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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 FOURTH 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 April 19, 2022 through  
21 August 16, 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 (ECF No. 112) as to the Corporate Defendants, which  
3 extended the Receivership to include all of the Corporate Defendants, in addition to  
4 those entities the Receiver had or may designate as Receivership Entities under the  
5 Court's orders.

## 6 II.

### 7 RECEIVERSHIP ACTIVITIES

#### 8 A. Investigation, Pursuit and Settlement of Third-Party Claims

9 During this period, the Receiver continued the investigation into the viability  
10 of Receivership Estate claims against third parties. This has entailed reviewing and  
11 analyzing email correspondence and documents produced in response to subpoenas  
12 and interviewing third parties. In this process, several viable claims have been  
13 identified.

14 The most significant estate claim involved the Receivership Entities' primary  
15 merchant processor. After an extensive investigation into the actions of the  
16 merchant processor, a demand was made, and Receiver's counsel engaged in  
17 extensive pre-litigation negotiations with the merchant processor. Ultimately, the  
18 parties agreed to a settlement in which the merchant processor paid \$4.2 million to  
19 the receivership, which the Court approved. The settlement funds have now been  
20 paid, resulting in a quadrupling of the assets in the Receivership Estate.

21 The Receiver's team has begun settlement discussions with additional third  
22 parties as well. Most recently, the Receiver's counsel prepared a lengthy  
23 evidentiary analysis and settlement demand to one party and conducted a full-day  
24 video interview and evidence presentation with another. The discussions are  
25 ongoing, and we are hopeful pre-litigation resolutions can be reached.<sup>1</sup>

26

27 <sup>1</sup> The Receiver has recently agreed to enter into relatively short tolling agreements  
28 with these parties to provide additional time for settlement discussions prior to  
instituting litigation.

1 **B. Additional Investigation Into Unauthorized Charges Related to Dollar**  
2 **Web Sales**

3 After learning early this year that unknown actors had resurrected a copy-cat  
4 scheme via Receivership Entity Dollar Web Sales, the Receiver contacted the banks  
5 and payment processors involved to halt the activity. The Receiver’s team then  
6 conducted an in-depth investigation into how the fraudsters were able to execute  
7 the scheme. The investigation revealed that despite being provided notice via  
8 several DOJ letters and being served the TRO and Preliminary Injunction, one  
9 financial institution failed to freeze and suspend Receivership Entity accounts.  
10 This allowed unknown parties to initially withdraw funds from Receivership  
11 Entities’ accounts and then several months later use the accounts to execute the  
12 copy-cat scheme. The Receiver is in the process of preparing an evidence  
13 presentation/settlement demand to the financial institution to recoup the improper  
14 withdrawals.

15 **C. Miscellaneous**

16 The Receiver and his team continue to respond to inquiries and provide  
17 information to attorneys from the U.S. Department of Justice (“DOJ”) relating to  
18 the DOJ’s ongoing investigation into the underlying fraudulent scheme.

19 Having confirmed with a computer forensic examiner and Plaintiff that there  
20 was no need to maintain the Intertrans servers located at a remote co-location  
21 facility in Los Angeles, the servers were taken offline, packaged, and shipped to the  
22 Receiver’s secure storage facility where they are being stored.

23 **III.**

24 **RECEIVERSHIP ACCOUNTING**

25 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the  
26 period April 19, 2022 through August 16, 2022. During this period, receipts were  
27 \$4,227,574.11, primarily comprised of third-party settlement funds (\$4,200,000.00)  
28 and transfers from the Receivership Entities’ merchant accounts (\$26,599.80).

1 Disbursements were \$336,606.85, primarily comprised of the Court-approved  
2 payment of the Receiver's Second Interim Fee Application (ECF No. 132)  
3 (Receiver's fees and expenses of \$95,304.85; legal fees and expenses of  
4 \$232,627.25; and IT forensic consultant fees and expenses of \$844.20), and  
5 Relativity database hosting (\$5,619.55). Net available cash as of August 16, 2022  
6 is \$4,823,938.96.

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Dated: August 17, 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 17th day of August, 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*