No. 01-21-00284-CV

In the First Court of Appeals
Houston, Texas

GREAT VALUE STORAGE, LLC and
WORLD CLASS CAPITAL GROUP, LLC,

Appellants,

v.

PRINCETON CAPITAL CORPORATION,

Appellee.

On appeal from the 165TH District Court
Harris County, Texas
No. 2019-18855

BRIEF OF THE RECEIVER AND RESPONSE TO APPELLANTS' RULE 29.3 MOTION

JAMES W. VOLBERDING
SBN: 00786313

KRETZER & VOLBERDING, P.C.
110 N. College Avenue
Suite 1850, Plaza Tower
Tyler, Texas 75702
(903) 597-6622 (office)
(713) 929-2019 (fax)
e-mail: james@volberdinglawfirm.com

Counsel for Receiver

SETH KRETZER
SBN: 24043764

KRETZER & VOLBERDING, P.C.
9119 South Gessner Street
Suite 105
Houston, TX 77074
(713) 775-3050 (office)
(713) 929-2019 (fax)
email: seth@kretzerfirm.com

Receiver

ORAL ARGUMENT REQUESTED

TO THE HONORABLE FIRST COURT OF APPEALS:

The court-appointed Receiver, Mr. Seth Kretzer, respectfully submits this response to Appellants' *Brief Regarding Interlocutory Appeal of Order Appointing Receiver* and *Appellants' April 6, 2022 Rule 29.3 Motion for Temporary Order*.

Mr. Kretzer asks the Court to deny Mr. Nate Paul's challenge to Judge Hall's September 9, 2021 receivership order. The record contains overwhelming evidence of fraudulent transfer and misappropriation of assets and cash from the companies and subsidiaries by Mr. Paul.

CONTENTS

AUTHORITIES

CASES

STATUTES

RULES

TREATISES

OTHER AUTHORITIES

STATEMENT OF THE CASE

Nature of the case	Suit on commercial loan agreement. Judgment debtors appeal an order appointing a receiver.
District court	Hon. Ursula Hall, 165th District Court, Harris County
Course and disposition of proceedings	The Lender sued for default of real estate note covering commercial property. The two defendant Corporations, controlled by Mr. Nate Paul, refused to provide discovery. Court granted summary judgment for Lender and rendered final judgment for $9.9 million. Mr. Paul refused to post supersedeas bond for the two Corporations and transferred all corporate assets and money. Court appointed Receiver.
Supplemental Record	On March 14, 2022, Princeton Capital asked the District Clerk to deliver a supplemental record. *See* docket sheet, 01-21-00284-CV, March 15, 2022 Letter. The Clerk has not yet done so. Record citations are therefore to the supplemental documents requested, indicating document, page, and date filed.

STATEMENT REGARDING ORAL ARGUMENT

Oral argument has been set for June. This appeal is fact intensive. The legal and factual issues overlap federal and state court. Mr. Paul defaulted three of his challenges by not raising in in the lower court and obtaining rulings. Oral argument will address these issues clearly.

ISSUES (RESTATED)

1. Whether, upon the Plaintiff / Judgment Creditor's motion for appointment of a receiver, the district court abused its discretion by appointing a receiver over two corporations pursuant to Texas Civil Practice and Remedies Code chapter 31 to enforce the court's unpaid judgment, for which no supersedeas bond was filed?

2. Whether the Court should consider for the first time on appeal three new challenges to the district court's receivership order, which were not made to the district court in response to the receivership motion?

INTRODUCTION

> *"Because [Appellants] appellants did not comply with this Court's order, the order of October 26, 2021 was withdrawn, the [receivership] abatement was lifted, ... To date, appellants have not sought approval from the trial court of their nominal cash deposit."*
>
> *Great Value Storage, LLC, et al. v. Princeton Capital Corp.*, no. 01-21-00284-CV, First Court of Appeals, Houston (December 23, 2021).

Judge Hall's receivership order is both proper and necessary. Mr. Nate Paul created hundreds of corporate shells to hold commercial real estate along the I-35 corridor from Dallas to San Antonio. Hundreds of millions of dollars are missing and unaccounted for. Mr. Kretzer is the court-appointed Receiver for the parent entities, *World Class Capital Group, LLC* and for *Great Value Storage, LLC*, two of Mr. Paul's corporate shells. Mr. Paul—whose home and office were searched by the FBI pursuant to a U.S. Magistrate search warrant finding probable cause of criminal activity (CR 289, 292)—uses these corporate shells to hide and shuffle cash and assets away from creditors who loaned him money, conceal records, disguise cash transfers, and obstruct courts, creditors, trustees and receivers. There are presently more than 170 distinct court actions by or against Nate Paul and his entities in state and federal courts in Texas, New York, and Delaware. More than 40 court orders have been issued by state and federal judges seeking to control and compel Mr. Paul actions, including by this Court. He defied them all—including those of this Court.

Texas statutes and case law support the concept and necessity of receiverships, by which a court may secure property and accounts when necessary to enforce its orders and judgments, and to protect the interests of creditors. The commercial real estate market operates on the legal premise that banks and investors may lend and invest money—and recover their money and assets when unpaid. It is fairly tautologic that these commercial rights must enforceable by court orders. In this appeal, as he has in others, Mr. Paul seeks to block all courts and creditors from the money, accounts and real estate he has fraudulently transferred beyond their reach, which the Receiver seeks to recover and hold, pending further orders and instruction by Judge Hall. This Court should put a firm and unequivocal stop to Mr. Paul's pernicious effort to derail and disrupt this vital effort.

Without repeating Princeton Capital's discussion and argument, this brief will provide an overview of the circumstances requiring receivership, evaluate objections made by Appellants when the motion was filed, refute the three new unpreserved challenges they now make on appeal, document that more than $94 million of missing but traceable assets and cash have been identified by the Receiver, and, finally, explain the nature, extent and sources of robust Texas law on receiverships for precisely circumstances as these.

STATEMENT OF FACTS

Receiver is dissatisfied with the statement of facts presented by Appellants and presents this statement pursuant to Rule 38.2(a)(B).

I. District Judge Ursula Hall Appointed Mr. Kretzer as Receiver for the Parent Company over Mr. Paul's Real Estate Enterprise.

Following a March 4, 2021 $9.7 final judgment in the 165th District Court in Houston in favor of Princeton Capital, CR 333, 351, the Honorable District Judge Ursula Hall appointed Mr. Kretzer as Receiver for the two parent judgment debtors, *World Class Capital Group, LLC*, and *Great Value Storage, LLC*. CR.193.

Leading up to the judgment, Princeton Capital, a real estate creditor whose predecessor loaned Nate Paul's entities $5.6 million, CR.5-14, served Appellants with routine discovery for garden variety financial records, such as transaction documents, payments, communication, and clear understanding of Appellants' transactions. *See* CR 14. Mr. Paul and his attorneys obstructed all discovery. They delivered no documents or answers whatsoever. *See* CR 38-39. They made specious objections ungrounded in Texas law or the facts of the loan transaction. *See* CR 44-59, *also* 18, 21, 27.

In the summer of 2021, Princeton Capital served Appellants and his attorneys with routine post-judgment financial document discovery. Appellants and their attorneys refused to provide *any* documents, objecting to every request a for a total of 57 objections, and without providing a single page of financial records. (*See Appellants' Reply to Receiver's Response*, no. 01-21-00284-CV, at p. 12, n. 6: "Appellants' counsel apologizes

for mistakenly representing that Princeton served no post-judgment discovery. Motion to Stay at 9. Counsel accurately stated that Princeton served no post-judgment discovery before asking the trial court to appoint a receiver. Motion to Stay at 4.").

On September 8, 2021, Judge Hall appointed Mr. Kretzer as Receiver for *World Class Capital Group, LLC*, and *Great Value Storage, LLC*. CR 193.

As the Receiver began to search for documents from third parties and to seize assets, Appellants filed a series of emergency motions and a mandamus action against the receivership order. He did not supersede the judgment. Appellants did, however, file self-serving affidavits by Mr. Paul and a bookkeeper, claiming the companies have no equity at all. They posted a $100 deposit for each company with the clerk, asserting these constitute adequate supersedeas bonds for the two companies and their tens of millions of real estate. Their affidavits contradict corporate records supplied earlier indicating both entities held millions in cash and assets. Mr. Paul and the bookkeeper are vague and equivocating when asked where the assets and cash went. *See* Declaration of Barbara Lee for World Class Capital Group, LLC (12/3/21), Image No.: 99259552; Declaration of Natin Paul (12/14/21), Image No.: 99431223; *Princeton Capital Corp.'s Motion to Show Cause and Motion for Sanctions*, Image No. 100524048, filed 2/22/22 (supplemental record).

In one of their first motions in this Court, October 5, 2021, Appellants admitted Mr. Paul had fraudulently transferred $96,000 **mere days** after Judge Hall signed the receivership order. *See Appellants' Emergency Motion to Stay Appointment of Receiver*, Oct. 5,

2021, at 3, n.1 ("forcing the judgment debtor [Nate Paul] to remove GVS as a property manager and thereby depriving GVS of revenue from its management role."); *Appellants' Reply to Receiver's Response*, Oct. 20, 2021, at 17 admitting, "allowing the debtor storage property owners [Nate Paul] to cancel the Property Management Agreement for cause.").

On December 23, 2021, the Court, for the second time, ordered Appellants to return to Judge Hall and create a record to demonstrate the proper amount of the supersedeas bond:

> Because appellants did not comply with this Court's order, the order of October 26, 2021 was withdrawn, the abatement was lifted, the appeal was reinstated on the active docket, and the temporary grant of appellants' motion for emergency relief was withdrawn and the motion for emergency relief was denied. This ruling stated that it did not prevent appellants from obtaining suspension of enforcement of the judgment by obtaining the trial court's approval of a good and sufficient bond. *See* TEX. R. APP. P. 24.1(a),(b)(2). To date, appellants have not sought approval from the trial court of their nominal cash deposit.
>
> Appellants also filed an original proceeding in appellate cause number 01-21-00672-CV challenging the trial court and the receiver's actions in enforcing the judgment after appellants filed a nominal cash deposit. This Court issued an order on December 6, 2021, granting the motion for temporary relief, and stayed the trial court's order appointing the receiver. Today, we **withdraw that order and lift that stay**.

See Order, Dec. 23, 2021, No. 01-21-00284-CV.

Appellants did not do so. They refused to comply with Judge Hall's order to provide corporate asset documents and records to Princeton Capital in preparation for the bond hearing. *See Princeton Capital Corp.'s Motion to Show Cause and Motion for Sanctions*, Image No. 100524048, filed 2/22/22 (supplemental record).

II. In Response to Appellants' Continued Concealment of Assets and Evidence of Transfers as Late as January, Judge Hall Imposed a Temporary Injunction to Prevent Asset Transfers.

Concerned that Mr. Paul would continue to transfer assets, Judge Hall issued, *sua sponte*, a temporary injunction January 17, 2022, barring Appellants from transferring any assets until she decides the supersedeas bond question:

> ORDERED, ADJUDGED, and DECREED that Great Value Storage, LLC ("GVS") and World Class Capital Group, LLC ("WCCG") are ENJOINED from dissipating or transferring assets to avoid satisfaction of the judgment, until a ruling is entered resolving the Contest, pursuant to Tex. R. App. P. 24.2(c)(2), currently set to be heard on January 28, 2022.
>
> Signed January 17, 2022
>
> Ursula Hall
>
> Hon. URSULA A. HALL
> Judge, 165th District Court

See Order, Jan. 17, 2022 (supplemental record requested).

III. The Record Demonstrates Mr. Paul Persistently Abuses the Legal System by Filing Frivolous Lawsuits Against Court and Government Officials Who are Merely Doing Their Jobs.

Mr. Paul, through his World Class entities, is a frequent litigant in Texas and federal courts. Many of the World Class entities are in bankruptcy. A number of these entities, like this parent entity for which Mr. Kretzer has been appointed as Receiver, have defaulted on commercial loans held by lenders across Texas. All of these entities are controlled by Paul.[1]

[1] *See, e.g.*, Edgar Walters, *Who is Nate Paul, the Real Estate Investor Linked to Abuse-of-Office Allegations*

Mr. Paul sued a series of public officials, including the FBI agents who searched his office and residence pursuant to a search warrant signed by a federal magistrate judge. *See Paul v. Sabban et al.*, Civil Action No. 1:21-CV-00954 (W.D. Tex. Oct. 21, 2021); *see* CR 289, 292.

He sued the receiver appointed by Hon. Travis County District Judge Jan Soifer, Mr. Greg Milligan, and his attorneys. *See 1st and Trinity Super Majority, LLC, et al. v. Gregory S. Milligan, Receiver, et al.*, no. D-1-GN-20-003550 (250th Dist. Crt., Travis Co.).

Mr. Paul—and some of his lawyers—have been sanctioned and criticized by numerous courts for misconduct, including filing frivolous lawsuits:

- *See* Order, *In re: WC Culebra Crossing SA, LP*, no. 21-10360-TMD (Ch. 11), Order (W.D. Tex. Dec. 22, 2021) (finding Nate Paul debtor entity in contempt, effectively concluding that Paul lied about transfers of assets and construction of back dated documents);

- *See* Order, *Gibson, Dunn & Crutcher, LLP v. World Class Capital Group, LLC*, no. D-1-GN-20-007513 (Tex. D.C. 53rd Travis Co.) ("Judgment Debtor World Class Capital Group, LLC ("WCCG") is found to be in contempt of Court.");

- *WC 1st & Trinity, LP v. Roy F. & JoAnn Cole Mitte Foundation*, Nos. 03-19-00709-CV, 03-19-00905-CV, 2021 Tex. App. LEXIS 8016 * 11, 31 (Tex. App. – Austin, Sept. 30, 2021, pet. denied, no. 21-0961, Jan. 21, 2022). ("The district court could reasonably conclude that the [Appellants] General Partners misrepresented that the Properties had been sold to avoid the receivership and so that Mitte would accept less than the true value of its interest in the Limited Partnerships.") ("The attachments to the motion reflect that the district court has ordered appellants and Paul

Against Texas Attorney General Ken Paxton?, TEXAS TRIBUNE (Oct. 7, 2020), https://www.texastribune.org/2020/10/07/nate-paul-ken-paxton/.

to pay Milligan $105,346 in sanctions for failure to comply with the district court's orders.").

- *See In re WC 1st and Trinity v. The Roy F. and JoAnn Cole Mitte Foundation*, LP, no. 03-19-00905-CV (Tex. App.—Austin November 30, 2021) ("Appellant's Emergency Motion for Stay of Alienation in Trial Court and to Review Further Trial Court Order or, Alternatively, to Require Trial Court to Set Appropriate Security and Allow for Supersedeas was denied by this Court on the date noted above.");

- *See* Final Judgment, *1st and Trinity Super Majority, LLC, et al. v. Gregory S. Milligan, Receiver*, No. D-1-GN-20-003550 (250th Dist. Crt., Travis Co., Oct. 12, 2020) (dismissing baseless suit against Austin appointed Receiver and imposing $259,000 sanctions on attorney for Appellants).

Your Receiver has not been exempted from Mr. Paul's personal and legal attacks. On November 30, 2021, Mr. Paul, through two subsidiary shell companies, sued the Receiver, Mr. Kretzer, individually, and his law firm. *See WC 4th and Colorado, LP, et al. v. Seth Krezer, Receiver, et al.*, no. 2021-77945 (133rd Dist. Crt. Harris Co.). (The Receiver's Rule 91a motion to dismiss is pending.) The petition is peppered with personal attacks. *See* Image No.: 99176066 (*e.g.*, "Seth Kretzer has gone mad," p. 1, "self-aggrandizing," p. 2, "delusions of grandeur," p. 9.).

Three weeks ago, March 31, 2022, Mr. Paul sued the Receiver again, through another shell company. *See World Class Holdings, LLC v. Seth Kretzer, Receiver*, no. 2022-16833 (165th Dist. Crt., Harris Co.) (also pending Rule 91a motion to dismiss). Again, Mr. Paul levels invectives. *See* Image No.: 101316689 ("bully," p. 3, "rogue," p. 4.).

SUMMARY OF THE ARGUMENT

Judge Hall's receivership appointment order rests on abundant evidence of non-exempt assets of the two Appellant entities.

In response to Princeton Capital's motion for appointment of a receiver, Appellants lodged three objections, only one of which they present now: insufficient record evidence of assets. The three new challenges Appellants now raise in their brief were waived. Appellants present no justification for excusing their default.

This Court is not bound by the Appellants' self-declared poverty in the face of record and public evidence of millions of cash and real estate.

Receiver has identified more than $94 million in missing assets and cash, and millions more in real estate, owned by the Appellants.

A receiver is not confined to a charging order when the sole corporate officer loots his companies, then asserts the Judgment Creditor, Receiver and Court, cannot prove where he hid the money and assets.

ARGUMENT

I. Judge Hall Correctly Rested Her September 9, 2021 Receivership Order on Proof That Appellants do in Fact Own Substantial Assets Subject to Receivership Custody and Liquidation.

Appellants are adamant: "Princeton's application was not verified, accompanied by an affidavit, nor supplemented with evidence." Appellants' Brief, p. 9.

Appellants, represented by experienced counsel, lodged three, and only three, objections to Princeton Capital's motion for appointment of a receiver:

- Insufficient evidence of available corporate assets for a receiver to seize to satisfy the judgment;
- Failure to satisfy the legal requisites for appointment of a receiver;
- Mr. Kretzer is unqualified for appointment as receiver.

See CR 167.

A. The record before Judge Hall contained abundant evidence that the two corporate entities owned substantial non-exempt assets.

Stream of Contractual Management Fee Payments Owned by GVS. First, Appellants admitted early that *Great Value Storage, LLC* has assets. Astonishingly, they confessed in their October 5, 2021 and October 20, 2021 filings in this Court that Appellants committed a violation of the Texas Uniform Fraudulent Transfer Act. On page 3, footnote 1 of their October 5, 2021 motion to suspend the receivership, they wrote, "Receiver's aggressive conduct in the In re: GVS Texas Holdings I, LLC

bankruptcy was a significant factor in forcing the judgment debtor [Nate Paul] to remove GVS as a property manager and thereby depriving GVS of revenue.").

This statement constitutes a Rule of Evidence 801(e)(2) judicial admission by a party opponent. GVS admitted that when the Receiver began his work to recover assets, GVS [Nate Pau] immediately responded by cutting off a valuable *pre-existing* intercompany contract and stream of revenue—approximately $96,000 per month—that otherwise would have flowed to GVS, then to the receivership estate, then to satisfy the outstanding Princeton judgment. GVS thus admitted to the elements of a fraudulent insider transfer in violation of the Texas Uninform Fraudulent Transfer Act. 24. Tex. Bus. & Com. Code § 24.005 (2019); *see* § 24.002(7)(B), (D), (E) (2019) (definition of insider includes officers, persons in control, managing agents, affiliates); *see* § 24.002(12) ("'Transfer' means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of ***disposing of or parting with an asset or an interest in an asset***, ..."). This misappropriated stream payments alone amounts to more than **$672,000** ($96,000 per month from October through April).

The cash flow that Mr. Paul cut off constitutes judicial admission that GVS had, at the least, this valuable cash asset. Further, GVS's right to recovery of this fraudulently transferred cash constitutes an intangible asset in the form of a cause of action against the insiders for breach of fiduciary duty and against the entity which now holds the accumulating cash. (Directors and officers owe their corporation a duty of obedience,

a duty of care, and a duty of loyalty. *See Ritchie v. Rupe*, 443 S.W.3d 856, 868 (Tex. 2014); *Gearhart Indus, Inc. v. Smith Int'l, Inc.*, 741 F.2d 707, 719-721 (5th Cir. 1984); *FDIC v. Harrington*, 844F. Supp. 300, 306 (N.D. Tex. 1994); *Resolution Trust Corp. v. Norris*, 830 F. Supp. 351 (S.D. Tex. 1993).)

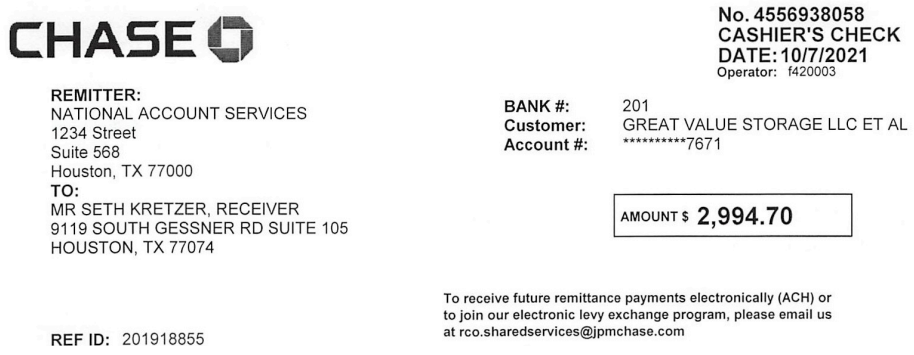
This wrongful transfer, occurring after the issuance of the receivership order, is void. Not voidable, void. *See First Southern Properties, Inc. v. Vallone*, 533 S.W.2d 339, 341 (Tex. 1976).

The Third Court of Appeals identified the same sort of fraudulent transfer activity by Nate Paul and his entities: "It was only [Receiver] Milligan's status as receiver that enabled him to obtain WC 1st's bank records directly from the financial institution and discover the unexplained transfers to WCCG." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 35.

Further, Appellants' admission of a fraudulent transfer invokes the doctrine of unclean hands that the Court is entitled to consider to deny their challenge to Judge Hall's receivership order. The doctrine applies against equitable claims, such as opposition against a necessary receivership, not common law or statutory claims. *Steuber Realty 19, Ltd. v. Cravens Rd. 88, Ltd.*, 817 S.W.2d 160, 165 (Tex. App.—Houston [1st Dist.], no pet.); *Ligon v. E.F. Hutton & Co.,* 428 S.W. 2d 434 (Tex. Civ. App.—Dallas 1968, writ ref'd n.r.e.). Appellants have no justification to seek relief having committed misconduct on the way to the Court's door.

Bank Account Containing Cash Owned by GVS. Next, any bank account is the paradigmatic non-exempt asset. *Am. Express Travel Related Servs. v. Harris*, 831 S.W.2d 531, 533 (Tex. App.—Houston [14th Dist.] 1992) ("[W]hen appellee received his paychecks from his employer and deposited them into his checking account with garnishee bank, such wages were no longer exempt and were properly subject to garnishment by appellant.").

Below is a check received from Chase Bank showing that *Great Value Storage LLC* owned—*in its own name and not that of any subsidiary*—$2,994.70 cash at Chase Bank at the inception of the receivership, not disclosed to Judge Hall:



CHASE

REMITTER:
NATIONAL ACCOUNT SERVICES
1234 Street
Suite 568
Houston, TX 77000
TO:
MR SETH KRETZER, RECEIVER
9119 SOUTH GESSNER RD SUITE 105
HOUSTON, TX 77074

REF ID: 201918855

No. 4556938058
CASHIER'S CHECK
DATE: 10/7/2021
Operator: f420003

BANK #: 201
Customer: GREAT VALUE STORAGE LLC ET AL
Account #: **********7671

AMOUNT $ 2,994.70

To receive future remittance payments electronically (ACH) or to join our electronic levy exchange program, please email us at rco.sharedservices@jpmchase.com

See Receiver's Response to Appellants' Rule 29.3 Motion for Temporary Orders, Oct. 13, 2021, at 9, exh. 15.

Valuable Website and Name Brand Intellectual Property. The assets include valuable brand name, websites and URLs, functioning as of today's brief. *See* https://www.world-class.com; *also* https://www.greatvaluestorage.com. *See id.* at 9-12.

A company website, including this one, constitutes a manifestation of branding, marketing, creativity, identification, and communication. Consequently, if the website is created uniquely, as this one is, the site constitutes copyrighted intellectual property, which can be valuable and essential to the company. *See, e.g., U.S. Patent and Trademark Office v. Booking.com B.V.,* 591 U.S. ___ (2020) (acknowledging value of websites containing an otherwise generic name); *accord Booking.com*, 591 U.S. at ____ (Breyer, J., dissenting) (*citing* Meystedt, What Is My URL Worth? Placing a Value on Premium Domain Names, 19 *Valuation Strategies* 10, 12 (2015) (noting "ability to advertise a single URL and convey exactly what business a company operates"); *cf.* Folsom & Teply, Trademarked Generic Words, 89 *Yale L. J.* 1323, 1337–1338 (1980) (noting "'free advertising' effect").)

Admissions of Valuable Assets. The record before Judge Hall contained evidence that Appellants owned valuable intellectual property:

Intellectual Property

Great Value Storage, LLC has filed for a registered trademark with the U.S. Patent & Trademark Office.

CR 92, 239 (summary judgment evidence).

On their websites, on-line at the time of receivership appointment, Mr. Paul *brags* about the assets held by these Appellant entities, including real estate, customer contract rights, and management contracts rights. Such statements constitute Rule of Evidence 801(e)(2) admissions by a party opponent:

WORLD CLASS

Entrepreneurship with scale.

World Class creates, acquires, and operates businesses that benefit from our flexible capital, extensive global network, operational expertise, and long-term investment horizon. We implement a process-driven approach in pursuit of long-term value creation.

World Class is a multi-billion dollar holding company that owns a diverse portfolio of assets and operating companies. We utilize proprietary processes, a disciplined operating playbook, and a data-driven approach to creating long-term value at our companies. World Class has mastered scaling businesses while maintaining an entrepreneurial culture.

https://www.world-class.com/#real-estate

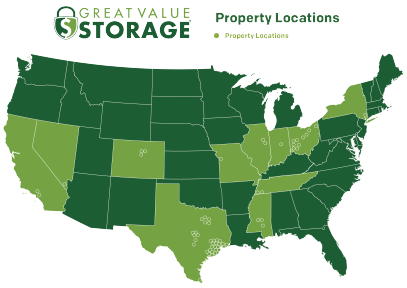
Real Estate

We are one of the largest private real estate owners in the United States. We own and operate an irreplaceable portfolio of iconic properties located in dynamic markets across the country. Our firm is headquartered in Austin, where we are the largest private real estate owner.

Our portfolio spans multiple asset classes, including office, retail, multifamily, industrial, hospitality, self-storage and marinas located across 17 states nationwide. Our vertically-integrated approach of owning, operating, and developing assets allows for world-class execution and nimble decision making.

We believe in developing both properties and long-term relationships—and in doing so—we transform properties in to places and enhance the communities in which we invest. Our portfolio of development sites in unparalleled, with entitlements for over 75 million square feet of potential development within our existing holdings.

https://www.world-class.com/#real-estate



About Great Value Storage

Great Value Storage is one of the nation's largest self-storage companies. With 69 locations and approximately 45,000 units in 11 states, we offer clean, secure, climate-controlled storage in many locations near you.

Since opening our first property in Austin, Great Value Storage has been actively transforming the self-storage market by continually searching to provide storage space at the best price. Don't trust your important belongings to just any self-storage company; demand the best value self-storage in your area. At Great Value Storage, 'Value' is our middle name!

When you rent from one of our storage facilities, you can expect a courteous management staff that has your storage solutions as its number one goal. We offer a variety of amenities including RV, car, and boat parking, climate-controlled storage units, secure storage facilities with 24-hour surveillance systems, moving and storage supplies, a free truck rental, and storage units for all of your belongings – personal and business.

https://www.greatvaluestorage.com/about-us.

See Receiver's Response to Appellants' Rule 29.3 Motion for Temporary Orders, Oct. 13, 2021, at 9-12.

Financial and Corporate Records. Judge Hall also considered financial and corporate records signed by Mr. Paul when he repeatedly borrowed in 2012 and 2014 and refinanced in 2016 the money for which Princeton Capital sued. Mr. Paul assured the Appellants were solvent and owned valuable assets, and would continue to do so.

Record	Document	Description	Comments
CR 17, 22, 164, 169	Note Purchase Agreement, July 31, 2012	Identifies borrowers as Appellants: *Great Value Storage, LLC* and *World Class Capital Group, LLC*.	This 2012 Note Purchase Agreement, and the 2014 additional loan, and the 2016 partial refinancing agreement, were all attached to Princeton's motion for summary judgment, granted by the Court, and therefore, valid record evidence of assets for receivership appointment. CR 164, 169,
CR 28 (para. 2.2)		Covenant. Appellants promised to maintain property storage facilities in good condition.	The promise by Appellants to maintain these valuable real estate storage facilities in good condition is evidence of assets that should exist and still owned by Appellants. Appellants never said otherwise.
CR 31 (para. 2.11)		Promise by Appellants to maintain bank accounts.	Thus, evidence of bank accounts, which are by definition non-exempt assets. Appellants never said otherwise. Receiver found these accounts.
CR 32 (para. 2.16)		Promise of new facilities.	Thus, evidence that Appellants owned new real estate since 2012.
CR 33 (para. 3.2(B), (C))		Promise never to impair or modify the agreement.	Thus, evidence that real estate and equity and accounts are still owned by Appellants.
CR 34		Promise never to dispose of assets or subsidiary equity securities.	Thus, evidence that Appellants still own the assets and subsidiary interests.

Record	Document	Description	Comments
CR 35 (para. 3.8).		Promise never to fraudulently transfer money or assets.	Thus, evidence that Appellants still own the assets and money.
CR 42 (para. 5.7), 239		Ownership of intellectual property.	Thus, evidence Appellants own intellectual property, valuable assets.
CR 43 (para. 5.10)		Appellants will always remain solvent, with assets exceeding liabilities.	Thus, evidence that Appellants still are solvent, consistent with expensive legal representation by Appellants, and what Receiver uncovered.
CR 25, 62 ("Change in Control: (b) WCCG, 90% of equity)		Promise of no change in control of Appellants' equity ownership.	Thus, evidence that WCCG still owns 90% equity or more.
CR 63 ("Domestic Subsidiary")			Thus, evidence Appellants still own subsidiaries, which is what Receiver found.
CR 65 ("Facility") and Exhibit B		Identification of valuable real estate storage units.	Thus, evidence Appellants still own these facilities.
CR 73 ("Subsidiary")			Thus, evidence Appellants still own subsidiaries, which is what Receiver found.
CR 82, 229		Covenants to retain profitability and low debt.	Thus, evidence Appellants are still solvent. Appellants never denied until attempting to evade supersedeas bond.

Here is a list of the real estate, in the form of valuable storage units, Mr. Paul affirmed the Appellants owned in 2012, 2014 and 2016, ample evidence for Judge Hall to conclude, without any contradiction by Appellants in response to Princeton's receivership appointment motion, CR 167, that Appellants owned valuable non-exempt assets:

Exhibit B

List of Facilities

1	5550 Antoine Drive	Houston	Texas	77091
2	6250 Westward Lane	Houston	Texas	77081
3	8801 Boone Road	Houston	Texas	77099
4	8450 Cook Road	Houston	Texas	77072
5	9951 Harwin Road	Houston	Texas	77036
6	10640 Hempstead Road	Houston	Texas	77092
7	14318 Highway 249	Houston	Texas	77086
8	9010 E.F. Lowry Expressway	Texas City	Texas	77591
9	410 North IH-45	Texas City	Texas	77591
10	9530 Skillman St.	Dallas	Texas	75243
11	920 Hwy 80 East	Mesquite	Texas	75149
12	4311 Samuell Blvd.	Dallas	Texas	75228
13	9600 Marion Ridge	Kansas City	Missouri	64137
14	1961 Covington Pike	Memphis	Tennessee	38128
15	7116 S IH 35	Austin	Texas	78745
16	10013 RR 620 N	Austin	Texas	78726
17	13825 FM 306	Canyon Lake	Texas	78133
18	16905 Indian Chief Drive	Cedar Park	Texas	78613
19	613 North Freeway	Fort Worth	Texas	76012
20	4901 South Freeway	Fort Worth	Texas	76115
21	2407 U.S. 183	Leander	Texas	78641
22	18050 Ronald Reagan Blvd	Leander	Texas	78641
23	1151 East Expressway 83	San Benito	Texas	78586

CR 78, 225 (summary judgment motion).

Further, Judge Hall's record contained evidence that Appellant *Great Value Storage, LLC*, which owns millions in real estate storage units, is a subsidiary of Appellant *World Class Capital Group, LLC*:

Schedule 5.5(B)
Capitalization, Etc.

WCCG is 100% member and manager of the Great Value Storage, LLC.

Natin Paul is 100% member and manager of WCCG.

CR 91, 238 (summary judgment motion).

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date and year first written above.

GREAT VALUE STORAGE, LLC

By: _____
Name: Natin Paul
Title: Manager

WORLD CLASS CAPITAL GROUP, LLC

By: _____
Name: Natin Paul
Title: President and Chief Executive Officer

CR 75, 222 (summary judgment motion).

Mr. Paul re-affirmed all of these promises of profitability and assets two years later in 2014 when he borrowed another $3 million:

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date and year first written above.

GREAT VALUE STORAGE, LLC

By: _____
Name: Natin Paul
Title: Manager

WORLD CLASS CAPITAL GROUP, LLC

By: _____
Name: Natin Paul
Title: President and Chief Executive Officer

CR 109, 111, 113, 115, 258 (summary judgment motion).

And he did so again in 2016 when he partially restructured the debt:

IN WITNESS WHEREOF, the undersigned have duly executed this Second Amendment to Note Purchase Agreement under seal as of the Effective Date.

OBLIGORS:

GREAT VALUE STORAGE, LLC

By: _____ (SEAL)
NATIN PAUL, Manager

WORLD CLASS CAPITAL GROUP, LLC

By: _____ (SEAL)
NATIN PAUL, President and CEO

CR 124, 130, 277 (summary judgment motion).

These records, all Rule of Evidence 801(e)(2) admissions by a party opponent, reveal that the companies had millions in real estate and cash.

The Court should note that Appellants do not assert that the entities *do not* have assets. They simply argue that Princeton and Receiver have not yet found them. But Receiver did.

B. Judge Hall Was Right. Her Receivership Order is Essential. The Nate Paul Parent Companies Hold Millions in Real Estate, which Mr. Paul is Concealing and Prevaricating.

> [Federal Judge to Nate Paul's Attorney, Mr. Perry]: There is not one single -- there is not a shred of evidence to support its existence, not a shred. I told you that the other day. I told you your burden was to come up with something that shows me that this didn't materialize out of thin air in the last couple -- month or so.
> MR. PERRY: And we --
> THE COURT: And I got nothing out of your brief. ***You prevaricated*** about the way they asked the question about the tax forms. I didn't ask a bad question. I said show me anything –
> . . .
> MR. PERRY: There isn't, Your Honor. We provided the K-1 to the GP which shows that the GP has no interest in the --
> THE COURT: ***You're still prevaricating.***
>
> — Hon. U.S. Bankruptcy Judge Tony M. Davis, speaking to Nate Paul's attorney, Mr. Perry, *In re: WC Culebra Crossing SA, LP*, No. 21-10360-TMD (W. Dist. Bankr. December 22, 2021 (the day before this Court's December 23 order) (Emphases added).

Having established that Judge Hall correctly rested her receivership order on evidence of non-exempt assets, Receiver now demonstrates why she was prescient. Underneath parent company *World Class Capital Holding, LLC* are hundreds of interrelated and interlocking shell companies, some holding real estate, some holding contractual rights of one sort or another, some simply a mystery.

Appellants' sophistry begins on page 8: "Neither Princeton ***nor the receiver*** identified property belonging to GVS and WCCG ***prior to*** the appointment of the receiver." Of course, the Receiver did not identify property *before* he was appointed. Mr. Kretzer (definitionally) had no role until appointed by Judge Hall. Appellants' real problem is that substantial evidence of non-exempt assets was presented to Judge Hall before she signed the turnover order and your Receiver has found even more non-exempt assets, despite Mr. Paul's obdurate refusal to hand over documents in the months since.

1. Subsidiaries Containing Millions in Cash and Real Estate.

Receiver has identified substantial property available to satisfy Princeton's judgment. The record contains an organizational chart of Nate Paul and his companies. *See Receiver's Response to Appellants' Rule 29.3 Motion for Temporary Orders*, Oct. 13, 2021, Exhibit 16 (organizational chart). The Court will observe that beneath one Appellant, *World Class Capital Group, LLC*, are subsidiary companies and assets. The second Appellant, *Great Value Storage, LLC* (see bottom right of organization chart), appears to have assets in the form of contracts, which as discussed Appellants admitted fraudulently transferring. Further, as discussed, Princeton's summary judgment motion contained signed agreements by Mr. Paul attesting that *World Class Capital Group, LLC* wholly owned *Great Value Storage, LLC*, which wholly owned 23 valuable real estate storage units. CR 78, 225 and 91, 238.

The record contains a list of the 278 corporate shells created by Nate Paul, each holding real estate or contractual rights of one sort or another. *See Receiver's Response to Appellants' Rule 29.3 Motion for Temporary Orders*, Oct. 13, 2021, Exhibit 19 (list). The reason Nate Paul's organizational chart is confusing is because he intended it to be.

2. World Class Capital Group, LLC Controls, Owns and Manages Scores of Subsidiary Corporate Entities.

Your Receiver has discovered a tax filing Mr. Paul was under order to turn over but did not. Mr. Paul did not want any Court to see this document. It is the June 15, 2021 Texas Franchise Tax Extension Request he signed and filed for *World Class Capital Group, LLC*, just last year, after he closed the Wells Fargo Bank accounts. *See Receiver's Notice of Records Filing 2, Texas Comptroller Records*, Feb. 23, 2022 (supplemental record requested and pending).

In his report to the Texas Comptroller, Mr. Paul listed dozens of corporate entities he controls which are affiliated under *World Class Capital Group, LLC*. This report completely contradicts Mr. Paul's declaration that *World Class Capital Group, LLC* does not have any assets.

Mr. Paul filed the report for *World Class Capital Group, LLC* as a "combined group." Under the Texas Tax Code, a "combined group" is defined as "Taxable entities that are part of an **affiliated group** engaged in a **unitary business** and that are required to file a group report under [Tax Code] Section 171.1014." Tex. Admin. Code § 3.590(b)(2) (2019).

"Affiliated group" means, "Entities in which a controlling interest is owned by a common owner, either corporate or noncorporate, or by one or more of the member entities." Tex. Admin. Code § 3.590(b)(1) (2019); Tex. Tax Code § 171.0001(1) (2019).

Such commonly owned entities are affiliated regardless of whether they are engaged in a unitary business. "Controlling interest" means, for a corporation, either more than 50 percent, owned directly or indirectly, of the total combined voting power of all classes of stock of the corporation, or more than 50 percent, owned directly or indirectly, of the beneficial ownership interest in the voting stock of the corporation. Tex. Admin. Code § 3.590(b)(4) (2019).

All affiliated entities are presumed to be engaged in a unitary business:

> A "unitary business" means a single economic enterprise that is made up of separate parts of a single entity or of a commonly controlled group of entities that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts. In determining whether a unitary business exists, the comptroller shall consider any relevant factor, including (A) whether:
>
> > (i) the activities of the group members are in the same general line, such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation, or finance;
> >
> > (ii) the activities of the group members are steps in a vertically structured enterprise or process, such as the steps involved in the production of natural resources, including exploration, mining, refining, and marketing; or
> >
> > (ii) the members are functionally integrated through the exercise of strong centralized management, such as authority over purchasing, financing, product line, personnel, and marketing.

Tex. Admin. Code § 3.590(b)(6) (2019).

This is tedious tax code language, but the point is that all of the corporate entities listed (*See Receiver's Notice of Records Filing 2, Texas Comptroller Records*, Feb. 23, 2022) by Nate Paul form a single unitary operation, all controlled by Nate Paul, all falling under the control or ownership of *World Class Capital Group, LLC*. Your Receiver, therefore, is properly exercising control over the subsidiary entities.

3. Wells Fargo Bank Records Reveal $87 million of Unaccounted Transfers by Nate Paul in One Account Alone.

Throughout litigation, including the district court, Mr. Paul refused to provide any bank records from the hundreds of accounts at Wells Fargo Bank. Your Receiver obtained, and filed in the district court, now in the supplemental record, 16 months of bank statements from a single Wells Fargo account, for *World Class Capital Group, LLC*, the parent company for Mr. Paul's pyramid of real estate entities, and for *Great Value Storage, LLC*, an entity related to the collection of some 69 sell-storage units in eleven states. *See Receiver's Notice of Records Filing 1, Wells Fargo Bank Statements*, Feb. 10, 2022 (supplemental record requested and pending).

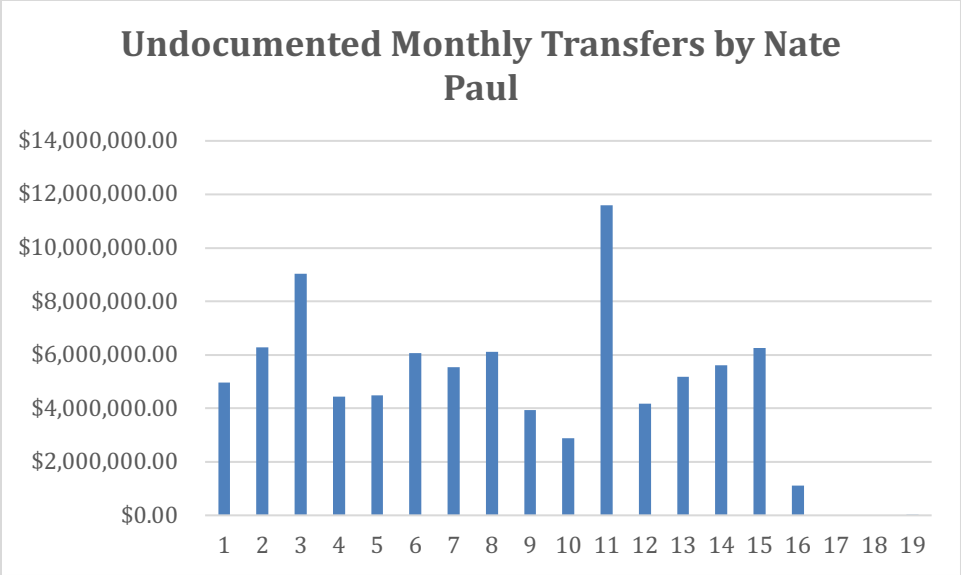
These bank records for just this one account, *World Class Capital Group, LLC*, for a brief 16-month window, reveal that Mr. Paul transferred ***$87 million*** in cash back and forth to his various entities, and to unknown individuals and companies. Millions were transferred just before and just after the August 14, 2019 U.S. Magistrate Court authorized FBI search of Mr. Paul's home and office for evidence of criminal activity. *See* CR 289, 292. Mr. Paul drained the accounts completely in January and February 2020. To this day,

Mr. Paul refuses to provide any documentation for any of these transactions. To be fair, he may not have documentation. He appears simply to have treated the millions as personal money, moving money between insider individuals and corporations without regard for any corporate fiduciary formalities or segregation responsibilities.

Using the bank statements, here is a list of transfers in and out of the *World Class Capital Group, LLC*'s Wells Fargo account for the 16-month period, from October 2018 until Mr. Paul drained the account in January 2020. The reader should observe that Mr. Paul transferred the largest amount of money, more than $11 million, in the days before and after the FBI search of his home and office. *See* CR 289, 292.

Bank Statement Date	Beginning Balance	Total Credits (Deposits)	Disbursements (Transfers)	Checks Paid (Disbursements)	Total Transfers (Withdrawals)	Ending Balance
10/31/2018	$3,358.92	$4,967,225.19	($4,866,784.53)	($100,734.51)	($4,967,519.04)	$3,065.07
11/30/2018	$3,065.07	$6,291,499.01	($6,265,514.27)	($23,712.90)	($6,289,227.17)	$5,336.91
12/31/2018	$5,336.91	$9,035,095.33	($8,911,208.12)	($125,537.14)	($9,036,745.26)	$3,686.98
01/31/2019	$3,686.98	$4,471,139.57	($4,410,564.68)	($21,900.55)	($4,432,465.23)	$42,361.32
02/28/2019	$42,361.32	$4,454,241.28	($4,472,387.85)	($3,496.31)	($4,475,884.16)	$20,718.44
03/31/2019	$20,718.44	$6,037,038.72	($6,045,588.00)	($11,754.66)	($6,057,342.66)	$414.50
04/30/2019	$414.50	$5,545,898.55	($5,536,201.67)	($5,994.34)	($5,542,196.01)	$4,117.04
05/31/2019	$4,117.04	$6,115,272.86	($6,082,028.42)	($36,584.62)	($6,118,613.04)	$776.86
06/30/2019	$776.86	$3,932,056.24	($3,899,167.11)	($26,541.66)	($3,925,708.77)	$7,124.33
07/31/2019	$7,124.33	$2,906,752.75	($2,857,123.47)	($26,427.77)	($2,883,551.24)	$30,325.84
08/31/2019	**$30,325.84**	**$11,574,097.77**	**($11,590,809.18)**	**($11,010.72)**	**($11,601,819.90)**	**$2,603.71**
09/30/2019	$2,603.71	$4,296,517.64	($4,144,159.99)	($19,010.91)	($4,163,170.90)	$135,950.45
10/31/2019	$135,950.45	$5,093,583.13	($5,164,223.10)	($25,352.59)	($5,189,575.69)	$39,957.89
11/30/2019	$39,957.89	$5,592,614.59	($5,610,627.46)	($3,464.72)	($5,614,092.18)	$18,480.30
12/31/2019	$18,480.30	$6,392,314.54	($6,246,473.75)	($711.60)	($6,247,185.35)	$163,609.49
01/31/2020	$163,609.49	$943,821.05	($1,107,430.54)	$0.00	($1,107,430.54)	$0.00
02/29/2020	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
03/31/2020	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
04/30/2020	$0.00	$0.00	$0.00	$0.00	($12,121.58)	($12,121.58)
Totals		**$87,649,168.22**	**($87,210,292.14)**	**($442,235.00)**	**($87,652,527.14)**	**($12,121.58)**

Here is a graph showing the same monthly transfers:



In November, December, and finally in January, Mr. Paul drained the account completely, transferring the money as fast as it arrived to a collection of individuals and entities. Mr. Paul has never turned over documents revealing to whom he transferred this cash, or why.

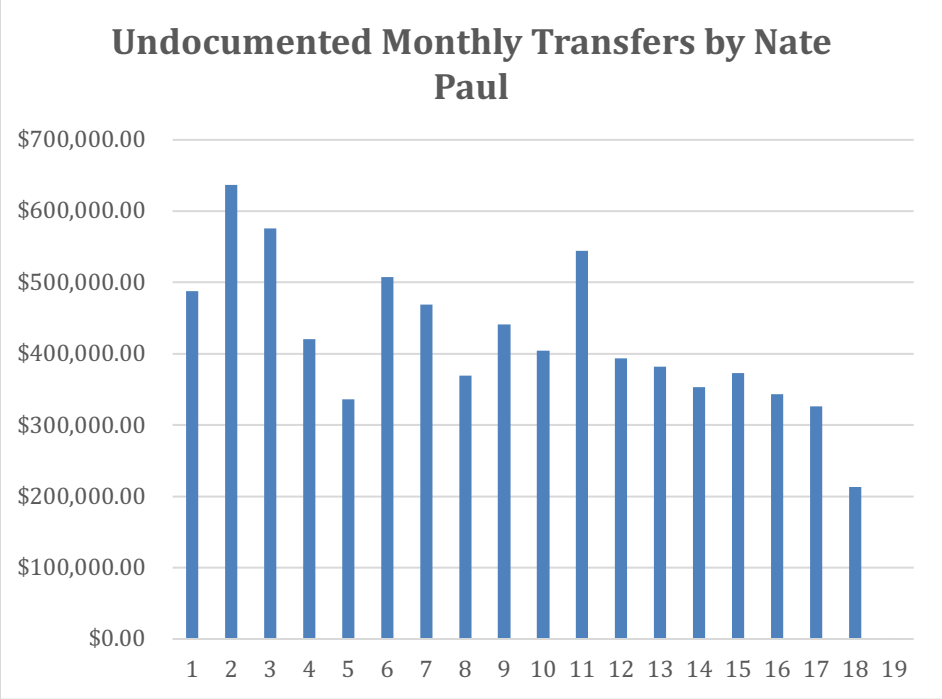
4. Wells Fargo Bank Records Reveal $7.4 million of Unaccounted Transfers by Nate Paul in Another Account.

Similarly, the Wells Fargo statements for *Great Value Storage, LLC* reveal Mr. Paul transferred $7.4 million from the company. He will not reveal documentation. Again, he may not have any. Again, he transferred sharply more money just before and just after the FBI search. *See* CR 289, 292. Again, he drained the account to points unknown in February and March 2020. To be more precise, he redirected regular monthly storage unit payments away from *Great Value Storage, LLC*, to another unknown corporate entity he will not

reveal, thereby stripping *Great Value Storage, LLC* of cash and accounts receivable. Here is a summary:

Bank Statement Date	Beginning Balance	Total Credits (Deposits)	Disbursements (Transfers)	Checks Paid (Disbursements)	Total Transfers (Withdrawals)	Ending Balance
10/31/2018	$239.63	$488,265.76	($394,361.59)	($93,534.26)	($487,895.85)	$609.54
11/30/2018	$609.54	$644,522.00	($602,635.57)	($34,403.49)	($637,039.06)	$8,092.48
12/31/2018	$8,092.48	$569,852.07	($521,955.32)	($53,922.93)	($575,878.25)	$2,066.30
01/31/2019	$2,066.30	$423,624.00	($388,750.48)	($31,898.34)	($420,648.82)	$5,041.48
02/28/2019	$5,041.48	$467,392.00	($307,414.67)	($28,545.30)	($335,959.97)	$136,473.51
03/31/2019	$136,473.51	$372,744.71	($497,759.87)	($10,021.19)	($507,781.06)	$1,437.16
04/30/2019	$1,437.16	$468,704.43	($418,873.17)	($50,348.33)	($469,221.50)	$920.09
05/31/2019	$920.09	$368,374.23	($330,581.41)	($38,550.57)	($369,131.98)	$162.34
06/30/2019	$162.34	$442,314.34	($429,848.01)	($11,728.01)	($441,576.02)	$900.66
07/31/2019	$900.66	$405,853.12	($400,502.93)	($3,478.47)	($403,981.40)	$2,772.38
08/31/2019	$2,772.38	**$551,861.22**	**($544,214.48)**	**($324.63)**	**($544,539.11)**	$10,094.49
09/30/2019	$10,094.49	$384,897.82	($390,608.61)	($3,372.93)	($393,981.54)	$1,010.77
10/31/2019	$1,010.77	$381,624.22	($380,336.61)	($2,023.08)	($382,359.69)	$275.30
11/30/2019	$275.30	$352,817.61	($343,221.92)	($9,588.23)	($352,810.15)	$282.76
12/31/2019	$282.76	$372,946.35	($373,225.59)	$0.00	($373,225.59)	$3.52
01/31/2020	$3.52	$343,474.63	($341,361.67)	($1,555.29)	($342,916.96)	$561.19
02/29/2020	$561.19	$326,187.74	($324,940.51)	($1,617.67)	($326,558.18)	$190.75
03/31/2020	$190.75	$212,291.59	($207,982.44)	($5,452.75)	($213,435.19)	($952.85)
04/30/2020	($952.85)	$2,000.00	($1,047.15)	$0.00	($1,047.15)	$0.00
Totals		**$7,365,456.25**	**($6,990,592.41)**	**($374,912.72)**	**($7,365,505.13)**	**$0.00**

Here is a chart showing monthly undocumented transfers from the *Great Value Storage, LLC* account:



5. The Bank Records Reveal the Story.

With variations, Mr. Paul tells courts there are no corporate records at all. *See Receiver's Notice of Intent to File Response and Notice of Prior Court Orders Involving Nate Paul*, Mar. 31, 2022, 01-21-00284-CV (attaching 42 orders by state and federal judges seeking to control and compel Mr. Paul to provide documents and otherwise comply); *accord* CR 297, 321 (Appellants provided not a single corporate record to refute Princeton's summary judgment motion); *also Princeton's Notice of Judgment Debtors' Non-Compliance with this Court's January 24, 2022 Order*, Jan. 27, 2022), Image No.: 100077941 (supplemental record requested and pending).

For an enterprise with nearly one billion in assets, hundreds of millions in revenue, hundreds of corporate shells, he does not have any records. No bank statements. No payable vouchers, no invoices, no receipts, no payroll, no account reconciliations, no balance sheets, no profit and loss statements, no tax returns, no contracts, no agreements, no deeds, no company board of director minutes, no records documenting transfers of assets or money, no records for the purchase or sale of his Bentley, Lamborghini, or Porsche. *See Receiver's Amended Motion for Turnover of Bentley Mulsanne, Lamborghini, Porsche, Land Rover, and Other Luxury Automobiles*, Jan. 19, 2022 (supplemental record requested and pending) (Paul depreciated the Bentley on *World Class Capital Group, LLC*'s 2017 tax return, the last tax return he later testified he ever filed).

The Wells Fargo bank records separately filed are only for 16 months, from 2018 to 2020, until Mr. Paul drained the accounts, during the months following the FBI search of his home and office. Mr. Paul could easily have provided these in response to any of the compel orders by logging in to Wells Fargo and pressing download. Moreover, these records are only for two accounts. Mr. Paul had *more than four hundred accounts* at Wells Fargo.

Here is the story these snapshot documents tell us and what triggered Mr. Paul's fears:

- For more than 200 pages, the Court will see line after line of wire transfers for hundreds, thousands, tens of thousands, hundreds of thousands, and millions of dollars;

- Mr. Paul does not have, or will not reveal, a single page, not a single email, documenting the propriety of any of these cash transfers;

- There are thousands of transfers back and forth between the hundreds of Great Value Storage and World Class entities. Mr. Paul moved money between entities at whim or need or interest, disregarding all Texas and IRS imposed fiduciary duties as corporate officer to segregate each entity's cash, assets, books, accounts, activity, and to maintain records, with each entity standing on its own;

- $87 million is missing or unaccounted from the World Class Capital account, just in this 16-month period;

- $7.4 million is missing or unaccounted from the Great Value Storage account.

- The hundreds of other Wells Fargo accounts likely tell a similar tale of fraudulent transfers.

See Receiver's Notice of Business Records Filing 1 Wells Fargo Statements, Image No.: 100497493 (supplemental record requested and pending).

As mentioned, the breach of fiduciary duty causes of action against Mr. Paul constitute a form of intangible personal property which Receiver can and will litigate to claw back misappropriated money, thereby fulfilling Judge Hall's judgment. *See infra*; *see also Ritchie v. Rupe*, 443 S.W.3d 856, 868 (Tex. 2014); *Gearhart Indus, Inc. v. Smith Int'l, Inc.*, 741 F.2d 707, 719-721 (5th Cir. 1984); *FDIC v. Harrington*, 844F. Supp. 300, 306 (N.D. Tex. 1994); *Resolution Trust Corp. v. Norris*, 830 F. Supp. 351 (S.D. Tex. 1993)).

II. Appellants' challenges 2 through 4 Have Been Procedurally Defaulted. The Court Should Not Consider Unpreserved Challenges Not Decided by the District Court.

In their brief issues 2, 3 and 4, and in their Rule 29.3 motion, Appellants seek relief from this Court they did not seek in the trial court, thereby violating the preservation of appellate complaints strictures of Rule 33.1.

It is axiomatic that in order to complain on appeal, the appellant must show that "the complaint was made to the trial court by timely request, objection, or motion" with specificity and by appropriate rules. Tex. R. App. P. 33.1(a). "When a party fails to preserve error in the trial court or waives an argument on appeal, an appellate court may not consider the unpreserved or waived issue." *Fed. Deposit Ins. Corp. v. Lenk*, 361 S.W.3d 602, 604 (Tex. 2012). "Preservation of error reflects important prudential considerations recognizing that the judicial process benefits greatly when trial courts have the opportunity to first consider and rule on error." *Burbage v. Burbage*, 447 S.W.3d 249, 258 (Tex. 2014). As the Texas Supreme Court noted in *Cruz v. Andrews Restoration, Inc.,* "trial court awareness is the key." 364 S.W.3d 817, 831 (Tex. 2012).

This is not a complicated or burdensome rule, particularly here. As indicated, Appellants made precisely three objections to Princeton's receivership motion: (1) Princeton failed to present sufficient evidence of assets, (2) Princeton failed to satisfy the burden for receivership, and (3) Seth Kretzer should not be the receiver appointed. *See* CR 167. Appellants:

- did not contend they were unable to post supersedeas;
- did not contend the proposed receiver's bond was too low;
- did not suggest an appropriate receiver's bond; and
- did not argue Appellants would be harmed in some way by receivership that supersedeas would be inadequate to protect.

But yet they bring these complaints to this Court for the first time. The Court can dispense with most of Appellants' brief issues 2, 3 and 4, and their temporary order motion to suspend receivership, on this basis alone. For justice, finality, and essential judicial economy and efficiency, the First Court of Appeals, as do all appellate courts, regularly dispenses with appellate arguments that are procedurally defaulted. *See, e.g., Walker v. Davison*, No. 01-18-00431-CV, 2019 WL 922184, at *2 (Tex. App.—Houston [1st Dist.] Feb. 26, 2019, no pet.) ("Adequate briefing [requires] proper citation to the record," and "[i]f record references are not made or are inaccurate, misstated, or misleading, the brief fails."); *O'Dowd v. Johnson*, 666 S.W.2d 619 (Tex. App.—Houston [1st Dist.] 1984, writ ref'd n.r.e.) ("The failure to cite any authority after a point of error constitutes a waiver of the point.").

There is no reason to grant Mr. Paul an exception to these rules, particularly in the face of his persistent defiance of orders by this and other Courts. Further, the receivership is now far advanced. As indicated, Judge Hall entered Princeton's proposed turnover order *after* Appellants filed their objections to the motion for turnover and the proposed order attached to it. Appellants marshalled all the objections they could think

of at the time, even going so far as to Google the proposed Receiver to find an article on Law360 about a case in which he represented an inmate on Texas's death row. CR 167. Whatever the reason, as a legal matter, Appellants did not make then the arguments 2 through 4 they now present on appeal.

These new appellate challenges are barred by preservation requirement of Rule of Appellate Procedure 33.1. The Court should deny Appellants additional bites at the apple.

III. Appellants Fail to Identify any Injury by the Receivership Order, a Basic Requirement. To the Contrary, Mr. Paul Declares *World Class Capital Group, LLC* Does Not Own Any Assets at All.

Appellants say they want to protect LLCs and partnerships and real estate owned by *Great Value Storage, LLC* and *World Class Capital Group, LLC*. They point to new record evidence that any such LLCs or partnerships even exist. To the contrary, Nate Paul and his putative "bookkeeper," Barbara Lee, have declared that these two entities own nothing at all, and certainly not any LLCs or partnerships or real estate, nothing more than old furniture:

12/3/2021 5:18 PM
Marilyn Burgess - District Clerk Harris County
Envelope No. 59706538
By: Bristalyn Daniels
Filed: 12/3/2021 5:18 PM

CAUSE NO. 2019-18855

PRINCETON CAPITAL CORPORATION, Plaintiffs,	§	IN THE DISTRICT COURT OF
v.	§	HARRIS COUNTY, TEXAS
GREAT VALUE STORAGE LLC, WORLD CLASS CAPITAL GROUP LLC, and NATIN PAUL, Defendants.	§	165th JUDICIAL DISTRICT

DECLARATION OF BARBARA LEE
FOR WORLD CLASS CAPITAL GROUP, LLC

WCCG has a negative net worth of ($1,133,649) as of October 31, 2021. WCCG's assets are generally described as cash in a bank account and depreciated furniture, fixtures, and equipment as represented in Exhibit 1. WCCG's liabilities are an unpaid final judgment liability to Gibson, Dunn & Crutcher, LLP and various accounts payable to the listed vendor.

Signed on November 23 2021 in Austin, Travis County, Texas.

Barbara Lee

Barbara Lee

See Declaration of Barbara Lee for World Class Capital Group, LLC (12/3/21), Image No.: 99259552; Notice of Declaration filed by World Class Capital Group (12/6/21), Image. No.: 99260122 (supplemental record requested and pending).

DECLARATION OF NATIN PAUL

My name is Natin ("Nate") Paul, and I am over the age of 18 years

WCCG was originally formed in May 2007 primarily to manage certain commercial real estate investments. Starting in 2016, WCCG was restructured for the company to solely provide real-estate or administrative services to certain entities on a go-forward basis. As a result, WCCG no longer held any membership interests in any entities, and transitioned solely to be a service provider to real-estate-owning entities. WCCG currently has no ownership interest in any other entity, and it owns no real property.

WCCG's assets comprise entirely of: (i) a single bank account at Security State Bank (the "WCCG Bank Account"); the account, and any funds therein (last known balance was $24,136) are currently inaccessible to WCCG due to a judgment hold by Gibson Dunn discussed

below; and (ii) $103,191.20 in furniture, fixtures, and equipment ("FF&E") on a depreciated basis. A true and correct copy of a current screenshot of the WCCG Bank Account is attached hereto as Exhibit 1. A true and correct copy of WCCG's FF&E schedule as of October 31, 2021, showing the cost and depreciated basis of each asset is attached hereto as Exhibit 2. FF&E consists of old, unused equipment and furniture bought several years ago. The fair market value of WCCG's FFE is negligible and less than its depreciated basis, but for conservative estimates the full depreciated basis is listed on the WCCG statement of net worth. In total, WCCG has assets in the amount of $127,327.

> The document attached as Exhibit 17 is an accurate, true and correct copy of WCCG's Statement of Assets and Liabilities as of October 31, 2021. Exhibit 17 accurately identifies the assets and liabilities of WCCG as of October 31, 2021, using generally accepted accounting principles on an accrual basis by subtracting accrued liabilities from assets to establish WCCG's net worth. In sum, as of December 14, 2021, WCCG has a negative net worth of $1,248,550.12.
>
> I declare under penalty of perjury that the foregoing is true and correct.
>
> Executed in Travis County, Texas, on the 14th day of December 2021.
>
> 
>
> Natin Paul, Declarant

See Declaration of Natin Paul (12/14/21), Image No.: 99431223.

Until Appellants can prove *Great Value Storage, LLC* and *World Class Capital Group, LLC actually own* LLCs and partnerships or real estate, there is no need for discussion. They seek an advisory opinion. Further, they have never complied with Judge Hall's September 9, 2021 receivership order, or her January 24, 2022 order to compel, directing Appellants to deliver financial documents of the two companies, which would include any LLC and partnership interests. *See* Order compelling discovery and compelling production (1/24/22), Image No.: 100062236 (supplemental record requested and pending).

Until Mr. Paul displays respect for this Court's and the district court's orders and delivers the financial records for Receiver to consider, his brief is nothing more than a request for an advisory opinion, seeking to reward him for defying court orders,

prevaricating to courts, and concealing records. Similarly, Appellants' challenge fails for another fundamental reason, lack of injury by Judge Hall's receivership order. A basic requirement of any legal action or claim, such as Nate Paul's motion, is to show an injury. How is the person or company harmed? Appellants do not show any injury. The point to no corporate ownership documents in the record to prove any injury.

On page 13 of their Rule 29.3 motion, Appellants complain that Receiver settled a lawsuit and transferred real estate "worth tens of millions" to a secured creditor. But Mr. Paul cannot have it both ways. He cannot tell this Court that *World Class Capital Group, LLC* owns no property, then complain about a property deed executed by Receiver for property he says *World Class Capital Group, LLC* does not own.

Further, Appellants cannot claim that the receivership order has injured Nate Paul individually. He is not a party to the receivership order. Paul is the sole owner of the single membership interest of *World Class Capital Group, LLC* and *Great Value Storage, LLC*. But Receiver has not filed any pleadings in any court seeking Nate Paul's membership interests of these two entities.

Consequently, the Court may, and should, deny as moot Appellants' challenge, for failure to show any injury or harm.

IV. A Charging Order is not Required.

Appellants argue, brief page 11, that Princeton Capital and the Receiver are limited to a charging order under this Court's decision in *Pajooh v. Royal W. Invs. LLC*,

518 S.W.3d 557 (Tex. App.—Houston [1st Dist.] 2017, no pet.). The differences between the circumstances in *Pajooh* and this case are striking.

The parties in *Pajooh* appear to have made full disclosure of assets and corporations involved. For instance, Mr. Pajooh evidently testified that the limited partnership in that case "owned real and personal property valued at approximately $4 million, such as commercial real estate, the Lexus SUV that Pajooh drives, antique automobiles, antique rugs, oil paintings, furniture, and other investments." *Id.* at 560. We know this because, apparently, Mr. Pajooh was candid with the courts. There does not seem to have been an indication that Pajooh was involved in fraudulent transfers and siphoning of cash. As far as we know, Mr. Pajooh simply used the limited partnership as to hold assets.

By contrast, Appellants did not make any sort of full disclosure. Nate Paul has admitted to and been caught transferring and hiding cash and assets. Nothing in the Court's decision in *Pajooh* holds that a district court is forbidden from appointing a receiver over a single member limited liability corporation used by its member and manager to conceal and fraudulently transfer assets in defiance of every court order.

In fact, the sweeping principal Mr. Paul asks this Court to adopt is breathtaking. Mr. Paul asks this Court to issue an opinion that would turn every commercial secured real estate transaction on its head. No longer would a Texas or international commercial investor or bank be able to finance commercial construction or real estate acquisitions

involving Texas LLC structures with assurance that upon default the lender or investor may promptly and efficiently recover their collateral through routine Property Code non-judicial foreclosure. *See* Tex. Prop. Code, ch. 51 (2021). Instead, if Mr. Paul were to have his interpretation, the debtor-operator would be able to flip the real estate and bank accounts *from* the secured LLC, *to* another newly minted LLC shell, then another, then another, and the creditor would be forced to file separate lawsuits against each new LLC shell, conduct a jury trial, exhaust appeals, wait for mandate, then start again when the debtor transfers the real estate and accounts again. The ruling demanded by Mr. Paul, that only a charging order, never a receiver, is the only remedy for a corporate lender would set off staggering earthquakes in Texas real estate and finance industries, with international repercussions. Operators like Nate Paul, with such an opinion in hand, would simply ignore the charging order, transfer property deeds and bank accounts, forcing the lender to file suit after suit, jury trial after jury trial, appeal after appeal, while the operator smiles and transfers the real estate and accounts to yet another newly created entity via the Texas or Delaware Secretary of State's websites, costing no more than a few minutes and a credit card. Billions in commercial real estate investment would be disrupted or come to a halt by such an opinion sought by Mr. Paul.

V. Another Receiver has been appointed for other Nate Paul Entity properties, upheld by the Austin Court of Appeals and Texas Supreme Court.

As mentioned, the Third Court of Appeals September 30 affirmed the appointment of a receiver to control certain valuable Austin real estate owned by several of the World Class Capital subsidiaries. *See WC 1st & Trinity, LP v. Roy F. & JoAnn Cole Mitte Foundation*, Nos. 03-19-00709-CV, 03-19-00905-CV, 2021 Tex. App. LEXIS 8016 * 11, 31 (Tex. App. – Austin, Sept. 30, 2021, pet. denied, no. 21-0961, Jan. 21, 2022). While the receivership order arose from arbitration, the Third Court of Appeals' salient points are:

- The Receiver testified that the involved Appellants resisted document and information production;
- The Receiver likewise confirmed that the involved Appellants refused to comply with provisions of the receivership order;
- "The general partner of each entity is a limited-liability corporation with almost the same name as the partnership: WC 1st and Trinity GP, LLC, and WC 3rd and Congress GP, LLC (collectively, General Partners). Each general partner owns a controlling interest in its limited partnership and has sole authority to manage the limited partnership's affairs. It is undisputed that Paul controls both general partnerships." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 2.
- "The evidence of unexplained transfers also supports a conclusion that the General Partners may have engaged in illegal conduct." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 31.
- "The district court could also have reasonably concluded that the general partner of WC 1st mismanaged the funds entrusted to it." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 30.

Appellants likewise obstructed discovery during the Austin, a pattern not missed by the Third Court of Appeals:

- "On Monday, shortly before the scheduled start time of the hearing, appellants [Appellants] informed the arbitrator and Mitte by letter that the Properties had been sold to unnamed 'affiliates' of appellants." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 4.

- "Among other things, he [Mitte's lawyer] described his unsuccessful efforts to obtain copies of the closing documents from the purported sale or other documentary proof of the transaction." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 6.

- "Milligan [Receiver] described the resistance he encountered in trying to obtain any information about the Limited Partnerships or the sale from [Appellants] appellants." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 6-7.

- "Milligan [Receiver] filed in the district court a motion to supplement the Appointment Order alleging that [Appellants] appellants had refused to comply with the Appointment Order's provisions, including turnover of the Limited Partnerships' financial records." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 8.

- "The attachments to the motion reflect that the district court has ordered appellants and Paul to pay Milligan $105,346 in sanctions for failure to comply with the district court's orders. *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 11.

- "We discuss later how bank records indicate some of the funds gained from the refinancing were not applied to loan payments or the entity's other expenses but were transferred to another entity controlled by Paul. That evidence further supports the district court's insolvency finding." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 25, n.10.

- "Shaunessy testified that appellants [Appellants] never responded to his many requests for copies of the closing documents or similar documentary proof." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 30-31.

- "The district court could reasonably conclude that the [Appellants] General Partners misrepresented that the Properties had been sold to avoid the receivership and so that Mitte would accept less than the true value of its interest in the Limited Partnerships." *WC 1st & Trinity, LP*, 2021 Tex. App. LEXIS 8016 * 31.

There is a pattern here.

VI. Mr. Paul's pernicious and persistent defiance and obstruction of orders by Courts across Texas justifies Judge Hall's receivership order.

Mr. Paul's challenge to the receivership, discovery obstruction and fraudulent transfers cannot be viewed in a vacuum. Judge Hall is aware that Mr. Paul, individually and through his entities, has defied or forced orders by federal and state judges across Texas: (1) ordering production of corporate financial documents, (2) finding in contempt, (3) removing him from corporate control, (4) imposing final judgment with prejudice, against which Mr. Paul nevertheless refiled litigation, (5) imposing injunctions, (6) striking affidavit, and (7) removing him from corporate control and appointing trustees. *See Receiver's Notice of Intent to File Response and Notice of Prior Court Orders Involving Nate Paul*, Mar. 31, 2022, 01-21-00284-CV (attaching 42 orders).

VII. Texas Receivership Law is Robust and Supports Receivership on this Record.

Receiver now turns to black letter Texas law supporting the efficacy of receiverships.

A. Foundational case law supports receivership to enforce court judgements and recover misappropriated assets.

For more than a century under Texas law, the power of a receivership derives from the doctrine of *custodia legis*. Once a turnover order is signed, all of the judgment debtor's nonexempt property becomes property in *custodia legis*, or "in the custody of the law." *First Southern Properties, Inc. v. Vallone*, 533 S.W.2d 339, 343 (Tex. 1976). The judgment debtor's property is considered to be in the constructive possession of the court. During the pendency of a receivership, the receiver has exclusive possession and custody of the judgment debtor's property to which the receivership relates. *First S. Props.*, 533 S.W.2d at 343; *Ellis v. Vernon Ice Co. & Water Co.*, 86 Tex. 109, S.W. 858 (**1893**). As far back as 1852, the U.S. Supreme Court has held that when a court appoints a receiver to hold property, "the sale under the judgment, pending the equity suit and while the court [through receiver] was in possession of the estate without the leave of court, was illegal and void." *Wiswall v. Sampson*, 55 U.S. 52, 67 (**1852**).

Custodia Legis occurs immediately upon the appointment of the receiver, even prior to his or her qualifying by filing the bond and oath of office. *Cline v. Cline*, 323

S.W.2d 276, 282 (Tex. Civ. App. – Houston 1959, writ ref'd, n.r.e.). The judgment debtor's property is considered to be in the constructive possession of the court.

During the pendency of a receivership, the receiver has exclusive possession and custody of the judgment debtor's property to which the receivership relates. *First S. Props.*, 533 S.W.2d at 343; *Ellis v. Vernon Ice Co. & Water Co.*, 86 Tex. 109, S.W. 858 (1893). No one, not even a lien holder with a deed of trust, can sell property held in *custodia legis* by a duly appointed receiver. *First S. Props.* at 533 S.W.2d at 341; *Huffmeyer v. Mann*, 49 S.W.3d 554, 560 (Tex. Civ. App. – Corpus Christi, 2001). Any unauthorized transfer of property in the custody of a receiver is not merely voidable, it is void. *First S. Props.*, 533 S.W.2d at 341. Any conveyance of property in the custody of a receiver without approval by the court has no effect upon the receivership and the accomplishment of its purposes. *T.H. Neelv. W.L. Fuller*, 557 S.W2d 73, 76 (Tex. 1977). Therefore, any payment of money after the turnover and receivership order was signed is void and can be called back by the receiver and enforced by contempt if necessary. *See Beaumont Bank, N.A. v. Buller*, 806 S.W.2d 223, 226 (Tex. 1991).

B. The Texas Legislature authorizes and favors receiverships.

The Texas turnover statute is a procedural device to assist judgment creditors in post-judgment collection. A judgment creditor is entitled to receive aid from a court in order to reach property to obtain satisfaction on a judgment "if the judgment debtor

owns property . . . that: is not exempt from attachment, execution, or seizure for the satisfaction of liabilities." TEX. CIV. PRAC. & REM. CODE § 31.002(a) (2019).

The statute empowers courts to order a judgment debtor to turn over nonexempt property that is in the debtor's possession or subject to the debtor's control, including present or future rights to property. *Id.* § 31.002 (b)(1). It also allows a court to appoint a receiver "with the authority to take possession of the nonexempt property, sell it and pay the proceeds to the judgment creditor to the extent to satisfy the judgment." *Id.* § 31.002(b)(3). The trial court is not required to identify in the order the specific property subject to turnover. *Id.* § 31.002(h). In addition, the trial court may enforce the turnover order by contempt proceedings. *Id.* § 31.002(c); *Davis v. West,* 317 S.W.3d 301, 309, 2009 Tex. App. LEXIS 9921, 14-15 (Tex. App. --- Houston [1st Dist.] 2009, pet. denied).

Texas Civil Practice & Remedies Code § 64.001 permits receiver appointment "(2) in an action by a creditor to subject any property or fund to his claim" and "(6) in any other case in which a receiver may be appointed under the rules of equity." TEX. CIV. PRAC. & REM. CODE § 64.001(a)(2), (6) (2019). (Princeton's receivership motion identified chapter 64 as a basis for appointment. CR 148, 149. Appellants have waived challenge under chapter 64 by not raising in their response, CR 167, or their brief.)

C. The Receiver alone controls the corporation's legal claims, affairs, and legal representation.

A Receiver accedes to control of the legal affairs of the corporate entity. *See Commodity Futures Trading Comm'n*, 471 U.S. 343, 348 (1985) (bankruptcy trustee alone

controls the corporate attorney-client privilege, not the former corporate officer); *see, e.g., United States v. Plache*, 913 F.2d 1375, 1381 (9th Cir. 1990) (the privilege passed when the receiver was appointed by the court); *FDIC v. Cherry, Bekaert & Holland*, 129 F.R.D. 188, 190-93 (M.D. Fla. 1989), *motion for reconsideration granted in part,* 131 F.R.D 202 (M.D. Fla. 1990) (FDIC as receiver obtained control of attorney-client privilege).

Consequently, Receiver controls the legal affairs of *Great Value Storage, LLC* and *World Class Capital Holdings, LLC*. Texas law permits a court to authorize receiver to seize and liquidate a Texas corporate entity. *See* Tex. Bus. Organs. Code § 11.401, *et seq.* (2019).

D. A Receiver possesses judicial immunity.

A Receiver possesses derived judicial immunity. *Davis v. West*, 317 S.W.2d 301 (Tex. App. --- Houston [1st Dist.] 2009, no pet.); *also Rehabworks, LLC v. Flanagan*, No. 03-07-00552-CV, 2009 Tex. App. LEXIS 1394 (Tex. App. --- Austin, Feb. 26, 2009, no pet.); *Dallas County v. Hasley*, 87 S.W.3d 552, 554 (Tex. 2002). Consequently, the Nate Paul Appellants are not permitted to seek damages, costs or attorney's fees against the Receiver.

VIII. Appellants Are Incorrect That All Downstream Assets of an Apex Company Are Beyond the Reach of a Receiver.

Appellants contend that Receiver does not possess operational control of the two judgment debtor entities, only the assets of the entities. Appellants' Brf. at p. 11. Receiver responds that this is a distinction without a difference. The nature of a

receivership is to control the object for which the Receiver is appointed sole custodian. Here, Receiver has been appointed as sole custodian of these two LLC holding companies. Consequently, the Receiver, alone, has sole control over the two LLCs, which includes their legal representation and affairs, their operations, and their assets. It would be impossible, as Appellants contend, for the Receiver to have *custodia legis* of the assets of the entities but not be able to control the entities that control and operate those assets. Hence the Supreme Court's edict in *Commodity Futures* that the appointment by the government of an individual to assume sole control of the entity and its subsidiary assets—there a bankruptcy trustee, here a receiver—constitutes transfer of all decision-making authority to the appointed representative. It could not be otherwise.

A. In a receivership, membership interest in a limited liability company constitutes a form of non-exempt intangible personal property, and is therefore properly a component of the receivership estate. A Receiver does not need a charging order.

> "*A membership interest in a limited liability company is personal property.*"
>
> – Tex. Bus. Orgs. Code § 101.106(a) (2019).

If Princeton were seeking assets of these two Nate Paul LLCs directly, it could be that Princeton might be limited to charging orders. The critical distinction is that a receiver is not a judgment creditor. Receiver Seth Kretzer has acquired *custodia legis* legal custody of a discreet form of property and consequently is entitled to seize and sell it.

The membership interests in these Nate Paul LLC Entities constitute a form of non-exempt intangible personal property. Under Texas law, membership interest in a limited liability company comprises intangible personal property. Tex. Bus. Orgs. Code § 101.106(a); 15 Tex. Jur. (3rd ed.) § 581 (2020). "The term 'property' is broadly defined." 59 Tex. Jur. (3rd ed.) § 581 Corporations (2015) (*citing Weaver v. Aquila Energy Marketing Corp.*, 196 B.R. 945 (S.D. Tex. 1996) (applying Texas law). The term "property" "means real and personal property." Tex. Gov't Code § 311.005(4) (2019). "The term extends to every species of valuable right and interest in real and personal property. In its strict legal sense, 'property' signifies that dominion or indefinite right of use, control, and disposition that one may lawfully exercise over particular things or objects, that is, the sum of all the rights and powers incident to ownership." 59 Tex. Jur. (3rd ed.) § 1 Property (2015) (*citing In re Croft*, 737 F.3d 372 (5th Cir. 2013) (applying Texas law); *April Sound Management Corp. v. Concerned Property Owners for April Sound, Inc.*, 153 S.W.3d 519 (Tex. App. – Amarillo, 2004, no pet.); *Spann v. City of Dallas*, 235 S.W. 513 (1921); *Washer v. Smyer*, 211 S.W. 985 (1919); *Phillips v. Washington Legal Foundation*, 524 U.S. 156 (1998)).

"Property is the unrestricted right of use, enjoyment, and disposal of a thing. Property is also defined as signifying the physical corporeal thing. Thus, the word property means both the thing possessed, that is, the physical corporeal thing, and the rights in the physical corporeal thing that are created and sanctioned by law." 59 Tex. Jur. (3rd ed.) § 1 Property (2015) (*citing In re Kelso*, 196 B.R. 363 (Bankr. N.D. Tex. 1996)

(applying Texas law); *Weaver v. Aquila Energy Marketing Corp.*, 196 B.R. 945 (S.D. Tex. 1996) (applying Texas law)).

"Property embraces everything that is or may be the subject of ownership, whether the ownership is legal, beneficial, or private. It may reasonably be construed to include obligations, rights, and other intangibles, as well as physical things." 59 Tex. Jur. (3rd ed.) § 1 Property (2015); *Weaver*, 196 B.R. 945; *Herring v. Blakeley*, 385 S.W.2d 843 (Tex. 1965). "Tangible property is that which is capable of being handled or touched and may be evaluated by the physical senses. Intangible property, on the other hand, has no physical existence but may be evidenced by a document with no intrinsic value." 59 Tex. Jur. (3rd ed.) § 2 Property (2015) (*citing Adams v. Great American Lloyd's Ins. Co.*, 891 S.W.2d 769 (Tex. App. – Austin, 1995, no pet.). Interests in limited partnerships, for example, constitute intangible personal property. 59 Tex. Jur. (3rd ed.) § 4 Property (2015) (*citing United American Ins. Co. v. Strayhorn*, 108 S.W.3d 448 (Tex. App. – Austin 2003, no pet.).

B. Receiver possesses legal custody of the Appellant entities.

Consequently, the Receiver has legal custody of these two Appellant entities. No claim by Nate Paul of membership interest ownership can defeat that legal custody. It is, therefore, appropriate for the Receiver to take possession of these LLCs and the real estate they hold. This characterization of property and the construction of a

receivership—as opposed to a garden variety creditor—is what distinguishes *Pajooh* from the present circumstances.

IX. If Appellants Did Not Want to Pay the Receiver's Fee, They Should Have Paid the Judgment.

Appellants challenge the receivership fees as excessive, passing over the two lawsuits Mr. Paul filed against Mr. Kretzer against which he must defend at considerable cost.

Appellants essentially ask the Court for a do-over to raise a string of new challenges against a motion that was fully and fairly litigated before the district court last summer. But when it comes to receiver fees, Appellants are painting on a *tabula rasa* because this argument was not presented along with the others in opposition to Princeton's receivership motion, therefore waived. *See* CR 148, 167.

A trial court's award of receiver's fees is reviewed for an abuse of discretion, considering all the material facts and circumstances. *Moyer v. Moyer*, 183 S.W.3d 48, 51 (Tex. App.—Austin 2005, no pet.); *U.S. v. Admiral Refining Co.*, 146 S.W.2d 830, 831 (Tex. App.—Texarkana 1940, no writ); *see also Bergeron v. Sessions*, 561 S.W.2d 551, 555 (Tex. Civ. App.—Dallas 1977) (receiver's fees should be sufficient to induce competent persons to serve as receiver, attorney, or accountant, but they should also "be moderate rather than generous"). A receiver's fee should be measured by the value of the services rendered, and there must be evidence to establish the reasonableness of the fee. *Moyer*, 183 S.W.3d at 57-58. To determine the value of a receiver's services, courts consider (1) the nature, extent,

and value of the administered estate; (2) the complexity and difficulty of the work; (3) the time spent; (4) the knowledge, experience, labor, and skill required of, or devoted by, the receiver; (5) the diligence and thoroughness displayed; and (6) the results accomplished.

The facts are these: Princeton filed its Motion for entry of the Turnover and Receivership Order June 30, 2021, CR 148. The Appellants responded July 8, 2021, CR 167. The problem is that Appellants did not make any of the objections they raise now in their brief and temporary order motion. Glaringly absent from this litany was any argument like that seen on page 15 of Appellants' brief that the Receiver should work gratis.

Unfortunately, many deadbeat debtors make this sort of argument in the Houston Courts of Appeals. The most recent example is perhaps *Roberts v. Abraham*, No. 01-19-00622-CV, 2020 Tex. App. LEXIS 10137, *15 (Tex. App.—Houston [1st Dist.] Dec. 22, 2020, no pet.):

> [T]he trial court appointed a receiver who sought financial information; who, among other actions, seized Roberts's accounts; and who engaged with both the trial and appellate courts to fulfill the receiver's obligations in collecting payment of Abraham Watkins's final judgment. *Although Roberts never complied with the trial court's March 18, 2019 order appointing the receiver and requiring him to turn over relevant financial information*, he nevertheless paid approximately $107,000 to Abraham Watkins *as a result of the receivership process*. In light of these facts and Roberts's failure to provide a full record of the proceedings before the trial court, *we cannot say that Roberts has shown that the trial court has abused its discretion in the amount of fees awarded to Kretzer*.
>
> (Emphases added.)

With the record before her on September, 9, 2021, Judge Hall could clearly anticipate the work, time and difficulty she was asking Mr. Kretzer to undertake as Receiver for Mr. Paul's entities, justifying the fees she set.

CONCLUSION

The Court should deny Mr. Paul's Rule 29.3 motion for temporary orders, affirm Judge Hall's September 9, 2021 receivership order, and overrule Mr. Paul's objections to the receivership order.

Respectfully submitted this 18th day of April 2022,

Seth Kretzer

_____

SETH KRETZER
KRETZER & VOLBERDING, P.C.
SBN: 24043764

9119 South Gessner Street
Suite 105
Houston, TX 77074
(713) 775-3050 (office)
Email: seth@kretzerfirm.com

RECEIVER

James W. Volberding
By: _____
JAMES W. VOLBERDING
SBN: 00786313

KRETZER & VOLBERDING P.C.
Plaza Tower
110 North College Avenue
Suite 1850
Tyler, Texas 75702
(903) 597-6622 (Office)

(866) 398-6883 (Fax)
email: jamesvolberding@gmail.com

ATTORNEY FOR RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this document has been delivered this 18 day of April 2022 (by court electronic filing only) to all counsel of record.

James W. Volberding

JAMES W. VOLBERDING

CERTIFICATE OF COMPLIANCE

As required by Texas Rule of Appellate Procedure 9.4, I certify that the number of words in this pleading is 10,497, with approximately 700 words in PDF excerpts, measured from page one through the conclusion, according to Word. This pleading was prepared with Microsoft Word for Apple, version 16.49.

James W. Volberding

JAMES W. VOLBERDING

Automated Certificate of eService

This automated certificate of service was created by the efiling system. The filer served this document via email generated by the efiling system on the date and to the persons listed below. The rules governing certificates of service have not changed. Filers must still provide a certificate of service that complies with all applicable rules.

Seth Kretzer
Bar No. 24043764
seth@kretzerfirm.com
Envelope ID: 63669095
Status as of 4/19/2022 7:43 AM CST

Associated Case Party: Princeton Capital Corporation

Name	BarNumber	Email	TimestampSubmitted	Status
Mark L. D. Wawro	20988275	mwawro@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT
Abigail Noebels	24083578	anoebels@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT
Moustapha El-Hakam		melhakam@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT
Taylor Biddle		tbiddle@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT
Rachel Solis		rsolis@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT

Associated Case Party: World Class Capital Group, LLC

Name	BarNumber	Email	TimestampSubmitted	Status
Brent Clark Perry	15799650	bperry@burfordperry.com	4/18/2022 10:38:28 PM	SENT
Robert R. Burford	3371700	rburford@burfordperry.com	4/18/2022 10:38:28 PM	SENT
Michael Merrick	24041474	mmerrick77@gmail.com	4/18/2022 10:38:28 PM	SENT
Shawn Johnson	24097056	shawn@sajlawpllc.com	4/18/2022 10:38:28 PM	SENT
Burford Perry Service		service@burfordperry.com	4/18/2022 10:38:28 PM	SENT
Michael J.Merrick		mmerrick@world-class.com	4/18/2022 10:38:28 PM	SENT
Matt E.Parks		mparks@burfordperry.com	4/18/2022 10:38:28 PM	SENT

Case Contacts

Name
Seth Kretzer
James Wesley Volberding
Ann Kennon
Jesseca Wilson
Shawn Johnson

Automated Certificate of eService

This automated certificate of service was created by the efiling system. The filer served this document via email generated by the efiling system on the date and to the persons listed below. The rules governing certificates of service have not changed. Filers must still provide a certificate of service that complies with all applicable rules.

Seth Kretzer
Bar No. 24043764
seth@kretzerfirm.com
Envelope ID: 63669095
Status as of 4/19/2022 7:43 AM CST

Case Contacts

Daniel Wilson		dwilson@susmangodfrey.com	4/18/2022 10:38:28 PM	SENT