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7 Attorneys for Intervenor, Jim Gally

8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10 SECURITIES AND EXCHANGE
11 COMMISSION,

12 Plaintiff,

13 v.
14

15 RALPH IANNELLIE and ESSEX
16 CAPITAL CORPORAITON,

17 Defendants.

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

**DECLARATION OF PATRICK C.
BAGEANT IN SUPPORT OF JIM
GALLY'S MOTION TO CLARIFY,
MODIFY OR GRANT RELIEF
FROM RECEIVERSHIP
INJUNCTION; AND, TO
INTERVENE
[L.R. 7-3]**

Hearing Date: July 24, 2025

Time: 10:00 a.m.

Ctrm: 6D

Judge: Hon. Fernando M. Olguin

Complaint Filed: June 5, 2018

Trial Date: None

1 I, Patrick C. Bageant, hereby declare as follows:

2 1. I am an attorney licensed to practice before all courts of the State of
3 California and I am over 18 years of age. I am a principal with Hollystone Law, former
4 counsel for proposed Intervenor Jim Gally.

5 2. I have personal knowledge of the matters stated herein, except as to those
6 matters stated on information and belief, and as to those matters, I believe them to be
7 true. If called to testify, I could and would competently testify to the facts stated
8 below.

9 3. I met and conferred by telephone with Mr. Joshua del Castillo, counsel
10 for the Receiver on December 4, 2023, with regard to Gally's proposed claims against
11 CVL, including for rescission and damages due to CVL's fraud on Gally (via Iannelli's
12 membership in CVL) to acquire Gally's Lumberyard.

13 4. The Receiver's representations through the 2023 meet and confer
14 included that Gally's November 2020 claim in Receivership, though unique as Gally
15 was not an investor in Essex, would be honored by the Receiver. The Receiver's
16 counsel stated that, at the Receiver's recommendation, Gally's claim was not
17 subordinated to investor claims, and had been treated as a priority claim on par with
18 the claims of the investors defrauded by Mr. Iannelli. He indicated the Receiver felt
19 bad for Gally, acknowledged that he was "unique" among claimants, and wanted to
20 cure his damages. The Receiver's position was that Gally should not and did not need
21 to file for stay relief yet, or maybe ever, because the Receiver felt Gally's motion for
22 stay relief would potentially impair the Receiver's efforts to recover funds, and
23 because the Receiver anticipated being able to address Gally's claim out of his
24 anticipated recoveries. Counsel for the Receiver requested Gally to hold off on a
25 motion for stay relief until further distributions or payments were made by the
26 Receiver because the Receiver expected a "substantial" payment in 2024, such that
27 perhaps Gally would be satisfied.

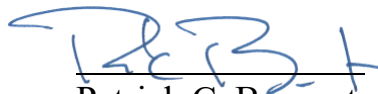
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1 5. Based on the Receiver's representations, which Gally and I took to be
2 genuinely expressed and upon which we relied, Gally did not file a motion for stay
3 relief.

4 6. The Receiver did not represent to me that Gally filing a claim in
5 receivership would cut off or in any way limit his future ability to sue CVL if he
6 needed to once the stay was lifted. I understood the Receiver's counsel's statements
7 about Gally's uniqueness, the Receiver's decision to treat him on par with other
8 claimants, and the request to wait to pursue CVL until after he evaluated his losses, if
9 any, after further distributions were made, to imply the opposite.

10 7. Based on the Receiver's representations and instructions about forgoing
11 stay relief at that time, Gally decided to follow the Receiver's lead and allow the
12 Receiver to work efficiently without interference from Gally to satisfy Gally's claim.
13 I understood Gally believed that doing so would not harm him as he trusted the
14 Receiver had his best interests in heart, because the Receiver remained open to
15 conferring on a motion for stay relief, and because the ongoing stay tolled the statutes
16 of limitations on Gally's claims against CVL.

17 I declare under penalty of perjury under the laws of the United States that the
18 foregoing is true and corrected. Executed on June 20, 2025, Boise, Idaho.

19
20 
21 Patrick C. Bageant

CERTIFICATE OF SERVICE

I, Michael P. Denver, hereby certify that on June 23, 2025, I electronically filed the foregoing document using the CM/ECF system which will send notification of such filing to the email addresses registered in the CM/ECF system, as denoted on the Electronic Mail Notice List.

By: /s/ Michael P. Denver
Michael P. Denver