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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

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UNITED STATES OF AMERICA,

Plaintiff,

v.

INTERNET TRANSACTION
SERVICES, INC., et al.,

Defendants.

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

**RECEIVER’S SIXTH INTERIM
STATUS REPORT**

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

1 Pursuant to Section III.B.11. of the Permanent Injunction entered January 5,
2 2022 (ECF No. 112), the receiver files this 120-day status report for the period of
3 December 15, 2022 through April 13, 2023.

4 **I.**

5 **INTRODUCTION**

6 On August 20, 2021, this Court entered a Temporary Restraining Order
7 (“TRO,” ECF No. 19) and appointed Thomas W. McNamara as temporary receiver
8 (“Receiver”) for Receivership Entities Internet Transaction Services, Inc. and
9 Intertrans.com, Inc. (collectively, “Intertrans”). Pursuant to the provisions of the
10 Preliminary Injunction (ECF No. 34) entered on September 2, 2021, the Receiver’s
11 appointment was confirmed. On January 5, 2022, the Court entered its Final Order
12 of Permanent Injunction (ECF No. 112) which extended the receivership to include
13 the Shell Entity Defendants as Receivership Entities (as those terms are defined in
14 that Order).

15 **II.**

16 **RECEIVERSHIP ACTIVITIES**

17 **A. Settlement of Third-Party Claims and Enforcement of Approved**
18 **Settlement**

19 During this period, the Receiver completed a settlement with a non-party,
20 took steps to enforce a settlement against a defaulting non-party, and is
21 coordinating with the Plaintiff to wrap up the receivership in the coming weeks. As
22 the Court is aware, the Receiver memorialized and completed a settlement with a
23 non-party financial institution and that settlement was reviewed and approved by
24 the Court (*see* ECF Nos. 146 and 152). The settlement payment has been received.
25 The Receiver also obtained entry of judgment against a third-party who previously
26 settled with the Receiver and then defaulted on his payment obligations.
27 Notwithstanding the default, pre-litigation settlements have resulted in the return of
28 over \$4.7 million to the receivership. The Receiver is coordinating with the

1 Plaintiff on the process to turnover receivership funds and intends to file a motion
2 for discharge within the next 60-90 days.

3 1. Settlement with a Third-Party Financial Institution

4 As referenced in the Receiver’s prior status report, the Receiver’s
5 investigation into post-receivership transactions from an account of Receivership
6 Entity Dollar Web Sales, ultimately resulted in a settlement with the financial
7 institution. During this period, that settlement was memorialized and submitted to
8 the Court for its review and approval, which was granted on February 7, 2022.
9 (ECF No. 152.) The \$315,000 settlement payment was subsequently completed.

10 2. The Sapperstein Default

11 In connection with the Receiver’s Court-approved settlement of claims
12 against Theodore Sapperstein and his companies, Hayes Consulting LLC, and
13 Hayes Markets LLC (collectively the “Sapperstein Parties), the Sapperstein Parties
14 remitted their first required settlement payment of \$125,000.00. However, on
15 January 31, 2023, the Sapperstein Parties failed to make their second required
16 installment payment of \$33,333.33, resulting in the Receiver issuing a Notice of
17 Default. After the default remained uncured, the Receiver moved the Court for
18 entry of judgment against the Sapperstein Parties pursuant to a Confession of
19 Judgment previously executed by the Sapperstein Parties in the sum of \$99,999.99.
20 The Receiver is the process of engaging collection counsel to attempt collection of
21 the judgment, which will be done on a contingency basis with a 30% fee to
22 collection counsel. If any additional funds are successfully recovered following the
23 closure of the receivership, the proceeds will be assigned to the Plaintiff.

24 3. Coordination with Plaintiff for Turnover of Assets

25 Finally, the Receiver has been coordinating with Plaintiff regarding a
26 turnover of the Receivership Assets and the closure of the Receivership Estate. The
27 Receiver understands that Plaintiff will soon file a civil forfeiture complaint for
28 recovery of the Court-approved settlement proceeds held by the Receiver, which

1 will be followed-up by a second forfeiture action following the wind-up of the
2 receivership.

3 **III.**
4 **RECEIVERSHIP ACCOUNTING**

5 Attached as Exhibit 1 is a Receipts and Disbursements Summary for the
6 period December 15, 2022 through April 13, 2023. During this period, receipts
7 were \$337,110.43, primarily comprised of third-party settlement funds
8 (\$315,000.00). Disbursements were \$5,478.70, primarily comprised of database
9 hosting (\$4,822.70). Net available cash as of April 13, 2023 is \$5,392,624.96.

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11 Dated: April 13, 2023

MCNAMARA SMITH LLP

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13 By: /s/ Andrew M. Greene
14 Andrew M. Greene
15 *Attorneys for Receiver,*
16 *Thomas W. McNamara*

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CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of April, 2023, 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