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Texas Judge Won't Halt Receiver's Work In \$9.9M Judgment

By **Michelle Casady**

Law360 (April 28, 2022, 8:28 PM EDT) -- A Texas state court judge on Thursday denied a request from World Class Holdings LLC to stop a court-appointed receiver from continuing his work in trying to collect a \$9.9 million breach of contract judgment against related companies.

Harris County District Judge Ursula Hall heard about an hour of arguments Thursday afternoon before deciding that there wasn't enough evidence to say receiver Seth Kretzer had acted outside the bounds of good faith and reasonableness in trying to recover funds for Princeton Capital Corp. from Great Value Storage LLC and World Class Capital Group LLC.

World Class Holdings filed this lawsuit against Kretzer on March 21, alleging he wrongly seized \$275,000 from World Class Holdings' Bank of America account, when that company has nothing to do with the underlying \$9.9 million judgment. Kretzer alleges that money is among millions of dollars being fraudulently transferred to corporate shell entities to avoid paying the judgment.

"The law has dictated the result here, and I believe it's proper to deny the [temporary injunction]," Judge Hall said. "I find there is no basis to enjoin Mr. Kretzer."

World Class Holdings, the plaintiff company in this case, is controlled by Nate Paul, as are the companies on the hook for the \$9.9 million judgment, Great Value and World Class Capital. Paul, an Austin real estate developer, has been under scrutiny since it was widely reported in 2019 that the FBI raided his home and offices. Paul is also a central figure **in a whistleblower lawsuit** currently pending against Texas Attorney General Ken Paxton.

Several of Paxton's top aides have alleged they were fired after reporting to the FBI and Texas Rangers that Paxton was abusing the power of his office to benefit Paul, a campaign donor.

Manfred Sternberg of Manfred Sternberg & Associates PC, who represents World Class Holdings, told Judge Hall on Thursday that Kretzer has gone "rogue" under the cloak of "some sort of super judicial immunity" and has taken money from his client that he has no right to touch.

"Right now, he's committing — I don't say this very often — he's committing felonies in the name of this court all over Texas," Sternberg said. "He has grabbed probably close to \$100 million worth of assets from third parties ... but the court should remember: we don't have a judgment against Mr. Paul ... and there's no finding these companies are inextricably intertwined. It's a separate company."

Sternberg said that while he's not representing the other entities at this time, he believes eight other third-party companies have had their assets wrongfully seized by Kretzer.

Judge Hall asked Sternberg whether he agreed that the case law and statutes make clear that property seized or obtained by a receiver doesn't have to be actually under the parties' control "but subject to their control." He said he agreed, but said there must be a connection between the companies.

"And just because Mr. Kretzer says there's a connection doesn't mean there's a connection," he said.

Judge Hall said that's true.

"But it does mean that as a receiver he can act on his belief," she said. "The court doesn't become an arbiter of every transaction a receiver performs."

James Volberding of Kretzer & Volberding PC, who represents Kretzer, told Judge Hall on Thursday that the injunction should be denied because all World Class Holdings is seeking here is the recovery of money, so there is no irreparable harm, and also the claims fail because of Kretzer's immunity in his role as receiver.

In a brief presentation to the court, Volberding provided documents he said Paul filed with the Texas Comptroller last summer where he listed World Class Holdings as an affiliated company of his parent company, World Class Capital.

"Yes, it is subject to his control," Volberding said. "My recommendation is to deny the injunction. There's insufficient evidence it's an independent company ... and he can't show he can succeed on the merits because there's overwhelming proof of fraudulent transfers of World Class Capital Group money by Mr. Paul."

Great Value and World Class Capital have appealed the \$9.9 million judgment, and it is currently pending before the First Court of Appeals in Houston, according to court records.

World Class is represented by Manfred Sternberg of Manfred Sternberg & Associates PC.

Kretzer is represented by James Volberding of Kretzer & Volberding PC.

The case is World Class Holdings LLC v. Seth Kretzer, case number 2022-16833, in the 165th District Court in Harris County, Texas.

--Editing by Ellen Johnson.

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