



KEN PAXTON  
ATTORNEY GENERAL OF TEXAS

This memorandum may be confidential and privileged pursuant to Texas Government Code sections 552.101, 552.103, 552.107 & 552.111, and should not be disclosed without the express authorization of the Attorney General.

**MEMORANDUM**

**To:** Mary T. Henderson, Senior Attorney  
**From:** Cat Day, Assistant Attorney General  
**Date:** January 28, 2020  
**Subject:** Recommendation to Waive Attorney General's Interest  
Mitte Fdn; Cause No. D-1-GN-18-007636; *The Roy F. & Joann Cole Mitte Foundation v. WC 1st and Trinity, LP, WC 1st and Trinity GP, LLC, WC 3rd and Congress, LP and World Class Capital Group, LLC*; In the 126<sup>th</sup> Judicial District Court of Travis County, Texas

House Managers

EX. 054

---

I recommend waiving the Attorney General's interest in this matter regarding a private real estate company's breach of fiduciary duties to its investors, one of which is a charitable trust, The Roy F. & Joann Cole Mitte Foundation ("Trust").

Roy F. and Joann Cole Mitte created the Trust in 1994. The Trust has been operating and making distributions since its inception, primarily through private grants to nonprofit organizations and scholarships for qualified students to Texas higher education institutions.<sup>1</sup> Presently, the corpus of the Trust is approximately \$13,000,000.<sup>2</sup> In 2017, the Trust distributed almost \$700,000 in charitable grants.

World Class Capital Group ("World Class") is a privately-owned investment firm in Austin, Texas that focuses on commercial real estate. In 2016, World Class was the 24<sup>th</sup> top commercial property owner in the United States.

The Trust invested \$3,000,000 with two of World Class's entities: WC 1st and Trinity, LP and WC 3rd and Congress, LP. The Trust and World Class (the "Parties") initiated a binding arbitration on February 19, 2019.<sup>3</sup> The Parties agreed to settle all claims in the arbitration on July 1, 2019, where World Class was to pay the Trust \$10.5 million in exchange for release of all claims. On August 14, 2019, the FBI raided World Class, its affiliates, and the home of World Class's owner, Nate Paul. As a result, World Class defaulted on its settlement with the Trust.

---

<sup>1</sup> The Attorney General filed suit against the Trust in 2008. Among other things, Scott Mitte, son of the Trust's settlors, improperly used the Trust's credit cards for personal benefit, authorized excessive compensation for himself, and improperly used Trust property. As a result of the suit, Scott Mitte resigned from his position as Chairman and CEO of Trust and has a lifetime prohibition from working with the Trust.

<sup>2</sup> This amount excludes the \$3,000,000 invested with World Class.

<sup>3</sup> The arbitration is confidential; therefore, I have not reviewed any documents from the arbitration.

The Trust filed a Third Amended Petition (“Petition”) in Travis County. The Petition asks the Court to:

1. Find World Class breached at least eight different fiduciary duties;
2. Gain access to the books and records at WC 1st and Trinity, LP and WC 3rd and Congress, LP.

In my opinion, this office does not have a role in this matter. The Trust is zealously represented by counsel. Counsel stated that once the Receiver sells the 1st and Trinity, LP and WC 3rd and Congress, LP, the Trust will likely make a massive return on its investment due to the inflated price of real estate in downtown Austin.

Also, only eighteen percent (18%), or \$3,000,000, of the Trust’s assets were invested with World Class. The other \$13,000,000 is diversified in publicly traded securities. Counsel stated that this lawsuit will not impact the Trust’s ability to make charitable distributions.

I recommend the Attorney General file a waiver for the following reasons:

- 1) The Trust is represented by counsel;
- 2) The Trust’s assets are diversified; and
- 3) The litigation will not critically impact the Trust’s 2020 distributions to charities and students.