

Texas Panel Backtracks In Nate Paul's Receiver Row

By **Isaac Monterose**

Law360 (April 30, 2025, 4:46 PM EDT) -- A Texas appellate court revoked its prior ruling and backed a lower court ruling that allowed an attorney acting as a receiver in one suit to take over as counsel in another suit for a company belonging to real estate investor Nate Paul, permanently dismiss its claims and counterclaims and reach a settlement.

In its Tuesday **ruling**, the 14th Court of Appeals backed the lower court's decision that granted a joint dismissal motion filed by Colorado Third Street LLC and Paul's WC 4th and Colorado LP. The Texas appellate court, which **previously reversed** the lower court's ruling in August, also granted Colorado Third Street's rehearing motion on Tuesday.

According to the Texas appellate court, the dispute began after WC 4th and Colorado had defaulted on a loan that belonged to Colorado Third Street, which filed a property foreclosure suit as a result. However, in a separate suit, the presiding trial court ruled that Paul's World Class Capital Group company and other parties owed more than \$9.7 million to Princeton Capital, a lender.

When Paul and World Class Capital Group didn't pay the judgment, the court in the Princeton Capital ruling turned attorney Seth Kretzer into a receiver who had the authority to take over whatever entities that World Class Capital Group had an ownership interest in, the appellate court said.

The Princeton Capital court also allowed Kretzer to take over any litigation, real estate and contract rights involving World Class Capital Group, according to the appellate court.

Eventually, Kretzer took over as an attorney for WC 4th and Colorado in the Colorado Third Street suit, dismissed its claims and counterclaims and settled the suit.

The Paul company challenged the dismissal in the 14th Court of Appeals by arguing that Kretzer didn't have the authority to do this, but Colorado Third Street argued that the company's appeal was a collateral attack on the receivership order that made Kretzer into a receiver, the Texas appellate court said.

The 14th Court of Appeals rejected Colorado Third Street's argument, pointing to the 8th Court of Appeals ruling in WC 4th & Rio Grande LP v. La Zona Rio LLC, which similarly involved a Paul entity challenging a receiver's decision to dismiss the entity's suit against another company.

The 8th Court of Appeals determined that the Paul entity's challenge of the receiver's authority in its case wasn't a collateral attack and, when it came to the present case, the 14th Court of Appeals agreed.

However, the 14th Court of Appeals rejected WC 4th and Colorado's argument that the receivership order didn't apply to it because it wasn't a World Class Capital Group subsidiary.

"The trial court could have reasonably concluded from the evidence before it that WCCG was the owner or manager of WC 4th," the Texas appellate court ruled. "Moreover, multiple provisions within the receivership order make clear that the receiver was acting within the receivership order's plain-language grant of authority when he took control of WC 4th and settled its lawsuit with Colorado Third."

The 14th Court of Appeals also rejected WC 4th and Colorado's argument that Kretzer wasn't allowed to take over World Class Capital Group's ownership interest in a limited liability company or partnership. The company also argued that Kretzer needed to get a "charging order" that could allow him to receive World Class Capital Group's profits from those types of entities.

The Texas appellate court agreed with Colorado Third Street's argument that an exception established by *Heckert v. Heckert* granted Kretzer the authority to take over WC 4th and Colorado.

According to the 14th Court of Appeals, the presiding court in *Heckert v. Heckert* ruled that a party could take over an interest in a company if the interest belonged to a company that wasn't running a business and no one's interest in the company would be disrupted by the takeover.

"The record reflects that WC 4th is not an operating business and no party's interest would have been disrupted by granting turnover relief," the 14th Court of Appeals ruled. "A charging order is not the receiver's exclusive remedy, and the trial court did not abuse its discretion in granting the receiver's motion to dismiss with prejudice."

Justices Randy Wilson and Kevin Jewell sat on the panel for the 14th Court of Appeals.

WC 4th and Colorado's counsel and Colorado Third Street's counsel Christopher L. Dodson declined to comment Wednesday.

WC 4th and Colorado is represented by Brent C. Perry and Zachary R. Carlson of Burford Perry LLP.

Colorado Third Street is represented by Christopher L. Dodson and Jeremy W. Dunbar of White & Case LLP and W. Stephen Benesh and Warren W. Harris of Bracewell LLP.

The case is WC 4th and Colorado LP v. Colorado Third Street LLC, case number 14-22-00764-CV, in the 14th Court of Appeals.

--Editing by Dave Trumbore.

