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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10
11 UNITED STATES OF AMERICA,
12 Plaintiff,
13 v.
14 INTERNET TRANSACTION
SERVICES, INC., et al.,
15 Defendants.
16

Case No. 2:21-cv-06582-JFW (KSx)

**RECEIVER’S THIRD INTERIM
STATUS REPORT**

JUDGE: Hon. John F. Walter
CTRM: 7A

17
18 Pursuant to Section III.B.11. of the Permanent Injunction entered January 5,
19 2022 (ECF No. 112), directing the Receiver to file status reports every 120 days,
20 the Receiver submits this Status Report for the period of December 18, 2021
21 through April 18, 2022.

22 **I.**
23 **INTRODUCTION**

24 On August 20, 2021, this Court entered a Temporary Restraining Order
25 (“TRO,” ECF No. 19) and appointed Thomas W. McNamara as temporary receiver
26 for the Receivership Defendants Internet Transaction Services, Inc. and
27 Intertrans.com, Inc. (collectively, “Intertrans”). Pursuant to the provisions of the
28 Preliminary Injunction (ECF No. 34) entered on September 2, 2021, the Receiver’s

1 appointment was confirmed. On January 5, 2022, the Court entered its Final Order
2 of Permanent Injunction (“Per”, ECF No. 112) as to the Corporate Defendants,
3 which extended the Receivership to include all of the Corporate Defendants, in
4 addition to those entities the Receiver had or may designate as Receivership
5 Entities under the Court’s orders.

6 The Receiver filed his Second Interim Status Report on December 20, 2021
7 (ECF No. 109) in which he described his winding down of the business, vacating
8 office space, and beginning his investigation of potential claims against third
9 parties. Since that report was filed, the Receiver has primarily focused on taking
10 control of the assets of the shell entities and continuing his investigation and pursuit
11 of third-party claims.

12 II.

13 RECEIVERSHIP ACTIVITIES

14 A. **Marshalling the Assets of Additional Receivership Entities.**

15 On January 5, 2022, the Court entered the Permanent Injunction which,
16 among other things, declared as Receivership Entities the sixteen shell entity
17 Defendants named in the DOJ’s complaint, some of which the Receiver had
18 previously declared to be Receivership Entities. Soon after, the Receiver reached
19 out to the various financial institutions holding assets on behalf of these entities and
20 ultimately caused such funds to be transferred to the Receivership Estate.

21 Further, based on his investigation, the Receiver determined that Remote
22 Digital Safebox LLC, ITeck LLC, and Level 2 Trading Inc. (“Level 2”) were all
23 involved in the underlying scheme (and/or owned or controlled by one or more of
24 the Individual Defendants) and thus declared such entities to be Receivership
25 Entities. The Receiver was then able to freeze and transfer a relatively small
26 amount in Level 2’s bank account and is in the process of obtaining an additional
27 \$10,959.80 of Level 2’s funds currently frozen in the possession of a third-party

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1 merchant processor. Additionally, the Receiver was able to obtain possession of
2 \$1,465.02 in reserve funds from Remote Digital Safebox’s merchant processor.

3 **B. Additional Unauthorized Charges Related to Dollar Web Sales**

4 In late January 2022, the Receiver learned from Plaintiff that one of the
5 consumer victims had once again noticed unauthorized debits from his account by
6 Dollar Web Sales — one of the shell companies. The Receiver’s team immediately
7 identified the banks and merchant processors involved in the transactions (most of
8 which were not involved in the Defendants’ scheme), and served asset freeze
9 notices on all of the subject banks and merchant processors. The Receiver then
10 obtained and reviewed documents from the financial institutions, which indicated
11 that, in approximately September 2021, after commencement of the DOJ’s lawsuit
12 and the Court’s issuance of a TRO, we believe one or more foreign individuals (not
13 defendants in the underlying case) utilized email accounts (hosted by Google and
14 over which the Receiver had no control) associated with Dollar Web Sales to
15 execute a copy-cat scheme of their own. The Receiver’s actions shut down the
16 individuals’ ability to process any further unauthorized transactions through these
17 financial institutions.

18 **C. Investigation and Pursuit of Third-Party Claims**

19 From the outset of his appointment as Receiver, the Receiver has been
20 investigating the viability of potential claims against third parties in possession of
21 assets belonging to the Receivership Estate to maximize the value of the
22 Receivership Estate. That investigation continues. In particular, counsel for the
23 Receiver has engaged in extensive pre-litigation settlement discussions with certain
24 third parties which have resulted in an agreed upon settlement. The Receiver will
25 file a motion to approve the settlement upon finalization of the settlement
26 documents. In addition, the Receiver has continued his investigation into various
27 other third parties believed to have received Receivership Estate assets. This has
28 entailed reviewing and analyzing email correspondence and documents produced in

1 response to subpoenas issued to third parties and interviewing third parties with
2 potentially relevant information. These efforts are ongoing and may result in future
3 litigation, settlement, or abandonment based on the results of the investigation.

4 **D. Miscellaneous**

5 The Receivership Estate has continued to incur a monthly fee for storage of
6 the Intertrans servers at a remote co-location facility in Los Angeles. After
7 confirming with the computer forensic examiner and Plaintiff that there was no
8 need to remove additional data from the servers, the servers have been taken offline
9 and will be placed in storage.

10 Since his last report, the Receiver has also coordinated with Plaintiff to
11 ensure that the additional web domains that GoDaddy initially refused to transfer to
12 receivership control in October were explicitly referenced in the Permanent
13 Injunction. Following the entry of the Permanent Injunction in January, the
14 Receiver gained control of the additional GoDaddy web domains and forwarded all
15 active domains to the Receiver's website, which provides notice of the receivership
16 to consumers. The Receiver also assisted the Marina Pacifica Fellowship, a
17 charitable organization related to Alcoholics Anonymous with which Defendant
18 Edward Courdy was involved, to regain their web domain which the Receiver had
19 taken control of as part of Courdy's GoDaddy account.

20 Finally, in February 2022, USPIS transferred the computers, phones, and
21 other electronic equipment seized at the Intertrans office during the execution of a
22 search warrant to the Receiver and these materials are now stored at the Receiver's
23 secure storage facility.

24 **III.**

25 **RECEIVERSHIP ACCOUNTING**

26 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the
27 period December 18, 2021 through April 18, 2022. During this period, receipts
28 were \$43,985.46, primarily comprised of transfers from the Receivership Entities'

1 bank and merchant accounts (\$43,703.54). Disbursements were \$20,688.78,
2 primarily comprised of Relativity database hosting (\$12,769.00), co-location data
3 hosting (\$4,595.00), and MS Exchange Systems Support (\$2,412.45). Net
4 available cash as of April 18, 2022 is \$932,971.70.

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Dated: April 19, 2022

MCNAMARA SMITH LLP

By: /s/ Andrew M. Greene
Andrew M. Greene
Attorneys for Receiver,
Thomas W. McNamara

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CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of April, 2022, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of the filing to all participants in the case who are registered CM/ECF users.

/s/ Andrew M. Greene
Andrew M. Greene
Attorney for Receiver,
Thomas W. McNamara