

Cause No. 2019-18855

PRINCETON CAPITAL CORPORATION,  
*Plaintiff,*

IN THE DISTRICT COURT OF

v.

HARRIS COUNTY, TEXAS

GREAT VALUE STORAGE, LLC, and  
 WORLD CLASS CAPITAL GROUP,  
 LLC,  
*Defendants.*

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165<sup>TH</sup> JUDICIAL DISTRICT

**RECEIVER’S REPORT DOCUMENTING  
 DEFENDANTS’ NON-COMPLIANCE  
 WITH THIS COURT’S RECEIVERSHIP ORDER**

Seth Kretzer (hereinafter “Receiver”), Receiver for Great Value Storage LLC and World Class Capital Group LLC (the “Judgment Debtors”), respectfully submits his report documenting Defendants’ non-compliance with this Court’s September 8, 2021 receivership order and furthermore discussing the results of the receivership.



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## RECEIVER'S REPORT

### I. EXECUTIVE SUMMARY

Natin “Nate” Paul is the head of an enterprise which will be referred to as the “Nate Paul Organization.” Paul borrowed millions from investors and lenders to purchase commercial real estate along the I-35 corridor. These properties are under the corporate name *World Class*. In addition, with money from investors and lenders, he acquired 69 self-storage units in 11 states, under 16 corporate shells. These are under the corporate name *Great Value Storage*.

Paul created hundreds of corporate shells—passing money among them without documentation, corporate formalities, or legitimate purpose. Some shells hold a single real estate property. Some hold nothing but are merely paper companies he uses to transfer funds from one entity to another through the guise of “contracts,” or “consulting fees.” To obscure the purposes of these organizations and to conceal and transfer funds, he deliberately created an opaque, complex, and largely undocumented web of corporate shells, with his apex entity, *World Class Capital Group*, at the top of the pyramid, over all or most the subsidiaries, real estate and accounts, and himself as sole owner of *World Class Capital Group*.

In 2018, Paul’s debt load exceeded his ability to make debt payments from properties’ cash flow. He began defaulting on loans. Creditors, such as Princeton Capital, began demanding payment and initiating foreclosure or lawsuits. Through thousands of undocumented wire transfers, Paul frantically transferred investor and creditor funds from



bank to bank, out of his corporate shells, to conceal funds from seizure. Paul filed frivolous lawsuits against creditors, attempting to block or slow foreclosure. It appears that every single presiding state district judge rejected his lawsuits. Paul took a dozen properties into Austin bankruptcy court. Paul also filed 16 bankruptcies in Dallas for his corporate shells that held the 69 self-storage units.

In 2012, Paul borrowed \$5.6 million from a company named Capital Point Partners II, LLP (“Capital Point”). This money was used to purchase storage units and other real estate. Paul used a corporate shell called *Great Value Storage, LLC* to make the loan and purchases. Paul promised, through the loan documents, to provide regular and accurate accounting records. Paul promised to keep cash and real estate in the company. Paul kept none of these promises. Nate Paul and *World Class Capital Group, LLC* co-signed and guaranteed payment.

In 2016, Paul defaulted on the Capital Point loan to *Great Value Storage, LLC*. Princeton Capital Corp. (“Princeton”) purchased the loan from Capital Point. Princeton refinanced the loan for Paul. Again, Paul promised to supply accurate accounting and records and to keep the cash and real estate in the company. Yet again, he did not.

In 2019, Princeton filed suit in this Court. Paul refused to provide any routine financial discovery documents, such as records, accounting, or payments. Paul refused to comply with this Court’s orders to turn over documents. Princeton filed a summary judgment motion. Paul still refused to provide documents and records. The Court granted Princeton’s summary judgment motion, and later final entered judgment for \$9.9 million against *Great Value Storage, LLC* and *World Class Capital Group, LLC*.

By that time, however, Paul had stripped the two companies—*Great Value Storage, LLC* and *World Class Capital Group, LLC*—of all cash and assets. In a 16-month period from 2018 to 2020, Paul transferred at least \$94.7 million out of the *Great Value Storage, LLC* and *World Class Capital Group, LLC* accounts, moving the money through his network of entities without any documentation. Paul and his putative “bookkeeper” filed affidavits in this Court and in the First Court of Appeals, swearing under oath that the companies no longer owned anything more than old office furniture. Paul and his bookkeeper provided no supporting records. They refused to explain the disappearance of millions of cash and real estate.

Paul refused to provide post-judgment discovery documents. Realizing Paul had looted the companies and was stalling, Princeton moved this Court to appoint a Receiver for *Great Value Storage, LLC* and *World Class Capital Group, LLC* to take control of the companies, and their subsidiaries, cash and assets. Princeton asked the Court to appoint Mr. Seth Kretzer, an experienced Receiver. Princeton asked the Court to pay Mr. Kretzer 25% of funds recovered, plus expenses. If Mr. Kretzer failed, he would get nothing. It would be a huge risk for Mr. Kretzer. Princeton disclosed appointment of the Receiver in its public filings with the Securities and Exchange Commission.

This Court granted Princeton’s request and appointed Mr. Kretzer as Receiver over the two apex Nate Paul companies. The Court directed its Receiver to seize all cash and real estate, control all subsidiaries, block all fraudulent transfers by Paul, identify and respond to any detected criminal activity, and find sufficient assets to enforce this Court’s final judgment and get Princeton fully paid, plus his Receivership fees and expenses. Mr. Kretzer accepted the

appointment on these terms. He filed his oath, affirming he would “faithfully perform and discharge the duties of receiver in this cause and will obey the orders of the Court.”

The foundational receivership case by the Texas Supreme Court is the 1976 decision of *First Southern Properties*.<sup>1</sup> When a court signs a receivership order, all of the non-exempt property of the judgment debtor becomes subject to the exclusive control of the court under a concept called *custodia legis*, that is, “in the custody of the law.” As corporations do not have exempt property, 100% of the corporation’s property, whether real, tangible, intangible, cash, or subsidiaries, including claims for recovery of misappropriated funds, becomes part of the *custodia legis* receivership estate solely controlled by the court. The court appoints a receiver as the court’s sole agent to control, manage, and liquidate as necessary the receivership estate. No one, not even a good faith purchaser for value, may transfer property from the receivership estate without permission of the court or the court’s designated receiver, and especially not an insider such as a corporate owner or officer. If such transfer of cash or assets occur, it is void. Not merely voidable, but entirely void. The receiver not only can, but must, claw back money and property misappropriated by the corporate officers.

This Court’s receivership has been an unalloyed success. This month, Paul finally paid Princeton \$11,372,698.89, full payment of the Court’s final judgment, plus legal fees. Over 13 months of intensive, daily, contentious litigation up against Paul’s 20+ lawyer strike force and unlimited budget, your Receiver confronted the Nate Paul Organization at every turn. Your Receiver:

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<sup>1</sup> *First Southern Properties, Inc. v. Vallone*, 533 S.W.2d 339 (Tex. 1976).

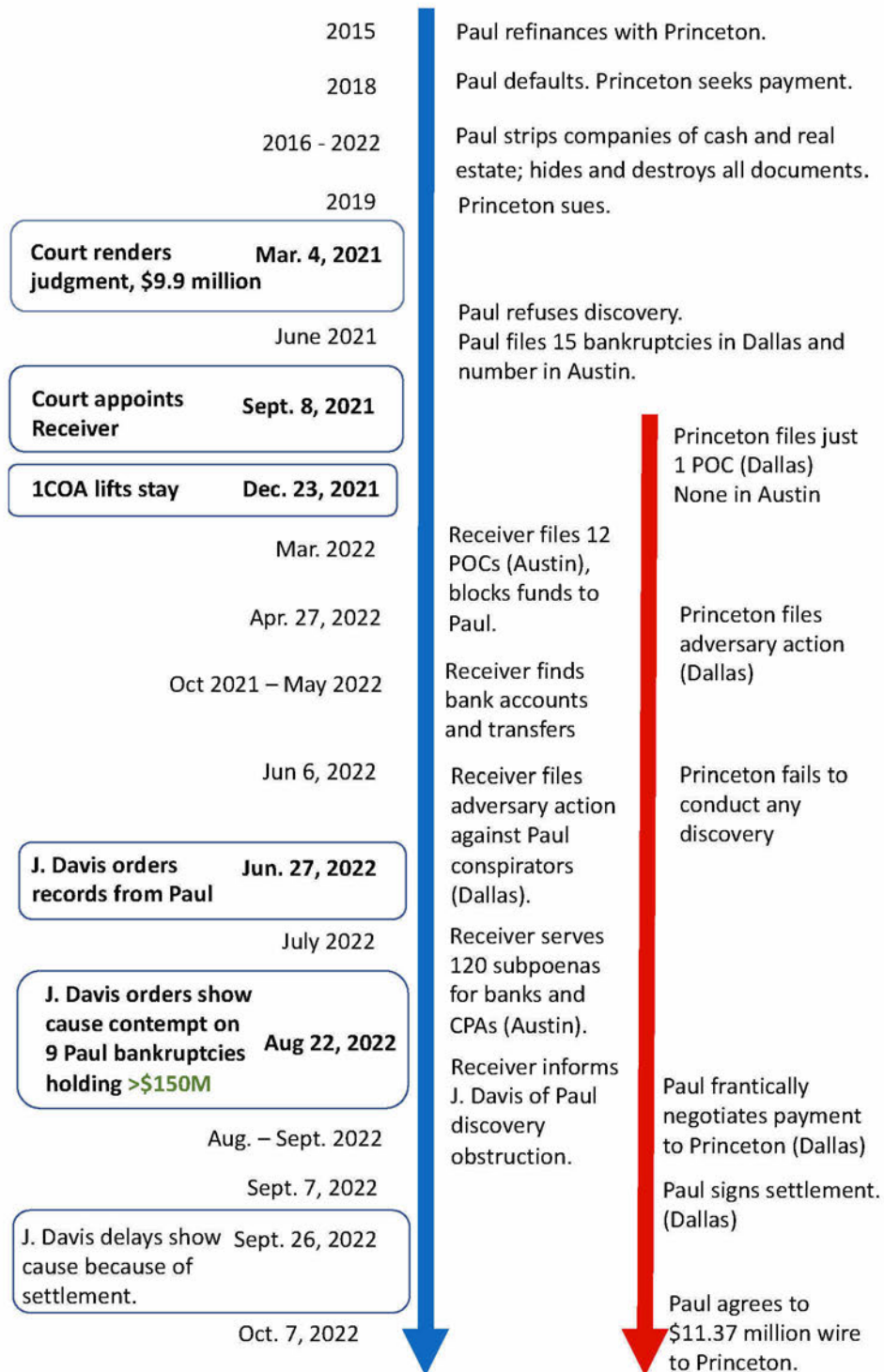
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- Filed a bankruptcy proof of claim for this Court's judgment and receivership fees in the Dallas bankruptcy court (which consolidated the 16 bankruptcy cases involving the 69 self-storage units);
- Filed 11 bankruptcy proofs of claim for this Court's judgment and receivership fees in the Austin bankruptcy court (involving 11 commercial real estate properties);
- Traced tens of millions of cash transfers by Paul and his organization through hundreds of bank accounts, with some 60,000 wire transfers, not a one of them documented;
- Traced undocumented and unauthorized transfers of corporate real estate by Paul;
- Filed pleadings in the First Court of Appeals responding to attacks by the Nate Paul Organization on this Court's final judgment and receivership order;
- Filed pleadings in the First Court of Appeals responding to Paul's mandamus action against the Court's receivership order;
- Settled two frivolous delaying lawsuits filed by Paul against two secured creditors, easing the burden on Travis County District Courts;
- Non-suited a frivolous lawsuit filed by Paul in Travis County against a secured creditor. The Travis County District Court agreed, twice, your Receiver possessed this authority;
- Sought dismissal of appeal by Paul in the El Paso Court of Appeals against a secured creditor;
- Sought dismissal of appeal and a mandamus by Paul in the Austin Court of Appeals against a secured creditor;
- Filed a lawsuit in the Dallas bankruptcy case against Paul and his conspirators and corporate shells, seeking recovery of this Court's judgment for Princeton;
- Rebuffed Paul's frivolous Travis County lawsuits against a secured creditor involving commercial real estate. Four Travis County District Courts agreed your Receiver possessed this authority;

- Defeated a lawsuit Paul filed against your Receiver. The second lawsuit is still pending in this Court, awaiting Rule 91a dismissal given Receiver's derived judicial immunity.
- Issued 120 subpoenas for corporate and tax records.

Here is a timeline of the Receiver's efforts and results:



Blocked at nearly every turn, the defeated Paul finally decided to pay this Court's judgment in full and end the receivership. But he had a problem. He wanted to circumvent this Court because he did not want this Court's interference or control. Paul wanted to avoid the *custodia legis* effect of the receivership. Paul's contemplated plan would be void if he did not get permission from this Court or its Receiver. His reason for such a plan? Paul wanted to pay the judgment but only in such a way that he could still undermine the two settlement agreements signed last year by your Receiver involving two Austin commercial properties. If Paul simply settled and paid the Court's judgment in the normal way, his attacks on the Receiver would become moot because, once the judgment was paid, the receivership would be over. He would not be able to continue to file frivolous lawsuits against the two secured creditors, blocking their ability to get clean title policies.

So, what did Paul do? Paul hatched a plan to circumvent this Court. He proposed a plan to the U.S. Bankruptcy Court in Dallas and to Princeton. He proposed to create a new corporate shell named *Phoenix Lending, LLC* ("Phoenix"). Phoenix would be a paper company without any capitalization, solely controlled by Paul. Through Phoenix, Paul would sign a document purporting to "purchase" from Princeton the original 2016 note payable agreement which Princeton originally purchased from Capital Point, as well as this Court's March 4, 2021 final judgment. The amount of the full payment, \$11.37 million, would be moved from the Bankruptcy Court controlled reserve fund account, consisting of money held back from the **\$580 million** bankruptcy sale of the 69 storage units. This money, which belongs to the 16 bankrupt companies that once owned the storage units, would be transferred to another shell

company owned by Paul called *World Class Holdings I, LLC*. From there, the money would be transferred through a loan to a new account set up for Phoenix, then wired to Princeton's account. The money would go completely around this Court. By these means:

- Nate Paul would gain sole control over this Court's final judgment;
- Paul would become both the plaintiff and the defendants in this Court, substituting Phoenix Lending for Princeton Capital, and without informing the Court that both were solely controlled by Paul;
- Paul would be able to get Princeton and Phoenix to "agree" or "not oppose" his motions to stay, dismiss, challenge, attack your Receiver, and better, try to undo the Receiver's two settlement agreements last year for the two Austin commercial real estate properties;
- Paul would become both the appellants and the appellee in the First Court of Appeals, allowing him to file "agreed" and "unopposed" motions attacking this Court's receivership order and the two settlement agreements by your Receiver;
- By pretending in the First Court of Appeals there was a legal dispute between *Phoenix* (replacing Princeton as appellee) and *Great Value Storage, LLC* and *World Class Capital Group, LLC* (the appellants), he would ask the Court of Appeals to issue opinions that this Court's receivership order was incorrect in some way and try to undo last year's two settlement agreements by Receiver. These are called advisory opinions and prohibited. All courts require a genuine case in controversy between unrelated parties for jurisdiction.
- Paul would therefore completely circumvent this Court and its Receiver. This Court would not be able to review or approve this agreement. This Court would not be able to control the \$11.37 million as part of the *custodia legis* receivership estate.
- Paul would claim that he did not have to pay the 25% (\$2.84 million) receivership fees. Paul would argue that the Court's judgment was never technically satisfied, merely re-assigned.



The U.S. Bankruptcy Court approved this settlement agreement proposed by Paul and Princeton. While acknowledging the agreement was unorthodox and fraught with issues, the Court approved it under the bankruptcy factors applicable to Federal Rule of Bankruptcy Procedure 9019. The Court authorized release of \$11.37 million from the bankruptcy-controlled reserve account directly to Princeton. Princeton is now fully paid. In substance and reality, this Court’s March 4, 2021 final judgment is now fully satisfied. While holding the Receiver’s pending proofs of claims and adversary actions in the Austin and Dallas Bankruptcy Courts in place until the process is completed, it is therefore time to wind down the receivership and order payment of the \$2.84 million receivership fees to Mr. Kretzer. \$3.5 million is already set aside in the Dallas Bankruptcy Court reserve funds for these fees and expenses. All that is required is an order by this Court approving Mr. Kretzer’s fees. Then the Bankruptcy Judge will release funds from the reserve account. Therefore, after four years of refusing to pay Princeton, defying the discovery orders of this Court, ignoring this Court’s receivership document turnover order, rejecting this Court’s final judgment, the Court is in a position to close this case on terms that are proper and just. Princeton and the Receiver will be fully paid. The money is already paid to Princeton and set aside for Receiver. The cost of litigation will fall on the person who caused it, Paul.

The Federal Bureau of Investigation (“FBI”) searched Paul’s home and office in August 2019, pursuant to a search warrant signed by a U.S. Magistrate who found probable cause to believe the locations contained evidence of criminal activity.

The Nate Paul Organization, headed by Paul and his sister and *aide-de-camp*, Sheena Paul, is a coast-to-coast conspiracy to defraud, hinder, and delay investors, lenders, and creditors and mislead judges. The remainder of this report and the supporting exhibits support your Receiver's conclusions.

## II. PROCEDURAL HISTORY

Mr. Nate Paul created hundreds of corporate shells to hold commercial real estate across the state. Tens of millions of dollars are missing and unaccounted. Mr. Kretzer is the court-appointed Receiver for the parent entity, *World Class Capital Group, LLC* and a related entity, *Great Value Storage, LLC*.

### ***A. Harris County District Judge Ursula Hall appointed Mr. Kretzer as Receiver for the parent company over Paul's real estate enterprise.***

Following a March 4, 2021 \$9.9 million final judgment in the 165<sup>th</sup> District Court in Houston in favor of Princeton Capital, 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*.<sup>2</sup>

Leading up to the judgment, Princeton Capital, a real estate creditor whose predecessor loaned Nate Paul's entities \$5.6 million,<sup>3</sup> owned a *Note Payable Agreement* signed by Great Value Storage, LLC and World Class Capital Group, LLC and guaranteed by Nate Paul. When the Defendants defaulted on Princeton's Note Payable Agreement, Princeton filed suit in 2019 in this Court to enforce the agreement and obtain a judgment against the Defendants.

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<sup>2</sup> CR 193 of Clerk's Record in First Court of Appeals cause number 01-21-00284-CV.

<sup>3</sup> CR 5-14.

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Princeton served the two Nate Paul Entities with routine discovery for garden variety financial records, such as transaction documents, payments, communication, and clear understanding of Paul's transactions.<sup>4</sup> The Nate Paul Entities obstructed all discovery. They delivered no documents or answers whatsoever.<sup>5</sup> They made specious objections ungrounded in Texas law or the facts of the loan transaction.<sup>6</sup>

In the summer of 2021, Princeton Capital served the Nate Paul Entities with routine post-judgment financial document discovery. Paul and his 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.

On September 8, 2021, this Court appointed Mr. Kretzer as Receiver for *World Class Capital Group, LLC*, and *Great Value Storage, LLC*.<sup>7</sup> The Receivership Order also provides that the Receiver is entitled to recover a 25% fee and his expenses.<sup>8</sup>

Since that date, for the last 13 months, Receiver has been performing his duties pursuant to the Receivership Order. Receiver has recovered funds on behalf of the receivership estate and therefore Princeton. Receiver has also incurred significant expenses as a result of approximately 25 state court lawsuits, state court appeals and mandamus actions, and bankruptcy petitions,

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<sup>4</sup> See CR 14.

<sup>5</sup> See CR 38-39.

<sup>6</sup> See CR 44-59, also 18, 21, 27.

<sup>7</sup> CR 193.

<sup>8</sup> *Id.* at 9 (“the Receiver is authorized to seek and recover 125% of the judgment plus expenses.”).

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involving the Judgment Debtors and their various affiliates and subsidiaries, including lawsuits where the Nate Paul Organization sued your Receiver and his counsel directly.<sup>9</sup>

***B. Merger of Princeton’s Note Payable Agreement with the Court’s March 4, 2021 Judgment.***

As mentioned, this case began because the Defendants defaulted on a \$5.6 million Note Payable Agreement owed to Princeton Capital. For later purposes, it is important to pause here and discuss the legal consequences of the Court’s March 4, 2021 judgment on Princeton’s note payable agreement.

Under Texas law, it is well established that upon entry of a judgment, the contractual relationship between the parties that gave rise to the debt merges into the judgment.<sup>10</sup> Res judicata serves the public goals of affording full respect to prior judgments and relieving courts from repetitious litigation, and the private goal of “repose”—to be finally free from the cost and hassle of litigation.<sup>11</sup>

The doctrine of merger is a specific application of *res judicata*, and operates with the same principles.<sup>12</sup> Under the doctrine, “if a plaintiff prevails in a lawsuit, his cause of action

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<sup>9</sup> See *WC 4th and Colorado, LP, et al. v. Seth Kretzer, Receiver, et al.*, No. 2021-77945 (165<sup>th</sup> Dist. Ct., Harris County, Tex.); *World Class Holdings, LLC v. Seth Kretzer, Receiver*, No. 2022-16833 (125<sup>th</sup> Dist. Ct., Harris County, Tex.).

<sup>10</sup> *Puga v. Donna Fruit Co.*, 634 S.W.2d 677, 679 (Tex. 1982).

<sup>11</sup> CHARLES ALAN WRIGHT & ARTHUR R. MILLER, 18 FEDERAL PRACTICE AND PROCEDURE § 4403, 23-27 (2d ed. 2012).

<sup>12</sup> *Puga v. Donna Fruit Co.*, 634 S.W.2d 677, 679 (Tex. 1982) (“The doctrine of res judicata deals generally with the conclusive effects of judgments, encompassing the separate judicial doctrines of merger, bar and collateral estoppel.”); see also *Jeanes v Henderson*, 688 S.W.2d 100, 103 (Tex. 1985). *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver’s Report

merges into the judgment and the cause of action dissolves.”<sup>13</sup> “[I]n Texas, the doctrine of merger holds that all rights under a contract are extinguished by and merged into the terms of a judgment.”<sup>14</sup>

Therefore, applying these long-standing principles, when the Court issued final judgment March 4, 2021 in favor of Princeton Capital and against the Defendants, the underlying Note Payable Agreement on which Princeton Capital filed suit *merged* into the final judgment. On that date, Princeton Capital no longer possessed interests in the note payable agreement as the Note Payable Agreement functionally ceased to exist. There was therefore no longer any Note Payable Agreement between the parties which could be sold or assigned by Princeton Capital to anyone. Any attempt by Princeton to sell or assign the Note Payable Agreement would constitute a legal nullity. Nor could Princeton, or anyone else, file a new lawsuit against the Defendants under the Note Payable Agreement. Such a suit would be barred by the doctrine of *res judicata*.

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<sup>13</sup> *Jeanes v. Henderson*, 688 S.W.2d 100, 103 (Tex. 1985).

<sup>14</sup> Memorandum Opinion by Hon. Bankruptcy Judge Davis, *In re Russell Allen Graves, Carol L. Graves*, Case No. 14-11240-tmd (Bankr. W.D. Tex. 2016), *see n.49*. *See also Bynum v. Shatto*, 514 S.W.2d 808, 810 (Tex. App.—Corpus Christi, 1974, writ *ref'd*) (affirming holding that the “plaintiff’s cause of action on the note had merged in the Harris County judgment”); *Krauss v. West*, 123 S.W.2d 946, 948 (Tex. App.—El Paso 1938, writ *dism’d*) (“[W]hen appellee brought suit on the first note and secured a judgment thereon ... her note and deed of trust lien were merged into the first judgment.”); *Standard Sav. & Loan Ass’n v. Miller*, 114 S.W.2d 1201, 1208 (Tex. Civ. App.—Fort Worth 1938, no writ.) (“Plaintiffs’ original right for ... judgment on the note executed by them ... were all merged in the judgment.”).

*C. The Nate Paul Entities Appealed to the First Court of Appeals.*

The Nate Paul Entities appealed Princeton Capital's judgment and Judge Hall's receivership order to the First Court of Appeals. Both notices of appeal were assigned to cause number, 01-21-00284-CV.

The parties filed briefs. The Nate Paul Entities also filed a brief challenging Judge Hall's receivership order. Receiver filed a reply brief.

The Court conducted oral argument June 1, 2022. At oral argument, Princeton's counsel informed the Court of the necessity and effectiveness of the Receiver's work.<sup>15</sup>

As the Receiver began to search for documents and records from third parties and to seize assets, the Paul Entities filed a series of emergency motions and a mandamus action against the receivership order. The Paul Entities did not supersede the judgment. The Paul Entities did, however, file self-serving affidavits by 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. Paul and the bookkeeper were vague and equivocating when asked where the assets and cash went.<sup>16</sup>

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<sup>15</sup> See Oral Args., June 1, 2022, no. 01-21-00284-CV.

<sup>16</sup> See Declaration of Barbara "Barbie" 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). *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver's Report

In one of their first motions in First Court of Appeals, October 5, 2021, the Paul Entities admitted Paul had fraudulently transferred \$96,000 **mere days** after this Court signed the receivership order.<sup>17</sup>

On December 23, 2021, the Court, for the second time, ordered Paul to return to this Court 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.

Paul did not do so. He refused to comply with this Court's order to provide corporate asset documents and records to Princeton Capital in preparation for the bond hearing.<sup>18</sup> In response, the Court cancelled the January 28, 2022 supersedeas bond hearing.

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<sup>17</sup> *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.")

<sup>18</sup> *See Princeton Capital Corp.'s Motion to Show Cause and Motion for Sanctions*, 165<sup>th</sup> District Court, no. 2019-18855, Image No. 100524048, filed 2/22/22 (supplemental record).

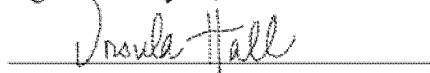
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*D. This Court imposed a temporary injunction to prevent asset transfers.*

This Court, concerned that Paul would continue to transfer assets, issued, *sua sponte*, a temporary injunction January 17, 2022, barring Paul from transferring any assets until she decides the supersedeas bond question:<sup>19</sup>

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

A handwritten signature in cursive script, appearing to read "Ursula Hall", is written over a horizontal line.

Hon. URSULA A. HALL  
Judge, 165th District Court

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<sup>19</sup> See Order, 165<sup>th</sup> District Court, Jan. 17, 2022 (supplemental record requested).  
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*E. Paul Persistently Abuses the Legal System by Filing Frivolous Lawsuits Against Court and Government Officials Who are Merely Doing Their Jobs.*

[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).

Your Receiver found a persistent pattern by Paul to abuse the legal system with frivolous lawsuits and appeals using his collection of corporate shells as fronts. 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.

Paul's World Class entities are frequent litigants in Texas and federal courts. Many of the World Class entities are in bankruptcy. A number of these entities, like these 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.<sup>20</sup> Paul also

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<sup>20</sup> See, e.g., Edgar Walters, *Who is Nate Paul, the Real Estate Investor Linked to Abuse-of-Office Allegations Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver's Report

recently sued a series of public officials, including the FBI agents who searched his office and residence August 2019 pursuant to a search warrant signed by a federal magistrate judge.<sup>21</sup> On September 23, 2022 a U.S. Magistrate Judge recommended to the District Court that Paul's suit against FBI be dismissed with prejudice against filing again.<sup>22</sup>

In a related case, Paul sued the other Receiver in a related case, Mr. Greg Milligan (and his attorneys), appointed by Hon. Travis County District Judge Jan Soifer.<sup>23</sup>

Your Receiver has not been exempted from Paul's personal and legal attacks. On November 30, 2021, Paul, through two subsidiary shell companies, sued your Receiver and his law firm.<sup>24</sup> 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.). The case was promptly transferred to the 165<sup>th</sup> District Court, awaiting dismissal on Receiver's Rule 91a dismissal motion.

Weeks later, March 31, 2022, Paul sued your Receiver again, through another shell company.<sup>25</sup> Again, Paul leveled invectives. *See* Image No.: 101316689 ("bully," p. 3, "rogue," p. 4.).

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

<sup>21</sup> *See Paul v. Sabban et al.*, Civil Action No. 1:21-CV-00954 (W.D. Tex. Oct. 21, 2021).

<sup>22</sup> *See Paul v. Sabban et al.*, Civil Action No. 1:21-CV-00954 (W.D. Tex. Oct. 21, 2021), Report and Recommendations of the United States Magistrate Judge, Sept. 23, 2022 (docket number 29).

<sup>23</sup> *See 1<sup>st</sup> and Trinity Super Majority, LLC, et al. v. Gregory S. Milligan, Receiver, et al.*, no. D-1-GN-20-003550 (250<sup>th</sup> Dist. Ct., Travis Co.).

<sup>24</sup> *WC 4<sup>th</sup> and Colorado, LP, et al. v. Seth Kretzer, Receiver, et al.*, no. 2021-77945 (133<sup>rd</sup> Dist. Ct. Harris Co.).

<sup>25</sup> *See World Class Holdings, LLC v. Seth Kretzer, Receiver*, no. 2022-16833 (165<sup>th</sup> Dist. Ct., Harris Co.).

Paul later dismissed the case in the face of Receiver's Rule 91a motion to dismiss.

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*“The Court further finds that Plaintiffs’ First Amended Petition [against Receiver] is groundless and brought in bad faith for the purpose of harassment as used in Tex. R. Civ. P. 13, and there is good cause for imposing sanctions on the attorney who signed it, Michael Wynne.”*

District Judge Jan Soifer, *1<sup>st</sup> and Trinity Super Majority, LLC, et al., v. Gregory S. Milligan, Receiver, et al.*, no. D-1-GN-20-003550 (Oct. 9, 2020) (sanctioning Nate Paul Entities and his lawyer \$259,000 for suing Austin court-appointed Receiver).

Unsurprisingly, Paul—and some of his lawyers—have been sanctioned and criticized by numerous courts for misconduct, including filing frivolous lawsuits.<sup>26</sup>

- 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. 53<sup>rd</sup> Travis Co.) (“Judgment Debtor World Class Capital Group, LLC (“WCCG”) is found to be in contempt of Court.”);
- *WC 1<sup>st</sup> & 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, no pet. hist.) (“The district court could reasonably conclude that the [Nate Paul Entities] 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 to pay Milligan \$105,346 in sanctions for failure to comply with the district court’s orders.”).

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<sup>26</sup> See, e.g., *WC 1<sup>st</sup> & Trinity, LP v. Roy F. & JoAnn Cole Mitte Foundation*, no. 03-19-00905-CV, 2021 Tex. App. LEXIS 8016 (Tex. App. – Austin, Sept. 30, 2021, pet. denied); *In re World Class Capital Group, LLC*, no. 03-22-00064-CV (Tex. App. – Austin, Feb. 16, 2022), *denied* (Tex. Feb. 22, 2022, no. 22-0123); *1<sup>st</sup> and Trinity Super Majority LLC v. Gregory S. Milligan, Receiver*, no. 08-20-00230-CV (Tex. App. – El Paso, July 14, 2022, no pet. filed).

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- 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 (250<sup>th</sup> Dist. Ct., Travis Co., Oct. 12, 2020) (dismissing baseless suit against Austin appointed Receiver and imposing **\$259,000 sanctions** on attorney for Nate Paul Entities).

Paul and his Organization appear undeterred by such sanctions.

### III. PAUL AND HIS COMPANIES REFUSED TO COMPLY WITH ANY ORDER BY THIS COURT TO PRODUCE FINANCIAL DOCUMENTS AND RECORDS.

[Mr. Matt Parks, counsel for Nate Paul Entities]: And in closing words from me, Your Honor, I know and understand, and this will not be the only case we are hearing where we are accused of delay and obstruction. I get it. **Paul, frankly, may be detestable. I don't know.** I don't have a personal opinion about it yet.

[The Court]: Is he what? I'm sorry.

[Mr. Parks]: **I said he may be detestable. I really don't know.**

— January 5, 2022 hearing transcript at 88-89, No. 19-18855, 165<sup>th</sup> District Court, Harris County. Comments by Mr. Parks counsel for Paul, regarding his client.

Displaying shocking mendacity and disrespect to this Court, Paul never complied with the Court's September 8, 2021 order to deliver routine financial records and documents to your Receiver. To this date, Paul has not delivered a single meaningful financial record or document to Receiver. Receiver was forced to obtain all financial records from third parties.

Nor did Paul comply with this Court's January 24, 2022 order to produce records to Princeton to prepare for the Court's January 28, 2022 supersedeas bond hearing, which the Court cancelled for his lack of compliance.

Nor did Paul comply with subpoenas served by Receiver on him and his entities in the Austin Bankruptcy cases seeking routine financial records and documents.<sup>27</sup>

**IV. PAUL AND HIS COMPANIES REFUSED TO COMPLY WITH MORE THAN 30 ORDERS OF OTHER COURTS TO PRODUCE FINANCIAL DOCUMENTS AND RECORDS.**

*"Because [Nate Paul Entities] 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).

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 Paul nevertheless refiled litigation, (5) imposing injunctions, (6) striking affidavit, (7) ordering show cause, (8) documenting fraudulent transfers and misappropriation, and (9) appointing chapter 11 trustees upon discovery that Paul misappropriated money from debtor in possession accounts:

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<sup>27</sup> See Receiver's Index of Exhibits Supporting Receiver's Motion to Approve Receivership Fees, Subpoenas Served by Receiver, filed contemporaneously with this Report. The index contains copies of the subpoenas served, or attempted, on Paul and his entities. Paul refused to accept many of the subpoenas from his gated home residence.

Court	Date	Order	Exhibit
126 <sup>th</sup> District Court, Travis County, No. D-1-GN-18-007636	June 8, 2020	Supplemental Order Regarding Receivership and Compelling Compliance with Receivership Order	1
250 <sup>th</sup> District Court, Travis County, No. D-1-GN-20-003550	October 12, 2020	Final Judgment, <i>1<sup>st</sup> and Trinity Super Majority, LLC, et al. v. Gregory S. Milligan, Receiver</i> , (dismissing baseless suit against Austin appointed Receiver and imposing \$259,000 sanctions on attorney for Nate Paul Entities)	2
126 <sup>th</sup> District Court, Travis County, No. D-1-GN-20-004259	July 1, 2021	Temporary Restraining Order (disruptive behavior by Paul at foreclosure)	3
165 <sup>th</sup> District Court, Harris County, Texas, cause 2019-18855	September 8, 2021	Order Appointing Receiver and Compelling Discovery (turnover order ignored)	4
345 <sup>th</sup> District Court, Travis County, Texas, cause D-1-GN-20-007513	September 10, 2021	Order (on Judgment Creditor Gibson, Dunn & Crutcher LLP's Motion for Contempt)	5
First Court of Appeals, Houston, No. 01-21-00284-CV	October 26, 2021	Order (directing Paul to return to district court and create record for appeal bond adequacy)	6
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	November 1, 2021	Order Granting Timber Culebra, LLC's Motion for Relief from Automatic Stay [ECF 71] (In response to compliance refusal by Nate Paul.)	7
U.S. Bankruptcy Court, Northern District of Texas, Dallas Division, No. 21-31121-mvl	November 10, 2021	Governance Order  Paul removed by Court from debtor companies.	8
First Court of Appeals, Houston, No. 01-21-00284-CV	November 18, 2021	Order (finding Paul did not comply with October 26, 2021 order and reinstating receivership)	9
345 <sup>th</sup> District Court, Travis County, Texas, cause D-1-GN-20-007513	November 18, 2021	Order on Gibson Dunn's Renewed Motion for Contempt	10
U.S. Bankruptcy Court, Northern District of Texas, Dallas Division, No. 21-31121-mvl	December 9, 2021	Order in Furtherance of the Governance Order Directing Access to Diligence Items (docket number 410) ("GVS means Paul.)	11
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	December 11, 2021	Order Granting Motion to Compel Rule 2004 Document Production	12

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Court	Date	Order	Exhibit
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	December 11, 2021	Order Granting Motion to Compel Rule 2004 Document Production	13
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	December 13, 2021	Order Granting Motion to Compel Rule 2004 Document Production	14
345 <sup>th</sup> District Court, Travis County, Texas, cause D-1-GN-20-007177	December 20, 2021	Agreed Final Order Granting Joint Motion to Dismiss with Prejudice	15
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	December 22, 2021	Order Regarding Motion for Civil Contempt and Sanctions	16
First Court of Appeals, Houston, No. 01-21-00284-CV	December 23, 2021	Order (finding failure by Paul to comply with prior order)	17
U.S. Bankruptcy Court, Northern District of Texas, Dallas Division, No. 21-31121-mvl	January 6, 2022	Order Enforcing the Governance and Diligence Orders	18
165 <sup>th</sup> District Court, Harris County, Texas, cause 2019-18855	January 17, 2022	Order (denying approval of Paul's proposed \$100 appeal bonds and imposing temporary injunction sua sponte).	19
165 <sup>th</sup> District Court, Harris County, Texas, cause 2019-18855	January 24, 2022	Order Granting Princeton's Second Motion to Compel	20
53 <sup>rd</sup> District Court, Travis County, Texas cause D-1-GN-20-007513	February 1, 2022	Order on Motions for Contempt	21
U.S. District Court, Western District, San Antonio Division, cause A-20-CV-947-RP	February 4, 2022	Order Setting Hearing on Show Cause for Contempt	22
345 <sup>th</sup> and 419 <sup>th</sup> District Court, Travis County, cause number D-1-GN-22-000195	February 16, 2022	Order Denying Motion to Show Authority (and striking affidavit of Nate Paul Entities' attorney)	23

Court	Date	Order	Exhibit
Supreme Court of New York, No. 650728/2020	March 2, 2022	Decision and Order on Motion (dismissing Nate Paul's seriatim affirmative defenses as groundless) ("defenses asserted are wholly without merit")	24
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	March 7, 2022	Converting chapter 11 bankruptcy to chapter 7 and appointing Trustee (upon learning that Nate Paul misappropriated \$251,000 from the debtor in possession account).	25
	March 7, 2022	Order Granting Lender's Motion for Relief (ordering the company controlled by Nate Paul to pay 100% of secured lenders attorney's fees following Paul's obstruction and misappropriation).	26
	March 7, 2022	Order Granting Lender's Motion to Enforce Settlement Agreement (following Paul's refusal to comply with settlement order and allowing lender immediately to obtain all personal property on real estate).	27
U.S. Bankruptcy Court, Western District of Texas, Austin Division, No. 21-10360-tmd	March 8, 2022	Order to Show Cause (one of six orders to show cause why Nate Paul entities should not be converted from chapter 11 to chapter 7 and Trustee appointed upon learning Paul misappropriated \$251,000 from the debtor in possession account).	28
	March 8, 2022	Order to Show Cause	29
	March 8, 2022	Order to Show Cause	30
	March 8, 2022	Order to Show Cause	31
	March 8, 2022	Order to Show Cause	32
	March 8, 2022	Order to Show Cause	33
Court of Chancery of the State of Delaware, no. 2022-0218	March 10, 2022	TRO by Delaware State Court imposing barring transfers of Nate Paul Entities.	34
American Arbitration Association, No. 01-19-0000-5347	February 8, 2021	Arbitration award finding Nate Paul violated fiduciary duties, alter ego violations and liability against Paul, wrongful charges, actual fraud by Paul	35

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Court	Date	Order	Exhibit
Third Court of Appeals, No. 03-19-00799-CV	September 30, 2021	Concluding evidence Paul committed fraudulent transfers, fraud, illegal conduct.	36
U.S. Bankruptcy Court, Western District of Texas, Austin Division  <i>Orders upon learning Nate Paul misappropriated money from bankruptcy debtor in possession accounts.</i>	March 27, 2022	Order appointing chief restructuring officer (thereby removing Nate Paul)	37
	March 27, 2022	Order appointing chief restructuring officer (thereby removing Nate Paul)	38
	March 29, 2022	Order appointing chapter 11 trustee	39
	March 29, 2022	Order appointing chapter 11 trustee	40
	March 29, 2022	Order appointing chapter 11 trustee	41
	March 29, 2022	Order appointing chapter 11 trustee	42
U.S. Bankruptcy Court, Western District of Texas, Austin Division	June 27, 2022	Order by U.S. Bankruptcy Court to deliver financial records and documents to Trustees and Receiver. <i>See</i> Transcript, Hearing, June 27, 2022.	
	July 25, 2022	Order by U.S. Bankruptcy Court to deliver financial records and documents to Trustees and Receiver. <i>See</i> Transcript, Hearing, July 25, 2022.	

**V. NATE PAUL AND HIS ORGANIZATION MISAPPROPRIATED TENS OF MILLIONS OF CASH AND REAL ESTATE.**

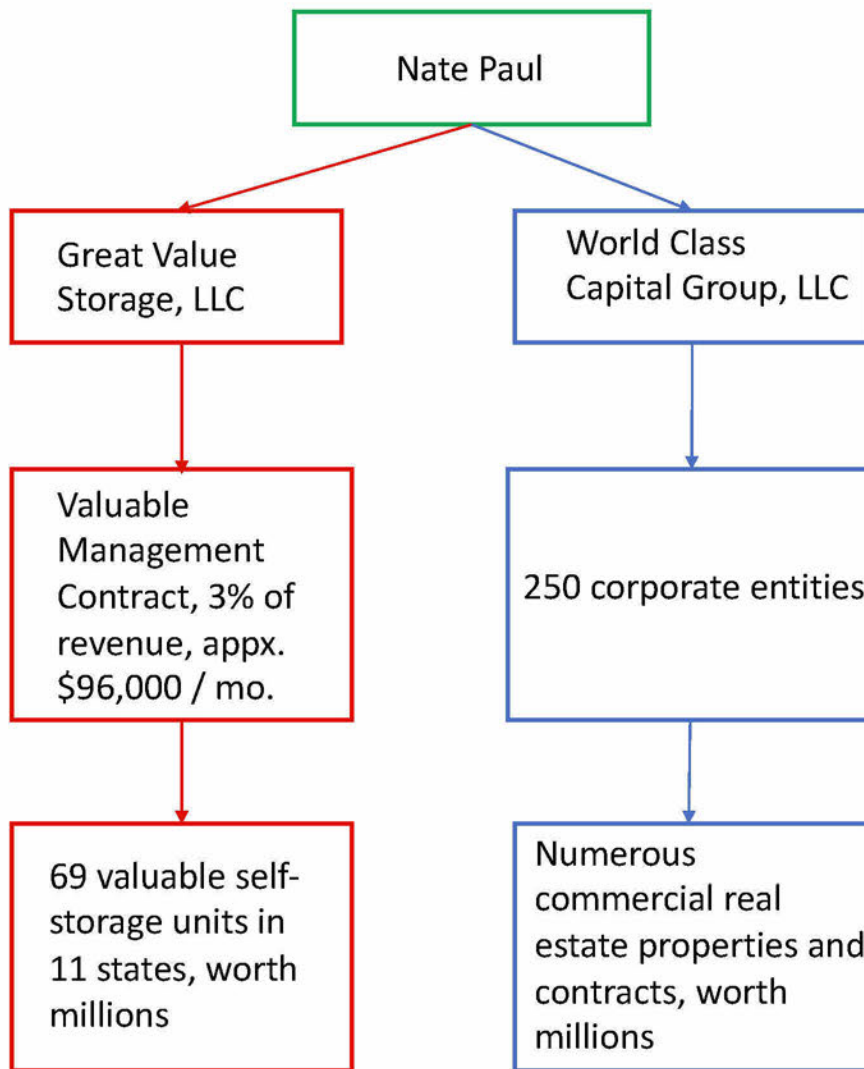
Following thorough review of bank statements, transaction documents, transcripts, and pleadings, your Receiver determined that Paul and his organization misappropriated tens of millions of dollars of cash and real estate. He stripped *World Class Capital Group, LLC* and *Great Value Storage, LLC* of cash and real estate. He transferred money and property to personal accounts, purchased luxury items, and traveled lavishly. He transferred money and property to other shell companies he owns. Although it is perfectly acceptable and common to place a single real estate property in a single LLC, many of these other shells conduct no

legitimate commercial business. They are merely shells to conceal and transfer assets. Receiver has found no evidence Paul has filed any federal tax return since 2017. His CPA, Julia Clark, refused to respond to five federal subpoenas served on her by your Receiver.



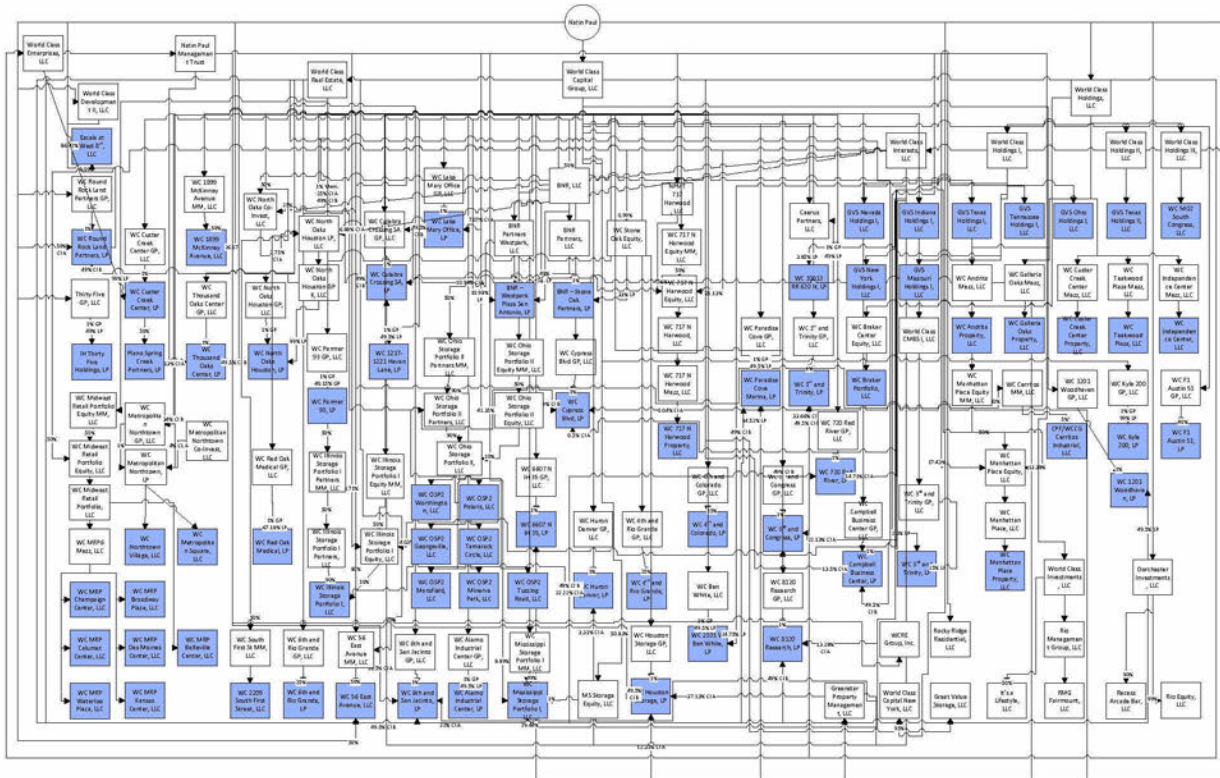
*A. Paul created a dense web of corporate shells to disguise and conceal misappropriation of cash and real estate from courts, receivers, trustees, creditors and investors.*

This Court's decision to appoint a receiver *World Class Capital Group, LLC* and *Great Value Storage, LLC* was prescient. Underneath parent company *World Class Capital Group, 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. Here is an overview diagram of the World Class entity:





Here is an internal Paul organizational chart obtained by Receiver:



The chart is nearly incomprehensible in both intent and design. Paul creates corporate shells as a means of disguising, camouflaging, and concealing fraudulent transfers or assets and cash. Paul possesses no corporate documents justifying this structure. There is no legitimate business or tax purpose for such a complicated and undocumented corporate structure.

The Court will please 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), has assets in the form of management contracts with

Great Value Storage facilities, the management fees of which, as discussed, the Paul Entities admitted fraudulently transferring. Princeton's summary judgment motion contained signed agreements by Paul attesting that *World Class Capital Group, LLC* wholly owned *Great Value Storage, LLC*, which wholly owned 23 valuable real estate storage units.<sup>28</sup>

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, or used as vehicles for fraudulent transfers and concealment.<sup>29</sup> The reason Nate Paul's organizational chart is confusing is because he intended it to be.

Your Receiver discovered a tax filing Paul was under order to turn over but did not. 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.<sup>30</sup>

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<sup>28</sup> CR 78, 225 and 91, 238, No. 01-21-00284-CV.

<sup>29</sup> See Receiver's Response to Appellants' Rule 29.3 Motion for Temporary Orders, Oct. 13, 2021, Exhibit 19 (list), No. 01-21-00284-CV.

<sup>30</sup> See Receiver's Notice of Records Filing 2, Texas Comptroller Records, Feb. 23, 2022.

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

**Signature**

**Name:**NATIN PAUL; **Title:** MANAGING MEMBER;

<b>Texas Franchise Tax Extension Affiliate List</b>		
<b>Form 05-165</b>		
<b>Tcode: 13298 - Annual</b>		
<b>Reporting entity taxpayer number</b>	<b>Reporting entity taxpayer name</b>	<b>Report Year</b>
32033047294	WORLD CLASS CAPITAL GROUP LLC	2021

LEGAL NAME OF AFFILIATE.	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)	BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
WC 1ST AND TRINITY GP LLC	32048408051	No
WC 1ST AND TRINITY LP	32048408044	No
WC 3RD AND CONGRESS GP LLC	32049843991	No
WC 3RD AND CONGRESS LP	32049822607	No
WC 3RD AND TRINITY GP LLC	32045959999	No
WC 3RD AND TRINITY LP	32045959841	No
WC 4TH AND COLORADO GP LLC	32044399437	No
WC 4TH AND RIO GRANDE GP LLC	32045059139	No
WC 5TH AND WALLER LLC	32064486643	No

In the same report, Paul designated *World Class Holdings, LLC*, one of his paymaster accounts and the designation for much of the WCCG misappropriated funds:

Texas Franchise Tax Extension Request  
Form 05-164  
Code: 13258 - Annual

Taxpayer number 32033047294	Taxpayer name WORLD CLASS CAPITAL GROUP LLC	Report Year 2021	Due Date 06/15/2021
US Mailing address 814 LAVACA STREET, AUSTIN, TX, 78701 USA			
Secretary of State file number or Comptroller file number 0800822937			

Signature  
Name: NATIN PAUL; Title: MANAGING MEMBER;

Texas Franchise Tax Extension Affiliate List  
Form 05-165  
Code: 13298 - Annual

Reporting entity taxpayer number 32033047294	Reporting entity taxpayer name WORLD CLASS CAPITAL GROUP LLC	Report Year 2021	
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LEGAL NAME OF AFFILIATE.	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)	BLACKEN CIRCLE IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
WORLD CLASS HOLDINGS IV LLC	32067627771	No
WORLD CLASS HOLDINGS MANAGEMENT LLC	32063679503	No
WORLD CLASS HOLDINGS V LLC	32067627805	No
WORLD CLASS HOLDINGS VI LLC	32067626229	No
WORLD CLASS HOLDINGS LLC	32064013710	Yes

**WORLD CLASS CAPITAL GROUP, LLC  
CONTROLS AND / OR OWNS  
WORLD CLASS HOLDINGS, LLC**

Last summer, Mr. Paul declared to Texas Comptroller that *World Class Holdings, LLC* is an affiliate under *World Class Capital Group, LLC*.

See Receiver Exhibit 2, pp. 285, 296.

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.”<sup>31</sup>

“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.”<sup>32</sup>

<sup>31</sup> Tex. Admin. Code § 3.590(b)(2) (2019).

<sup>32</sup> Tex. Admin. Code § 3.590(b)(1) (2019); Tex. Tax Code § 171.0001(1) (2019).

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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.<sup>33</sup>

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.<sup>34</sup>

This is tedious tax code language, but the point is that all of the corporate entities listed<sup>35</sup> by Nate Paul form a single unitary operation, all controlled by Nate Paul, all falling

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<sup>33</sup> Tex. Admin. Code § 3.590(b)(4) (2019).

<sup>34</sup> Tex. Admin. Code § 3.590(b)(6) (2019).

<sup>35</sup> See *Receiver’s Notice of Records Filing 2*, Texas Comptroller Records, Feb. 23, 2022.

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under the control or ownership of *World Class Capital Group, LLC*. Your Receiver, therefore, has properly exercised control over the subsidiary entities.

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

Throughout the pervasive litigation, including in this Court, Paul refused to provide any bank records from the hundreds of accounts at Wells Fargo Bank. Your Receiver obtained, and filed in this Court, 16 months of bank statements for a single Wells Fargo account, for *World Class Capital Group, LLC*, the parent company for Paul's pyramid of real estate entities, and for *Great Value Storage, LLC*, an entity related to the collection of some 69 self-storage units in 11 states.<sup>36</sup>

These bank records for just this one account, *World Class Capital Group, LLC*, for a brief 16-month window, reveal that 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 the FBI search of Paul's home and office for evidence of criminal activity.<sup>37</sup> Paul drained the accounts completely in January and February 2020. He treated the millions as personal money, moving money between insider individuals and corporations without regard for any corporate fiduciary formalities or segregation responsibilities.

Based on 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

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<sup>36</sup> See Receiver's Notice of Records Filing 2, Texas Comptroller Records, Feb. 23, 2022.

<sup>37</sup> See CR 289, 292, No. 01-21-00284-CV.

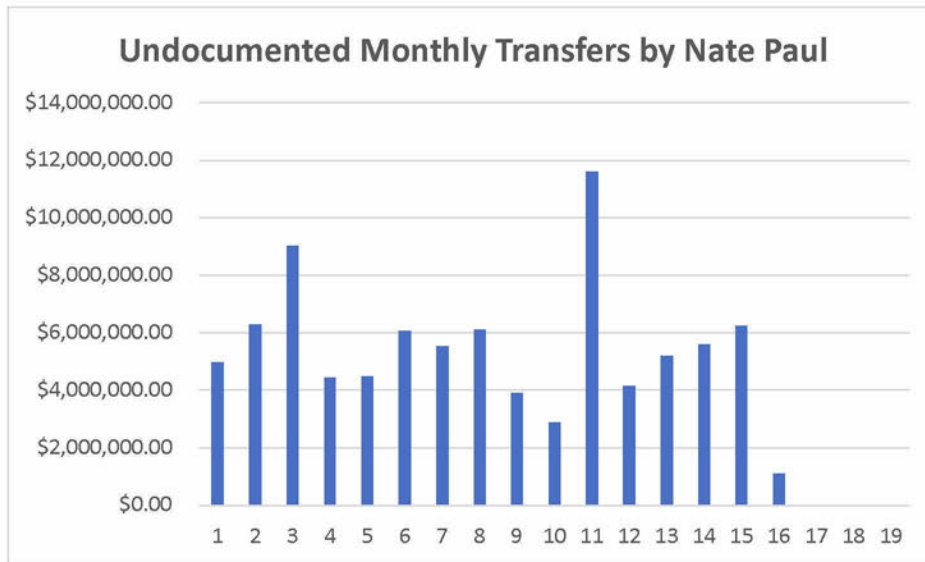
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Paul drained the account in January 2020. The Court will observe that Paul transferred the largest amount of money, more than \$11 million, in the days before and after the August 2019 FBI search of his home and office.<sup>38</sup>

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
<b>08/31/2019</b>	<b>\$30,325.84</b>	<b>\$11,574,097.77</b>	<b>(\$11,590,809.18)</b>	<b>(\$11,010.72)</b>	<b>(\$11,601,819.90)</b>	<b>\$2,603.71</b>
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)
<b>Totals</b>		<b>\$87,649,168.22</b>	<b>(\$87,210,292.14)</b>	<b>(\$442,235.00)</b>	<b>(\$87,652,527.14)</b>	<b>(\$12,121.58)</b>

<sup>38</sup> See CR 289, 292.

Here is a graph showing the same monthly transfers:



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

***C. 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 Paul transferred \$7.4 million from the company. Again, he transferred sharply more money just before and just after the August 2019 FBI search.<sup>39</sup> 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:

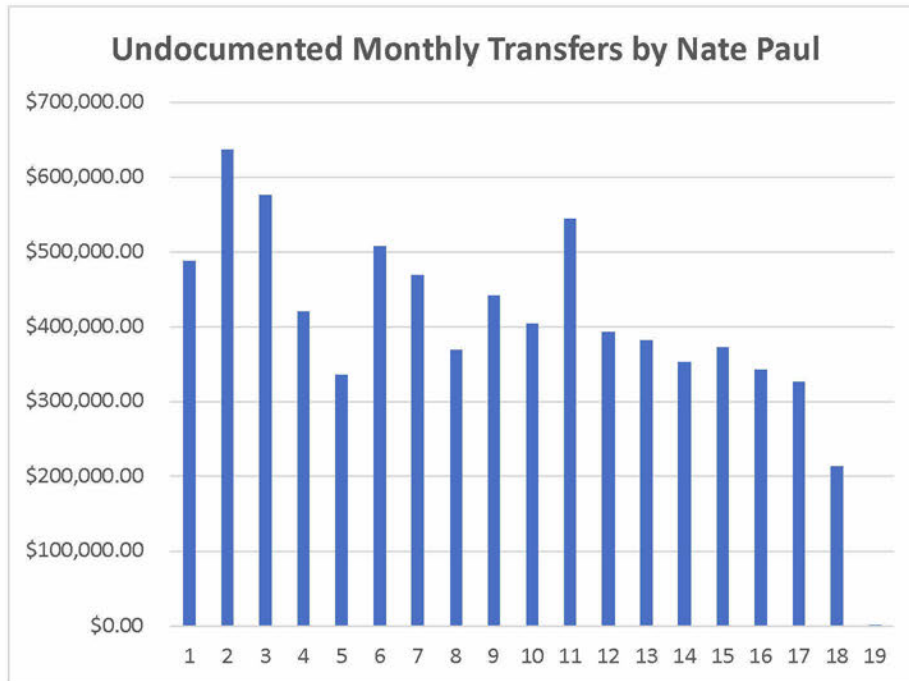
<sup>39</sup> See CR 289, 292.

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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
<b>08/31/2019</b>	<b>\$2,772.38</b>	<b>\$551,861.22</b>	<b>(\$544,214.48)</b>	<b>(\$324.63)</b>	<b>(\$544,539.11)</b>	<b>\$10,094.49</b>
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
<b>Totals</b>		<b>\$7,365,456.25</b>	<b>(\$6,990,592.41)</b>	<b>(\$374,912.72)</b>	<b>(\$7,365,505.13)</b>	<b>\$0.00</b>

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

LLC account:



***D. Bank records reveal the story of staggering misappropriation.***

Paul claimed not to have any records.<sup>40</sup> For an enterprise with nearly one billion dollars 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.<sup>41</sup>

The Wells Fargo bank records separately filed are only for 16 months, from 2018 to 2020, until Paul drained the accounts, during the months following the FBI search of his home and office. 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. Paul had *more than four hundred accounts* at Wells Fargo.

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<sup>40</sup> 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 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.

<sup>41</sup> 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).

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Here is the story these snapshot documents tell us:

- 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;
- 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. 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 Wells Fargo account, just in this 16-month period;
- \$7.4 million is missing or unaccounted from the Great Value Storage Wells Fargo account.
- Other account bank statements for other Paul controlled corporate shells reviewed by Receiver reveal similar unexplained and undocumented transfers between shells and to insiders and to Paul personal accounts.
- The hundreds of other Wells Fargo accounts likely tell a similar tale of fraudulent transfers.<sup>42</sup>

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<sup>42</sup> See Receiver's Notice of Business Records No. 1, Image No.: 100497493, Wells Fargo Statements, 2018 – 2020, filed Feb. 21, 2022, 165<sup>th</sup> District Court, docket number 2019-18855.

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**MONEY FOUND IN ONE OF NATE PAUL'S  
CORPORATE SHELLS: WORLD CLASS HOLDINGS, LLC**

**Analyzed Business Checking**

Account number: [REDACTED] • January 1, 2020 - January 31, 2020 • Page 1 of 6



Source: Receiver Exhibit 1 –  
Wells Fargo Bank statements  
for World Class Capital Group,  
LLC

**WORLD CLASS CAPITAL GROUP, LLC**  
8141 LAVACA ST  
AUSTIN TX 78701-2316

**Questions?**

Available by phone 24 hours a day, 7 days a week:  
1-800-CALL-WELLS (1-800-225-5935)  
Online: wells Fargo.com  
Write: Wells Fargo Bank, N.A. (800)  
P.O. Box 3555

11/13	50,000.00	Online Transfer Xfer From Wccg to Wch Ref #Bb05DD6Nf9
12/11	37,000.00	Online Transfer Xfer From Wccg to Wch Ref #Bb05JsWg57
01/02	24,000.00	Online Transfer Xfer From Wccg to Wch Ref #Bb05LzWk5D

Ex. 1, bate number Receiver 112  
Ex. 1, bate number Receiver 125  
Ex. 1, bate number Receiver 135  
Ex. 8

**Total Transfers \$265,500**

Receiver Exhibit 8 – Summary of Transfers From World Class Capital Group, LLC's Wells Fargo Account to World Class Holdings, LLC.

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To give perspective, here is an excerpt from two seemingly ordinary days in November 2018, from the WCCG account.<sup>43</sup> Not a single one of these transactions are documented or explained. Almost all are to Paul Organization insiders and shells:

<sup>43</sup> See Receiver's Notice of Business Records No. 1, Image No.: 100497493, Wells Fargo Statements, 2018 – 2020, filed Feb. 21, 2022, 165<sup>th</sup> District Court, docket number 2019-18855. Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al., No. 2019-18855 Receiver's Report Page 43 of 100

11/28	32,000.00	Online Transfer Wccg to Braker Ref #Bb05Gchjrg
11/28	21,000.00	Online Transfer Wccg to North Oaks Ref #Bb05Gc73Tj
11/28	9,000.00	Online Transfer Xter From Wccg to Wcre Ref #Bb05Gbwxx5
11/28	2,000.00	Online Transfer Xter From Wccg to North Oaks Ref #Bb05Gbvzjl
11/28	2,000.00	Online Transfer Xter From Wccg to Gvs Ref #Bb05Gbwyyq
11/28	4,419.29	Bambora [REDACTED] World Class Capital Gr
11/28	549.36	Bambora [REDACTED] World Class Capital Gr
11/28	95.00	Citi Payment Payment [REDACTED] Paul,Nathan
11/28	54.98	City of Austin/A Utilities [REDACTED]
11/29	50,000.00	Online Transfer Xter From Wccg to Harwood Atx Ref #Bb05Gh97Hj
11/29	15,000.00	Online Transfer Wccg to Harwood Ref #Bb05Ghpxtf
11/29	10,000.00	Online Transfer Xter From Wccg to 6607 N Ih 35 Ref #Bb05Gg7Nhn
11/29	8,000.00	Online Transfer Xter From Wccg to Rio Operating Ref #Bb05Gh93Qc
11/29	5,000.00	Online Transfer Xter From Wccg to Wcre Mgmt Ref #Bb05Gh9H5M
11/29	2,000.00	Online Transfer Xter From Wccg to Wchii Ref #Bb05Gg7P7V
11/29	23,000.00	WT [REDACTED] Independent Bank /Ftr/Bnf=Wc Paradise Cove Marina, Lp Srf# [REDACTED] Rfb# 4320
11/29	8,123.70	NW Trust Contrib [REDACTED] World Class Capital Gr
11/29	6,107.54	Bambora [REDACTED] World Class Capital Gr
11/30	26,500.00	Online Transfer Xter From Wccg to 1899 McKinney Corp Ref #Bb05Gnl5RC
11/30	20,000.00	Online Transfer Wccg to Wchiii Ref #Bb05Gps353
11/30	15,000.00	Online Transfer Xter From Wccg to Gvs Ref #Bb05Gr6Vq4
11/30	3,000.00	Online Transfer Wccg to Champaign Ref #Bb05Gn8Dsm
11/30	3,000.00	Online Transfer Xter From Wccg to Wchi Ref #Bb05Gnkfd7
11/30	1,500.00	Online Transfer Xter From Wccg to Mrp Belleville Ref #Bb05Gnk8Zl
11/30	1,000.00	Online Transfer Xter From Wccg to Wchii Ref #Bb05Gnkhis
11/30	1,000,000.00	WT [REDACTED] Jpmorgan Chase Ban /Ftr/Bnf=Rastegar Holding Company, LLC Srf# [REDACTED] Rfb# 4331
11/30	450,000.00	WT [REDACTED] Banc of California /Ftr/Bnf=Harvey A Bookstein Trust Account Srf# [REDACTED] Rfb# 4330
11/30	232,050.00	WT [REDACTED] Banc of California /Ftr/Bnf=Har-3M, LLC Srf# [REDACTED] Rfb# 4328
11/30	205,416.87	WT [REDACTED] Jpmorgan Chase Ban /Ftr/Bnf=Rastegar Income Fund, Lp Srf# [REDACTED] Rfb# 4335
11/30	197,741.38	WT [REDACTED] Jpmorgan Chase Ban /Ftr/Bnf=Rategar Income Fund II, Lp Srf# [REDACTED] Rfb# 4336
11/30	196,015.56	WT [REDACTED] Jpmorgan Chase Ban /Ftr/Bnf=Rastegar Value Fund, Lp Srf# [REDACTED] Rfb# 4338



Here are just a couple of the transfers to Nate Paul and his domestic partner, Summer Burns:<sup>44</sup>

**Electronic debits/bank debits (continued)**

Effective date	Posted date	Amount	Transaction detail
	11/01	15,000.00	WT Fed#03514 Compass Bank /Ftr/Bnf=Natin Paul Srff# Gw00000020165846

**Electronic debits/bank debits (continued)**

Effective date	Posted date	Amount	Transaction detail
	11/05	4,000.00	WT Seq#84862 Summer N Burns /Bnf=Summer Burns Srff#
	11/30	79,805.34	American Express ACH Pmt 181130 W9168 Natin Paul
	11/30	21,479.68	American Express ACH Pmt 181130 W2718 Natin Paul
	11/30	21,070.42	American Express ACH Pmt 181130 W0800 Natin Paul

Here is a total of transfers to Paul and family members from the WCCG account for just a 16-month period:

MISAPPROPRIATION OF CASH

- \$3.9 million Nate Paul's American Express (only 16 months)
- \$639,000 transfers to Nate Paul directly
- \$531,000 to personal investment trust account
- \$43,000 Sheena Paul's AMEX
- \$33,000 to Nate Paul Management Trust
- \$22,000 to Ford Motor Credit, probably for the Super Duty F250
- \$20,000 to his [redacted] Summer Burns [Domestic partner]
- \$9,000 to his father's credit card

<sup>44</sup> See Receiver's Notice of Business Records No. 1, Wells Fargo Statements, 2018 – 2020, filed Feb. 21, 2022, 165<sup>th</sup> District Court, docket number 2019-18855. *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver's Report Page 45 of 100

The breach of fiduciary duty causes of action against Paul and his organization constitute a form of intangible personal property which Receiver can and did litigate on behalf of WCCG and GVS to claw back misappropriated money, thereby fulfilling the Court's final judgment and receivership order.<sup>45</sup>

**VI. THE NATE PAUL ORGANIZATION IS A COAST-TO-COAST CONSPIRACY DESIGNED TO DEFRAUD CREDITORS AND INVESTORS.**

*A. Overview of the Nate Paul Organization.*

Nate Paul has created and masterminds a coast-to-coast conspiracy of opportunists designed to defraud creditors and investors. In this report, Receiver limits himself to civil conspiracy and civil law misconduct.

The individuals and entities part of this organization include:

Nate Paul is the founder and owner of World Class Capital Group, LLC (WCCG), and Great Value Storage, LLC (GVS). Paul has created numerous business entities, more than 250, including, but not limited to:

World Class Holding Company, LLC  
World Class Holdings, LLC  
World Class Holdings I, LLC  
World Class Development, LLC  
World Class Real Estate, LLC  
Westlake Industries

The Paul Organization includes numerous business entities created by, or at the behest of, Paul. A recent review of the records of the Texas Secretary of State disclosed that there

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<sup>45</sup> 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)).  
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were 212 entries for business entities created with Paul listed as an officer or manager. Another list identifies 278 entities as of the date of the September 2021 receivership order. The Paul Organization created business entities in Texas, Ohio, Delaware and elsewhere that had business operations in Texas, Ohio, Mississippi, Nevada, New York, Missouri and elsewhere, during 2012 to 2022.

A review of federal and state judicial records disclosed numerous lawsuits against various entities in the Paul Organization surrounding a common theme:

- The entities in the Paul Organization are not independent. Paul and his co-conspirators treat all the entities as a single enterprise and without regard for any required corporate formalities.
- Assets are transferred between entities without regard for the contractual obligations the Paul Organization has made with creditors or investors.
- Many of these transfers are to Paul, Paul's family members and insiders.
- This scheme creates a complex web intended to thwart the legitimate efforts of creditors and investors to recoup the funds which Paul has taken from these investors through a documented series of fraudulent promises and contracts that Paul made, and never kept, nor intended to keep.
- In Receiver's opinion, Paul continuously misled and enticed others to invest their funds with Paul and the Paul Organization in order to enrich himself, family members and insiders unlawfully.

In Receiver's opinion, Paul appears to have been assisted in his operation of the Paul Organization as a national enterprise engaged in the civil violation conduct described herein by the following parties:

- Sheena Paul, his chief lieutenant, the Chief Operating Officer of WCCG, lawyer for the Paul Organization, and Nate Paul's sister.

- Barbara “Barbie” Lee, the Vice President of Accounting at WCCG, who admits that WCCG provides accounting services to several of the entities at the heart of the Paul Organization at all relevant times.
- Jason Rogers, the Controller at WCCG, who according to Barbie Lee, provides accounting services to several of the entities at the heart of the Paul Organization at all relevant times.
- Jeremy Stoler, a key accounting employee at WCCG, who according to Barbie Lee, provides accounting services to several of the entities at the heart of the Paul Organization at all relevant times.<sup>46</sup>
- Love Paul, the father of Nate Paul and Sheena Paul, and a recipient of fraudulent transfers of assets from the Paul Organization.
- Summer Burns, Paul’s domestic partner, the mother of his children, and a recipient of fraudulent transfers of assets from the Paul Organization.
- Julia Clark, a Dallas CPA who provided tax and other accounting services to the Paul Organization and who is believed to have provided substantial assistance with the fraudulent scheme outlined below. (As mentioned, your Receiver served Ms. Clark in July with five subpoenas for production of tax records and returns pertaining to the Nate Paul Organization entities. She did not comply with the subpoenas or contact your Receiver.)
- Narsimha Raju Sagiraju, aka Raj Kumar, a convicted felon, who was convicted of fraud in Santa Clara County, California in 2016,<sup>47</sup> and who is a recipient of fraudulent transfers from the Paul Organization through various entities including Cupertino Builders and Kadari, Inc.<sup>48</sup>

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<sup>46</sup> Mr. Stoler has a lawsuit pending against Nate Paul and related entities. *Stoler v. Paul, et al.*, no D-1-GN-22-002204 (345<sup>th</sup> Dist. Ct., Travis Cty., Tex.). Receiver filed a counter claim against Mr. Stoler but non-suited approximately one month later. Receiver’s June 6, 2022 adversary action in the GVS bankruptcy case named Mr. Stoler as a defendant and included causes of action against him.

<sup>47</sup> Sagiraju was convicted in 2017 in Santa Clara County, California of 3 felony counts of securities fraud and 3 felony counts of grand theft. Bay City News, “Ex-Tech Executive to be Sentenced to Jail for Gambling \$417K of Friends’ Investments,” (July 17, 2017). *See also Soma Capital Fund I Partners, LLC, et al. v. Narsimharaju Sagiraju et al.*, Santa Clara County, California Superior Court, cause no. xxxx1321, filed June 5, 2017.

<sup>48</sup> According to the Sidley Austin 549 Report in the GVS bankruptcy case, *see supra*, Paul directed fraudulent transfer payments to Cupertino Builders.

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- Surik M. Torosyan,<sup>49</sup> an associate of Sagiraju who apparently operates Veheal, Inc.,<sup>50</sup> a documented recipient of millions of dollars' worth of financial transfers from the Paul Organization.
- Jacob Armendariz, a convicted felon, who was convicted of theft and fraud in Potter and Deaf Smith Counties in Texas on multiple occasions, and an employee of the Paul Organization.<sup>51</sup> Armendariz operates at least two companies, West Texas Stone Solutions, and Hernandez Remodeling, which were used in efforts to receive fraudulent transfers of assets from the Paul Organization.

This list is not meant to be exhaustive or all inclusive. Nor do I assert that it includes all the individuals who were involved in the operations of the Paul Organization, or that I have identified all the roles or involvement each party had with the Paul Organization. Again, I do not address any possible criminal violations by any person or entity in this report, only civil law violations.

***B. Evaluation of the Nate Paul Organization misappropriation and concealment in the underlying Capital Point Partners II, LLP / Princeton Capital note payable agreement as exemplar of misconduct.***

The underlying lawsuit by Princeton Capital against two Paul Organization entities has been completed. Nevertheless, what occurred is a suitable example of how the Paul

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<sup>49</sup> See *American Express National Bank v. Surik Torosyan*, no. 21CV3870088 (Santa Clara County, Cal. Superior Crt.) (unpaid AMEX of \$17,299.69).

<sup>50</sup> California chartered company, 1249 Rosalia Avenue, San Jose, CA 95117. Chartered 2017.

<sup>51</sup> TDC Offense Date 04/16/2008 Sentence Date 06/04/2009 Theft more than \$500 less than \$1500.  
 TDC Offense Date 05/05/2009 Sentence Date 09/30/2009 Theft More than \$1500 less than \$20,000.  
 Case Filed Date 09/30/2009 Deaf Smith County Offense Not specified. Convicted 10/14/2009.  
 2 Probation Violations in Deaf Smith County filed on 02/26/2009 and disposed of by conviction on 06/03/2009.  
 Case Filed Date 4/13/2009 Randall County Theft Crimes against property, Fraud Convicted 3/16/2011.  
 Case Filed Date 9/06/2013 Potter County Theft, crimes against property, Fraud Convicted 3/06/2014.  
 Case Filed Date 01/31/2014 Potter County Theft, crimes against property, Fraud. Convicted 02/13/2014.  
 Case Filed Date 1/10/2017 Potter County Theft by check disposition not reported.



Organization operates, as it contains the majority of the documentary evidence available to me that I have been able to corroborate independently.

The scheme began on or before the period of time when Capital Point Partners II, LLP (Capital Point) entered into a Note Purchase Agreement (“NPA”) with Paul. On July 31, 2012, Paul signed the NPA on behalf of Great Value Storage, LLC (“GVS”) and World Class Capital Group, LLC (“WCCG”), two entities in the Paul Organization, and now subject of the receivership. A man named Kevin Smith signed on behalf of Capital Point.

The NPA is over 80 pages long with the included addendums. The agreement is complex and detailed and is merely generally summarized:

- The NPA called for GVS to sell senior secured promissory notes to CP. The first note was for a face value of \$2,000,000.
- A second note, which was signed on September 27, 2012, was for a face value of \$500,000.
- GVS agreed to pay interest at 14% per annum on these notes.
- GVS agreed not to make distributions of the proceeds to equity holders, to provide information and documents required by the agreement, to execute, and maintain a “deposit control agreement” at GVS’ bank, which was Wells Fargo at that time.

Exhibit B to the NPA lists certain storage facility properties owned by GVS and WCCG at the time. This list includes storage facilities in Texas, Tennessee, and Missouri.

The NPA has the following mandatory repayment covenants in section 1.4 (C) that Paul agreed to abide by:

- Change in Control. If there is any event that produces a change in control of GVS the NPA calls for the Notes to be prepaid in full.

- Issuance of Equity Securities. On the date of receipt of cash proceeds from the sale of equity securities or equivalents, GVS is to prepay the Notes in full.
- Issuance of Debt. On the date of receipt of any cash proceeds from the incurrence of any other debt than is listed in attached schedule 3.1 (which is none or zero) GVS is to prepay the Notes in full.
- Asset Disposition. No later than the first business day after the receipt of net proceeds from the disposition of the assets of GVS of WCCG the Notes are to be paid in full in the amount of the net asset disposition proceeds.
- Insurance Condemnation.
- Change in General Partner. If WCCG shall cease to be the General Partner, or cease to own directly or indirectly, a majority of the voting equity securities of any person who owns a storage facility, the Notes must be repaid.

Some of the affirmative covenants in section 2 of the NPA to which Paul was required to comply were:

- Compliance with the Contract and Laws.
- Maintain the Properties. Ensure they are insured.
- Inspection. Each note holder can inspect the facilities and financial records of WCCG and GVS, to make copies of the records, to speak with the officers and CPAs of GVC and WCCG regarding the finances and business operations of GVS and WCCG.
- Organizational Existence and Conduct of Business Books and Records. Paul agrees to: (i) maintain the legal existence of WCCG and GVS, (ii) maintain the leases, privileges, franchises, qualifications and rights that are necessary for the operation of GVS and WCCG's business; (iii) continue to qualify to do business in each state or jurisdiction as required; (iv) conduct GVS and WCCG business as it is presently conducted in an orderly and efficient manner with good business practices; (v) maintain copies of accurate books and records regarding the business operations of GVS and WCCG, as well as meetings of shareholders, Boards of Directors, and partners.
- Board of Director Kevin Smith has certain rights. He has observation rights to all Board of Directors meetings for GVS. The company (GVS) agrees that all

matters concerning strategy, financing, financial health, performance, financings, budget, fundamental changes to the business, including sales or disposition of all or a substantial portion of any business, changes in the business, or business activities of the company or the facilities or the offering of securities with respect to GVS, shall be decided by the Board and Smith (the Capital Point Representative).

Some of the negative covenants in section 3 of the NPA that Paul is responsible for complying with are:

- Indebtedness. Paul agrees not to incur more than \$150,000 in additional indebtedness for GVS and lists the companies' other debts as -0- in schedule 3.1.
- Liens. GVS will not incur or allow liens on the properties.
- No Negative Pledges.
- Modification to the Management Agreements. GVS and WCCG will not terminate, assign, or enter into any amendment or modification of any Management Contract which would have a material adverse effect as determined by the Holder of the notes at the Holder's sole discretion.
- Investments. Certain investments are prohibited.
- Contingent Obligations. Certain contingent Obligations are prohibited.
- Restriction on Fundamental Changes. GVS and WCCG are prohibited from: amending, modifying, or waiving any term of their organizational documents; entering into any transaction merger or consolidation without providing at least 5 days written notice to the holders of the notes; liquidating the company (GVS and WCCG); acquiring by purchase all or part of the business or assets of another entity.
- Disposal of Assets or Subsidiary Equity Securities. GVS will not convey, sell, lease, transfer or otherwise dispose of its property, business, or assets in one transaction or a series of transactions.
- Transactions with Affiliates. GVS will not enter into any transaction including, purchase, lease, sale, exchange of property or the rendering of any management, consulting, investment banking, advisory or other similar services with any



affiliate or any director, officer or employee of WCCG for more than \$5000.00 in one year.

In the NPA, the first interest payment on the notes issued by GVS and WCCG to Capital Point was due on December 31, 2012. Interest only payments were to be paid quarterly thereafter. The principal sum was due on July 31, 2017.

In section 4.2 and 5.6 of the NPA, Paul commits that all financial statements produced by GVC and WCCG to induce Capital Point to invest with the Paul Organization have been prepared using Generally Accepted Accounting Principles (GAAP) and that the financial statements that have been or will be prepared on behalf of GVS and WCCG will fairly and accurately represent the financial condition of both companies. Section 4.2 (A) discusses monthly financial statements that would be prepared according to GAAP. Section 4.2 (E) discusses GVS and WCCG providing copies of all significant reports prepared by the companies' firm of Certified Public Accountants (CPA).

WCCG issued a press release in August 2012 claiming it had acquired a dozen storage properties in Houston and Dallas, Texas. In February 2014 WCCG issued a press release stating it had acquired 6 additional storage properties in Houston and claimed this was the 4th portfolio acquisition for WCCG in the last 18 months. Sheena Paul is listed as the Vice President of WCCG in this press release and is quoted as saying, "We continue to be agile and opportunistic in our storage acquisitions."

My review indicates that at least some of the GVS storage facility properties may have had mortgage financing, possibly from federally insured financial institutions. There are open-source records indicating that: C-III Commercial Mortgage, LLC, of Irving, Texas; Mortgage Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al., No. 2019-18855 Receiver's Report

Research Center, LLC, of Missouri; Smartbank, of Salt Lake City, Utah; Morgan Stanley Mortgage Capital Holdings, LLC, of New York; and Compass Bank, Pittsburgh, Pennsylvania may have recorded liens against several of the pertinent self-storage properties. I found no indication that this debt was disclosed to Capital Point or Princeton Capital, in an apparent possible violation of the NPA. I found no positive indication that the Paul Organization disclosed its sales of promissory notes to these companies.

On November 12, 2014, The NPA was amended for a third promissory note, in the amount of \$3,100,000 to be sold by GVS and WCCG to Capital Point.

From my review of available information, including depositions of Paul and Lee, I note that Paul caused GVS and WCCG repeatedly to breach the NPA by failing to comply with their covenants and obligations in the NPA. As one example, the NPA obligates Paul to use Generally Accepted Accounting Principles (GAAP) to create monthly financial statements and provide the same to Capital Point. Paul and Lee each make statements in separate depositions indicating GAAP was never used to prepare financial statements for the Paul Organization or its various entities, including GVS and WCCG, a clear violation of the NPA, in my opinion. In their depositions, Lee, and Paul both acknowledged that everything done in the Paul Organization is done at the direction of Paul, and with Paul's knowledge.

It appears to me that the CPA for Paul and the Paul Organization during the relevant time period was Julia Clark. In July 2022, I served Ms. Clark with five federal subpoenas for relevant tax returns and records. She did not deliver the documents by the date required. She

did not contact me. I suspect she was instructed by the Nate Paul Organization not to comply with the subpoena.

Court records indicate that in 2012, 2014, 2015, 2018 Paul, with and through communications from Sheena Paul, Barbara Lee and Jason Rogers, each claiming to be operating on behalf of WCCG and the “World Class Enterprise,” represented to Capital Point and its successor in interest in the NPA, Princeton Capital Corp that GVS had an ownership interest in storage facilities and the GVS financial statements provided to Capital Point and Princeton Capital included a balance sheet entry indicating \$5,000,000 in “Investment in Real Estate” on the balance sheets provided to Capital Point and Princeton Capital in 2014, 2015, and 2018.

Open-source documentation of Uniform Commercial Code (UCC) filings indicates that in 2011, WCCG pledged its receivables as collateral to Amegy Bank National Association of Houston, Texas, (Amegy) in what appears to be a factoring agreement that expired in 2016. These same records also indicate that WCCG financed its computer equipment, software and peripherals with Webbank of Salt Lake City, Utah (Webbank). These debt arrangements and pledges of assets/receivables do not appear to have been disclosed to Capital Point, or to Princeton Capital, by WCCG, in apparent violation of the NPA.

On March 13, 2015, Capital Point sold the Notes discussed here to Princeton Capital pursuant to an Assignment and Acceptance Agreement in exchange for shares of common stock in Princeton Capital.

Princeton Capital Corporation is a publicly traded company registered with the Securities and Exchange Commission (SEC), SEC CIK #0000845385. Princeton Capital has offices in North Andover Massachusetts and is incorporated in Maryland. Princeton Capital stock trades on the Over the Counter (OTC) market (OTC Pink) under the symbol PIAC.

For the time period of July 1, 2015 – March 31, 2016, GVS defaults under the NPA. GVS fails to make the required quarterly interest payments under the NPA. GVS and WCCG request deferral of the past due interest and payments until December 31, 2018. Princeton Capital agrees and on May 19, 2016, GVS and Princeton Capital enter a second amendment to the NPA extending the maturity date of the notes from July 31, 2017, to December 31, 2018.

During the time period of August 2016 – November 2018, and unbeknownst to Princeton Capital, within months of signing this second amendment to the NPA, Paul initiated a plan to remove all the real estate assets from WCCG ownership by forming a new line of entities owned and controlled by Paul. Following formation of the new entities, Paul commenced the transfer of deeded real estate assets owned by GVS and WCCG to these entities, for little or no value, without informing Princeton Capital in any way. This was a well-planned, obvious, and intentional series of transfers in blatant violation of the NPA. This series of transfers took a significant amount of planning, time, effort, numerous documents,

and multiple financial and real estate transactions to accomplish, and would have required coordination and determined work by the civil conspirators and insiders of the Nate Paul Organization.

There is no evidence that any consideration, other than nominal consideration was given in exchange for the granted properties. The properties were deeded for little or no value. The real property transferors were left insolvent following the title transfers for little or no consideration, unbeknownst to Princeton Capital, and in violation of the NPA.

As these transfers were not disclosed to Princeton Capital at the time they occurred, they remained unknown to Princeton Capital until late 2021 when Paul and his representatives admitted in court documents that GVS and WCCG previously held real estate assets, and/or interests in entities owning the real estate assets but ceased holding such assets following Paul's purported "restructuring" of WCCG and GVS, resulting in divestment of WCCG and GVS of such real estate interests. Again, this is a clear violation of the NPA, in my opinion.

Sheena Paul, Barbara Lee, Jeremy Stoler, Jason Rogers, and others worked in close coordination with Paul to accomplish the real property transfers and to conceal them from Princeton Capital and possibly other creditors of WCCG and GVS, in violation of the NPA, in my opinion.

On November 16, 2018, pursuant to the NPA and amendments, Princeton Capital delivered to GVS a Notice of Acceleration demanding payment in full of the debt. At that time, payment in full would have been \$7,122,607.95. This consisted of \$6,783,671.33 in unpaid principal and unpaid interest of \$338,936.62. The Notice of Acceleration states that

unpaid interest accrues at the default rate of 17%, as specified in the NPA, until the debt is paid in full.

From 2018 to 2020, following the implementation of the well-planned divestiture of assets and implementation of a new organizational structure created for WCCG and GVS by the business interest transfers and real property transfers, which were then undisclosed to Princeton Capital in violation of the NPA, Paul caused entities in the Paul Organization to enter into new property management agreements with each of the entities managing the GVS portfolio of storage facilities. Paul signed these agreements for both sides of the transactions. In my opinion, all of this was another well planned, coordinated, violation of the NPA, for the benefit of Paul, and that involved multiple transactions over an extended period to accomplish by Paul, civil conspirators and insiders. The resulting substantial change in the business operations of the Paul Organization was intentional and was also intentionally not disclosed to Princeton Capital, in violation of the NPA, with intent to harm Princeton Capital by thwarting Princeton Capital's efforts to collect on the promissory notes, that Paul had already defaulted on, in my opinion.

The apparent goal of these business interest and real property transfers was for WCCG and GVS to transfer within the Paul Organization, for little or no consideration, the rights to receive revenue from the operation of the self-storage facilities. These rights were given to the newly formed entities created by the Paul Organization. GVS and WCCG were left insolvent at the time of these revenue transfers. The motive for this scheme appears to have been to defraud Princeton Capital and thwart Princeton Capital's future efforts to collect funds owed

to Princeton Capital by the Paul Organization since the Paul Organization never had any intention of paying the principal owed to Princeton Capital under the NPA and had never actually fully complied with the NPA, in my opinion. While these transfers may have stripped GVS and WCCG of assets, cash and revenue streams, such assets, cash and revenue streams were merely transferred to the newly formed entities created by and for the benefit of the Paul Organization.

In my opinion, the transparently fraudulent nature of the business interest and real property transfer scheme is highlighted by the fact that following the removal of the interests in the storage facilities from the WCCG and GVS ownership hierarchy, WCCG and GVS continued to make payments on behalf of the storage facilities.

I do not have access to all the banking records for the Paul Organization, however, it would seem the Paul Organization apparently did not create and use a separate bank account for each new entity, another instance of disregard of corporate separateness and lack of observance of corporate formalities. Bank account records for the GVS Wells Fargo account ending in 5854 show that between October 2018 and January 2020, WCCG deposited millions of dollars into GVS' account. These and other funds were quickly transferred out of the account to, or for, the benefit of the new entities, with little or no consideration given back to WCCG or GVS. The transfers were made to taxing authorities, vendors and service providers to the storage facilities, to payroll, and staffing companies for the GVS employees operating the storage facilities, to the storage facilities' utility providers, and other entities to satisfy the storage facilities' obligations.



My opinion, based upon the information I have been provided, information that I have acquired independently, and which I, or someone working under my supervision, have reviewed, is that the transfers described above were orchestrated and accomplished by Paul, Sheena Paul, Barbara Lee, Jeremy Stoler, Jason Rogers and others, and concealed from Princeton Capital by these same parties. These transfers left WCCG and GVS insolvent. Based on representations made by Paul under oath, he was aware of that.

The potential civil causes of action based upon these transfers include:

- Fraudulent Transfer Under the Texas Business and Uniform Commerce Code section 24.005. The transfers described above exhibit the badges of actual fraud:
  - The transfers were each to an insider.
  - The transfers were concealed.
  - The transfers were of substantially all the assets of the applicable defendant transferors.
  - The transferors removed or concealed assets; and
  - The applicable transferors were insolvent or became insolvent shortly after the applicable transfers were made.
- Breach of Fiduciary Duty. Breach of fiduciary duty by Paul because Paul owed Capital Point and Princeton Capital the following duties: (1) care, (2) loyalty, (3) accountability, (4) confidentiality, (5) full disclosure, (6) fairness, and (7) good faith and, which duties Paul breached, resulting in damages to Princeton Capital.
  - The others participating in this scheme conspired with Paul to make these fraudulent transfers.
  - In my opinion, as Paul knowingly breached his fiduciary duty, those assisting him conspired with him to assist him in doing so.

On January 16, 2019, Princeton Capital delivered a payoff letter to GVS demanding payment of \$7,348,564.00, which payment Princeton Capital did not receive. Litigation ensued shortly thereafter.

As discussed, in 2021 Paul and Barbie Lee filed affidavits in this Court and the First Court of Appeals revealing for the first time their contention that WCCG and GVS were now insolvent entities and that Paul had orchestrated the transfer of each entities assets to other entities owned by Paul during the 2016 to 2018 time period, in violation of the NPA, in my opinion. The clear intent of this contention would appear to be to thwart Princeton Capital's efforts to collect on the judgement Princeton Capital has just received, in my opinion.

***C. Example of Nate Paul Organization fraudulent activity in Austin U.S. Bankruptcy Court by misappropriating Debtor in Possession funds.***

Earlier this year, late February 2022, a U.S. Bankruptcy Court in Austin discovered that Paul had misappropriated more than \$1 million in several Chapter 11 bankruptcy cases from the Debtor in Possession ("DIP") accounts at Metropolitan Bank. This is a serious matter because in a Chapter 11 bankruptcy proceeding for reorganization of corporations, the corporate officers remain in charge of the company. They are authorized to pay bills and disburse funds, but only with permission of the Bankruptcy Judge, the Bankruptcy Chapter 11 Trustee, or in some instances secured creditors. Transferring funds from a DIP account without approval is a serious violation of the U.S. Bankruptcy Code.<sup>52</sup>

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<sup>52</sup> See, e.g., 18 U.S.C. § 152 (2022) (bankruptcy fraud); 18 U.S.C. § 1956 (money laundering).  
*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855  
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For several months Paul delayed filing mandatory financial reports, including bank account activity. When he finally filed reports months late, the Bankruptcy Court learned why: Paul had misappropriated large amounts of cash from the DIP accounts. The Court promptly removed Paul from control of the companies and replaced him with Trustees. The Court then converted the cases from Chapter 11 (corporate reorganization) to Chapter 7 (liquidation).

The magnitude of the Paul's misappropriation of DIP funds is brazen, right under the gaze of a Federal Judge. Your Receiver obtained bank records. The misappropriated DIPs were traced to see what Paul did with the money.

During the period of November 17, 2021 to March 30, 2022, Natin Paul transferred more than **\$5.1 million** from six of the pending debtor in possession accounts to other Natin Paul affiliated entities or on their behalf.<sup>53</sup>

On March 29 and 30, 2022, after the mandated conversion to Chapter 7, Natin Paul deposited just over \$2.9 million back into the various DIP accounts following the closing of the sale of properties in the GVS cases pending in Dallas. A shortfall of about **\$2 million** remains.<sup>54</sup>

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<sup>53</sup> The cases identified to date by the Receiver include WC South Congress Square, LLC, WC 3d & Trinity, LP, WC Culebra Crossing SA, LP, Arboretum Crossing LLC, WC 717 Harwood Property LLC and WC Met Center, LLC.

<sup>54</sup> On information and belief, the Trustee in *WC Culebra Crossing* has already recovered the \$571,417.39 payment from the recipient, which was the secured creditor in the *WC Manhattan Place LLC* case.

Here is an analysis of how the Nate Paul Organization misappropriated the Metropolitan Bank DIP funds from under the Bankruptcy Court. Each of the companies listed is controlled by Nate Paul:

**METROPOLITAN COMMERCIAL BANK DIP ACCOUNTS**

Date	Affiliate	Transaction Description	Withdrawals Debits	Deposit Credits
<b>20-11107-tmd WC South Congress Square LLC - Metropolitan Commerical Bank Account xxxxxx0302</b>				
02/22/22	Westlake Industries LLC	Wire To Westlake Industries LLC	8,935.00	
02/23/22	Hernandez Remodeling	Wire To Hernandez Remodeling	7,315.00	
03/02/22	Hernandez Remodeling	Wire To Hernandez Remodeling	11,050.00	
03/07/22	Hernandez Remodeling	Wire To Hernandez Remodeling	2,900.00	
03/11/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,315.00	
03/14/22	Hernandez Remodeling	Wire To Hernandez Remodeling	5,795.00	
03/18/22	Hernandez Remodeling	Wire To Hernandez Remodeling	9,450.00	
		<b>WC South Congress Square, LLC Totals</b>	<b>53,760.00</b>	<b>-</b>
<b>21-10252-tmd WC 3rd and Trinity, LP - Metropolitan Commerical Bank Account xxxxxx4309</b>				
02/18/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,920.00	
02/23/22	Hernandez Remodeling	Wire To Hernandez Remodeling	5,350.00	
03/01/22	Wells Fargo Commercial Mortgage Servicing	Wire To Wells Fargo Commercial Mortgage Servicing	252,566.20	
03/01/22	World Class Holdings LLC	Wire To World Class Holdings LLC	40,000.00	
03/14/22	World Class Holding Company LLC	Wire To World Class Holding Company, LLC	50,000.00	
03/29/22	Natin Paul	Wire From Natin Paul		342,566.20
		<b>WC 3rd And Trinity, LP Total</b>	<b>356,836.20</b>	<b>342,566.20</b>

**METROPOLITAN COMMERCIAL BANK DIP ACCOUNTS**

Date	Affiliate	Transaction Description	Withdrawals Debits	Deposit Credits
<b>21-10360-tmd WC Culebra Crossing SA, LP - Metropolitan Commerical Bank Account xxxxxx1518</b>				
11/30/21	WC Subsidiary Services LLC	Wire To WC Subsidiary Services LLC	29,400.00	
11/30/21	Westlake Industries LLC	Wire To Westlake Industries LLC	44,205.00	
12/02/21	Westlake Industries LLC	Wire To Westlake Industries LLC	29,642.30	
01/21/22	World Class Holding Company LLC	Wire To World Class Holding Company, LLC	75,000.00	
01/31/22	Westlake Industries LLC	Wire To Westlake Industries LLC	73,575.00	
02/01/22	World Class Holdings LLC	Wire To World Class Holdings LLC	55,000.00	
02/15/22	Hernandez Remodeling	Wire To Hernandez Remodeling	3,455.00	
02/16/22	Westlake Industries LLC	Wire To Westlake Industries LLC	33,426.00	
02/18/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,855.00	
02/24/22	World Class Holdings LLC	Wire To World Class Holdings LLC	100,000.00	
02/25/22	Hernandez Remodeling	Wire To Hernandez Remodeling	29,360.00	
03/01/22	Wells Fargo Commercial Mortgage Servicing	Wire To Wells Fargo Commercial Mortgage Servicing	571,417.39	
		<b>WC Culebra Crossing SA, LP Total</b>	<b>1,053,335.69</b>	<b>-</b>

**METROPOLITAN COMMERCIAL BANK DIP ACCOUNTS**

Date	Affiliate	Transaction Description	Withdrawals Debits	Deposit Credits
<b>21-10546-tmd Arboretum Crossing LLC - Metropolitan Commercial Bank Account xxxxx0461</b>				
11/17/21	Westlake Industries LLC	Wire To Westlake Industries LLC	30,821.00	
11/17/21	World Class Holdings LLC	Wire To World Class Holdings LLC	19,373.00	
11/30/21	Westlake Industries LLC	Wire To Westlake Industries LLC	5,193.00	
12/02/21	Westlake Industries LLC	Wire To Westlake Industries LLC	25,730.00	
12/03/21	Westlake Industries LLC	Wire To Westlake Industries LLC	68,370.00	
12/07/21	World Class Holding Company LLC	Wire To World Class Holding Company, LLC	400,000.00	
01/21/22	World Class Holding Company LLC	Wire To World Class Holding Company, LLC	75,000.00	
01/31/22	Hernandez Remodeling	Wire To Hernandez Remodeling	19,882.50	
02/01/22	World Class Holdings LLC	Wire To World Class Holding Company, LLC	75,000.00	
02/16/22	Westlake Industries LLC	Wire To Westlake Industries LLC	17,736.00	
02/18/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,665.00	
02/22/22	Westlake Industries LLC	Wire To Westlake Industries LLC	6,425.00	
03/01/22	World Class Holdings LLC	Wire To World Class Holdings LLC	900,000.00	
03/02/22	Hernandez Remodeling	Wire To Hernandez Remodeling	13,000.00	
03/09/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,665.00	
03/09/22	Westlake Industries LLC	Wire To Westlake Industries LLC	6,425.00	
03/30/22	Natin Paul	Wire From Natin Paul		900,000.00
		<b>Arboretum Crossing LLC Total</b>	<b>1,680,285.50</b>	<b>900,000.00</b>
<b>21-10630-tmd WC 717 N Harwood Property LLC - Metropolitan Commercial Bank Account xxxxx6192</b>				
02/07/22	Westlake Industries LLC	Wire To Westlake Industries LLC	8,365.00	
02/08/22	Westlake Industries LLC	Wire To Westlake Industries LLC	39,470.00	
02/10/22	World Class Holdings LLC	Wire To World Class Holdings LLC	90,000.00	
02/18/22	Westlake Industries LLC	Wire To Westlake Industries LLC	9,843.25	
03/01/22	World Class Holdings LLC	Wire To World Class Holdings LLC	885,000.00	
03/21/22	Hernandez Remodeling	Wire To Hernandez Remodeling	8,620.00	
03/30/22	Natin Paul	Wire From Natin Paul		885,000.00
		<b>WC 717 N Harwood Property LLC Total</b>	<b>1,041,298.25</b>	<b>885,000.00</b>

**METROPOLITAN COMMERCIAL BANK DIP ACCOUNTS**

Date	Affiliate	Transaction Description	Withdrawals Debits	Deposit Credits
<b>21-10698-tmd WC Met Center, LLC - Metropolitan Commercial Bank Account xxxxx8781</b>				
11/26/21	Westlake Industries LLC	Wire To Westlake Industries LLC	41,735.28	
01/31/22	Hernandez Remodeling	Wire To Hernandez Remodeling	14,345.50	
01/31/22	Hernandez Remodeling	Wire To Hernandez Remodeling	6,330.00	
01/31/22	Westlake Industries LLC	Wire To Westlake Industries LLC	5,976.76	
02/01/22	World Class Holdings LLC	Wire To World Class Holdings LLC	800,000.00	
02/07/22	Hernandez Remodeling	Wire To Hernandez Remodeling	21,160.00	
02/07/22	Westlake Industries LLC	Wire To Westlake Industries LLC	5,976.76	
02/11/22	Hernandez Remodeling	Wire To Hernandez Remodeling	30,731.00	
03/02/22	Hernandez Remodeling	Wire To Hernandez Remodeling	15,000.00	
03/11/22	Hernandez Remodeling	Wire To Hernandez Remodeling	14,975.00	
03/11/22	Westlake Industries LLC	Wire To Westlake Industries LLC	5,976.76	
03/14/22	Hernandez Remodeling	Wire To Hernandez Remodeling	5,846.00	
03/18/22	Hernandez Remodeling	Wire To Hernandez Remodeling	7,730.00	
03/30/22	Natin Paul	Wire From Natin Paul		800,000.00
		<b>WC Met Center, LLC Total</b>	<b>975,783.06</b>	<b>800,000.00</b>
		<b>Grand Total</b>	<b>5,161,298.70</b>	<b>2,927,566.20</b>

Here are examples of Paul's misappropriation, directly from the bank statements:

**PAUL MISAPPROPRIATED MONEY FROM  
DIP BANKRUPTCY ACCOUNT**

**BANK OF AMERICA**  
WORLD CLASS HOLDINGS, LLC | Account # [REDACTED] | February 1, 2022 to February 28, 2022

Here is where the embezzled money came into  
*World Class Holdings, LLC* account at Bank of  
America:

Date	Description	Amount
02/01/22	WIRE TYPE:WIRE IN DATE: 220201 TIME:1641 ET TRN:2022020100462075 SEQ:0260133560412427/030620 ORIG:NATIN PAUL [REDACTED] SND BK:METROPOLITAN COMMERCIAL BANK ID:026013356	55,000.00
02/24/22	WIRE TYPE:WIRE IN DATE: 220224 TIME:1434 ET TRN:2022022400447953 SEQ:0260133560422279/020987 ORIG:NATIN PAUL [REDACTED] SND BK:METROPOLITAN COMMERCIAL BANK [REDACTED]	100,000.00
02/16/22	WIRE TYPE:WIRE IN DATE: 220216 TIME:1203 ET TRN:2022021600328032 SEQ:3238702047ES/006281 ORIG:WESTLAKE INDUSTRIES, LLC [REDACTED] SND BK: JPMORGAN CHASE BANK, NA [REDACTED] PMT DET:BMG O F 22/02/16	30,000.00
02/16/22	WIRE TYPE:WIRE IN DATE: 220216 TIME:1553 ET TRN:2022021600425919 SEQ:3406092047ES/011264 ORIG:WESTLAKE INDUSTRIES, LLC [REDACTED] SND BK: JPMORGAN CHASE BANK, NA [REDACTED] PMT DET:BMG O F 22/02/16	10,000.00

Receiver Exhibit 3 at PDF page 335-37, Receiver page 630-32.

***D. Example of Nate Paul Organization fraudulent activity in Dallas U.S. Bankruptcy Court by misappropriating Debtor in Possession funds.***

As mentioned, Paul's collection of 69 self-storage units in 11 states were held in a collection of corporate shells under the name of *Great Value Storage*.

On June 17, 2021, the Paul Organization filed for bankruptcy in the Northern District of Texas at Dallas, Texas, cause number 21-31121-MVL on behalf of the following entities within the Paul Organization. Each one held one or more self-storage properties:

- GVS Texas Holdings I, LLC
- GVS Portfolio I, LLC
- GVS Portfolio I B, LLC
- GVS Portfolio I C, LLC
- GVS Texas Holdings II, LLC
- GVS Ohio Holdings I, LLC
- GVS Ohio Holdings II, LLC
- WX Mississippi Storage Portfolio I, LLC

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GVS Nevada Holdings I, LLC  
GVS Missouri Holdings I, LLC  
GVS New York Holdings I, LLC  
GVS Indiana Holdings I, LLC  
GVS Illinois Holdings I, LLC  
GVS Tennessee Holdings I, LLC  
GVS Colorado Holdings I, LLC

There is a procedure in bankruptcy court for investigating alleged misappropriation of funds by the operators of a company in Chapter 11 bankruptcy. This is called a “Section 549 Investigation.” On July 22, 2022, the law firm of Sidley Austin, which represented the 16 GVS companies in Chapter 11 bankruptcy, filed its supplemental Section 549 Investigation report, called “Reorganized Debtors’ Report on Investigation of Post-Petition Transactions.”<sup>55</sup> which summarized its investigation into misappropriation of funds by the Nate Paul Organization.

First, the law firm explained the Nate Paul Organization’s obstruction into providing documents and information, a characteristic Receiver observed repeatedly by members of the Nate Paul Organization:<sup>56</sup>

2. The ability to conduct the 549 Investigation was hampered by a lack of reliable records by the Debtors, the fact that the Debtors’ records were in the control of an affiliate non-Debtor management company, Great Value Storage, LLC (“Great Value” or the “Property Manager”), and, most significantly, because of a lack of cooperation by parties with relevant information.<sup>21</sup> In addition, inconsistent testimony from various parties hindered the work of the Debtors’ professionals.

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<sup>55</sup> *In re: GVS Texas Holdings I, LLC, et al.*, no. 21-31121-mvl, “Reorganized Debtors’ Report on Investigation of Post-Petition Transactions,” docket no. 1273, July 22, 2022.

<sup>56</sup> *In re: GVS Texas Holdings I, LLC, et al.*, no. 21-31121-mvl, “Reorganized Debtors’ Report on Investigation of Post-Petition Transactions,” docket no. 1273, July 22, 2022, at 6.

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<sup>21</sup> The extent of the lack of cooperation is not described fully in this Final Report, as the record before the Court is replete with instances detailing the difficulties encountered by the Debtors' professionals over the course of these Chapter 11 Cases and the 549 Investigation. Meticulously listing every effort to frustrate and hinder the Debtors' information-gathering process would require an appendix so voluminous as to render it entirely useless.

3. Despite these handicaps, the Reorganized Debtors have been able to determine that prior to the entry of the Governance Order:

- i. Debtor funds were used to pay expenses of non-Debtor affiliates on multiple occasions;<sup>22</sup>
- ii. At least \$1,051,821.38 of Debtor funds were transferred to suspect vendors or to insiders and affiliates of the Debtors without Court approval or disclosure;<sup>23</sup>
- iii. Among these transfers, at least two payments of \$96,000 each that had been authorized to be paid to the Property Manager pursuant to court order were intentionally diverted to other World Class entities in an effort to avoid having

those monies deposited into bank accounts controlled by the Property Manager's receiver;<sup>24</sup>

- iv. Cupertino Builders—a construction and maintenance company owned by a friend of Mr. Paul that received 12 post-petition transfers worth \$297,045.00—ceased all operations within days of the entry of the Governance Order and never again billed the Debtors for services;<sup>25</sup>
- v. Management initially failed to disclose to the Debtors' professionals or the Court multiple operating bank accounts, which resulted in the filing of a materially misleading Cash Management Motion at the outset of these Chapter 11 Cases;<sup>26</sup> and
- vi. Overwhelmingly due to the difficulty the Debtors and their professionals faced in obtaining timely and complete records from the Property Manager, the Debtors' Schedules and Statements of Financial Affairs and Monthly Operating Reports, as originally filed, were materially incomplete and inaccurate and required significant amendments once control of the Debtors' bank accounts were transferred to Getzler Henrich.<sup>27</sup>

Translated, Nate Paul and his organization:

- Concealed documents and blocked Sidley Austin's investigation;
- Fraudulently transferred money from Debtor in Possession (DIP) accounts to other Nate Paul Organization entities without permission of the Bankruptcy Court or Trustee;
- Fraudulently transferred \$1,051,000 out of the DIP accounts to other Nate Paul Organization entities;

- Fraudulently transferred two \$96,000 contract payments in an effort to keep Receiver from seizing and collecting those funds. (The final amount was more than \$800,000.);
- **Fraudulently transferred \$297,000 to a friend of Nate Paul;**
- Fraudulently concealed cash in other accounts.

These actions in the Dallas GVS bankruptcy case by the Nate Paul Organization are consistent with the overall civil conspiracy, led by Nate Paul, to defraud and hinder creditors your Receiver found.

*E. Misappropriation of funds by the Nate Paul Organization transferred to insiders of the organization.*

In the same Dallas U.S. Bankruptcy case, I filed an adversary action against the Nate Paul Organization, naming Paul and other members of his conspiracy.<sup>57</sup> This is one of only two lawsuits I have filed in this receivership action. (I non-suited the second one, against a Paul associate.<sup>58</sup>) The Receivership Order authorized such lawsuits:<sup>59</sup>

may be situated, and to review and obtain copies of all documents related to same, and 13) file any lawsuit necessary to seize or recover any non-exempt assets from any third parties who have acquired possession or control

<sup>57</sup> *In re: GVS Texas Holdings I, LLC, et al.*, no. 21-31121-mvl, Document Number 1140.

<sup>58</sup> *Jeremy Stoler v. Natin Paul, et al.*, no. D-1-GN-22-002204 (345<sup>th</sup> Dist. Ct., Travis Cty.) Receiver non-suited his counterclaim against Mr. Stoler in June 2022.

<sup>59</sup> September 8, 2021 Receivership Order, 165<sup>th</sup> Dist. Ct., at 6.

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### **1. Luxury travel and purchases charged to American Express.**

During the 16-month period September 1, 2018, to December 31, 2019, Paul and his conspirators transferred \$3.9 million from the Wells Fargo account of WCCG to American Express National Bank by means of payments on American Express cards in the name of World Class Capital Group, LLC, but used by Paul and other members of the Paul Organization. Upon information and belief, all or most of these purchases were for luxury travel and personal luxuries that had nothing to do with the business or operations of WCCG. During this 16-month period, Paul charged \$3,886,272.90 at an average rate of \$242,900 per month. Paul and the conspirators did not maintain records of these purchases or internal documentation explaining the benefit of these expenses to the corporation. These card purchases with company money were means by which the conspirators transferred corporate funds to themselves, in violation of the fiduciary duties to the company and its subsidiaries.

### **2. Payments to Paul's domestic partner, Summer Burns.**

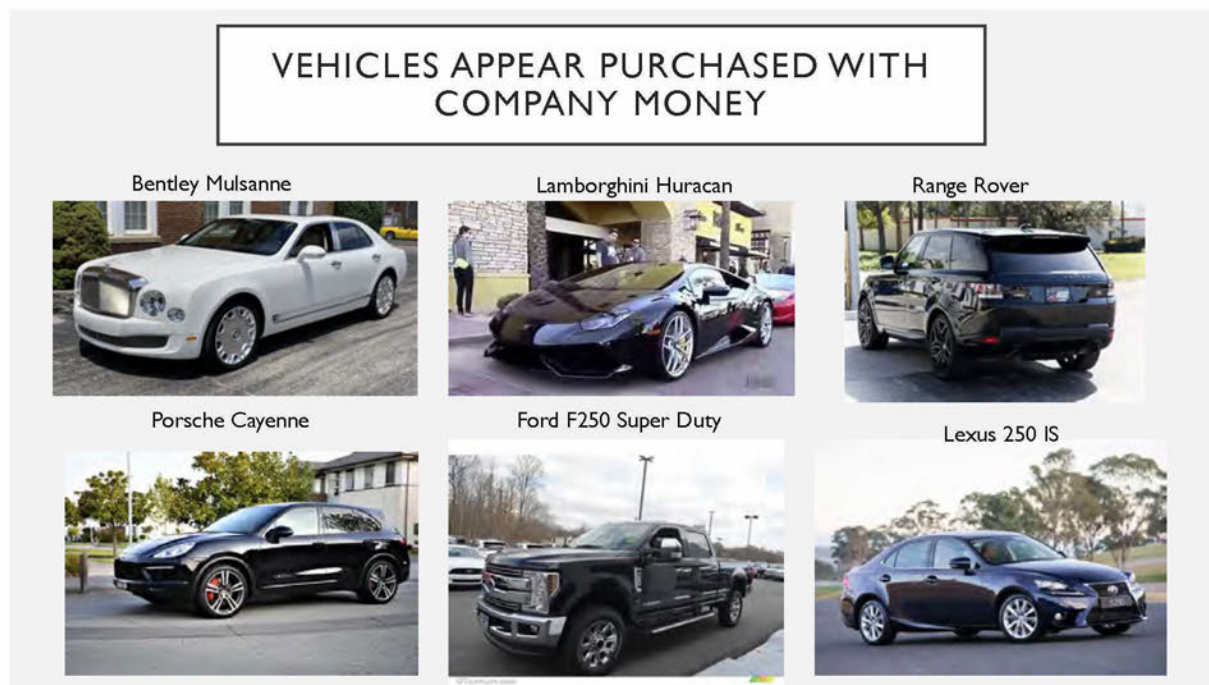
According to the Wells Fargo bank statements, between September 1, 2018, through August 31, 2020, Paul and his conspirators transferred cash from the WCCG Wells Fargo account in the amount of \$20,500 to Paul's domestic partner and mother of his children, Summer Burns.

### **3. Luxury Vehicles.**

Paul obtained a 2014 or 2015 Bentley Mulsanne, VIN: SCBBB7ZH5EC019799, purchased by Paul with WCCG funds. The vehicle is or was owned by WCCG. Julia Clark and

Julia Clark Associates, P.C. compiled WCCG's property depreciation list for its 2017 corporate tax return and listed the car as a company-owned depreciable asset.

The Bentley belongs or belonged to WCCG and is therefore by definition property of the receivership estate. Paul cannot claim the personal vehicle exemption of Texas Property Code § 42.001 because this car is a company asset, not his own. It is likely Paul sold the Bentley on or about February 13, 2021, to an unrelated third party. It was then registered in the name of a Montana dealership. Upon information and belief, Paul deposited the proceeds of the sale into a personal account or account he solely controlled. He did not deposit the proceeds into an account owned or controlled by WCCG. The sale of the company owned Bentley thereby constitutes a fraudulent transfer.



#### **4. Payments to Sheena Paul.**

According to the Wells Fargo bank statements, between September 1, 2018, through August 31, 2020, Paul and his conspirators transferred cash from the WCCG Wells Fargo account in the amount of \$43,222.71 to Sheena Paul Burns, paid through an entity called American Realty. The transferred cash belongs or belonged to WCCG and is therefore by definition property of the receivership estate.

#### **5. Payments to Nate and Sheena's father, Love Paul.**

According to the bank statements, between September 1, 2018, through August 31, 2020, Paul and his conspirators transferred cash from the WCCG Wells Fargo account in the amount of 9,135.13 to his father, Dr. Love D. Paul, paid through Dr. Paul's Citibank credit card, and \$130.55 to his CW credit card, and \$2,832.53 for State Farm Insurance.

#### **6. Payments to Nate Paul individually.**

According to the bank statements, between September 1, 2018 through August 31, 2020, Paul and his conspirators transferred cash from the WCCG Wells Fargo account in the amount of \$30,956.10 to Paul's Bank of America credit card, \$2,690.00 and \$29,903.48 to the "Natin Paul Management Trust" through Capital Farm Credit FLCA, \$65,14.40 to a Visa card, \$593,627.93 to personal loan accounts of Paul, \$45,000 to Paul's personal checking account (no. [REDACTED]), and \$22,000 to Ford Motor Credit, likely for Paul's Super Duty Ford F250 truck.

#### **7. Conspirator activity.**

Paul, Sheena Paul, Barbara Lee, Jeremy Stoler, and Jason Rogers, all employees of the Companies and related entities, on information and belief, conspired to move the Companies'



assets out of the reach of its creditors, including by transferring all the Companies' interests in LLCs and LPs to other entities wholly owned by Natin Paul and by transferring \$87 million and \$7.4 million out of the WCCG and GVS Accounts.

Paul, Sheena Paul, Barbara Lee, Jeremy Stoler, and Jason Rogers participated in a civil conspiracy to transfer fraudulently the Companies' assets, violate Natin Paul's fiduciary duties, and delay and frustrate its creditors, including Princeton, from collecting the debts owed by the Companies.

#### 8. Questionable transfers to others by Paul.

Certain additional questionable transactions have also come to light because of the bankruptcy proceedings.

Cupertino Builders (Cupertino) and Kadari, LLC (Kadari) have received transfers from the Paul Organization during the bankruptcy proceedings. Cupertino is registered to Narsimha Raju Sagiraju (Sagiraju) aka Raj Kumar with the Texas Secretary of State. Kadari operates H & R Grocery, a gas station with a convenience store, a liquor license, and a check cashing operation in Austin, Texas that has been in business since 1996.

Sagiraju is a convicted felon. Sagiraju was convicted of three counts of securities fraud in Santa Clara County, California. Sagiraju defrauded his business partners and investors, some of whom were high school friends, of more than \$400,000.<sup>60</sup> Sagiraju pled guilty to the felony

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<sup>60</sup> Bay City News, "Ex-Tech Executive to be Sentenced to Jail for Gambling \$417K of Friends' Investments," (July 17, 2017). See also *Soma Capital Fund I Partners, LLC, et al. v. Narsimharaju Sagiraju et al.*, Santa Clara County, California Superior Court, cause no. xxxx1321, filed June 5, 2017. *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver's Report

fraud charges filed in Santa Clara County and admitted spending the proceeds of his fraud scheme on gambling junkets to Las Vegas, Monte Carlo, and Dubai.

Available information indicates that Sagiraju is an associate of Nate Paul, has an email address associated with the Paul Organization, and has received transfers of at least \$297,045.00 through Cupertino and Kadari between July 22, 2021, and November 4, 2021.

Cupertino was created on October 19, 2020, according to Texas Secretary of State records. I was unable to find a website for Cupertino Builders, a license, or any indication Cupertino has employees or revenue through the Texas Department of Licensing and Registration or the Texas Comptroller of Public Accounts office.

One document filed in the bankruptcy proceedings states plainly that, regarding the bankruptcy proceeding, Kadari is merely a “pass through shell entity” used to transfer money from the debtors in the bankruptcy proceeding (The Paul Organization) to Cupertino. These transfers were made from accounts controlled by entities of the Paul Organization that filed for bankruptcy, and the transfers occurred after the bankruptcy was filed. There are no invoices or other supporting documentation that justify these transfers, which, in my opinion, is a hallmark of the operations of the Paul Organization.

Jacob Armendariz is another convicted felon who appears closely associated with Paul and is reportedly an employee of the Paul Organization. Entities associated with Armendariz began requesting transfers from the Paul Organization entities in the bankruptcy proceeding because Armendariz filed proofs of claim with the bankruptcy trustee, which claims were initially filed after the transfers to Kadari and Cupertino were cut off.



Armendariz was convicted of fraud on multiple occasions in Potter County and Deaf Smith Counties in Texas. Armendariz has been to the Texas Department of Corrections for his crimes. My review of available data indicate that Armendariz is listed as an owner of West Texas Stone Solutions, 5206 Orsini Bluffs, Round Rock, Texas 78665, and has claimed to be the registered manager of Hernandez Remodeling. I was unable to verify either company is licensed to operate or registered in Texas with the Texas Secretary of State.

From review of the invoices filed by Armendariz in the bankruptcy proceeding, West Texas Stone Solutions shares an address with the Hernandez Remodeling entity listed on the above referenced proof of claim, 5206 Orsini Bluffs, Round Rock, Texas 78665. This address is associated with Armendariz' Texas Driver's License, which was issued on July 13, 2021. West Texas Stone Solutions submitted proof of claim forms in the relevant bankruptcy case for \$186,543.19. The claim forms were signed by Armendariz, who ultimately abandoned his claims after they met with objections from the debtors' representatives.

Hernandez Remodeling requested payments of \$205,044 from the Paul Organization between December 10, 2021, and February 14, 2022. Hernandez Remodeling initially refused to provide any documents about these transfers, then provided incomplete documentation. I was unable to locate any indication that Armendariz or Hernandez Remodeling/West Texas Stone Solutions have any licenses to operate, employees, or revenue through the Texas Department of Licensing and Registration or the Texas Comptroller of Public Accounts offices.

Surik Torosyan, who has a listed residential address in common with Sagiraju, 811 East 11th Street, Austin, Texas, 78702, operates a company called Veheal, Inc. (Veheal) Open-source records indicate that Veheal is in the software field, has been in business for 5 years, employs 4 people and generates approximately \$17,105 in annual revenues. Torosyan had a civil suit filed against him in Santa Clara County, California on August 11, 2021, for an unpaid American Express bill in the amount of \$17,299.

Despite these facts we have determined that Veheal has received \$2,012,829.84 in transfers from the Paul Organization between September 30, 2018, and February 21, 2022, according to the bank records available for our review. I would expect that there are no invoices or other documentation retained by the Paul Organization that would justify these financial transfers to Veheal, in my opinion.

This indicates to me that, in my opinion, there is a strong likelihood that Torosyan and his company were not the ultimate recipient of \$2 million from the Paul Organization. If Torosyan was the actual recipient of the \$2 million from the Paul Organization, in my opinion, it is unlikely he would have difficulty paying a \$17,000 Amex bill, for example. In my experience, this situation is likely an indicator that Torosyan may be a strawman for the Paul Organization's fraudulent transfer operation.

#### **9. Fraudulent transfers to World Class Holdings.**

My review in the GVS bankruptcy proceeding indicates that World Class Holdings is a top tier entity the Paul Organization listed in its corporate structure in the bankruptcy proceeding, with Paul being the ultimate owner of World Class Holdings and the other debtors

in the bankruptcy proceeding. There are numerous, substantial payments from the entities of the Paul Organization that are in bankruptcy proceedings to *World Class Holdings*, a corporate shell controlled by Paul. These payments are not substantiated by documentation. These transfers amount to \$532,358 between July 23, 2021, and November 4, 2021.

One pleading by the Paul Organization in the bankruptcy proceeding indicates that two payments, one of \$96,000 on October 21, 2021, and one of \$96,000 on November 14, 2021, were diversions of management fees due the GVS property manager likely from storage facilities. The document notes that these diversions appear to have been done specifically to avoid the Receiver's right to collect those payments.<sup>61</sup>

## VII. PUBLISHED MEDIA ACCOUNTS DOCUMENTED QUESTIONABLE ACTIVITIES OF THE NATE PAUL ORGANIZATION.

Reporters from credible news organizations have raised questions about the Nate Paul Organization, discussing concerns with improper influence of a public official,<sup>62</sup> whistle

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<sup>61</sup> See also *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.”).

<sup>62</sup> See, e.g., Edgar Walters, *Who is Nate Paul, the Real Estate Investor Linked to Abuse-of-Office Allegations Against Texas Attorney General Ken Paxton?*, TEXAS TRIBUNE (Oct. 7, 2020),

<https://www.texastribune.org/2020/10/07/nate-paul-ken-paxton/>.

Platoff, Emma, “FBI is investigating Texas Attorney General Ken Paxton, AP report says,” *Texas Tribune*, November 17, 2020 (on-line October 9, 2021)

[\(https://www.texastribune.org/2020/11/17/texas-ken-paxton-fbi/\)](https://www.texastribune.org/2020/11/17/texas-ken-paxton-fbi/).

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blower complaints by government employees,<sup>63</sup> fraud documented by an arbitrator,<sup>64</sup> and disruption of scheduled foreclosures.<sup>65</sup>

## VIII. TEXAS RECEIVERSHIP LAW IS WELL DEVELOPED.

### *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."<sup>66</sup> 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.<sup>67</sup> 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."<sup>68</sup>

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<sup>63</sup> Platoff, Emma & Shannon Najmabadi, "In new email, senior aides say Ken Paxton used power of his office to benefit political donor Nate Paul," *Texas Tribune*, October 8, 2020 (on-line October 9, 2021) (<https://www.texastribune.org/2020/10/08/ken-paxton-texas-document/>).

<sup>64</sup> Thompson, Paul, "Arbitrator: Nate Paul Defrauded Mitte Foundation," *Austin Business Journal* (Feb. 9, 2021).

<sup>65</sup> See Paul Thompson, Mob tries to thwart foreclosure sales of prime Austin land controlled by World Class: 'I was scared', *Austin Business Journal*, June 1, 2021.

<sup>66</sup> *First Southern Properties, Inc. v. Vallone*, 533 S.W.2d 339, 343 (Tex. 1976).

<sup>67</sup> *First S. Props.*, 533 S.W.2d at 343; *Ellis v. Vernon Ice Co. & Water Co.*, 86 Tex. 109, S.W. 858 (1893).

<sup>68</sup> *Wiswall v. Sampson*, 55 U.S. 52, 67 (1852).

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*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.<sup>69</sup> 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.<sup>70</sup> No one, not even a lien holder with a deed of trust, can sell property held in *custodia legis* by a duly appointed receiver.<sup>71</sup> Any unauthorized transfer of property in the custody of a receiver is not merely voidable, it is void.<sup>72</sup> 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.<sup>73</sup> 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.<sup>74</sup>

***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."<sup>75</sup>

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<sup>69</sup> *Cline v. Cline*, 323 S.W.2d 276, 282 (Tex. Civ. App. – Houston 1959, writ re'fd, n.r.e.).

<sup>70</sup> *First S. Proprs.*, 533 S.W.2d at 343; *Ellis v. Vernon Ice Co. & Water Co.*, 86 Tex. 109, S.W. 858 (1893).

<sup>71</sup> *First S. Proprs.* at 533 S.W.2d at 341; *Huffmeyer v. Mann*, 49 S.W.3d 554, 560 (Tex. Civ. App. – Corpus Christi, 2001).

<sup>72</sup> *First S. Proprs.*, 533 S.W.2d at 341.

<sup>73</sup> *T.H. Neebv. W.L. Fuller*, 557 S.W.2d 73, 76 (Tex. 1977).

<sup>74</sup> See *Beaumont Bank, N.A. v. Buller*, 806 S.W.2d 223, 226 (Tex. 1991).

<sup>75</sup> TEX. CIV. PRAC. & REM. CODE § 31.002(a) (2019).

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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.<sup>76</sup> 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.”<sup>77</sup> The trial court is not required to identify in the order the specific property subject to turnover.<sup>78</sup> In addition, the trial court may enforce the turnover order by contempt proceedings.<sup>79</sup>

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.”<sup>80</sup>

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

Although the Texas Supreme Court has not spoken to the issue, there is analogous federal authority by the U.S. Supreme Court that a receiver accedes to control of the legal affairs of the corporate entity.<sup>81</sup> Consequently, Receiver controls the legal affairs of *Great Value Storage, LLC* and *World Class Capital Holdings, LLC*.

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<sup>76</sup> *Id.* § 31.002 (b)(1).

<sup>77</sup> *Id.* § 31.002(b)(3).

<sup>78</sup> *Id.* § 31.002(h).

<sup>79</sup> *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).

<sup>80</sup> 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. Paul Entities waived challenge under chapter 64 by not raising in their response, CR 167, or their brief.

<sup>81</sup> 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. Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver’s Report

*D. A Receiver possesses judicial immunity against financial damages and discovery.*

As Receiver, Mr. Kretzer receives derived judicial immunity, coextensive with a district judge, from all claims and discovery.<sup>82</sup> Consequently, the Nate Paul Appellants are not permitted to seek damages, costs, attorney's fees or even discovery against the Receiver.

It is well established that judges are absolutely immune from liability for judicial acts.<sup>83</sup> When judges delegate their authority or appoint others to perform services for the court, the judicial immunity that attaches to the judge follows the delegation or appointment.<sup>84</sup> “In Texas, judicial immunity applies to officers of the court who are integral parts of the judicial process, such as court clerks, law clerks, bailiffs, constables issuing writs, **court-appointed receivers** and trustees.”<sup>85</sup> This type of absolute immunity is referred to as “derived judicial immunity.”<sup>86</sup>

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*Plache*, 913 F.2d 1375, 1381 (9<sup>th</sup> 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).

<sup>82</sup> *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).

<sup>83</sup> *Turner v. Pruitt*, 161 Tex. 532, 342 S.W.2d 422, 423 (1961).

<sup>84</sup> *Byrd v. Woodruff*, 891 S.W.2d 689, 707 (Tex. App.—Dallas 1994, writ denied).

<sup>85</sup> *Id.* (emphasis added); *see also Clements v. Barnes*, 834 S.W.2d 45, 46 (Tex.1992) (bankruptcy trustee); *Davis v. West*, 317 S.W.3d 301 (Tex. App.—Houston [1st Dist.] 2009) (court-appointed receiver); *Delcourt v. Silverman*, 919 S.W.2d 777, 781 (Tex. App.—Houston [14th Dist.] 1996, writ denied) (court-appointed psychologist and guardian ad litem); *Conner v. Guemez*, Case No. 02-10-00211-CV, 2010 WL 4812991 (Tex. App.—Fort Worth, Nov. 24, 2010) (court-appointed receiver); *Manning v. Jones*, Case No. 05-18-01140-CV, 2019 WL 6522183 (Tex. App.—Dallas Dec. 4, 2019) (court-appointed receiver); *Jones v. Sherry*, 2019 WL 2707968 (court-appointed child custody evaluator).

<sup>86</sup> *See Clements*, 834 S.W.2d at 46.

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“When a person is entitled to derived judicial immunity, he or she receives the same absolute immunity from liability for acts performed within the scope of his or her jurisdiction as that of a judge.”<sup>87</sup>

Additionally, as other courts have pointed out, derived judicial immunity provides broad protection:

[O]nce an individual is cloaked with derived judicial immunity because of a particular function being performed for a court, every action taken with regard to that function—whether good or bad, honest or dishonest, well-intentioned or not—is immune from suit.... Once applied to the function, the cloak of immunity covers all acts, both good and bad.... The whole either is protected or it is not.<sup>88</sup>

The policy underlying derived judicial immunity that protects participants in judicial and other adjudicatory proceedings is sound. Not only does the policy guarantee an independent, disinterested decision-making process, these immunities prevent the harassment and intimidation that might otherwise result if disgruntled litigants could vent their anger by suing the person carrying out the charge of the court. Texas has adopted a functional approach in determining whether a party is entitled to absolute immunity.<sup>89</sup> Under the functional approach, courts determine whether the activities of the party seeking immunity are intimately associated with the judicial process.<sup>90</sup>

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<sup>87</sup> *Jones v. Sherry*, 2019 WL 2707968 at \*2.

<sup>88</sup> *B.W.D. v. Turnage*, 05-13-01733-CV, 2015 WL 869289, at \*6 (Tex. App.—Dallas Mar. 2, 2015, pet. denied) quoting *B.K. v. Cox*, 116 S.W.3d 351, 357 (Tex. App.—Houston [14th Dist.] 2003, no pet.) (citations omitted); *Rehabworks, LLC v. Flanagan*, No. 03-07-00552-CV, 2009 WL 483207, at \*2 n. 5 (Tex.App.—Austin Feb. 26, 2009, pet. denied) (mem. op.); *Ramirez v. Burnside & Rishbarger, LLC*, No. 04-04-00160-CV, 2005 WL 1812595, at \*2 (Tex. App.—San Antonio Aug. 3, 2005, no pet.) (mem. op.).

<sup>89</sup> *Davis v. West*, 317 S.W.3d at 307.

<sup>90</sup> *Id.*

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“Like a court-appointed bankruptcy trustee acting within his authority as trustee, a court-appointed receiver acts as an arm of the court and is immune from liability for actions grounded in his conduct as receiver.”<sup>91</sup> In *Davis*, much like the present case, the party subject to the receivership order (*Davis*) sued the party moving for appointment of receiver and its attorney, and the receiver (*Radoff*). *Davis* argued that *Radoff* was not protected by derived judicial immunity because (1) the Texas Civil Practice & Remedies Code specifically allows suits against receivers, (2) the receivership order was invalid, and (3) *Radoff*’s actions violated the receivership order. *Id.* at 306-308. The court rejected issues one and three without much consideration finding that the receivership order was extremely broad and gave *Radoff* the explicit power to perform the acts that form the basis of *Davis*’ complaints and holding that Tex. Civ. Prac. & Rem. Code § 64.052 “does not enlarge or restrict causes of action that may be asserted against a receiver, nor does it abrogate a receiver’s derived judicial immunity for acts taken within the scope of his receivership.”<sup>92</sup>

In this case, every act by Mr. Kretzer was by, under, and approved by Court order. Immunity applies completely, including against discovery.

***E. The Receiver owes no fiduciary duties to the parties.***

As is clearly supported by decades of legal authority, a post-judgment receiver, appointed by the court to enforce the court’s judgment order, has no fiduciary duties to anyone, especially not the judgment creditor or debtor.<sup>93</sup> This is why a receiver has derived

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<sup>91</sup> *Davis v. West*, 317 S.W.3d at 307, quoting *Rehabworks*, 2009 WL 483207 at \*2.

<sup>92</sup> *Id.* at 308.

<sup>93</sup> See *Glasstex, Inc. v. Arch Aluminum and Glass Co., Inc.*, No. 13-07-00483-CV, 2016 WL 747893 (Tex. Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al, No. 2019-18855 Receiver’s Report

judicial immunity, because the receiver has no fiduciary duty to anyone. The concepts are two sides of the same coin. Either one has immunity, and therefore no fiduciary duty liability, or one has fiduciary duties, and therefore no immunity.

The only time a receiver gets entangled with fiduciary duties is when the receiver *also* assumes non-receivership duties such as trustee of a trust for the benefit of beneficiaries, or as the executor of an estate, which likewise has beneficiaries.<sup>94</sup>

Nor does a receiver has any fiduciary duty to judgment debtors or third parties, here, *World Class Capital Group, LLC* and *Great Value Storage, LLC*, their subsidiaries, or other individuals or entities controlled by the Nate Paul Organization. Texas Appellate Courts have long held that “[i]t is the primary duty of a receiver to preserve the assets under its control.”<sup>95</sup>

Your Receiver has one role and one role only, to enforce this Court’s March 2021 judgment order. He is not Princeton’s or Paul’s agent, trustee, or executor.<sup>96</sup>

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App.—Corpus Christi, Feb. 25, 2016, no pet.); *Logsdon v. Owens*, No. 02-15-00254-CV, 2016 WL 3197953 (Tex. App.—Fort Worth, June 9, 2016); *Conner v. Guemez*, No. 02-10-00211-CV, 2010 WL 4812991 (Tex. App.—Fort Worth, Nov. 24, 2010, no pet.); *Rehabworks, LLC v. Flanagan*, No. 03-07-00552-CV 2009 WL 483207 (Tex. App.—Austin 2009, pet. denied); *Alpert v. Gerstner*, 232 S.W.3d 117 (Tex. App.—Houston [1<sup>st</sup> Dist.] 2006, pet. denied); *Ramirez v. Burnside & Rishbarger, LLC*, No. 04-04-00160-CV, 2005 WL 1812595 (Tex. App.—San Antonio, Aug. 3, 2005, no pet.); *also Raggio – 2204 Jesse Owens v. Hattaway*, No. A-19-CV-00697-JRN, 2020 WL 13441620 (W.D. Tex. 2020) (J. Nowlin).

<sup>94</sup> Compare *Alpert v. Gerstner*, 232 S.W.3d 117 (Tex. App.—Houston [1<sup>st</sup> Dist.] 2006, pet. denied), with *Ramirez v. Burnside & Rishbarger, LLC*, No. 04-04-00160-CV, 2005 WL 1812595 (Tex. App.—San Antonio, Aug. 3, 2005, no pet.).

<sup>95</sup> *FDIC v. American Home Assur. Co.*, 585 S.W.2d 756, 760 (Tex. Civ. App.—Houston [1st Dist.] 1979, writ ref’d n.r.e.); see also *Prince v. Forman*, 119 S.W.2d 102, 105 (Tex. Civ. App.—Dallas 1938, writ dismissed)(discussing a receiver’s obligation to follow the court’s orders, even if erroneous); *Spigener v. Wallis*, 80 S.W.3d 174 (Tex. App.—Waco 2002) (receiver is agent of trial court, not of owners of property subject to receivership).

<sup>96</sup> See *Neel v. Fuller*, 557 S.W.2d 73, 76 (Tex. 1977); *Pratt v. Amrex*, 354 S.W.3d 502 (Tex. App. – San Antonio 2011, pet. denied).

*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al*, No. 2019-18855 Receiver’s Report

**IX. YOUR RECEIVER SUCCEEDED. NATE PAUL PAID \$11.37 MILLION TO PRINCETON CAPITAL, MORE THAN 100 CENTS ON THE DOLLAR OF THE COURT'S JUDGMENT.**

Princeton has now received \$11,372,698.89 in cash after the Nate Paul Organization had previously ignored this Court's final judgment and discovery orders for two years, and after Nate Paul and his bookkeeper filed affidavits *in this Court* declaring that the judgment debtors no longer had anything more than old furniture, and demanding their \$100 clerk deposits be counted as their supersedeas bonds. The money was wired to Princeton October 7, 2022 from the reserve account controlled by a Dallas Bankruptcy Court.<sup>97</sup> Here is the October 10, 2022 email by Princeton's bankruptcy counsel to Judge Davis, informing that the transaction had been paid October 7:

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<sup>97</sup> Email by counsel for Princeton Capital, Ms. Judith Ross, dated October 12, 2022, to U.S. Bankruptcy Court, Austin Division.  
*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855  
Receiver's Report

**From:** Judith Ross Judith.Ross@judithwross.com  
**Subject:** Case numbers listed below  
**Date:** October 10, 2022 at 4:40 PM  
**To:** sarah\_wood@txwb.uscourts.gov, jack\_eiband@txwb.court  
**Cc:** jong@munsch.com, bcummings@gdhn.com, rosherow@hotmail.com, pat.lowe.law@gmail.com, nancy.ribaudo@kellyhart.com, michael.mcconnell@kellyhart.com, dawn.ragan@cr3partners.com, Stephen Roberts sroberts@srobertslawfirm.com, Casey.Roy@usdoj.gov, Jason.Cohen@bracewell.com jason.cohen@bracewell.com, anguyen@munsch.com, Mark Ralston mralston@fjrplc.com, Jennifer\_Lopez@txwb.uscourts.gov, Lynnette R. Warman lwarman@cm.law, Richard G. Grant rgrant@cm.law, James Volberding james@volberdinglawfirm.com, lrea@forsheyprostok.com, kdm@romclaw.com, sthomas@romclaw.com



Re:

WC 511 Barton Blvd., LLC; Case No.21-10943-tmd  
Sixth & San Jacinto, LLC; Case No. 21-10942-tmd  
WC Alamo Industrial Center, LP; Case No. 22-10047-tmd  
WC Braker Portfolio, LLC; Case 22-10293-tmd  
WC 717 Harwood Property LLC; Case No. 21-10630-tmd  
WC Met Center, LLC; Case No. 21-10698-tmd  
WC Culebra Crossing SA, LP; Case No. 21-10360-tmd  
WC South Congress Square, LLC; Case No. 20-11107-tmd  
WC 3<sup>rd</sup> and Trinity, LP; Case No. 21-10252-tmd  
Arboretum Crossing, LLC; Case No. 21-10546-tmd

Good afternoon. Please advise Judge Davis that the settlement between Princeton Capital Corporation and the Great Value Storage entities was successfully funded on October 7, 2022. If the Court has any questions, please let me know.

Regard,

Judith W. Ross  
Ross & Smith, PC  
700 North Pearl Street, Suite 1610  
Dallas, TX 75201

Likewise, here is where Nate Paul's bankruptcy counsel informed Hon. Judge Michelle Larson, U.S. Bankruptcy Court, Dallas Division, and this Court, that the money has been paid:<sup>98</sup>

Case 22-03057-mvl Doc 42 Filed 10/10/22 Entered 10/10/22 16:53:58 Desc Main Document Page 14 of 59

1. On September 20, 2022, Judge Larson, in Case No. 21-31121; *In re GVS Texas Holdings I, LLC, et al.*; In the United States Bankruptcy Court for the Northern District of Texas, approved a settlement between Princeton and the GVS bankruptcy debtors by which Princeton will sell and assign the promissory notes and final judgment at issue in this action for \$11.37 million to Phoenix Lending, LLC ("Settlement and Note Sale"). Exhibit 2 (Order Approving Settlement).

2. That settlement was funded and closed effective October 7, 2022, with Princeton receiving its settlement funds and assigning its rights under the Notes that underlie this litigation to Phoenix Lending, LLC, who will be shortly substituted for Princeton as plaintiff in this action.

The Court should note the words, "by which Princeton will sell and assign the promissory notes and final judgment at issue [Judge Hall's March 4, 2021 final judgment] in this action for \$11.37 million to Phoenix Lending, LLC." Phoenix Lending is the newly formed uncapitalized entity created August 31, 2022 by Nate Paul. By separate motion, your Receiver contends this purported assignment violates Texas law and requires a declaratory judgment so holding.

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<sup>98</sup> Preliminary Objection to Plaintiff's Motion to Establish Procedure, *In re: GVS Texas Holdings I, LLC, et al.*, no. 21-31121-mvl, Exhibit A, Defendants' [Nate Paul Entities] October 10, 2022, Amended Emergency Motion to Stay Receiver, at 2.  
*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855  
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In its most recent 8K filing with the Securities and Exchange Commission (“SEC”), Princeton trumpeted it received over \$11 million for an asset it has previously carried on its books at only \$4.8 million.<sup>99</sup>

#### Item 1.01. Entry into a Material Definitive Agreement.

##### *Settlement Agreement*

As previously disclosed in Princeton Capital Corporation’s (the “Company”) prior filings with the Securities and Exchange Commission (the “SEC”), on March 14, 2019, the Company filed a lawsuit (the “State Litigation”) in the 165<sup>th</sup> District Court of Harris County, Texas (the “Texas District Court”) against Great Value Storage, LLC (“GVS”), World Class Capital Group, LLC (“World Class”), and Natin Paul. GVS is one of the Company’s portfolio companies. The State Litigation is captioned as *Princeton Capital Corporation v. Great Value Storage, et al.*, Case No. 2019-18855. On March 9, 2021, the Texas District Court ordered that GVS and World Class were liable to the Company for contract damages of \$9,759,713.84 and attorneys’ fees of \$150,887.50 (the “Judgment”). On September 8, 2021, the court granted the appointment of a receiver.

As also previously disclosed in the Company’s prior filings with the SEC, certain affiliated parties of GVS, including GVS Texas Holdings I, LLC, have filed a voluntary petition for relief (the “Bankruptcy Cases”) under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (the “Bankruptcy Court”). On April 27, 2022, the Company commenced an adversary proceeding in the Bankruptcy Court captioned *Princeton Capital Corporation v. GVS Texas Holdings I, LLC, et al.*, Adv. Proceeding No. 22-03043 (the “Adversary Proceeding”) alleging causes of action against certain related parties for, among other things, fraudulent transfer and breach of contract.

On September 2, 2022, the Company, Natin Paul (on behalf of himself individually and on behalf of all entities that he either owns or controls), Natin Paul (on behalf of all adversary defendants in the Adversary Proceeding), Natin Paul (on behalf of the reorganized debtors in the Bankruptcy Cases), World Class Holdings I, LLC, and Phoenix Lending, LLC, as the Assignee of the Transaction Documents (including certain Promissory Notes) that were the subject of the State Litigation, entered into a settlement, assignment and acceptance agreement (the “Settlement Agreement”) pursuant to which, pending approval by the Bankruptcy Court and certain other conditions precedent, the Assignee will pay to the Company the amount of \$11,372,698.89 within three (3) days after the Bankruptcy Court’s approval and the completion of certain other conditions precedent set forth in the Settlement Agreement, in exchange for (i) duly endorsed Transaction Documents, (ii) notices of dismissal with prejudice in the Adversary Proceeding, (iii) notices of the assignment of the Promissory Notes and Judgment, and (iv) notices withdrawing certain claims by the Company.

The foregoing description of the Settlement Agreement does not purport to be complete and is qualified in its entirety by the text of the agreement, a copy of which is expected to be filed as an exhibit to the Company’s Form 10-Q for the quarter ended September 30, 2022.

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<sup>99</sup> Separately, Receiver will file as exhibits all of Princeton’s SEC filings. Princeton’s SEC filings are admissible under Texas Rules of Evidence 801(e)(1) (prior statement of witness), 801(e)(2) (admission by party opponent); 803(14) (records of documents affecting an interest in property); 803(15) (statements in documents affecting an interest in property; 902(2) (domestic public documents not under seal).



**SIGNATURE**

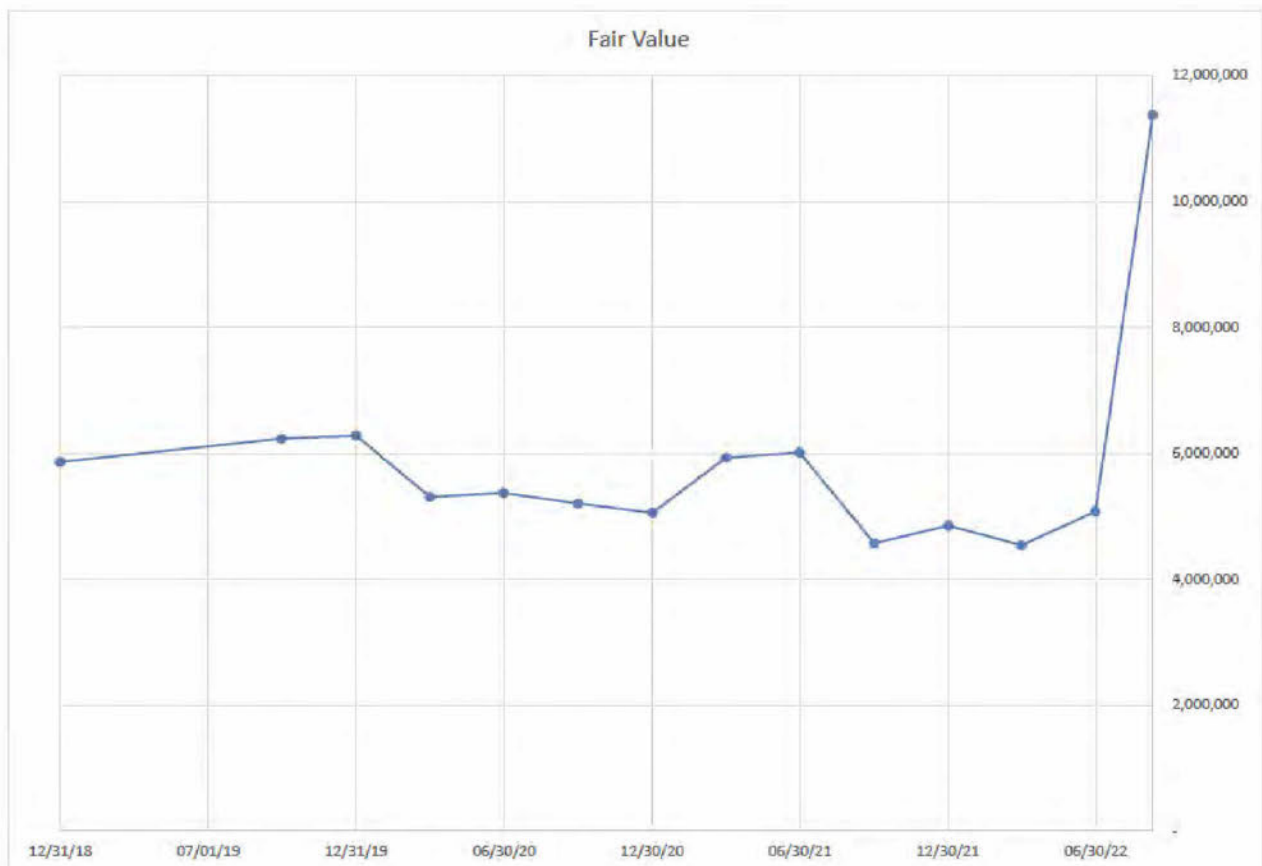
Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Dated: September 9, 2022

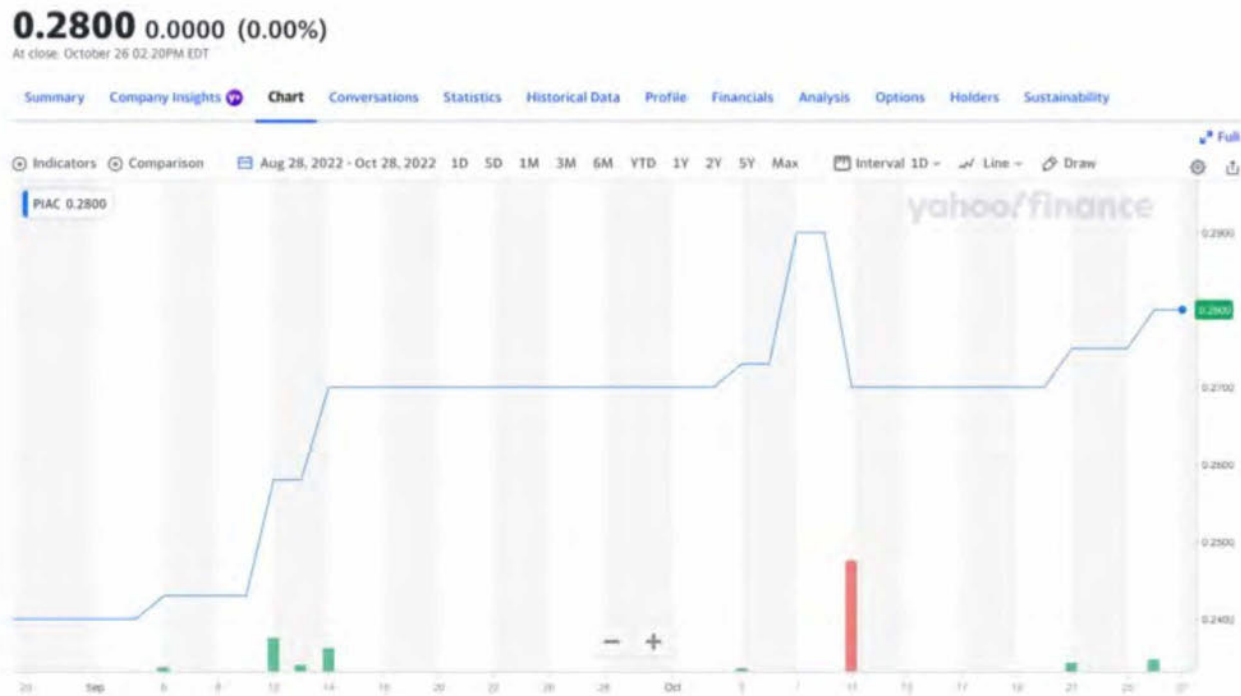
**PRINCETON CAPITAL CORPORATION**

By: /s/ Gregory J. Cannella  
Name: Gregory J. Cannella  
Title: Chief Financial Officer

Comparing Princeton’s SEC filings over the course of this lawsuit and receivership, here is a chart that shows the huge financial value your Receiver has bestowed on Princeton:



Princeton’s share price surged 17 percent from 24 cents to 29 cents on October 7, when Princeton received the \$11.37 million wire transfer:



The hope of precisely this success impelled Princeton to ask this Court last year, and the First Court of Appeals this year, to keep your Receiver in place. Princeton fought tooth and nail for your Receiver—in opposition to Nate Paul’s motions to stay the receivership last Fall, again in Princeton’s appellate brief, again at oral argument on June 1, 2022, and yet again in its post-argument submission filed in mid-June:

“[Appellants [Nate Paul] are unhappy that *the Receiver is, in fact, acting pursuant to his authority to secure the judgment debtors’ assets.* . . . This Court’s close attention to Appellants’ actions in this regard is important and Princeton looks forward to the opportunity to fully brief the legal and factual merits supporting trial court’s entry of the Receivership Order and the necessity

for such order, should Appellants ultimately file an appellate brief on this issue.”<sup>100</sup>

“There is an *emergency need for the Receiver* to take action to prevent Appellants from contributing to removing assets outside of the reach of the properly-appointed Receiver, and of Princeton Capital Corporation (“Princeton”) as the judgment creditor.”<sup>101</sup>

“All parties are best protected during this appeal with the turnover Order securely in place and the contested assets *under careful oversight of the court-appointed Receiver*.”<sup>102</sup>

“Respectfully, Princeton has experienced much of the same pattern of behavior from Appellants in this dispute and shares the same concern that Appellants’ assets will be lost, removed, or materially injured *if not protected by the trial court’s Order appointing the Receiver*.”<sup>103</sup>

“As set out in the Receiver’s Opposition to Appellants’ Motion to Stay, *the Receiver already located non-exempt assets* of the judgment debtors that are available to satisfy the judgment, and which Appellants had failed to disclose in response to any discovery requests and the trial court’s Order.”<sup>104</sup>

“*Allowing the Receiver to secure the Appellants’ assets during the pendency of the appeal is the only way* to ensure that any assets that remain are not improperly transferred out of the companies to avoid the judgment.”<sup>105</sup>

“Last, despite the significant obstacles created by the Judgment Debtors, the Receiver has developed a factual record showing that Debtors have misrepresented information about assets and engaged in fraudulent transfers of funds and properties to avoid the liability to Princeton and others. *The Receiver’s work is sorely needed to shine the light on what has occurred and unwind the complex financial transactions* in order to secure Princeton’s judgment from the Debtors’ fraud.”<sup>106</sup>

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<sup>100</sup> Appellee Princeton Capital Corp. Brf., Nov. 29, 2022 at 48, 49 (emphasis added).

<sup>101</sup> Letter of Ms. Noebels to Court of Appeals Clerk, Oct. 15, 2021 at 1 (emphasis added).

<sup>102</sup> Princeton’s Opposition to Appellants’ Emergency Motion to Stay Appointment of Receiver, Oct. 13, 2021 at 3 (emphasis added).

<sup>103</sup> *Ibid* at 9 (emphasis added).

<sup>104</sup> *Ibid* at 15 (emphasis added).

<sup>105</sup> *Ibid* at 20-21 (emphasis added).

<sup>106</sup> Appellee’s Response to Appellant’s Supplemental Brief Regarding Interlocutory Appeal of *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver’s Report

“*[T]he Receiver is taking steps to locate valuable real estate assets that the Debtors’ own and that are housed within wholly-owned subsidiary entities.*”<sup>107</sup>

The reason this graph shoots up rapidly during the last 60 days is because that is when your Receiver successfully blocked all exits for Nate Paul to leave bankruptcy court and state district courts without paying Princeton Capital this Court’s judgment. The Court will recall that in January of this year it *sua sponte* issued an injunction against the Nate Paul Entities (he ignored) and compelled him to deliver financial records to Princeton for Paul’s deposition (he likewise ignored). So, after three years of disrespect of this Court, of ignoring this Court’s discovery orders, of refusing to pay this Court’s judgment, of misappropriating more than \$94 million of cash and real estate *during the litigation*, he finally had no choice but to pay Princeton 100% because your Receiver challenged him at every turn.

**X. PAUL FILED TWO HARASSMENT LAWSUITS AGAINST YOUR RECEIVER.**

Using corporate shells, Paul filed two harassment lawsuits against your Receiver, seeking injunctions and alleging misconduct.<sup>108</sup> Paul dismissed one of the lawsuits in the face of your Receiver’s Rule 91a motion to dismiss. The other was assigned to Judge McFarland, who transferred it at Receiver’s request to this Court. Receiver respectfully asks the Court to dismiss it.

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Receiver Order, Apr. 15, 2021 at 15 (emphasis added).

<sup>107</sup> *Ibid* at 21 (emphasis added).

<sup>108</sup> See *WC 4th and Colorado, LP, et al. v. Seth Kretzer, Receiver, et al.*, No. 2021-77945 (133<sup>rd</sup> Dist. Ct., Harris County, Tex.); *World Class Holdings, LLC v. Seth Kretzer, Receiver, et al.*, No. 2022-16833 (125<sup>th</sup> Dist. Ct., Harris County, Tex.).

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**XI. SETTLEMENT OF PENDING SUBSIDIARY LITIGATION WITH TWO SECURED CREDITORS.**

Your Receiver settled lawsuits between two subsidiaries of World Class Capital Group, LLC and two secured creditors. Settlement was in the best interest of the receivership estate.

***A. Receiver's settlement of the WC 4th and Colorado, LP litigation.***

Using three Nate Paul controlled entities under *World Class Capital Group, LLC*, Paul borrowed money and purchased a commercial property located at the intersection of 4<sup>th</sup> Street and Colorado Street in Austin. Title was held by a subsidiary, *WC 4th and Colorado, LP*.

The debt on World Class's 4th and Colorado property ("Property") matured on December 31, 2019 (prior to COVID). WC 4th and Colorado, LP ("Borrower") failed to pay its debt so Colorado Third Street, LLC ("Lender") pursued foreclosure of the collateral.

During July 2020, Borrower (*i.e.*, Paul) sought a temporary injunction to avoid foreclosure of the Property. After a full evidentiary hearing, Travis County District Judge Guerra Gamble denied that injunction request.<sup>109</sup>

On the morning of the August 4, 2020, foreclosure sale, Borrower filed for Chapter 11 bankruptcy, automatically staying the foreclosure sale.<sup>110</sup> For the ensuing 10 months, Borrower and Lender disputed in bankruptcy.

On June 3, 2021, federal bankruptcy Judge Hon. Tony Davis lifted the automatic stay so that Lender could pursue its foreclosure remedies. Judge Davis lifted the stay after Borrower (*i.e.*,

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<sup>109</sup> *Colorado Third Street, LLC v. WC 4th and Colorado, LP*, No. D-1-GN-20-002781 (Tex. Dist. Ct., Travis Cty. May 22, 2020); *Colorado Third Street LLC v. Natin Paul, World Class Capital Group LLC*, No. D-1-GN-20-004259 (Tex. Dist. Ct., Travis Cty. Aug. 17, 2020).

<sup>110</sup> *In re WC 4th and Colorado, LP*, No. 20-10881 (TMD) (Bankr. W.D. Tex. Aug. 4, 2020). *Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855 Receiver's Report

Paul) attempted to confirm four different restructuring plans, each time promising that refinancing funds were forthcoming, but they never were. After the stay was lifted by the Bankruptcy Court so that Lender could again pursue foreclosure, Borrower continued obstructionist attempts to avoid foreclosure.

On July 1, 2021, Nate Paul and *World Class Capital Group, LLC* filed a new lawsuit, without merit, seeking another temporary restraining order, attempting to enjoin the foreclosure sale that had been ripe since January 2020. After a hearing, the Travis County District Court denied the request for TRO.

On July 5, 2021, Borrower (again, Paul) filed its own request for TRO, again seeking to enjoin the foreclosure sale. Travis County District Judge Cantú Hexsel saw through the ruse and denied that request as well.

On July 6, 2021, a non-judicial foreclosure sale finally occurred with respect to the Property. Colorado Third Street, LLC, the Lender, was the only qualified bidder at the foreclosure sale. As the only qualified bidder, Lender offered the high bid with a credit bid of \$8,760,000. The sale was completed in less than 20 minutes and the Property was awarded to Lender.

On November 18, 2021, the Receiver filed a notice of appearance and entered into a Settlement Agreement with Colorado Third Street, LLC, the Lender, to settle the litigation. The terms are subject to a bilateral confidentiality clause.

***B. Receiver's settlement of the WC 4th and Rio Grande, LP property litigation.***

Another subsidiary, *WC 4th and Rio Grande, LP* (“Borrower”), owned a fee simple interest in commercial real property located in Austin (the “Property”). On July 29, 2014, Borrower (*i.e.*,

Paul) executed a Promissory Note (the “Note”), evidencing a \$4,250,000 commercial real estate loan (the “Loan”) in favor of Inter National Bank and its successor in interest, Vantage Bank Texas (collectively “Original Lender”). If Borrower failed to make payments as they “bec[a]me due and payable,” the Note permitted Original Lender “to foreclose any liens and security interests securing payment” and to exercise its rights “under any other Loan Document.” The Note also contained an express waiver of Borrower’s “right[] to the benefits of . . . redemption.” The parties memorialized the Loan in a Loan Agreement (the “Loan Agreement”), which included a ten-day cure period for “Monetary Defaults.

The Loan is secured by the Property. The Deed of Trust stated that the “Loan Documents,” including the Note, “constitute[d] the legal, valid, and binding obligations” of the Borrower as “Grantor” and Nate Paul as “Guarantor.”

In July 2020, Borrower (*i.e.*, Paul) stopped making payments on the Note. This constituted a Monetary Default under the Loan Documents, as Borrower had “fail[ed], refus[ed] or neglect[ed] . . . to pay when due any part of the Indebtedness or to comply with and discharge any of the Obligations.” It also permitted Original Lender—and subsequent owners and holders of the Note—to “declare the entire unpaid balance of the Indebtedness immediately due and payable, and upon such declaration, the entire, unpaid balance of the Indebtedness shall be immediately due and payable.”

Consequently, on July 29, 2020, Original Lender sent a Notice of Default and Intent to Accelerate to Borrower (*i.e.*, Paul), notifying Borrower that it was in default and that it had a contractual right to cure its default and redeem the Property within ten days of receipt of the



notice. Borrower failed to cure its default. So on August 10, 2020, Original Lender exercised its contractual remedy of acceleration and sought payment of the total amounts due to Original Lender. Borrower never formally responded to any of this correspondence or denied that it was in default under the Note. Borrower also did not cure its default or redeem the Property within the contractual time period.

Nonetheless, Borrower (*i.e.*, Paul) filed a lawsuit on November 27, 2020 to prevent Lender from foreclosing on the property, and to enjoin the December 1, 2020 foreclosure sale.<sup>111</sup> The Court denied the TRO. Borrower amended its petition, adding a claim for equitable redemption based on the same meritless allegations it has asserted all along. Borrower then moved for summary judgment on that claim as well as its claim for declaratory relief.

On September 2, 2021, the Court heard Plaintiff's Second Amended Motion for Partial Summary Judgment. After considering the motion, response, pleadings, evidence presented, and the arguments of counsel, the Court denied Plaintiff's Second Amended Motion for Partial Summary Judgment on September 10, 2021.

On November 18, 2021, the Receiver filed a notice of appearance and entered into a Settlement Agreement with La Zona Rio LLC, the Lender, to settle the litigation.

Paul filed another identical lawsuit January 12, 2022 against the secured Lender.<sup>112</sup> Your Receiver non-suited the lawsuit. Travis County District Judge Catherine Mauzy twice ruled that

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<sup>111</sup> *WC 4th and Rio Grande, LP v. La Zona Rio, LLC*, No D-1GN-20-007177 (Tex. Dist. Ct., Travis Cty. Nov. 30, 2020).

<sup>112</sup> *WC 4th and Rio Grande, LP v. La Zona Rio, LLC*, No D-1-GN-22-000195 (Tex. Dist. Ct., Travis Cty. Jan. 12, 2022).

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your Receiver properly exercised his authority. Paul has now appealed, pending before the Eight Court of Appeals.<sup>113</sup>

*C. Receiver applied appropriate business judgment.*

Receiver applied sound business judgment to resolve litigation affecting property held by the receivership estate. Settlement of the pending litigation involving these two subsidiaries was appropriate:

- Settlement terminated questionable litigation with little or no likelihood of success;
- Settlement eliminated continuing costs of litigation for the receivership estate as well as for Borrower's attorneys' fees, and costs of trial or appeal;
- Settlement satisfied debt and eliminated continuing accrual of interest and liability for Lender's attorneys' fees;
- Settlement released liability for claims asserted by Lender for breach of contract and demands for indemnification;
- Settlement elimination of Lender claims of fraudulent conveyances by Borrower for transfers to World Class Capital Group, LLC, and its affiliates, claims that could potentially diminish the value of the receivership estate;
- Settlement provided control over the amount, certainty, and timing of payment from Lender of settlement proceeds to the receivership estate;
- Settlement eliminated necessity for summary judgment, trial and an appeals process that can take years.

For these reasons, therefore, Receiver properly settled the pending litigation involving subsidiaries.

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<sup>113</sup> *WC 4th and Rio Grande, LP v. La Zona Rio, LLC*, No. 08-22-00225-CV (Tex. App.—El Paso).  
*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al.*, No. 2019-18855  
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**XII. ALL FUNDS HAVE BEEN PROPERLY ACCOUNTED THROUGH A DEDICATED IOLTA AT CADENCE BANK.**

To account for all funds, your Receiver opened a dedicated IOLTA for the receivership at Cadence Bank. All receipts and expenses were deposited into and disbursed from this account.

Receipts came from two sources: (1) litigation settlement agreements with two commercial secured creditors, and (2) claw back of fraudulently transferred funds.

Expenses largely consisted of legal fees to law firms for 13 months of litigation:

- *Culhane Meadows, PLLC*. Three lawyers from this firm represented your Receiver in the Austin and Dallas bankruptcy cases and adversary action.<sup>114</sup>
- *Dana E. Lipp Law Firm, PLLC*. Ms. Lipp, also a CPA, represents your Receiver in state court litigation.
- *Kretzer & Volberding, P.C.* Receiver hired his law firm to represent him. Charges are only by Mr. Volberding, also a CPA, and his legal assistant. Mr. Volberding appeared in all the state and federal litigation and wrote and filed most of the pleadings. Mr. Kretzer did not bill any time.<sup>115</sup>
- Two small law firms conducted supporting legal research.

The balance of expenses consisted of court reporter charges by *Veritex, LLC* to depose Ms. Sheena Paul, process service of subpoenas by *Special Delivery Service, Inc.*, filing fees, consulting fees, bank fees for document production and exhibits.

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<sup>114</sup> Culhane Meadows holds a \$70,000 retainer in its IOLTA.

<sup>115</sup> A receiver, like a trustee, may hire the receiver's own law firm for representation. *Cf.* 11 U.S.C. § 327(d); Bankr. R. 2014; "Overall, 'retention of the trustee's own firm has been a very effective method of providing quality representation of the bankruptcy estates....'" *In re Kusler*, 224 B.R. 180, 193 (Bankr. N.D. Okla.1998). "As is true for any client, a trustee has wide latitude in selecting the legal counsel he wishes to employ...." *In re Gem Tire & Service Co.*, 117 B.R. 874, 874 (Bankr. S.D. Tex. 1990); *In re Interamericas, Ltd.*, 321 B.R. 830, 834 (Bankr. S.D. Tex. 2005).

*Princeton Capital Corp. v. Great Value Storage, LLC* and *World Class Capital Group, LLC, et al.*, No. 2019-18855

Collections to Receivership Estate	\$2,533,700.50
Legal Fees, Culhane Meadows	(\$1,047,754.24)
Legal Fees, Lipp Law Firm	(\$254,588.71)
Legal Fees, Kretzer & Volberding	(\$762,833.68)
Legal Fees, Research law firms	(\$17,050.10)
Litigation Expenses	(\$238,763.25)
	-----
Net to Receivership Estate In IOLTA	<b>\$212,710.52</b>
	=====

Given the intensity of Nate Paul Organization opposition, Receivership expenses are relatively low.

**XIII. RECEIVER’S SUPPORTING EXHIBITS.**

Separately, your Receiver has filed supporting exhibits, incorporated herein by reference. These include the exhibits that will be filed contemporaneously with this report. The exhibits also include the Court’s judicial notice of its file pursuant to Rule of Evidence 202, and the business records affidavits and statements filed throughout the case. Your Receiver respectfully requests admission of these exhibits.

**XIV. CONCLUSION.**

Seth Kretzer (your “Receiver”), Receiver for Great Value Storage LLC and World Class Capital Group LLC (the “Judgment Debtors”), respectfully approval of this report documenting Nate Paul Organization’s non-compliance with this Court’s September 8, 2021 receivership order and discussing the results of the receivership.

**XV. RECOMMENDATIONS.**

Your Receiver recommends that the Court authorize him to hold the proofs of claim and adversary action pending in the Dallas and Austin Bankruptcy Courts. This is necessary to provide a second means of paying the Receiver's fees if Paul seeks to obstruct payment with additional lawsuits and appeals. The Court is requested to sign an order:

1. Approving your Receiver's Report;
2. Admitting your Receiver's supporting exhibits;
3. Granting your Receiver's September 16, 2022 motion for declaratory judgment relief;
4. Declaring the purported assignment of judgment and note payable agreement from Princeton Capital to the newly created entity solely controlled by Paul as violative of Texas law and policy, and therefore invalid;
5. Approving payment of \$2,843,174.70 as Receiver's fee, the designated 25% fee, per the Court's September 8, 2021 receivership order;
6. Requesting immediate payment of the receivership fees from the reserve fund held by the Dallas Bankruptcy Court, plus any additional expenses incurred to respond to appeals and lawsuits by Nate Paul Entities;
7. Denying Nate Paul Entities' attempts at discovery;
8. Overruling Nate Paul Entities' objections;
9. Reporting to the First Court of Appeals that the Court has complied with its September 21, 2022 order to evaluate the purported settlement agreement.

Your Receiver has filed a proposed order to this effect.

Respectfully submitted this 30 day of October 2022,

*Seth Kretzer*

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

*Princeton Capital Corp. v. Great Value Storage, LLC and World Class Capital Group, LLC, et al*, No. 2019-18855  
Receiver's Report

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RECEIVER

*James W. Volberding*

By: \_\_\_\_\_

**JAMES W. VOLBERDING**

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ATTORNEY FOR RECEIVER

**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of the foregoing document has been forwarded to all counsel of record pursuant to the Texas Rules of Civil Procedure on October 30, 2022.

*/s/ James Volberding*

\_\_\_\_\_  
**James 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.

Dana Lipp on behalf of Dana Lipp  
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