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STATE OF MINNESOTA  
COUNTY OF CARVER

DISTRICT COURT  
FIRST JUDICIAL DISTRICT

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In re the Estate of Prince  
Rogers Nelson, Deceased

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Motion Hearing  
COURT FILE NO.  
10-PR-16-46  
  
January 14, 2022  
  
1:01 p.m.  
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The above-entitled matter came on for hearing before the Honorable KEVIN W. EIDE, District Court Senior Judge, via videoconference.

APPEARANCES:

JOSEPH J. CASSIOPPI, Attorney-at-Law, appeared for and on behalf of Comerica Bank & Trust, N.A.

ERIC J. MAGNUSON, Attorney-at-Law, appeared for and on behalf of Primary Wave Music.

MARK W. GREINER, Attorney-at-Law, appeared for and on behalf of Comerica Bank & Trust, N.A.

KAREN S. STEINERT, Attorney-at-Law, appeared for and on behalf of Comerica Bank & Trust, N.A.

SUSAN NYSTROM, Attorney-at-Law, appeared for and on behalf of Comerica Bank & Trust, N.A.

ALAN I. SILVER, Attorney-at-Law, appeared for and on

1 behalf of L. Londell McMillan.

2 L. LONDELL MCMILLAN, Attorney-at-Law, appeared for  
3 and on behalf of the family heirs.

4 C. WELLS HALL, Attorney-at-Law, appeared for and on  
5 behalf of the family heirs as special tax counsel.

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7

8 ALSO PRESENT:

9 Justice James Gilbert, Yvonne Shirk, Sharon Nelson, Norrine  
10 Nelson, John Nelson, Tyka Nelson, Breanna Nelson, President  
11 Nelson, Charles Spicer, Angela Aycock, Andrea Bruce, Matt  
12 Abbott, Johnny Jr., and various observers.

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STENOGRAPHIC COURT REPORTER: [Shelby Brown](#), 970-488-0789

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P R O C E E D I N G S

THE COURT: I'll get started with at least trying to identify who is here today. I have the following appearances noted so far: My staff attorney Yvonne Shirk is with us; Mr. Joseph Cassioppi; Mr. Mark Greiner from the Fredrikson firm; Ms. Andrea Bruce; Ms. Angela Aycock from Comerica.

I have Mr. Magnuson, representing Primary Wave; Alan Silver and Charles Spicer appearing on behalf of Sharon, John, and Norrine Nelson. I have additional family members of Tyka Nelson, Breanna Nelson, and I'm assuming Johnny Jr., is a family member as well; is that correct, sir?

MR. MCMILLAN: That's correct, Your Honor.

THE COURT: Thank you.

MR. MCMILLAN: Let me change my name, sir.

THE COURT: And Mr. Londell McMillan as well for Sharon, John, and Norrine. And I should say Mr. Spicer and Mr. Nelson on their own personal behalf as well. Justice James Gilbert, the court-appointed mediator or moderator is with us as well. I have Wells Hall appearing.

Mr. Hall, what's your connection?

MR. HALL: I'm also representing the individual family heirs with Mr. McMillan, and I'm

1 special tax counsel.

2 THE COURT: Okay. For Sharon, John, and  
3 Norrine; is that correct?

4 MR. HALL: That is correct.

5 THE COURT: Good afternoon.

6 And I have Susan Nystrom with us. Your  
7 connection?

8 MS. NYSTROM: Yes. I'm Senior Vice  
9 President and Divisional General Counsel for Comerica  
10 Bank.

11 THE COURT: Thank you. Good afternoon.

12 MS. NYSTROM: Good afternoon, Judge.

13 THE COURT: I have someone with a phone  
14 number, area code 651, ending in 385. Can you  
15 identify who you are?

16 MS. NELSON: Sharon Nelson.

17 THE COURT: Good afternoon, Ms. Nelson.

18 MS. NELSON: Good afternoon.

19 THE COURT: And I have someone with a phone  
20 number -- oh, perhaps it's changed. Oh, they're still  
21 in the waiting room. Mr. Matt Abbott is with us.

22 Mr. Abbott, what's your connection?

23 MR. MCMILLAN: Matt, you're on mute.

24 Mr. Abbott is an attorney with me in The  
25 NorthStar Group, Mr. Judge Eide.

1 THE COURT: Thank you very much.

2 And we have someone with a phone number,  
3 area code 612, ending in 199. Can you tell me who  
4 that is? Press pound 6 to unmute -- or is it star 6,  
5 I guess.

6 MR. NELSON: President Nelson, Tyka Nelson's  
7 son.

8 THE COURT: Thank you, Mr. Nelson.  
9 Is there anyone that I have not identified?

10 MR. SILVER: Your Honor, I just wanted to  
11 clarify. I think you identified me as counsel for  
12 Sharon and Norrine and so forth. I'm counsel for  
13 Londe11 McMillan.

14 THE COURT: Thank you.

15 MR. GREINER: And, Your Honor, I believe  
16 Karen Steinert may be joining us. She has a  
17 (unintelligible) review for 1:30 and may be a little  
18 bit late joining. So if she jumps on, that's who  
19 would be jumping on a little bit late.

20 THE COURT: Thank you, Mr. Greiner. And  
21 with that in mind, if you are speaking, identify  
22 yourself for the court reporter. And then with that  
23 in mind, if you're not speaking, please mute yourself.

24 All right. We have motions before the Court  
25 regarding the protocols that were brought by Sharon,

1 John, and Norrine Nelson, L. Londe11 McMillan, and  
2 Charles Spicer. We have motions by the estate, and we  
3 have a motion, I believe, to formally consider the  
4 estate of John Nelson as a participant or heir in this  
5 proceeding.

6 So I know, chronologically, the first  
7 motions were filed by Sharon, John, and Norrine;  
8 Mr. McMillan; Mr. Spicer. But can I ask the estate to  
9 go first with their motions, then I'll ask the other  
10 parties to respond to the estate's motions as well as  
11 introduce their own motions.

12 The Court has tried to be diligent in  
13 reviewing all of the materials that have been filed;  
14 so I don't need much background in that regard.

15 Mr. Cassioppi.

16 MR. CASSIOPPI: Thank you, Your Honor. And  
17 as Your Honor just indicated, this has been fully  
18 briefed; so I'll be very -- I'll be very brief.

19 THE COURT: And, Mr. Spicer -- or  
20 Mr. Cassioppi, I'm sorry to interrupt. There were a  
21 couple of things that I was going to mention. We were  
22 notified that someone from the press may be joining  
23 us, but I haven't seen that. If someone is here --  
24 or, actually, for anyone, there should be no  
25 recordings from this proceeding unless you obtain

1 prior court approval to do so.

2 I don't think any prior court approval has  
3 been granted. If there is something that needs to be  
4 addressed that's confidential, we may consider using a  
5 breakout room for that, but I don't know that that  
6 will be necessary.

7 And, finally, the Court has signed several  
8 orders regarding the submissions for all of these  
9 motions that permitted their redacting in the public  
10 record of certain information. I ask that the parties  
11 to this motion follow the court order and not  
12 reference that -- those -- redacted information  
13 directly, if at all possible.

14 Mr. Cassioppi, back to you.

15 MR. CASSIOPPI: Thank you. On that point,  
16 Your Honor, you will see that there's a difference in  
17 what monetary figures we redacted on the first issue  
18 on our motion in our opening paperwork as compared to  
19 our reply. And the reason for that is as we were  
20 considering the Court's -- the job the Court is going  
21 to have in considering this and issuing an order on  
22 this first issue.

23 We didn't see any way that Your Honor would  
24 be able to do that without referencing at least this  
25 one figure. And so for that reason, I -- I will be

1           referencing the \$5 million figure in my remarks today,  
2           understanding that -- that that is available to the  
3           public.

4                       The first of three issues that is raised by  
5           our motion relates to a cash reserve for the estate,  
6           and I want to be very clear. Although our opening  
7           paperwork did reference various recommendations that  
8           have been made to the members of the heir group about  
9           what the personal representative believes would be  
10          prudent to have on hand at and after closing, this  
11          motion is not about that.

12                      This motion is solely directed to making  
13          sure that the estate does not run on cash. And  
14          the -- the figure that we've selected, the \$5 million  
15          figure, is a figure that considerable thought has gone  
16          into.

17                      And we chose that figure based upon the  
18          historical finances of the estate, the financial  
19          needs and anticipated expenses and revenues going  
20          forward over the upcoming months. And what we are  
21          asking for, specifically, is not court approval to go  
22          out and do anything right now, but in the event that  
23          we empty out the estate's bank account by paying all  
24          of the estate taxes -- and this estate proceeds --  
25          keeps going longer than maybe folks even anticipated



1 just a few weeks ago, in light of what we're going to  
2 discuss in the moment -- there's a very real risk that  
3 the estate will fall under that \$5 million figure.

4 And what we're asking Your Honor to approve  
5 is if we get there, if the cash balance of the estate  
6 falls below \$5 million, that we have the ability to go  
7 out and seek monetization of the assets of the estate  
8 to make sure that there's an adequate cash reserve and  
9 we don't have an inability to pay income taxes,  
10 expenses of administration, and the like, prior to the  
11 point of which we can close the estate.

12 This is really modelled on -- on how, out of  
13 necessity, the estate was forced to operate in the  
14 very early days of the estate, during the term of the  
15 special administrator, where there wasn't sufficient  
16 cash to meet the expense needs of the estate. And  
17 from time to time Bremer had to come into the court on  
18 a fairly expedited basis and ask for permission to  
19 monetize the assets of the estate.

20 So that's what we're asking for here. We're  
21 asking for a slight modification of the current court  
22 protocol to allow for an expedited time period. If we  
23 go below \$5 million, we can go out, talk to our  
24 existing partners, some potential other partners about  
25 monetization activity. We would either need to get

1 the heirs to sign off on that or we would need to come  
2 to the court and get court approval.

3 So we're not asking for anything now except  
4 for, subject to the Court's availability, the ability,  
5 on behalf of the estate, to come in on a more rapid  
6 basis than set forth in the current protocols if the  
7 need arise, if we get below that \$5 million figure.

8 And we believe it's supported by the probate  
9 code. There's a broad authority that's provided to  
10 personal representatives to sell or otherwise monetize  
11 assets. We'll only use it if we need it. And, again,  
12 there's a safeguard built into what we have proposed,  
13 which is either the heirs have to sign off or Your  
14 Honor will have to approve.

15 For those reasons and those set forth in our  
16 paperwork, we ask that the Court approve that slight  
17 modification to the currently existing protocol. On  
18 this --

19 THE COURT: Mr. Cassioppi.

20 MR. CASSIOPPI: Yes, Your Honor.

21 THE COURT: A few questions. First of all,  
22 this -- I know you're not asking for money now, but  
23 what you're looking for is cash to be on hand until  
24 the final closing and distribution; correct?

25 MR. CASSIOPPI: That's correct, Your Honor.

1 THE COURT: And if that could be done -- not  
2 saying it will -- but could be done in the first  
3 quarter of 2022, that's all you're looking for.

4 MR. CASSIOPPI: That's correct, Your Honor.

5 THE COURT: In Sharon, John, and Norrine's  
6 response, I thought I saw -- unless I misunderstood --  
7 some reference to Comerica asking for money upfront to  
8 be able to administer the estate for one year.

9 You're not asking for one year. You're just  
10 asking until closing; correct?

11 MR. CASSIOPPI: That's absolutely correct.  
12 The -- the reference to one year is that we have, for  
13 many months now as part of our process of talking  
14 about transition activities with the heir group, have  
15 said, "For your reference, members of the heir group,  
16 there's a certain amount of money that we would  
17 recommend that you have on hand at closing because it  
18 is the amount that the estate -- that you  
19 would -- that we would anticipating you needing to  
20 meet the cash needs of what will be the successor  
21 entities to the estate following closing."

22 We've made that recommendation. The heir  
23 group is free to either agree with it or disagree with  
24 it, but that is wholly separate from what we're asking  
25 the Court here. What we're asking the Court here is

1 simply this is the -- the \$5 million figure is our  
2 line below which we start to get very nervous about  
3 any extraordinary expense coming up and us literally  
4 running out of cash.

5 THE COURT: Okay. And the -- what I thought  
6 you just proposed now was that if the estate needed to  
7 monetize assets, that you would try to get consent of  
8 the heirs. Or, alternatively, you would ask for  
9 expedited review from the court. I believe the  
10 current protocol requires approval of the court for  
11 monetization only above a certain level.

12 Would that protocol remain in effect, and  
13 anything below that level would not require court  
14 approval? You could just go ahead and do it? Or are  
15 we amending that protocol?

16 MR. CASSIOPPI: We are not amending that  
17 protocol. This is designed at -- designed completely  
18 to address transactions that would be subject to that  
19 protocol, so items that would be \$2 million or more in  
20 assets.

21 And we -- we really wouldn't -- we really  
22 wouldn't, I don't think, go out and seek an  
23 opportunity unless it -- it exceeded that amount.  
24 Because, again, we would be trying to arrange for a  
25 situation where we didn't have to come back a month

1 later or two months later and ask for the same thing.

2 So this is only designed to move from -- I  
3 believe it's 14 days under the current protocol to 5  
4 days under the new proposed protocol for transactions  
5 that would be subject to that current protocol, i.e.,  
6 \$2 million or more in anticipated revenues.

7 THE COURT: Thank you. Those are my  
8 questions. You may proceed.

9 MR. CASSIOPPI: Very briefly on the two  
10 other items referenced in our motion. The first is  
11 that we ask that the Court set a deadline to submit --  
12 for the members of the heir group to submit either a  
13 joint distribution plan or any competing distribution  
14 plan.

15 As we mentioned in our reply, we are  
16 completely on board with the heir group if they come  
17 to Your Honor today and say, yes -- yes we believe  
18 there should a deadline, but the deadline proposed by  
19 Comerica is too aggressive. We need two more weeks or  
20 three more weeks to kind of get all of our analysis  
21 done.

22 What I think is important that we set today  
23 is just a deadline of some kind. Because, if not, I'm  
24 afraid that this is just going to continue to get  
25 pushed on and on and on. And I think everybody on

1 this Zoom hearing right now shares the same interest  
2 of getting this teed up for approval by the Court as  
3 soon as possible.

4 And so with -- with reasonable guide rails,  
5 I -- I think we will defer to the heir group on what  
6 they believe is feasible as far as a deadline for  
7 submissions and ultimately a deadline for hearing if  
8 they don't believe that what we proposed in the motion  
9 paper is sufficient.

10 The final topic addressed in our motion is  
11 more of a -- a preview more than anything else.  
12 Ultimately, if the parties can't resolve it through  
13 continuing mediation with Justice Gilbert, we are  
14 going to need to -- to schedule a -- a hearing on a  
15 petition to discharge Comerica and to approve its  
16 final accounting.

17 That -- I think to do that now would be  
18 premature because we don't know what process  
19 distribution is going to take place at this point or  
20 how long it's going to take or even what needs to be  
21 done in order for that to be effectuated.

22 But the purpose of raising it in the motion  
23 was so that everyone, all the interested parties and  
24 the Court, could anticipate here's -- kind of once we  
25 get a distribution plan set and we start effectuating

1 that, this will be the natural next step, the next  
2 thing that we need to do before we either close or  
3 transition the estate.

4 And so when we put that in as a proposal,  
5 really what we would be anticipating is that the Court  
6 would address the timing associated with that as part  
7 of its order approving a distribution plan.

8 THE COURT: Is that it?

9 MR. CASSIOPPI: That's it, Your Honor.

10 THE COURT: Okay. Mr. Magnuson, would you  
11 respond on behalf of Primary Wave and any other  
12 motions that you think the Court needs to address?

13 MR. MAGNUSON: Thank you, Your Honor. Yes,  
14 I will. I'll be very brief. As often happens when  
15 you come into court, the process of the parties  
16 briefing this and exchanging their ideas has clarified  
17 and, I think, simplified some of the issues.

18 As long as the heir group gets notice of the  
19 proposals that Mr. Cassioppi discussed, we really  
20 don't have a problem with that. Initially, I think  
21 all the members of the heir group thought that they  
22 were being asked to -- they were asking for permission  
23 to fund the operation of the businesses after the  
24 estate is closed. That's clarified. Not the issue.  
25 We don't have a problem with the requested relief.

1           The schedule for distribution plan  
2           submissions is a somewhat more nuanced issue. We  
3           agree deadlines are good. People work to them. And  
4           the proposed deadline here is something that has  
5           spurred a lot of action by the parties. We have some  
6           significant internal tax issues that we may have to go  
7           into more detail when we make the submissions.

8           But to address those, we're asking for a  
9           great deal of information from Comerica. And I want  
10          to say that I think Comerica has been prompt and  
11          thorough in their responses. We've been very  
12          cooperative in how we're addressing it. It's just  
13          there's a lot of stuff to go through.

14          And so we don't have an objection to the  
15          proposed submission date that you've got, with the  
16          understanding that, in our view, what we will likely  
17          be able to give the Court by then would be a  
18          high-level, somewhat provisional, distribution plan  
19          because of the exact mechanics of how it will work.

20          For example, what entities get created to  
21          receive the assets will depend, in large part, on  
22          completing the tax analysis. If you look at item -- I  
23          think it is Roman 2 of the protocol checklist that was  
24          Exhibit 8 of Mr. Cassioppi's January 7th  
25          declaration -- it's kind of the checklist of things



1 that need to be done.

2 Item 2 -- Items 1 through 5 are really, kind  
3 of, what we're working on now as part of the  
4 submission. And so with the understanding that  
5 everybody wants to get this done, that we're working  
6 hard, that we're working cooperatively so far, it's  
7 still unlikely you're going to get one plan from the  
8 different members of the heir group that we agreed to,  
9 although that's our goal.

10 But I don't see any of that happening by the  
11 21st; so if you're comfortable getting a provisional  
12 plan, the deadline might as well stay there so we at  
13 least start making people commit to things and then  
14 working them out.

15 Finally, on the third point, you know, I  
16 understand that Mr. Cassioppi is simply giving us a  
17 heads-up on once the distribution plan is approved,  
18 here are the things that will need to be done to  
19 implement it, and we have no problem with that.

20 So I'm not sure that the Court even needs to  
21 issue an order on that because if Mr. Cassioppi says  
22 it's premature, and we think it's premature, if  
23 Mr. Silver agrees, then at least we are simply  
24 forewarned. That's all I have, Your Honor. Thank  
25 you.

1 THE COURT: With respect to the deadline,  
2 what is your understanding of what the deadline is  
3 right now? Is it January 21st?

4 MR. MAGNUSON: My understanding, and what  
5 we're working for, is that the members of the heir  
6 group, either collectively with an agreed plan --  
7 which I don't see happening -- or individually with  
8 their own proposals, submit something for the Court's  
9 consideration on the 21st. And that the parties then  
10 have a week to respond to that.

11 And, frankly, Your Honor, I'd be really  
12 surprised if you felt you were in a position to  
13 actually order a distribution plan after that. There  
14 are simply too many unresolved issues. Now, you may  
15 hear a somewhat different perspective from Mr. Silver,  
16 but we're ready to make our submission on the 21st.

17 We just don't want you to look at it and say  
18 well, this isn't the final proposal. Because I'm  
19 telling you right now, to make a final proposal, we  
20 need more information. And we're working to get it,  
21 and Comerica is being very cooperative in providing  
22 it, but there's still a lot to do.

23 THE COURT: So that leads me to where I was  
24 going with that first question. For the parties to  
25 agree, or for the Court to review the -- the competing

1 proposals and select one, it sounds like you need more  
2 information. You need to get more tax consulting.  
3 You need to develop what entities need to be created.

4 Does it make more sense to put the deadline  
5 out and make it a meaningful deadline where this  
6 information can be available to the parties and to the  
7 Court? And, if so, when would that be?

8 MR. MAGNUSON: I -- I knew you were going to  
9 ask me when, and I've been trying to get the tax  
10 consultants we're working with to give me a number,  
11 and they say, "Well, we don't know yet." I -- I  
12 think, actually, an interim deadline might be helpful  
13 so that the -- you know, it narrows -- it narrows what  
14 the parties are talking about. If we have to commit  
15 to something, at least we've -- we've committed to it,  
16 you know.

17 (Technical difficulties.)

18 MR. MCMILLAN: Eric, you're on mute.

19 MR. MAGNUSON: I'm sorry. Let me try it  
20 again. It was so good what I said.

21 (The court reporter read back to clarify the  
22 record.)

23 MR. MAGNUSON: Right. Your Honor, I  
24 appreciate that -- I told my tax folks that I'm going  
25 to be asked how much time do you need, and they said,

1 "We don't really know," which isn't very helpful. But  
2 I think that an interim deadline to at least set the  
3 parameters of what the parties are thinking about,  
4 frankly, may be helpful.

5 Would I like more than a week? Sure. But I  
6 can't guarantee that I'll have in two weeks or  
7 three weeks anything more definitive. Now, maybe once  
8 we get the next round of information and Mr. Silver  
9 and his clients and I and my clients have a chance to  
10 talk, we would have a better idea. So maybe you give  
11 us until the 21st to keep working on this and then  
12 submit a proposed deadline to you, but I can't do it  
13 now.

14 THE COURT: Thank you. All right.  
15 Mr. Silver, are you intending to respond on behalf of  
16 Mr. McMillan, Mr. Spicer, as well as Sharon, John, and  
17 Norrine, or are there multiple people there will be  
18 speaking?

19 MR. SILVER: Your Honor, as I indicated a  
20 little bit earlier, I represent only Mr. McMillan, but  
21 his interests and the interests of the other SNJLC  
22 clients are -- are identical with respect to these  
23 issues. But I -- I can start, and I think that we  
24 will weigh in. And then Wells Hall, who is our tax  
25 advisor, is on this call and may -- may want to

1 correct anything that I perhaps misstate since I'm not  
2 a tax lawyer or a tax expert.

3 Let me respond to a couple of points that  
4 were made by the other parties, and I think it's  
5 important to address all these motions that are before  
6 you in the context of the timeline that you set in  
7 response to a call I think we had in December, where  
8 we set today as -- as a date for you to resolve any  
9 motions and then February 4th to be a hearing to  
10 approve final distribution, if we could get to that  
11 point.

12 And I think it's fair to say that the  
13 parties, through the mediation process and through  
14 other discussions, have resolved most of the issues.  
15 And if it were not for a couple of tax concerns, we  
16 would be ready for final distribution. And it's even  
17 possible we will be able to get there by February 4th.

18 But, if not, the issues that will remain  
19 will be pretty narrow. And without getting into any  
20 confidential material, the issue is simply that  
21 there's a couple of the entities there were created  
22 that are S corporations. And if those assets are  
23 distributed, that will create some potential loss of  
24 the S status and serious tax implications.

25 There is not a problem with the other assets

1 of the estate. And so the -- the issue here is what  
2 really needs to be resolved between now and  
3 February 4th, and can we go forward on February 4th  
4 with a hearing that not only addresses a final  
5 distribution, but if we can't get there, then a  
6 partial distribution.

7 Now, to address the specific issues and the  
8 timeline that were presented by the Court.

9 Mr. Magnuson, I think, was correct when he said that  
10 sometimes the briefing process helps to narrow the  
11 issues. Because I think where we disagree with  
12 respect to the first motion, the one to allow  
13 monetizing assets or keeping a reserve of \$5 million,  
14 I think Comerica's position is either shifted or, at  
15 least, the way we read their brief, it seems to have  
16 shifted.

17 The idea that -- our response to the motion  
18 was that it was premature because we don't know how  
19 much -- how much will actually be required in order to  
20 fund the estate. And Mr. Cassioppi at the beginning  
21 of his argument said that he's not asking the Court to  
22 do anything now, which I think supports the idea that  
23 the motion is premature.

24 But then he sort of modified that in the  
25 course of his presentation to say that what he really

1 is looking for is a modification of the deadline so  
2 that something could be brought to the Court on an  
3 expedited basis.

4 I don't think you necessarily have to do  
5 anything right now to change that. If they -- if  
6 there comes a point where they want to approach the  
7 Court and seek to enter into a deal, it seems to me at  
8 that point they can bring a motion to do that on an  
9 expedited basis. But that's really the only dispute I  
10 think we have over that issue at this point. Because  
11 I think they've backed away from the idea that they  
12 need to have authority right now to raise enough money  
13 to fund the estate post-distribution.

14 As we originally read the motion, we thought  
15 that's what they were doing, and we thought it was  
16 premature. We also thought that it's really not  
17 Comerica's job to decide if there's enough money  
18 post-distribution. I think they've backed away from  
19 all that, and so the issue right now is just simply  
20 that narrow issue of how much time they need, how much  
21 notice we get.

22 And then I think the other part of it is  
23 what the role is of the beneficiary group. Because  
24 we're so close to distribution, we're not quarreling  
25 with the basic proposition that a personal

1 representative has the authority to sell assets or to  
2 even invest the estate assets. But when you get very  
3 close to distribution, certainly the personal  
4 representative ought to take into account the  
5 beneficiary group's wishes and should not enter  
6 any -- any deals that either create severe tax  
7 consequences or create long-term commitments without  
8 the beneficiary group's involvement.

9 And when I say "involvement," I don't mean  
10 just that we get notice and the right to object on,  
11 you know, five days' notice. I'm talking about since  
12 we're this close to distribution, that the heir group  
13 ought to be involved in connection with negotiating  
14 any of those kinds of deals.

15 We're not trying to become the PR until we  
16 actually take over the -- the role or take the assets,  
17 but -- but we should be heavily consulted. And so I  
18 think the issue on that is really just the simply  
19 narrow issue of how much notice they should give  
20 and -- and what involvement we should have in any  
21 deals that they make.

22 On the issue of timeline, I think -- I think  
23 all three parties that -- the PR, the Primary Wave  
24 group, and the SNLJC group are willing to stick with a  
25 January 21st timeline to make a proposal to you.



1 That's just a week from today. The only thing I think  
2 we differ in is what the scope is of that proposal.

3 Comerica says that parties should either  
4 submit a joint proposal or separate proposals for the  
5 Court to rule on. And Mr. Magnuson calls that a -- I  
6 think he used the term "provisional proposal." In our  
7 view, the tax people, I think, are already scheduled  
8 or are trying to schedule a meeting early this week to  
9 see if we can resolve the tax issues.

10 If we can, then there might be a possibility  
11 of a joint proposal one week from today. If they  
12 cannot, then whether you want to call it a provisional  
13 proposal, a status report, or a plan as to how the  
14 February 4th hearing should go, we're prepared to  
15 submit something to the Court that would give our view  
16 on that. And, hopefully, it's a joint proposal by the  
17 beneficiary group.

18 But if it's not, each side would submit to  
19 the Court where we think we are. I think the one area  
20 where we perhaps differ from Primary Wave is that our  
21 view -- because the only issue is with respect to  
22 these S corp assets. If that issue weren't on the  
23 table, we would be presenting you with a plan for  
24 final distribution on -- on February 4th.

25 Because it's only these -- these two

1 entities that are creating the issue, in our view,  
2 there could be a partial distribution on February 4th  
3 while all the other assets other than the S  
4 corporation assets could, in fact, be distributed to  
5 the heirs.

6 They've been waiting six years -- or almost  
7 six years -- to get these assets; so we definitely  
8 don't want to tie this up. Because there could be  
9 some period of time required before the tax issue can  
10 be fully resolved, particularly if it requires some  
11 kind of reorganization or creation of different  
12 entities.

13 And so the -- the delay, that should not  
14 cause a delay in distribution of other assets that  
15 have nothing to do with any of these tax issues. And  
16 in our papers we also suggested that if in fact the  
17 majority of the estate is distributed in the first  
18 quarter of this year, if the Court approves that on  
19 February 4th, then in our view, Comerica is really no  
20 longer needed, if that's just the limited role of  
21 dealing with the assets that cannot be distributed.

22 And our proposal would be that each of the  
23 two heir groups be able to nominate their own  
24 successor or personal representatives that could just  
25 handle those assets. So, in essence, in the absence

1 of the tax issue, we'd be ready for a final  
2 distribution to the two beneficiary groups.

3 In our view, there's no reason why the tax  
4 issue should prevent distributing to those two groups.  
5 The majority of the assets, outright, and perhaps some  
6 of the assets in a fiduciary capacity where they would  
7 either act as or appoint their choice of personal  
8 representative to do that.

9 You don't necessarily have to decide that  
10 issue today, Your Honor. I'm just giving you a little  
11 bit of an idea of our thinking and what we're likely  
12 to propose to you in a week if we keep this January  
13 21st schedule, which we believe we should.

14 So that, I think, summarizes our view as to  
15 where we are at the moment, Your Honor. And  
16 Mr. McMillan may want to add to what I've said or  
17 perhaps Mr. Hall, if there's something I've said  
18 that's wrong on the tax issue.

19 THE COURT: Before we move on to other  
20 parties, there were motions filed last August by the  
21 heir group of Sharon, John, and Norrine and then, of  
22 course, Mr. McMillan and Mr. Spicer as well.

23 Do you want to comment on any of those?

24 MR. SILVER: I think I'm going to defer to  
25 Mr. McMillan on that issue, Your Honor.

1 THE COURT: Thank you. Mr. McMillan.

2 MR. MCMILLAN: Your Honor, how are you?  
3 Good afternoon.

4 THE COURT: Good. Thank you.

5 MR. MCMILLAN: Good. With respect to your  
6 last inquiry, the parties agree to somewhat punt and  
7 push some of those issues to mediation to see if we  
8 could resolve them. Numerous of those issues are  
9 coupled in the overall closure, including the issue  
10 that Mr. Cassioppi raised as his third point, which  
11 I'm happy to say, Your Honor, we all agree on  
12 something, which is we should set a date for  
13 resolution of that matter.

14 From our point of view, Your Honor, that  
15 matter will be resolved easier if we can close or come  
16 to a final distribution plan, obviously, because we'll  
17 know exactly what we're releasing and waiving in that  
18 discharge. As Mr. Magnuson mentioned earlier, we  
19 believe -- because he doesn't have his tax team on the  
20 line, he's not a tax lawyer, in my view -- and I can't  
21 speak for him -- but he's punting.

22 He's punting because he's not a tax guy.  
23 I've got my tax guy on the line. I'll have him speak.  
24 We are prepared to make our decisions now. It's been  
25 six long years, Your Honor. As you know, two of the

1 remaining three heirs that exist are in their 80's.  
2 We would like to close. We have a plan. We believe  
3 the plan will be a plan that this Court will  
4 appreciate, respect, and accept. So with respect to  
5 the third issue from Mr. Cassioppi, we agree that we  
6 should set a timing for the discharge.

7 In terms of the second issue, which  
8 Mr. Silver kind of outlined, that distribution is, in  
9 fact, tied to the tax issue. And for numerous of  
10 these hearings you've asked us if we had a tax  
11 attorney, someone who could explain it in very simple  
12 terms. I'm going to punt that to Mr. Wells to  
13 explain, maybe in three sentences, where we are  
14 because we believe it's that simple. And then, of  
15 course, at the end, I don't think that we're going to  
16 argue and fight with Mr. Cassioppi's and Comerica's  
17 either revision or perhaps clarifying what we thought  
18 they were requesting.

19 But I will say, before I punt it to  
20 Mr. Wells, is that this estate is almost in what we  
21 call recoupable debt in the amount of \$50 million.  
22 There are a number of deals that are coming -- coming  
23 to their end date to either be renewed or extended.  
24 Those deals, depending on how they're negotiating,  
25 will either put us in a deeper debt situation, or

1 allow us to recharacterize the prior deal and the  
2 prior debt.

3 We believe that the heirs and interested  
4 parties should have the opportunity to negotiate  
5 those -- those new deals, particularly if they have a  
6 debt-based component to those deals. That's different  
7 than a transactional deal like a license for using  
8 music or something else that's being managed and  
9 operated by some of the music and entertainment  
10 partners.

11 But any deal that really obligates the heirs  
12 and interested parties to a debt obligation or could  
13 potentially adversely impact the tax consequences and  
14 the tax basis and liability of the -- of the parties,  
15 we would like for them to have to seek either our  
16 approval or the Court's approval.

17 So with that said, Mr. Wells, if you can  
18 summarize, very briefly, the tax issue, as I think  
19 Alan did mostly. And then we can close out, and then  
20 Judge Eide can ask if he has any additional questions.

21 THE COURT: Thank you, Mr. McMillan.

22 MR. HALL: With the Court's permission, very  
23 simple, Your Honor, I think I can boil this down as  
24 Mr. McMillan suggested. There are two assets in the  
25 estate; Paisley Park Enterprises; MTB Records, Inc,

1 which are S corporations. They've been S corporations  
2 for their duration. An S corporation is, of course, a  
3 pass-through entity, but it's limited in the types and  
4 number of shareholders that can own it -- an S  
5 corporation.

6 We have beneficiaries or assignees who have  
7 beneficial interests in the estate who are not  
8 eligible S corporation shareholders. So to distribute  
9 the stock in these two S corporations immediately, or  
10 at any time, would cause the termination of the S  
11 election.

12 Now, tax advisors can figure out ways around  
13 this issue. And if -- if we find ourselves having to  
14 terminate the S election, the preference would be,  
15 rather than giving up pass-through status, would be to  
16 convert the two S corporations into limited liability  
17 companies.

18 That's permitted under state law. However,  
19 it causes a liquidation of both of the corporations.  
20 These two corporations, in the aggregate, were valued  
21 by the Internal Revenue Service in the adjusted  
22 audit -- the adjusted values pursuant to the IRS  
23 audit -- at \$42 million, \$42,250,379, to be exact.

24 That's a substantial but not majority of the  
25 assets of the estate. Most of the assets are -- are

1 not tied up in a pass-through entity. They're  
2 actually held in LLCs or in sole proprietorships,  
3 outright, and can easily be distributed. The S corps  
4 require, however, a little more thought and analysis.  
5 To the extent there's been an increase in the value of  
6 these S corporations since the date of death, which  
7 would mean to the extent they are valued in excess of  
8 \$42 million, then there might be -- there would be  
9 gain recognized through the process of liquidating the  
10 corporations.

11 We think that this is manageable, and it may  
12 very well be that we will be able to liquidate the S  
13 corporations without substantial adverse tax  
14 consequences, but we need to get our arms around it.  
15 And Primary Wave agrees with the individual  
16 beneficiaries that this needs to be analyzed, and our  
17 tax advisors are analyzing it at this time.

18 The other alternative, as Mr. Silver  
19 suggested, would be that since an estate is a  
20 permitted S corporation shareholder -- that's why the  
21 S election has been permitted for six years now -- we  
22 keep the estate alive solely for the purpose of  
23 holding these two assets until we decide how -- how to  
24 liquidate them or otherwise dispose of them.

25 So that's the tax issue, Your Honor, and if



1           there are any other questions, I'd certainly be happy  
2           to address them.

3                       THE COURT: I'm not going to ask questions  
4           at this point.

5                       Mr. Cassioppi, or anyone else with Comerica,  
6           any response to any of the comments?

7                       MR. CASSIOPPI: Yes, Your Honor. I'll  
8           start, and then if Mr. Greiner or Ms. Steinert would  
9           like to jump in, they certainly can. I want to start  
10          just with a correction. There was a reference by  
11          counsel that -- that we have somehow shifted our  
12          position with respect to the \$5 million reserve.

13                      I would just refer the Court to page 5 of  
14          our December 21st opening memorandum. What we are  
15          asking for, the last paragraph of this section -- what  
16          we are asking for today is the exact same thing we  
17          asked for the day we filed the motion. And so  
18          I -- I'm not sure what the source of the confusion is,  
19          but I'd refer the Court to that paragraph. That's  
20          exactly the relief we've requested in the proposed  
21          order submitted to the Court.

22                      There were a couple comments made by  
23          Mr. Silver and Mr. McMillan about -- along these lines  
24          that the heir group should be able to participate in  
25          the negotiation of these deals because we are this

1 close or we're so close to distribution. And while we  
2 are all hopeful that that is the case, that we will be  
3 able to distribute the estate soon, I think the Court,  
4 just based on the comments that were made by counsel  
5 today, can appreciate that there's some work to do  
6 between here and there.

7 We are highly, highly reticent to change the  
8 way we've been doing this for the last five years  
9 and -- and have the heir group actually participate in  
10 negotiations with our partners. Because -- because of  
11 the additional difficulties that would be associated  
12 with that and the fact that the estate, as long as it  
13 has a PR, needs to speak through the PR.

14 Now, that is different than  
15 consulting -- the personal representative consulting  
16 with the members of the heir group, the personal  
17 representative keeping the members of the heir group  
18 advised about its plans, what its communications are.  
19 All of that is encompassed by the existing protocols,  
20 and we were not asking for any change to those. The  
21 sole change, as set forth in our opening memorandum,  
22 the reply, and the proposed order is the shortening of  
23 the time period, the notice time period, ultimately  
24 between when we reach preliminary agreement with a  
25 partner and when we can come to the Court for approval

1 if there are any objections.

2 The -- the other suggestion by Mr. Silver,  
3 Mr. McMillan, and Mr. Hall of a partial distribution  
4 doesn't work for a lot of reasons, including because  
5 of ongoing discussions that are occurring about what  
6 assets are where, and whether they should be where  
7 they're at and whether they need to be moved.

8 I don't think you could do a partial  
9 distribution without a discharge associated with that.  
10 The Court will see -- and all of this is publicly  
11 available and was filed publicly this morning. At  
12 some point today it will hit the Carver County website  
13 that we are seeking court approval of settlement  
14 agreements with the IRS and Minnesota Department of  
15 Revenue with consents by all members of the heir  
16 group -- and that's all a public filing.

17 But those estate taxes, the exact amount,  
18 are going to depend on some expense calculations that  
19 are still being worked on with the taxing authorities,  
20 and that won't be done by February 4th. And so the  
21 suggestion by Mr. Silver and others that, well, we can  
22 distribute out most of the estate and -- and we do  
23 that in a couple weeks, I think that's definitely  
24 putting the cart before the horse.

25 I'm happy to address that more in formal

1 briefing, if need be. And there are a number of  
2 reasons, I'm sure, from a tax and fiduciary standpoint  
3 that I don't even have in my mind right now but that  
4 we would want to put before the Court before the Court  
5 would ever consider that type of a scenario.

6 Big picture, though, despite what may seem  
7 like some disagreements between the parties today --  
8 and there certainly are disagreements -- I'll say that  
9 from Comerica's standpoint, we're very pleased at  
10 where we're at to this point. The fact that we were  
11 able to get the tax estate disputes resolved and that  
12 everybody is on board really removes a giant obstacle  
13 to us closing this down pretty quickly.

14 We've got some speed bumps between here and  
15 there, but we're all rolling in the same direction.  
16 We're all working together collaboratively, as  
17 collaboratively as possible, and we intend to continue  
18 doing so and continuing to do so as -- as any  
19 fiduciary would under the circumstances. That is all  
20 I have unless Mr. Greiner or Ms. Steinert want to jump  
21 in with anything else.

22 MR. GREINER: Your Honor, if I may just make  
23 a couple of quick comments. I think it's important to  
24 note that the -- the tax issues that are being  
25 discussed right now have not changed. They remain the

1 same tax issues that we have been discussing with  
2 heirs and interested parties since Primary Wave first  
3 became an interested party. And the issue, I think,  
4 that we're really talking about is whether the heirs  
5 and interested parties could come to an agreement upon  
6 what the proper allocation of the tax costs are.

7 To be clear, Comerica is completely  
8 indifferent and agnostic regarding how the  
9 distribution occurs, as long as they can complete  
10 their proper administration of the estate. In  
11 liquidation, conversion of the S corps will entail  
12 additional time and costs to the estate simply because  
13 the valuations we're going to have to incur in  
14 connection with those liquidations.

15 Certainly, eminently doable and would not  
16 necessarily preclude a distribution of the assets, but  
17 it would keep open the estate perhaps for a period of  
18 time even after distribution simply to complete those  
19 tasks. And we would want to be -- work  
20 collaboratively with the heirs and interested parties  
21 to make sure we can get those tax returns and those  
22 valuations done.

23 One other thing I ought to mention is that  
24 it is not possible to simply keep S corporations  
25 stocked in a fully administered estate. You will

1 eventually lose your S election. You cannot keep an  
2 estate open solely for the purposes of holding a  
3 stock. There's a period of time. It's not set in  
4 stone. But if we've got a fully administered estate,  
5 and it's sitting on S corporation stock, that in and  
6 of itself can cause a termination of the S election.

7 And so as long as Comerica were a -- the  
8 personal representative, that would be an issue that  
9 we would have concern about. And that's all I have.

10 THE COURT: All right. Mr. Magnuson, any  
11 response to Mr. Silver, Mr. McMillan, and Mr. Hall's  
12 comments?

13 MR. MAGNUSON: Thank you, Your Honor. I  
14 didn't think I was punting. I was aware of everything  
15 that Mr. Hall said. We've been talking about that for  
16 quite some time. What I have said, and what has been  
17 confirmed by Comerica, is these are complex issues  
18 that require some additional discussion.

19 We have a -- a distribution plan that we  
20 have provided to Comerica and to Mr. McMillan's group.  
21 We have from them a description of what they would  
22 like to do. In addition to the tax issues and the  
23 inability to hold the S corp assets in a fully  
24 administered plan, we don't have any details on what  
25 the impact would be on the business operations if the

1 assets are divided on a partial basis.

2 Those are the things we're trying to work  
3 out. We're not punting. We are trying to move down  
4 the field in an agreeable and collaborative way.  
5 Thank you.

6 THE COURT: Thank you. All right. Thank  
7 you all for your presentations today. We'll leave  
8 the -- obviously the February 4th calendar date on the  
9 calendar. And how we proceed at that time, what that  
10 hearing looks like, may depend a little bit on the  
11 court order from today's hearing and the continued tax  
12 consultation, negotiation, between the heir groups.  
13 So I'll look forward to seeing you on February 4th.  
14 Thank you all for your presentations today.

15 MR. MCMILLAN: Your Honor.

16 THE COURT: Mr. McMillan.

17 MR. MCMILLAN: I believe we have another  
18 issue before you, and that is the issue to acknowledge  
19 the trustees and beneficiaries of the John R. Nelson  
20 trust. And I'd like to make sure we confirm that that  
21 is in place, as that was one of the issues, unless  
22 that is going to take place at a different time, which  
23 I hope we can do that now.

24 THE COURT: And I invited all of you to -- I  
25 think I specifically spoke when Mr. Silver was

1 speaking to ask him if he wanted to respond or comment  
2 on any of the motions that have been brought.

3 So, Mr. Cassioppi, any objection to the  
4 estate regarding the formal recognition of the estate  
5 of John Nelson?

6 MR. CASSIOPPI: None, Your Honor. And,  
7 actually, we would request that before the Court  
8 adjudicates the motion we filed today -- which is the  
9 motion seeking the approval of the tax settlement --  
10 that the Court first adjudicate that motion.

11 And the reason I say that is Comerica  
12 obviously wants to make sure that 100 percent of the  
13 holders of the expectancy interests of the estate,  
14 which would include, if the Court grants the motion,  
15 the John Nelson revocable trust, that 100 percent  
16 holders of the expectancy interest have signed off on  
17 that motion.

18 And for belt and suspenders purposes, having  
19 that order from the Court, assuming there's no  
20 objections or other issues, and -- and recognition by  
21 the Court that that revocable trust holds the  
22 expectancy interests held by Mr. Nelson during his  
23 lifetime would tie off that issue for her.

24 THE COURT: Mr. Magnuson, any comments?

25 MR. MAGNUSON: No, Your Honor. We didn't



1 object. We think it's the same motion that we brought  
2 when our clients succeeded to interests, and we think  
3 you should grant it.

4 THE COURT: Okay. Mr. McMillan, any other  
5 comments regarding that motion?

6 MR. MCMILLAN: Your Honor, we concur with  
7 Mr. Cassioppi, and I would add, as he mentioned  
8 before, the -- the co-trustees and beneficiaries have  
9 worked quickly to help and resolve, and they have  
10 signed off already. So we agree with Mr. Cassioppi's  
11 request.

12 THE COURT: Thank you very much. Anything  
13 else you felt you needed to address?

14 MR. MCMILLAN: No, sir. Thank you.

15 THE COURT: All right. Okay. Sorry if you  
16 felt I was cutting you off earlier. I didn't mean to.

17 MR. MCMILLAN: I didn't. We had a lot to  
18 talk about, and I thank you for your time. Thank you  
19 for everyone else, and I pass it back to you to close  
20 this out, Your Honor.

21 THE COURT: All right. Then the court is in  
22 recess. Thank you all.

23 (Hearing was concluded at 1:58 p.m.)

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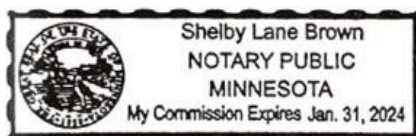
**REPORTER'S CERTIFICATE**

Be it known that the foregoing proceedings were taken by Shelby L. Brown, on the 14th day of January, 2022, via videoconference;

That the testimony was recorded in stenotype by myself and transcribed into writing by computer-aided transcription, and that the transcript is a true record of the testimony given to the best of my ability;

That I am not related to any of the parties hereto nor interested in the outcome of the action;

WITNESS MY HAND AND SEAL this 16th day of January, 2022.



*Shelby Brown*

\_\_\_\_\_  
Shelby L. Brown  
Official Court Reporter and Notary Public