

1 Andrew M. Greene (SBN 167386)
agreene@mcnamarallp.com
2 Cornelia J. B. Gordon (SBN 320207)
cgordon@mcnamarallp.com
3 McNamara Smith LLP
655 West Broadway, Suite 900
4 San Diego, California 92101
Telephone: 619-269-0400
5 Facsimile: 619-269-0401

6 *Attorneys for Receiver,*
Thomas W. McNamara

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

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

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

**RECEIVER’S FIFTH 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), the receiver files this 120-day status report for the period of
20 August 17, 2022 through December 14, 2022.

21 **I.**

22 **INTRODUCTION**

23 On August 20, 2021, this Court entered a Temporary Restraining Order
24 (“TRO,” ECF No. 19) and appointed Thomas W. McNamara as temporary receiver
25 (“Receiver”) for Receivership Entities Internet Transaction Services, Inc. and
26 Intertrans.com, Inc. (collectively, “Intertrans”). Pursuant to the provisions of the
27 Preliminary Injunction (ECF No. 34) entered on September 2, 2021, the Receiver’s
28 appointment was confirmed. On January 5, 2022, the Court entered its Final Order

1 of Permanent Injunction (ECF No. 112) which extended the Receivership to
2 include the Shell Entity Defendants as Receivership Entities (as those terms are
3 defined in that Order).

4 **II.**

5 **RECEIVERSHIP ACTIVITIES**

6 **A. Investigation, Pursuit and Settlement of Third-Party Claims**

7 During this period, the Receiver completed investigations into potential
8 Receivership Estate claims against third parties. The Receiver has reached two
9 separate settlements with non-parties since his last report, along with another
10 settlement in principle. The two completed settlements were reviewed and recently
11 approved by the Court. (*See* ECF Nos. 143 and 144.) The settlements were the
12 result of a thorough investigation by the Receiver’s team and extensive settlement
13 discussions and negotiations with the settling parties and their counsel.

14 Importantly, these settlements, as well as the previous \$4,200,000 settlement with
15 one of Defendants’ primary merchant processors, were all achieved pre-litigation,
16 without the significant expense and liability/collection risk. Assuming the Court
17 approves the settlement in principle (which the Receiver will submit for approval
18 shortly), the Receiver anticipates being able to conclude the receivership during the
19 next 120-day period.

20 1. The Sapperstein Settlement

21 As detailed more fully in the parties’ recently granted joint motion for
22 approval (ECF No. 141), during this period the Receiver resolved claims against
23 Theodore Sapperstein and his companies, Hayes Consulting LLC, and Hayes
24 Markets LLC. Sapperstein received Receivership Entity-related commissions from
25 Linden Fellerman’s former company, Secure Payment Systems Inc. (“SPS”), and
26 contracted to act as the payment processor for a follow-on scheme executed by
27 Sapperstein and Defendant Michael Young. After an investigation, including
28 witness interviews, a detailed demand letter, and months of settlement negotiations,

1 a settlement was reached in which Sapperstein paid the Receivership Estate
2 \$125,000 initially and is obligated to pay another \$100,000 in three equal
3 installments due January 31, May 1, and July 30, 2023.

4 2. The LoConti Settlement

5 Similarly, as detailed more fully in the parties’ recently granted joint motion
6 for approval (ECF No. 142), the Receiver negotiated and ultimately reached a
7 settlement with Henry LoConti and his company, Global Pay LLC (collectively,
8 “LoConti”). Like Sapperstein, LoConti acted as an agent for SPS, as well as other
9 merchant processors, and received commissions and fees related to the
10 Receivership Entities. Following a lengthy video presentation to LoConti on July
11 13, 2022, the Receiver and LoConti engaged in extensive settlement discussions.
12 These efforts ultimately resulted in LoConti paying \$107,500 in settlement of the
13 Receiver’s claims.

14 3. Settlement in Principle with a Financial Institution

15 Also during this period, the Receiver continued his investigation into post-
16 receivership transactions from an account at a third-party financial institution
17 belonging to Receivership Entity Dollar Web Sales. That investigation led him to
18 draft and present a detailed letter to the financial institution, which included
19 evidentiary support for the Receiver’s potential claims and a settlement demand.
20 On December 15, 2022, the Receiver’s team reached a settlement in principle with
21 the financial institution, which the Receiver will present to the Court for review and
22 approval shortly.

23 **B. Miscellaneous**

24 The Receiver recently conducted a review and analysis of potentially
25 privileged Receivership Entity documents. The evaluation included identifying and
26 protecting documents which appeared to be covered by individual defendants’
27 personal attorney-client privilege and waiving privilege (as appropriate) on

28 ///

1 documents where the Receivership Entities were the exclusive or joint holder of the
2 privilege.

3 Finally, the Receiver’s team recently sold the Intertrans.com domain name.

4 **III.**

5 **RECEIVERSHIP ACCOUNTING**

6 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the
7 period August 17, 2022 through December 14, 2022. During this period, receipts
8 were \$242,480.02, primarily comprised of third-party settlement funds
9 (\$232,500.00). Disbursements were \$5,425.75, primarily comprised of database
10 hosting (\$4,769.75). Net available cash as of December 14, 2022 is \$5,060,993.23.

11
12 Dated: December 15, 2022

MCNAMARA SMITH LLP

13
14 By: /s/ Andrew M. Greene
15 Andrew M. Greene
16 *Attorneys for Receiver,*
17 *Thomas W. McNamara*
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of December, 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