedly based on the strength of Essex's equipment leasing model, in which Essex's lease portfolio would generate sufficient income to offset its borrowing costs and obligations to noteholders. (Id). However, the representations Iannelli made about the investments were false and misleading, (id.), in that the majority of Essex's funds came from promissory note investors and bank loans. (See id. at ¶ 5). According to the SEC, defendants "resorted to a pattern and practice of making Ponzi-like payments (i.e., paying interest and principal owed to investors using other investors' funds)[.]" (Id. at ¶ 6).

On December 21, 2018, the court appointed Geoff Winkler ("Winkler") as the Receiver over Essex and its subsidiaries and affiliates, and issued a preliminary injunction to freeze certain assets, including the Lumberyard. (See Dkt. 66, Court's Order of December 21, 2018 ("Appointment Order & Preliminary Injunction") at 1, 3-5). Pursuant to consent of the parties, the court entered final judgment as to Iannelli on June 5, 2019 (see Dkt. 93, Iannelli Judgment), and as to Essex on September 9, 2019. (See Dkt. 110, Essex Judgment). On September 9, 2019, the court also issued a permanent injunction (Dkt. 113, Court's Order of September 9, 2019 ("Permanent Injunction")), which maintained the freeze imposed by the preliminary injunction order, including a freeze with respect to the Lumberyard. (See id. at 3-4). On July 28, 2020, and October 13, 2022, Iannelli and his son assigned their interests in CVL to the Receiver. (See Dkt. 319-1, Winkler Decl. at ¶ 7).

III. ADMINISTRATION OF RECEIVERSHIP.

The Receiver administers a website where interested parties can access documents and filings related to the case, and contact the Receiver's office. (See Dkt. 319-1, Winkler Decl. at ¶ 8). The website permits interested parties to register for notice and, upon registration, registrants are provided with timely notice and copies of documents filed by the Receiver in this action. (See id.). On January 7, 2019, Gally registered on the website, and since then he has had timely access to the materials filed by the Receiver, including all materials filed in connection with claims

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against the Receivership Entities and their Estate. (See id.).

On April 20, 2020, the Receiver entered into a stipulation with the SEC, establishing the procedure by which holders of claims against the Receivership Entities could submit their claims to the Receiver for review and evaluation, and establishing a bar date by which claims had to be submitted. (See Dkt. 168, Stipulation). The court approved the stipulation on July 31, 2020. (See Dkt. 179, Court's Order of July 31, 2020). As part of the court-approved claims procedure, the Receiver transmitted claims "packets" to all known and suspected claims holders, including Gally. (See Dkt. 319-1, Winkler Decl. at ¶ 9); (Dkt. 319-1, Exh. D, Sample Claims Packet). The packets included claim forms, instructions regarding the submission of claim forms, and, where the amount of a prospective claim had already been preliminarily determined by the Receiver, a form by which a claimant could agree to or dispute the Receiver's determination of his or her claim amount. (See Dkt. 319-1, Winkler Decl. at ¶ 9); (Dkt. 319-1, Exh. D, Sample Claims Packet). In a paragraph entitled, "Consent to Jurisdiction of the Court and the Consequences Thereof," (Dkt. 319-1, Exh. D, Sample Claims Packet at ECF 25) (formatting omitted), the instructions admonished potential claimants: "If you submit a Proof of Claim form in this case, you consent to the jurisdiction of the United States District Court for the Central District of California . . . for all purposes, agree to be bound by its decisions, including a determination, among other things, as to the validity and amount of your claim[.]" (See Dkt. 319-1, Winkler Decl. at ¶ 9); (Dkt. 319-1, Exh. D, Sample Claims Packet at ECF 25). The instructions also stated that "[i]n submitting a Proof of Claim, you agree to be bound by the actions of the District Court, including the District Court's approval of limiting or denying your claim, if any" and "you further agree that your participation in any distribution of the receivership estate may exclude or prevent you from pursuing any other remedies." (See Dkt. 319-1, Winkler Decl. at ¶ 9); (Dkt. 319-1, Exh. D, Sample Claims Packet at ECF 25).

On November 9, 2020, Gally submitted his signed claim form to the Receiver. (See Dkt. 319-1, Winkler Decl. at ¶ 10); (Dkt. 319-1, Exh. E, Gally Claim Form). The Receiver reviewed Gally's claim form and determined that Gally's claim should be $1,046,316.44, which reflected the difference between the face value owed by Essex on the Essex Note ($1,5000,000) and the amount Essex had paid Gally during the pre-receivership period ($453,683.56). (See Dkt. 319-1, Winkler Decl. at ¶ 11); (Dkt. 319-1, Exh. F, Amended Gally Claim Letter at ECF 40-41). On April 28, 2021, Gally signed and returned the amended claim determination letter, acknowledging and accepting the Receiver's determination of his claim in the amount of $1,046,316.44. (See Dkt. 319-1, Winkler Decl. at ¶ 11); (Dkt. 319-1, Exh. F, Amended Gally Claim Letter at ECF 42).

On December 21, 2021, the Receiver filed a motion for an order: (1) approving proposed distribution plan; (2) approving recommended treatment of claims; and (3) authorizing distribution of allowed claims, in which he included recommendations regarding the treatment of submitted claims and requested permission to commence making distributions on allowed claims in accordance with the recommended plan for distribution of available assets. (See Dkt. 220, "Claims Allowance Motion" at 6). With respect to Gally's claim, the Receiver recommended that

his claim for $1,046,316.44 be allowed in full. (See id. at 11) ("[T]he Receiver recommends that the Gally claim be treated as a priority investor claim, in the amount of $1,046,316.44, reflecting the unpaid principal balance of the Gally Note."); (Dkt. 319-1, Winkler Decl. at ¶ 12). On April 19, 2022, the court granted the Claims Allowance Motion, including the Receiver's recommended treatment of claims, and authorized the Receiver to commence making distributions on the allowed claims. (See Dkt. 234, Court's Order of April 19, 2022). Thereafter, the Receiver began making distributions from funds then on-hand, recovered through litigation settlements and the monetization of other Estate assets. (See Dkt. 319-1, Winkler Decl. at ¶ 13). As of July 3, 2025, Gally had received two distributions in the total amount of $176,705.81. (See id.). The Receiver anticipates making at least one more distribution with the wind-down of the receivership. (See id.).

DISCUSSION

Gally seeks an order granting him relief from the Permanent Injunction so that he may file litigation against CVL, or alternatively, to intervene in this action. (See Dkt. 314, Motion at 2, 10-21). Gally's request, however, is based on Essex's failure to fully repay the Essex Note, which has already been adjudicated in connection with the Court's Order of April 19, 2022.[3] As noted above, Gally submitted a claim to the Receiver in connection with the unpaid Essex Note, (see Dkt. 319-1, Winkler Decl. at ¶ 10); (Dkt. 319-1, Exh. E, Gally Claim Form), and the Receiver determined that Gally's claim should be $1,046,316.44, reflecting the difference between the face value owed by Essex on the Essex Note ($1,5000,000) and the amount Essex paid to Gally during the pre-receivership period ($453,683.56). (See Dkt. 319-1, Winkler Decl. at ¶ 11); (Dkt. 319-1, Exh. F, Amended Gally Claim Letter at ECF 40-41). Gally returned the amended claim determination letter, acknowledging and accepting the Receiver's determination of his claim for damages in the amount of $1,046,316.44. (See Dkt. 319-1, Winkler Decl. at ¶ 11); (Dkt. 319-1, Exh. F, Amended Gally Claim Letter at ECF 42).

As noted earlier, in its Claims Allowance Motion, the Receiver recommended that Gally's claim for $1,046,316.44 be allowed in full. (See Dkt. 220, Claims Allowance Motion at 11). The court granted the Claims Allowance Motion in April 2022, (see Dkt. 234, Court's Order of April 19, 2022), after which the Receiver began making distributions on allowed claims, including Gally's claim. (See Dkt. 319-1, Winkler Decl. at ¶ 13). Thus, any further claim by Gally is barred. See, e.g., Siegel, 143 F.3d at 530 ("[I]f the court formally actually allows the claim, there can be little doubt about the ultimate res judicata effect of that allowance. But it is equally clear that when a

[3] To the extent Gally characterizes his proposed claim against CVL as distinct from his claim against Essex, (see Dkt. 319, Opp. at 17), it would be barred since it necessarily overlaps with his claim for damages in this action, which is based on the incomplete payment on the Essex Note. See Siegel v. Federal Home Loan Mortgage Corp., 143 F.3d 525, 529 (9th Cir. 1998) (noting that Ninth Circuit has "held that a bankruptcy court's allowance or disallowance of a claim is a final judgment").

claim is 'deemed allowed' it has the same effect."); id. ("In short, the validity of the claim has been determined on the merits, and attacks upon it that 'could have been asserted' cannot be raised in later proceedings."); In re Ayers Bath (U.S.A.), Co., Ltd., 2021 WL 4317321, *12 (C.D. Cal. 2021) (determining that a plaintiff could not "relitigate the claims that [were] the basis of the" allowed proof of claim); see also Local Rule 66-8 ("Except as otherwise ordered by the Court, a receiver shall administer the estate as nearly as possible in accordance with the practice in the administration of estates in bankruptcy.").

With respect to intervention, the court finds that intervention is not appropriate, either as of right or permissively. Under Federal Rule of Civil Procedure 24(a),[4] a court must permit any party to intervene in a lawsuit who "claims an interest relating to the property or transaction that is the subject of the action, and is so situated that disposing of the action may as a practical matter impair or impede the movant's ability to protect its interest, unless existing parties adequately represent that interest." Fed. R. Civ. P. 24(a)(2). The rule is broadly construed in favor of intervention. See Cabazon Band of Mission Indians v. Wilson, 124 F.3d 1050, 1061 (9th Cir. 1997). The Ninth Circuit employs four criteria to determine whether intervention under Rule 24(a) is appropriate: (1) the motion to intervene must be timely; (2) the applicant must have a significantly protectable interest related to the property or transaction that is the subject of the action; (3) the applicant must be situated such that the disposition of the action may impair or impede the applicant's ability to protect that interest; and (4) the applicant's interest must not be inadequately represented by the existing parties. See Arakaki v. Cayetano, 324 F.3d 1078, 1083 (9th Cir. 2003). The burden falls on the applicant to show that all of the requirements for intervention have been met. See United States v. Alisal Water Corp., 370 F.3d 915, 919 (9th Cir. 2004).

Timeliness "is the threshold requirement for intervention[,]" United States v. Oregon, 913 F.2d 576, 588 (9th Cir. 1990), and "is determined by the totality of the circumstances facing would-be intervenors, with a focus on three primary factors: (1) the stage of the proceeding at which an applicant seeks to intervene; (2) the prejudice to other parties; and (3) the reason for and length of the delay." Smith v. L.A. Unified Sch. Dist., 830 F.3d 843, 854 (9th Cir. 2016) (internal quotation marks omitted).

Here, Gally's Motion is untimely. Gally seeks to intervene at a very late stage of the proceedings. The court appointed the Receiver in December, 2018, (see Dkt. 66, Appointment Order & Preliminary Injunction at 1), and granted the Claims Allowance Motion in April 2022. (See Dkt. 234, Court's Order of April 19, 2022). Gally has been registered for and received notices of all of the Receiver's filings since January 2019. (See Dkt. 319-1, Winkler Decl. at ¶ 8). He filed his Motion more than six years after the Appointment Order & Preliminary Injunction, and over 3 years after the court granted the Claims Allowance Motion, which included Gally's claim. Also,

[4] All further "Rule" references are to the Federal Rules of Civil Procedure unless otherwise indicated.

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the Receiver's filings included numerous interim and supplemental reports. (See, e.g., Dkt. 78, 103, 123, 149, 174, 197, 202, 205). Finally, intervention would be highly prejudicial as it would cause undue delay and reduce the amount available for distribution to other allowed claimants.

As for permissive intervention, a court may grant permissive intervention where: (1) the applicant shows independent grounds for jurisdiction; (2) the motion is timely; and (3) the applicant's claim or defense and the main action share a common question of law of fact. Fed. R. Civ. P. 24(b); see Freedom from Religion Found., Inc. v. Geithner, 644 F.3d 836, 843 (9th Cir. 2011). In exercising its discretion on an application for permissive intervention, the court "must consider whether the intervention will unduly delay or prejudice the adjudication of the original parties' rights." Fed. R. Civ. P. 24(b)(3). For the reasons noted above, the court declines Gally's request for permissive intervention.

CONCLUSION

Based on the foregoing, IT IS ORDERED THAT Proposed Intervenor Jim Gally's Motion to Clarify, Modify or Grant Relief from Receivership Injunction; and, to Intervene **(Document No. 314)** is **denied**.

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