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October 26, 2023

Hon. Court of Appeals
First District of Texas
301 Fannin Street
Houston, Texas 77002-2066

Via e-filing

Re: Case number: 01-21-00284-CV; *Great Value Storage, LLC and World Class Capital Group. LLC v. Princeton Capital Corporation*;

Case Number: 01-21-00672-CV; *In re Great Value Storage, LLC and World Class Capital Group, LLC*;

Case number: 01-23-00618-CV; *Great Value Storage, LLC and World Class Capital Group. LLC v. Princeton Capital Corporation.*

Hon. First Court of Appeals:

In response to the Court's October 24, 2023 Order in mandamus action 01-21-00672-CV, Court-Appointed Receiver for Appellants, Mr. Seth Kretzer, respectfully urges this Court to conclude that the matter is moot and dismiss 01-21-00672-CV accordingly.

In response to the Court's December 23, 2021 order to conduct a supersedeas bond hearing, the District Court properly scheduled a supersedeas bond hearing for January 28, 2022.[1] At the hearing, Appellants would have had the opportunity to introduce evidence supporting the amount of the bond. The Appellee, Princeton Capital Corp., properly insisted that Appellants produce relevant financial document and records.[2] Appellants, refused. Princeton sought production of the documents in advance of the supersedeas deposition of Mr. Nate Paul, owner of the Appellant shell companies. The District Court granted the motion and ordered production.[3] Appellants refused to produce the documents. At his deposition, Mr. Paul claimed to have little or no knowledge of Appellant's financial information or relevant documents and records.[4] Princeton objected to proceeding with the

[1] *See* Order, no. 2019-18855 (Jan. 17, 2022) (165th Dist. Crt.) (**Exhibit 1**).
[2] *See* Princeton's Opposition to Judgment Debtors' Motion to Review Supersedeas Bonds, no. 2019-18855 (Jan. 4, 2022) (165th Dist. Crt.) (**Exhibit 2**).
[3] *See* Order, no. 2019-18855 (Jan. 24, 2022) (165th Dist. Crt.) (**Exhibit 3**).
[4] *See* Princeton's Letter to Court, Additional Argument and Authority in Support of Princeton's

January 28, 2022 supersedeas hearing until Appellants produced relevant documents and records and a knowledgeable witness.[5] The Court agreed and cancelled the hearing until Appellants complied.

That was the end of the matter. Appellants never complied with the District Court's orders. Appellants never produced the relevant supersedeas records and documents. Appellants did not make further request for a supersedeas bond hearing.

In this Court's April 20, 2023 Memorandum Opinion in the primary appeal, 01-21-00284-CV, the Court noted Appellants' non-compliance: "The appellate record does not include an order determining Princeton's challenge to the declarations of net worth, and no issue regarding supersedeas is properly before this Court in this appeal."[6]

Over a year ago, Appellants and Princeton Capital settled all claims. Appellants paid the full amount of the judgment. Princeton Capital distributed the proceeds to shareholders and reported the settlement to the Securities and Exchange Commission.[7] The mandamus action in 01-21-00672-CV is therefore moot.

Receiver has filed a motion to dismiss Appellants' latest appeal, 01-23-00618-CV for lack of appellate jurisdiction in light of Appellants' global settlement. Receiver respectfully urges the Court to dismiss 01-23-00618-CV, or order Appellants to respond to Receiver's motion to dismiss.

Sincerely,
James W. Volberding
James W. Volberding
Attorney for Mr. Kretzer, Receiver

Encls.

cc: All Counsel of Record (*via e-filing*)

Second Motion to Compel, no. 2019-18855 (Jan. 24, 2022) (165th Dist. Crt.) (**Exhibit 4**).
[5] *See* Princeton's Notice of Judgment Debtors' Non-Compliance with this Court's January 24, 2022 Order, no. 2019-18855 (Jan. 27, 2022) (165th Dist. Crt.) (**Exhibit 5**).
[6] *See* Memorandum Op., no. 01-21-00284-CV (Apr. 20, 2023) at 17.
[7] *See* Receiver's Motion to Dismiss Appeal for Want of Jurisdiction, no. 01-23-00618-CV (Sept. 10, 2023) (explaining settlement agreement and providing complete copy).

EXHIBIT 2

1/4/2022 5:24 PM
Marilyn Burgess - District Clerk Harris County
Envelope No. 60493086
By: Bristalyn Daniels
Filed: 1/4/2022 5:24 PM

CAUSE NO. 2019-18855

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

Princeton's Opposition to
Judgment Debtors' Motion to Review Supersedeas Bonds

Delay and more obstruction is what GVS and World Class[1] ask for with this latest motion. GVS and World Class owe ~*$10 million* to Princeton under this Court's March 4, 2021 Final Judgment. For months, GVS and World Class have disrespected this Court's September 8 "Turnover Order" requiring them to produce financial records to the Court-appointed Receiver, and then have repeatedly disobeyed express orders from the First Court of Appeals that they come back to this Court to obtain factual findings to support a "good and sufficient" supersedeas bond if they want to stay execution. They refused.

GVS and World Class—companies owned by self-declared Austin, Texas real estate billionaire Nate Paul[2]—claim they can pay mere *$100* nominal deposits to stop execution, based only on their say-so and without complying with this Court's Order or Texas law. In trying to evade this Court's Turnover Order, they created a game of whack-a-mole, filing motions across

[1] The Defendants (and Judgment Debtors) are Great Value Storage LLC ("GVS") and World Class Capital Group, LLC ("World Class.")

[2] *See, e.g.*, https://www.world-class.com/ ("World Class is a multi-billion dollar holding company that owns a diverse portfolio of assets and operating companies," "We are one of the largest private real estate owners in the United States", and Great Value Storage is "One of the largest self-storage companies in America"); https://www.forbes.com/sites/nathanvardi/2017/07/18/the-30-year-old-texas-tycoon-who-is-building-a-real-estate-empire/?sh=65e6a919594e (From 2017: "Forbes estimates that Paul's net worth is $800 million. If commercial real estate prices stay strong, he could be a billionaire soon.").

numerous courts in Texas to stop the Receiver but without actually returning to *this Court*, and in the process have essentially secured a "free" appellate supersedeas bond.

This Court should not allow this continued disrespect of its Order, the Orders of the First Court of Appeals, and Texas law governing supersedeas. Princeton respectfully requests that the Court enter its Proposed Order, finding and ordering that:

1. GVS and World Class violated and are in contempt of this Court's September 8, 2021 Turnover Order;

2. GVS and World Class must comply with the Turnover Order within seven days by producing the ordered records and tendering the assessed costs;

3. GVS and World Class have not posted valid supersedeas bonds pursuant to Texas Rule of Appellate Procedure 24; and

4. The amount of security that GVS and World Class are required to post to supersede the judgment and the Turnover Order pursuant to Rule 24 is $10,592,813.61 (the full amount of the final judgment, plus the interest that will accrue during the pendency of the appellate proceedings).

Argument

A. This Court entered a $9.7 million judgment, GVS and World Class refused to participate in post-judgment discovery, and the Court entered a Turnover Order appointing a Receiver.

This Court entered final judgment on March 4, 2021, awarding Princeton ~ $10 million in damages and costs arising from GVS and World Class's breach of a loan agreement. GVS and World Class did not make any effort to pay the judgment or suspend enforcement under TRAP 24 by posting a "good and sufficient supersedeas bond."

In June 2021, Princeton simultaneously served post-judgment discovery, seeking GVS and World Class's financial records of assets to satisfy the judgment,[3] and also moved this Court for appointment of a Receiver, Mr. Seth Kretzer, to secure the judgment debtors' assets.

This Court granted the Turnover Order on September 8, 2021. **This Court ordered GVS and World Class to turn over—*within 10 days from the Order*—certain specific financial records**, including:

- Monthly statements from all financial accounts owned by GVS or World Class;
- All cancelled checks and wire transfers;
- Copies of all articles of incorporation, operating agreements, membership agreements and documents of ownership of any LLC, corporation, partnership or other entity owned by GVS or World Class;
- Federal and state tax returns;
- Motor vehicle titles;
- Stocks, bonds, and promissory notes;
- Bills of sale;
- Real property deeds;
- Business journals, ledgers, and accounts payable/receivable files;
- Pledges, security agreements, and financial statements;
- Any other document evidencing ownership to real or personal property or debt owed or money had;
- Credit applications or other documents stating financial condition.

The Court also ordered the GVS and World Class to pay $2,400 in costs to Princeton.[4]

B. GVS and World Class are in contempt of this Court's Turnover Order and further orders from the Courts of Appeals.

GVS and World Class *completely refused to comply* with this Court's Turnover Order. More than ten days passed; no records of any kind were turned over to the Receiver, and no costs were paid to Princeton. This is contempt of this Court's Order.

[3] Defendants blew through the response deadline for the discovery responses, then served boilerplate and baseless objections, refusing to produce *any* documents or records at all. *See* Princeton's Second Motion to Compel, filed December 17, 2021.

[4] Princeton has now incurred *more than twenty times* this amount in litigating GVS and World Class's failure to comply with post-judgment discovery and their efforts to avoid enforcement of the judgment.

Instead, GVS and World Class began a campaign of evasion and obfuscation, attempting to seek relief in the appeals court, despite not taking any steps to suspend the judgment. On October 26, the First Court of Appeals ***ordered*** GVS and World Class to come back to this Court to obtain findings to support the entry of a supersedeas bond that would protect Princeton during the appeal. The Court of Appeals wrote:

> Moreover, we **abate** the appeal and **remand** to the trial court for a determination whether appellee's rights would be adequately protected by supersedeas or another order under Rule 24, and if so, the amount and type of security appellant must post. *See* TEX. R. APP. P. 24.1, 24.3, 29.1, 29.3; *WC 1st & Trinity; LP v. Roy F. and JoAnn Cole Mitte Found.*, No. 03-19-00905-CV, 2019 WL 6972679, at *1 (Tex. App.—Austin Dec. 19, 2019, no pet.) (mem. op.).
>
> Appellant is ordered to file a status report with this Court concerning the status of the supersedeas proceedings **on or before November 15, 2021**, and to see that a clerk's record is filed in this Court concerning the trial court's determination of the amount and type of supersedeas, as well as any bond or other supersedeas posted by appellant. The Court **may reinstate and withdraw the stay if appellant fails to file a status report by November 15, 2021**.

Ex. 1. Princeton's counsel reached out to GVS/World Class's counsel immediately after the First Court of Appeals' Order to jointly request a hearing with this Court. Ex. 2. GVS and World Class's counsel refused to do so, and refused to meet and confer with Princeton's counsel on the outstanding discovery. *Id*.

Instead, at 10:20 p.m. on November 15, GVS alone filed a conclusory declaration in the trial court from its bookkeeper, Ms. Barbara Lee, purporting to state that GVS's net worth was negative. World Class did not provide any declaration at all.

On November 18, the First Court of Appeals found that Great Value and World Class had failed to comply with its order "to have the trial court make a determination concerning supersedeas," and *again* noting that they needed to "obtain[] ***the trial court's approval*** of a good and sufficient bond" in order to suspend enforcement of the judgment. Ex. 3 (emphasis added).

GVS and World Class *again* refused to come to this Court for such approval. Instead, GVS and World Class both submitted $100 cash deposits to the court clerk, along with legally-

deficient declarations attempting to state that the companies have a negative net worth. The filings were wholly insufficient under Texas law (*See* supra).

GVS and World Class did not take *any* steps to actually comply with the Court of Appeals' October 26 or November 18 Orders to request a hearing with this Court to make findings on the appropriate bond. Instead, they filed a series of collateral attacks on this Court's Order and the Receivership.[5] On December 23, 2021, for a third time, the First Court of Appeals *yet again* ordered GVS and World Class to return to this Court to obtain "findings and conclusions" that their purported attempt to supersede is sufficient under Texas law:

> Although appellants claim that their nominal cash deposit in lieu of supersedeas is sufficient, the receiver has filed a motion in the original proceeding, asking that we lift the stay because the financial declaration filed by appellants is false and appellant is not entitled to suspend enforcement of the final judgment based on a nominal cash deposit. The receiver further contends that appellants have transferred properties while the stay orders issued by this Court have been in effect. To protect both parties, the Court will not stay the trial court's order without a supplemental clerk's record containing findings and conclusions from the trial court that this deposit is sufficient under Rule 24.
>
> Accordingly, the Court **abated** the appeal and **remanded** to the trial court for a determination whether appellee and appellants' rights would be adequately protected by supersedeas or another order under Rule 24, and if so, the amount and type of security appellant must post. *See* TEX. R. APP. P. 24.1, 24.3, 29.1, 29.3; *WC 1st & Trinity; LP v. Roy F. and JoAnn Cole Mitte Found.*, No. 03-19-00905-CV, 2019 WL 6972679, at *1 (Tex. App.—Austin Dec. 19, 2019, no pet.) (mem. op.).
>
> Appellants are ordered to file a status report with this Court concerning the status of the supersedeas proceedings **on or before January 18, 2022**, and to see that a clerk's record is filed in this Court concerning the trial court's determination of the amount and type of supersedeas, as well as any bond or other supersedeas posted by appellant. The Court **may reinstate and proceed with the appeal on the active docket if appellants fail to file a status report by January 18, 2022**.

Ex. 4.

[5]On November 29, GVS/World Class filed a second "Emergency Motion" with the appeals court, claiming their $100 deposits had adequately superseded the judgment. *See* Case No. 01-21-00284-cv.

On November 30, GVS/World Class filed a writ petition in the Court of Appeals, again arguing that their $100 deposits had adequately superseded the judgment. *See* Case No. 01-21-00672-cv.

On November 30, two affiliates of World Class (two Nate Paul-controlled subsidiary entities represented by the same counsel, the Burford firm), filed a TRO petition in Harris County before the ancillary judge directly against Mr. Kretzer, contending that he had no right to act as Receiver. *See WC 4th and Colorado, LP and WC 4th and Rio Grande, LP,* Cause No. 2021-77945, in the 133rd District Court of Harris County, Texas.

C. GVS and World Class's $100 deposits do not supersede the judgment: their "net worth declarations" are a sham and legally insufficient, and they have refused to produce net worth discovery.

Simply put, under Texas law, this Court cannot and should not confirm GVS and World Class's $100 cash deposits as "good and sufficient" in order to supersede execution of the final judgment pursuant to Rule 24.

What is clear from the past two years of litigating this case with GVS and World Class is that they do not intend to *ever* produce any internal financial records that would allow Princeton (or the Receiver) to validate their claims that they are "insolvent"–a claim that is hard to believe, given that the Great Value Storage empire is currently involved in bankruptcy proceedings where the properties are estimated to be worth well over $300 million.

1. Rule 24 requires posting the full amount of the money judgment as security.

Under Rule 24, the general rule for a money judgment is that the debtor must post a security that equals "the sum of compensatory damages awarded" plus "interest for the estimated duration of the appeal, and costs awarded." Here, that amount is $10,592,813.61.[6]

2. A lesser security based on net worth must be supported by an affidavit containing "complete and detailed information" concerning assets and liabilities.

If a debtor contends the amount should be reduced based on net worth, then Rule 24.2(c) requires them to file an affidavit stating "complete, detailed information" concerning their assets and liabilities from which net worth can be determined:

[6] The Final Judgment is for $9,910,610.34; estimated interest on that amount from the date of the judgment through July 1 (estimate duration of appeal) is an additional $682,212.27.

(c) *Determination of Net Worth.*

(1) Judgment Debtor's Affidavit Required; Contents; Prima Facie Evidence. A judgment debtor who provides a bond, deposit, or security under (a)(1)(A) in an amount based on the debtor's net worth must simultaneously file with the trial court clerk an affidavit that states the debtor's net worth and states complete, detailed information concerning the debtor's assets and liabilities from which net worth can be ascertained. An affidavit that meets these requirements is prima facie evidence of the debtor's net worth for the purpose of establishing the amount of the bond, deposit, or security required to suspend enforcement of the judgment. A trial court clerk must receive and file a net-worth affidavit tendered for filing by a judgment debtor.

Only an affidavit that "meets these requirements" is prima facie evidence of net worth. ***Without the "complete and detailed" information, an affidavit is legally insufficient***.

3. GVS and World Class's declarations are legally insufficient under Rule 24.2.

GVS and World Class tendered four different declarations—none are sufficient under Rule 24.2(c) to make a *prima facie* showing of net worth, and further discovery has confirmed that they are a sham that the Court should disregard:

- The November 23 World Class filing does not include an affidavit or declaration sworn under oath attesting to its truthfulness.
- The November 15 and December 3 declarations of Barbara Lee do not contain any supporting information at all, and thus do not contain "complete and detailed" information about assets and liabilities.
- All of the declarations fail to disclose any ownership or subsidiary information.[7] World Class in particular has numerous subsidiary entities, and no information about those entities is provided.

[7] "Complete and detailed" information requires disclosing ownership and subsidiary information, because "failure to disclose related entities under those circumstances is a badge of fraud." *Texas Black Iron, Inc. v. N. Am. Interpipe, Inc.*, No. 14-20-00068-CV, 2020 WL 10231117, at *7 (Tex. App.—Houston [1st Dist.], July 28, 2020).

- Each of the declarations related to GVS are based on a legally improper determination of net worth – they include the money GVS owes to Princeton as a reason why GVS is insolvent. Ex. 5 at 123:18–21.[8] GVS cannot claim that it is insolvent for purposes of paying the judgment based on the very amounts it owes to Princeton.

- Each of the declarations related to GVS fails to account for its primary asset—the Management Agreement under which GVS is paid a monthly fee to operate the Great Value-branded storage facilities.

- None of the declarations include information about income, expenses, or cash flow from the previous year to determine whether assets have been improperly transferred to insiders.

- The December 14 declarations of Nate Paul are a sham, because he did not prepare the attached "asset and liabilities statements" or know who did, he therefore cannot attest to their truthfulness, he is not a CPA, and has no understanding of GAAP principles. Ex. 5 at 72:16–74:19; 199:2–200:1.

- The December 14 declarations of Nate Paul do not contain "complete and detailed" information about assets and liabilities and in fact contain fraudulent statements. Mr. Paul cherry picked which documents he chose to attach, and completely omitted information (like bank accounts) that the Receiver had already uncovered as being assets of the companies.

There is no basis to conclude that GVS and World Class have met the requirements under Rule 24.2 to provide the necessary "complete and detailed" information about assets and liabilities necessary to make a prima facie case of a negative net worth on which this Court can rely.

4. Nate Paul's corporate representative deposition confirms the affidavits are a sham.

GVS and World Class "appeared" for a deposition through their sole-owner and CEO Nate Paul, but the deposition was a sham. Princeton filed a Motion to Compel in this Court on December 17, 2021 (prior to this motion), and it is set for a hearing on January 24, 2022.

[8] *See McCullough v. Scarbrough, Medlin and Assocs., Inc*., 362 S.W.3d 847, 849-50 (Tex. App.—Dallas 2012, no pet.) (amount of money judgment was contingent liability that could not be considered in determining debtors' net worth for purposes of calculating a supersedeas bond).

The deposition was obstructed by GVS/World Class's counsel refusing to limit his objections to form, and instead making lengthy speaking objections, interruptions, inappropriate commentary to Princeton's counsel, and repeated suggestions of testimony. *See, e.g.*, *id*. at 12:1–13; 13:6–22; 18:4–25; 58:7–61:25; 67:8–68:11; 80:10–81:4; 82:5–83:11; 85:7–88:24; 145:3–146:22; 152:1–155:20; 170:10–177:10; 180:10–181:8; 183:3–185:19; 211:23–213:15.

Mr. Paul refused to answer any questions about GVS/World Class's assets that have disappeared since the parties' contract was entered into, or inconsistencies with their declarations of net worth and refused to answer ***why the companies have not filed their federal taxes since 2017*** (such records would show the relevant income and expenses). *Id*. at 79:13–81:24. Counsel, far from instructing his client to answer, goaded him on. And Mr. Paul admitted over and over again that ***he had done nothing to prepare for the deposition topics***; he reviewed no files and spoke to no colleagues. *See, e.g., Id*. at 21:1–25:11.

Mr. Paul answered numerous times that he would "need to check" with someone else, including counsel, about a basic question encompassed by the topics:

- He could not say whether World Class is an owner of GVS. *Id*. 17:10–23.
- He would need to check about what kind of accounting software the companies use. *Id*. 26:10–15.
- He would need to check about who is responsible for calculating the GVS management fee. *Id*. 49:18–50:1.
- He would need to check about where GVS's incoming payments are recorded. *Id*. 52:10–53:21.
- He would need to check about the last time GVS was paid for the management fee. *Id*. 57:11–58:5.
- He would need to check about where the companies' revenue and expense information was kept after the FBI raided his office, *id*. 90:5–25

- He would need to check whether there are any documents that support GVS's claimed $5 million in real estate investments. *Id*. 118:4–15

Mr. Paul also responded to numerous basic questions with "don't know," "don't recall" or completely dodged the question. *Id*. at 16:11–19 (doesn't know the organizational ownership of World Class and GVS); 70:9–23 (doesn't know who prepared the GVS statements of assets and liabilities); 75:1–6 (doesn't know what financial records GVS produced to demonstrate net worth); 91:18–92:5 (doesn't know what banks GVS used or when the prior Wells Fargo account was closed); id. 169:4–170:4 (doesn't know whether GVS ever prepared any budgets for the storage facilities as contractually required, or who would be responsible for it). And Mr. Paul alluded to documents and records clearly relevant and responsive that were not produced. *Id*. at 39:5–9 (referencing Excel files that he reviewed that were not produced).

GVS and World Class's refusal to produce the requested documents (prior to the deposition, or at all) and their actions at the deposition were pure gamesmanship making it impossible for Princeton to fairly contest the conclusory allegation of a negative net worth. As a result, so as not to waive its right to the Rule 24 discovery, Princeton was forced to reset the net worth Contest that had been set for the following day (December 15). This Court's next available hearing was not until January 28, 2022.

Furthermore, Mr. Paul's testimony also confirmed that his declarations submitted that very morning are fraudulent:

- Mr. Paul confirmed he is not competent to testify to net worth. He testified he is not a CPA or qualified to certify financial statements for GAAP compliance, and no outside financial auditor had reviewed the statements. Ex. 5 at 72:16–74:19; 199:2–200:1. Therefore, Mr. Paul's statements in his December 14, 2021 declarations that the asset and liability statements of GVS and World Class were prepared in accordance with GAAP are not within his knowledge and his testimony cannot be credited.
- Mr. Paul confessed to a wholesale corporate "restructuring" of his World Class business enterprise—with no notice to Princeton—in which essentially all of the assets were

removed from the organizational structure (for no consideration) and set up into separate, newly-formed holding company entities owned by Nate Paul, leaving behind no assets to cover liabilities. Ex. 5 at 132:23–133:17, 206:22–208:10

- Mr. Paul admitted that, after the entities were restructured, he caused GVS to fundamentally change the way it handled cash flow and expenses, and then execute new Management Agreements with the new owners of the facilities—all without informing Princeton. *See* Ex. 5 at 109:19–112:7, 114:6–116:10. The Management Agreement contracts are an asset of GVS—they provide the terms under which GVS will be paid for its services managing the underlying facilities. And yet Mr. Paul (who signed the Management Agreement contracts on behalf of both the manager and the "customer") admitted that GVS did not collect the fee for many months, and in fact did not perform many of the contracted-for services (including maintenance of bank accounts), which would have allowed GVS to preserve its right to payment. *See id.* at 177:21–187:21. These are strong indications that Mr. Paul has been operating the GVS businesses without regard to corporate form and that the businesses are *alter ego* of each other, and perhaps of Mr. Paul himself.

- Last, Mr. Paul also confessed that just in the last months alone, he personally has authorized the re-routing of payment of the $96,000 monthly GVS "Management Fee" away from GVS and into a bank account owned by another company he controls. Ex. 5 at101:2–102:21. These facts plainly support a claim for fraudulent transfer under the Texas Uniform Fraudulent Transfer Act (TUFTA). *See* Tex. Bus. & Com. Code § 24.001, et seq.

- Even worse, Mr. Paul's testimony confirms that at the time that Princeton loaned $5.6 million (for the purposes of developing additional GVS-branded storage facilities), World Class had reported that it owned 23 GVS-branded storage facilities, and it was obligated under the NPA to disclose and seek Princeton's approval for any change in the corporate ownership. By 2021, when Mr. Paul pushed all of his GVS asset-owning entities into bankruptcy (with the exception of the GVS entity here), all of the facilities had been removed from World Class, placed elsewhere, and Mr. Paul cannot recall who World Class transferred its interest to and for what consideration. *See, e.g.*, *id*. at 224:21–225:24.

In light of Mr. Paul's testimony, his written declarations testifying to GVS and World Class's supposed net worth are conclusory, based on insufficient evidence, and constitute a sham. As a matter of law, they can and should be disregarded. *See, e.g., Lujan v. Navistar, Inc*., 555 S.W.3d 79, 87–90 (Tex. 2018); *In re Smith*, 192 S.W.3d at 569.

D. The Court should not make any findings that GVS or World Class's "net worth" declarations are sufficient without allowing Princeton the discovery it is entitled to under Rule 24, and that GVS/World Class have prevented.

Even if this Court were to credit GVS and World Class's sham declarations in support of net worth—and it should not—the Court cannot and should not make factual findings about the debtors' net worth because GVS and World Class have *prevented* Princeton from taking the discovery it is entitled to under Rule 24.2(c)(2) and (3). GVS and World Class have unclean hands and cannot benefit from their continued refusal to provide required discovery.

The Texas Supreme Court confirms that Judgment Debtors must provide discovery in this situation: courts can require defendants to comply with post-judgment enforcement discovery—and not merely present "net worth" declarations, when a creditor disputes a debtors net worth under Tex. R. App. P. 24.1. The Texas Supreme Court stated:

> Smith and Main Place [the judgment debtors] also argue that the trial court abused its discretion by compelling responses to the Honakers' [creditors'] post-judgment enforcement discovery requests because the Honakers were foreclosed by Texas Rule of Civil Procedure 621a from seeking responses to the requests after Smith and Main Place superseded the judgment by filing affidavits of net worth and cash deposits in lieu of bond. ***We disagree***. Smith and Main Place refused to answer much of the written post-judgment enforcement discovery even though it was relevant to determining what assets were available to satisfy the judgment. . . . The trial court's conclusion that Smith and Main Place were attempting to avoid answering post-judgment enforcement discovery by filing the cash deposits in lieu of bond and affidavits of net worth was reasonable.

192 S.W.3d 564, 569 (Tex. 2006) (orig. proceeding) (per curiam) (emphasis added). Failure to provide that information and then refusal to allow the judgment creditor to take discovery to contest the claim results in a bond that does not withstand appellate scrutiny. *Jackson Walker, LLP v. Kinsel*, No. 07-13-00130-CV, 2014 WL 720889, at *3 (Tex. App.—Austin, Feb. 14, 2014, no pet.) (trial court abused its discretion when it accepted conclusory net worth information and reduced the bond without making a factual basis for that determination).

Relief Requested

Princeton requests that the Court deny GVS and World Class's motion to approve their $100 deposits as good and sufficient supersedeas bonds, and enter Princeton's Proposed Order, finding that:

1. GVS and World Class violated and are in contempt of this Court's September 8, 2021 Turnover Order;

2. GVS and World Class must comply with the Turnover Order within seven days by producing the ordered records and tendering the assessed costs;

3. GVS and World Class have not posted a good and sufficient supersedeas bond compliant with Texas Rule of Appellate Procedure 24;

4. The amount of security that GVS and World Class are required to post to supersede the judgment and the Turnover Order pursuant to Rule 24 is $10,592,813.61 (the full amount of the final judgment, plus the interest that will accrue during the pendency of the appellate proceedings).

Dated: January 4, 2021

Respectfully submitted,

SUSMAN GODFREY L.L.P.

By: /s/ Abigail C. Noebels

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CERTIFICATE OF SERVICE

I hereby certify that on this 4th of January, 2022, a true and correct copy of the foregoing was forwarded via the Court's electronic filing service and counsel of record by electronic service:

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EXHIBIT 1

Pgs-2

ENTZ

CAUSE NO. 2019-18855

PRINCETON CAPITAL CORPORATION, *Plaintiff(s)*	§	IN THE DISTRICT COURT OF
vs.	§	HARRIS COUNTY, TEXAS
GREAT VALUE STORAGE LLC, *Defendant(s)*	§	165th JUDICIAL DISTRICT

ORDER ON "EXPEDITED DEFENDANTS' MOTION TO REVIEW SUPERSEDEAS BONDS UNDER TEX. R. APP. P. 24.1(B)(2)"

.

In an "Expedited Defendants' Motion To Review Supersedeas Bonds Under Tex. R. App. P. 24.1(b)(2), "Great Value Storage, LLC ("GVS") and World Class Capital Group, LLC ("WCCG") "move[d] this Court to review their supersedeas affidavits and deposits under Tex. R. App. P. 24.1(b)(2)" and to "review and approve the bonds filed by the judgment debtors, make findings and conclusions regarding the net worth and deposit requirements for each judgment debtor."

After considering Great Value Storage, LLC ("GVS") and World Class Capital Group, LLC's ("WCCG") Expedited Defendants' Motion To Review Supersedeas Bonds Under Tex. R. App. P. 24.1(b)(2), the response, the evidence, and the post-hearing submissions, the Court

GRANTS "review," DENIES "approval," and ORDERS relief under 24.2(d), it appearing to the Court that the relief sought in the motion is not found in 24.1(b)(2), but rather, 24.2(c)(2) "Contest," which Contest is, and was at the time of "Review," set for hearing. Further, because

the Court FINDS that the judgment debtors are likely to dissipate or transfer their assets to avoid satisfaction of the judgment, it is

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

EXHIBIT 3

1/24/2022 3:55:35 PM
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Harris County
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CAUSE NO. 2019-18855

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

Order Granting Princeton's Second Motion to Compel

The Court having considered the motion, responses and supplemental authority, and the arguments of counsel is of the opinion that Princeton's Second Motion to Compel should be GRANTED.

The Court makes the following findings:

1. Princeton is entitled to discovery from "Judgment Debtors" Great Value Storage LLC and World Class Capital Group LLCC pursuant to Princeton's properly-served June 30, 2021 post-judgment discovery requests.
2. Princeton is also entitled to discovery from Judgment Debtors pursuant to Texas Rule of Appellate Procedure 24.2(c)(2) in relation to Princeton's Contest of the Judgment Debtors' Net Worth Declarations.
3. Princeton is entitled to discovery from Judgment Debtors that includes information reflecting the value of the ownership interest in subsidiary entities that Judgment Debtors contend were transferred outside of the Judgment Debtors.
4. Judgment Debtors' January 22, 2022 Objections and Responses were untimely and the objections not legally supported.

The Court thus OVERRULES Judgment Debtors' objections to production and hereby ORDERS Judgment Debtors to produce the following documents:

1. All organizational charts for Judgment Debtors, including those that that reflect the path of the ownership in any subsidiary entities from 2016 to present.

2. The identity of any bank accounts used by Judgment Debtors and their subsidiaries from 2018 to the present, and the monthly bank statements, including checks and wire transfers.

3. Monthly income and cash flow statements for Judgment Debtors and their subsidiaries from 2018 to present.

4. Complete federal, state, and local tax returns for Judgment Debtors and their subsidiaries from 2017 to the present.

5. Real and personal property records for Judgment Debtors and their subsidiaries, including motor vehicle ownership and loan information.

6. Records of any credit applications or other documents provided to any third party since 2018 stating the financial condition of Judgment Debtors and their subsidiaries.

7. Any document Debtors intend to offer as an exhibit at the Contest hearing scheduled for January 28, 2022.

Judgment Debtors are ORDERED to produce documents by 5 p.m. Central, Wednesday, January 26, 2022. Judgment Debtors are further ORDERED to disclose the identity of any witness they will call at the Contest hearing by 5 p.m. Central, Wednesday, January 26, 2022.

SIGNED this _____ day of _____, 2022.

Signed:
1/24/2022
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Ursula Hall

The Honorable Ursula A. Hall

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January 24, 2022

The Honorable Ursula A. Hall
Harris County Civil Courthouse
201 Caroline, 12th Floor
Houston, Texas 77002

Re: Additional Argument and Authority in Support of Princeton's Second Motion to Compel.

Cause No. 2019-18855; *Princeton Capital Corporation v. Great Value Storage LLC, World Class Capital Group, LLC, and Natin Paul*; In the 165th Judicial District, Harris County, Texas.

To the Honorable Ursula Hall:

The question before the Court is what discovery Princeton is entitled to from Judgment Debtors GVS and WCCG under either or both of (1) its outstanding June 30, 2021 Post-Judgment Discovery Requests, and (2) TRAP 24.2(c)(2)[1], in advance of the Friday Jan. 28, 2022 Rule 24 Net Worth Contest.

Debtors' premise is hopelessly flawed: if their $100 deposits validly superseded the judgment (as they claim), then Princeton is only entitled to *Rule 24* discovery, and Debtors say this discovery is limited to GVS and WCCG only (no subsidiaries), and only for the past year. Respectfully, Princeton disagrees and believes this Court's Jan. 17 Order and the First Court of Appeals directives confirm that the final judgment has not been suspended, and will not be until (and only *if*) this Court makes favorable fact findings confirming Debtors' claimed net worth. Debtors want to force Princeton to challenge their declarations without the benefit of any meaningful discovery.

First, **Debtors have not even complied with what they agree Rule 24 requires**. Today, Mr. Parks at the hearing represented that Princeton would be entitled to discovery into "one year" of Debtors' financial records. Yet all that has been "produced" was attached to Nate Paul's December 14 declarations—thousands of pages of publicly-available bankruptcy filings and essentially no internal financial records of income, expenses, or bank accounts. This does not come close to satisfying the "one year's" worth of the Debtors' financial

[1] "The creditor may conduct reasonable discovery concerning the judgment debtor's net worth."

information relevant to net worth that Debtors' counsel seemingly concedes Princeton is entitled.

Mr. Paul at his deposition made clear that only he was responsible for document collection,[2] yet he could not answer basic questions about the companies' financials or where records are kept.[3] The bare-bones production is plainly insufficient. Where are all of the bank statements from the prior year reflecting Debtors' expenses and income? Where are the organization charts of the companies' current structure? Where is the information about cash flow, income and expenditures? Where are the records related to the undisputed transfer of the GVS management fee from Fall 2021 to a separate Nate Paul-controlled entity? Where are the records supporting how these supposedly insolvent Debtors are paying their lawyers to appeal the judgment and mount this defense?

Second, **Debtors are wrong that "suspension" of the judgment prevents this Court from ordering discovery *pursuant to Princeton's RFPs***. The Texas Supreme Court expressly rejected Debtors' position:

> [Debtors] also argue that the trial court abused its discretion by compelling responses to the [Creditors'] post-judgment enforcement discovery requests because the [Creditors] were foreclosed by Texas Rule of Civil Procedure 621a from seeking responses to the requests after [Debtors] superseded the judgment by filing affidavits of net worth and cash deposits in lieu of a bind. **We disagree**. [Debtors] refused to answer much of the written post-judgment enforcement discovery even though it was relevant to determining what assets were available to satisfy the judgment. … **The trial court's conclusion that [Debtors] were attempting to avoid answering post-judgment discovery by filing the cash deposits in lieu of bond and affidavits of net worth was reasonable**.

In re Smith, 192 S.W.3d 564, 569 (Tex. 2006) (orig. proceeding). It is thus clear that this Court has the authority to order discovery pursuant to the outstanding RFPs—which were not timely objected to (5+ months late), and where the objections are meritless. Debtors' Response completely ignored this on-point case.

Third, Debtors' straw man is a sideshow, because **the scope of discovery is also not dependent on whether this Court orders discovery under TRAP 24 or pursuant to Princeton's RFPs**. Both avenues permit discovery into the ownership histories and assets of the WCCG and/or GVS subsidiaries.

[2] Notably, no lawyer from the Burford firm would say during the hearing that they personally took any steps to confirm that the searches were performed and that all responsive documents were produced.

[3] *See* page 9 of Princeton's January 4, 2021 Response to Debtors' Motion to Approve Supersedeas and citations to Mr. Paul's testimony.

Debtors' own cases prove them wrong:

- *Hunter Buildings & Manufacturing, L.P. v. MBI Global, LLC*, 514 S.W.3d 233, 238 (Tex. App.—Houston [14th Dist.] 2016, order). Here, the subsidiaries of a judgment debtor were at issue, and discovery into their worth was contested. Ultimately, the appeals court found that the trial court erred in considering "all" the assets of a non-debtor affiliated company using a consolidated financial statement as if there were an alter ego finding. *Id.* However, that is not the end of the story.

  In *MBI Global*, three debtors' worth was at issue: Hunter, Hunter Manufacturing, and Hunter International. Hunter owned only 1% of Hunter Manufacturing and Hunter International, but Hunter's consolidated balance sheet reflected the assets and liabilities of Hunter Manufacturing and Hunter International. *Id.* at 241. This calculation resulted in a net worth of almost $10 million. *Id.* By contrast, separate accounting for Hunter—an accounting that reflected Hunter's 1% ownership interest in the subsidiaries but not all of the subsidiaries' assets and liabilities—showed a negative net worth. *Id*. The Court of Appeals held that the trial court's error was considering all assets and liabilities as if an alter ego existed. *Id.*

  Nowhere in *MBI Global* does the Court of Appeals say that *discovery* is inappropriate regarding the value of an ownership interest (or the transfer of an ownership interest, or the history of an ownership interest) until alter ego is found. *MBI Global* supports the opposite—that a debtor must show the value of an ownership interest, not just a rote calculation of assets minus liabilities. Debtors have disclosed nothing of the sort, and think that *MBI Global* stands for the proposition that all current or historical ownership interests in other companies can be ignored. This is wrong.

- *O.C.T.G., LLP v. Laguna Tubular Prod. Corp.*, 525 S.W.3d 822 (Tex. App.—Houston [14th Dist.] 2017, opinion on motion). This case also perfectly illustrates the distinction. The trial court erred in *O.C.T.G.* in using consolidated GAAP statements, because those statements excluded the liabilities owed to affiliated entities. *Id*. at 830. The problem was not that the court allowed excessive discovery into a subsidiary or that a court considered a subsidiary's financials too much, but too *little*. *Id.* at 831. The trial court had considered subsidiaries' assets but excluded their liabilities as if alter ego had been found. *Id.* at 830. The Court of Appeals held that a true consideration of assets minus liabilities would also consider the affiliate liabilities. *Id*. Nowhere in *O.C.T.G.* is a finding that discovery into the value of the subsidiaries is inappropriate or off limits. *O.C.T.G*. instead supports that the value of a debtor's interest in subsidiaries is an extremely important consideration for the court, and, by extension, a fair field for discovery.

Instead, the Fourteenth Court of Appeals' opinion in *Texas Black Iron, Inc. v. N. Am. Interpipe, Inc.*, No. 14-20-00068-CV, 2020 WL 10231117, at *7 (Tex. App.—Houston [1st

Dist.], July 28, 2020) confirms that TRAP 24's requirement that net worth be proved with "complete and detailed" information may require ownership and subsidiary information, because "failure to disclose related entities under those circumstances is a badge of fraud." It is a long-standing legal principle, under the Texas Uniform Fraudulent Transfer Act as well as trustee principles in bankruptcy law, that fraudulent transfers of assets are voidable, subject to claw-back, and remain as claims of the insolvent estate. Judgment Debtors cannot set up such a structure of fraudulent transfers to avoid the liability they owe to Princeton, conceal such transfers for years, and then prevent all discovery into same.

Princeton's Requested Relief

Princeton respectfully requests that this Court overrule all of Debtors' untimely and meritless objections to the RFPs and order a full and complete production.

At the bare minimum, this Court should order Debtors to immediately produce:

- All organizational charts for WCCG and GVS that reflect the path of the ownership in any subsidiary entities from 2016[4] to present. Princeton cannot contest Mr. Paul's statement that the assets and entities were moved without supporting documents. *See* RFP 5, 17.

- The identity of any bank accounts *used by* WCCG and GVS from 2018 to the present, and the monthly bank statements, including checks and wire transfers. *See* RFP 3, 4.

- Monthly income and cash flow statements for WCCG and GVS from 2018 to present. See RFP 12, 13. If either entity has been receiving income and making expenditures during this time frame, then it expressly contradicts.

- Complete federal, state, and local tax returns for WCCG and GVS from 2017 to the present. *See* RFP 6, 14, 16. Mr. Paul contends that he stopped filing his federal tax returns in 2017. He should provide the last available tax return, and any state and local returns filed for the entities.

- Real and personal property records from WCCG and GVS, including motor vehicle ownership and loan information. *See* RFP 7, 15.

- Records of any credit applications or other documents provided to any third party since 2018 stating GVS and WCCG's financial condition. *See* RFP 18.

[4] The first and only evidence that there was a wholesale restructuring of WCCG in 2018 to remove all assets from the structure was the Declaration of Mr. Paul filed on December 14. No documents have been produced to support that mere say-so.

This Court should also order the Debtors to produce each of these categories as it relates to the value of its ownership interest in all subsidiary entities. Even if Mr. Paul transferred an ownership interest of WCCG's to another wholly-controlled (directly or indirectly) entity *prior* to 2018, Debtors' current net worth still depends on the consideration received and the current disposition of that consideration. Princeton is entitled to the records supporting Mr. Paul's contentions that such transfers took place.

Last, Princeton appreciates this Court's acknowledgment that Debtors may not use materials at the Contest hearing that have not been provided to Princeton. Princeton further respectfully requests that this Court require Debtors to provide the identity of any witness who will be called at the hearing by close of business on Wednesday, Jan. 26.

Princeton's revised Proposed Order is attached.

Holding the Net Worth Contest without obtaining the discovery is potentially a concession by Princeton that it received all of the discovery it needed to proceed. If this Court needs additional time to adjudicate this important, threshold discovery issue, then Princeton respectfully requests that the Court allow Princeton to move for an alternative Contest hearing date without prejudice.

I appreciate the Court's time and attention in this case.

Sincerely,

Abigail Noebels

CC: Counsel for Defendants via e-filing
Counsel for Receiver, Mr. Seth Kretzer

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EXHIBIT 5

CAUSE NO. 2019-18855

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

Princeton's Notice of Judgment Debtors' Non-Compliance with this Court's January 24, 2022 Order

Princeton respectfully provides notice that the Judgment Debtors Great Value Storage LLC and World Class Capital Group, LLC ("Debtors") failed to comply with this Court's January 24, 2022 Order.

This Court ordered Debtors (1) to produce documents[1] to Princeton by 5 p.m. Central on January 26, 2022 and (2) to notify Princeton of witnesses that Debtors will call at the January 28Net Worth Contest hearing.

At 4:18 p.m. on Jan. 26, **Debtors' counsel notified Princeton that Debtors would not produce *any* documents by the Court's deadline, in flagrant disobedience of the Court's Order.** Ex. 1 (confirming that Debtors have "no excuses" for the failure to produce). Princeton's counsel subsequently called Debtors' counsel, who suggested that he would "try" to produce documents at some later date if Princeton agreed to an extension, but counsel had

[1] The Court ordered documents to be produced pursuant to Princeton's June 30, 2021 Requests for Production and pursuant to Texas Rule of Appellate Procedure 24.2(c), in relation to Princeton's contest of Debtors' "Net Worth" Declarations. Debtors thus had been aware of the scope and nature of Princeton's discovery requests for *many* months. In addition, many of the categories of documents ordered to be produced overlap with discovery requests and orders that have been made on Debtors in other proceedings, in which Debtors have also failed to produce the records.

absolutely no information about what documents existed or what documents his client would agree to collect and produce.

At 5:05 p.m. Debtors' counsel further advised that they *do* have some responsive documents (bank statements), but refused to produce them to Princeton without Princeton first agreeing to enter into a protective order.[2] Ex. 2. Debtors then claimed to be able to collect and produce documents by Friday, February 4, 2022—but failed to offer any indication whatsoever about what exactly they could collect and produce. *Id*.

It is clear that **Debtors essentially took no action after this Court's Order to attempt to comply with it**. Sadly, Debtors' outright refusal to obey Court-ordered discovery is part of an ongoing pattern across Texas courts.[3]

Princeton is severely prejudiced by Debtors' blatant disregard of this Court's Order on the eve of Princeton's (now twice-noticed) Contest hearing of the Debtors' sham net worth affidavits. Debtors' actions seemingly are a tactic to force a second postponement of the hearing, without any promise that Princeton will ultimately receive all of the records to which it is entitled. Unfortunately, Princeton cannot proceed to the Rule 24.2(c) Contest without receiving the discovery to which it is entitled. **Princeton is contacting the Court's clerk today to pass**

[2] At the outset of the merits case, Debtors claimed to be unwilling to produce documents without entry of a protective order. Princeton repeatedly offered to enter into a standard protective order used by the Harris County Courts. Debtors then refused to enter into such order or produce documents. This was raised in Princeton's first motion to compel, filed in July 2019.

[3] *See, e.g., In re WC Culebra Crossing SA, LP*, Cause No. 21-10360 (TMD), in the Western District of Texas Bankruptcy Court (Dec. 22, 2021 Order) "WC Parties are found to be in civil contempt of this Court's oral rulings made December 6 and December 13 and written orders compelling document production."; *Gibson Dunn v. WCCG*, Cause No. D-1-GN-20-7513, 53rd Judicial District (Nov. 18, 2021 Order of Contempt) (ordered to pay daily $1,000 sanction and ordered to compel Nate Paul to sit for a second court-ordered deposition where he is prepared for the topics, including the assets of World Class Capital Group).

and reset the January 28, 2022 hearing—solely because of Debtors' failure to meet their Court-ordered discovery obligations.

Princeton reserves all rights to seek (and intends to promptly seek) further relief against Debtors from this Court, including sanctions, for Debtors' failure to provide the discovery that Princeton is entitled to under this Court's Order.

Dated: January 27, 2022

Respectfully submitted,

SUSMAN GODFREY L.L.P.

By: /s/ Abigail C. Noebels

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