

STATE OF MINNESOTA
COUNTY OF CARVER

DISTRICT COURT
FIRST JUDICIAL DISTRICT
PROBATE DIVISION

In the Matter of:

Court File No. 10-PR-16-46
Judge Kevin W. Eide

Estate of Prince Rogers Nelson,
Decedent.

**COMERICA BANK & TRUST, N.A.'S
NOTICE OF MOTION AND MOTION TO
APPROVE STIPULATION OF SETTLED
ISSUES WITH THE IRS AND
AGREEMENT AS TO TAX LIABILITY
WITH THE MNDOR**

PLEASE TAKE NOTICE that on a date and time to be determined, before the Honorable Kevin W. Eide, at the Carver County Justice Center, 604 East 4th Street, Chaska, MN 55318, Comerica Bank & Trust, N.A., as the Personal Representative (“Personal Representative”) of the Estate of Prince Rogers Nelson (“Estate”), will move the Court for an order approving the Estate entering into: (1) a Stipulation of Settled Issues (“SSI”) with the Internal Revenue Service (“IRS”) substantially in the form of the draft SSI attached hereto as Exhibit A; and (2) an Agreement as to Tax Liability pursuant to Minn. Stat. § 270C.35, subd. 7 (“MNDOR Tax Agreement” and, together with the SSI, the “Estate Tax Agreements”) with the Minnesota Department of Revenue (“MNDOR”) substantially in the form of the draft MNDOR Tax Agreement attached hereto as Exhibit B. In support of the motion, the Personal Representative provides the following background and argument:

BACKGROUND

I. THE ESTATE REACHED AGREEMENT WITH THE IRS ON THE VALUATION OF ALL ESTATE ASSETS AND A WAIVER OF ALL ASSERTED PENALTIES.

The Estate timely filed its federal estate tax return (“Federal Return”) on July 20, 2017. The IRS served a Notice of Deficiency (“IRS Notice”) on June 1, 2020. The Notice contested the valuations of certain assets set forth on the Federal Return. On August 17, 2020, the Personal Representative commenced a Petition in United States Tax Court requesting a redetermination of the deficiency set forth in the Notice. The IRS served its Answer to the Petition on November 19, 2020.

After the IRS served its Answer, counsel for the Personal Representative held discussions with counsel for the IRS regarding potential resolution of the issues set-forth in the Petition. As a first step, the parties negotiated and, following Court approval on May 28, 2021, entered into a stipulation of settled issues addressing the value of the Estate’s real estate assets. Thereafter, the parties negotiated the valuations of the Estate’s other assets. After exchanging a series of offers and counteroffers, the parties reached an agreement—subject to approval by this Court—on the valuation of the Estate’s remaining assets during October 2021. As set forth in greater detail in Exhibit A, the parties stipulated to the value of all the Estate’s non-real estate assets, and the IRS agreed that the Estate is not liable for any penalties. In total, the values set forth in the original real estate stipulation of settled issues and the SSI are approximately \$23.7 million less than the valuations asserted by the IRS in the IRS Notice.

II. THE MNDOR ADOPTED THE VALUATIONS AGREED TO BY THE ESTATE AND THE IRS AND ALSO AGREED TO WAIVE ALL ASSERTED PENALTIES.

The Estate timely filed its state estate tax return (“State Return”) on July 20, 2017. Following an audit, the MNDOR issued a Tax Order dated November 9, 2020, assessing additional

estate tax, penalties, and interest. On January 8, 2020, the Estate timely filed an administrative appeal with the MNDOR. In its administrative appeal, the Estate requested that the MNDOR hold the appeal in abeyance pending resolution of the U.S. Tax Court matter.

After the Estate reached an agreement with the IRS during October 2021, the Estate approached the MNDOR and requested that it agree to adopt the same values as the IRS and also waive penalties. After a series of discussions and negotiations, MNDOR and the Estate agreed to the terms of the MNDOR Tax Agreement. As set forth in greater detail in Exhibit B, the parties stipulated to the value of all the Estate's assets, and the MNDOR agreed that the Estate is not liable for any penalties.

ARGUMENT

The Estate Tax Agreements are in the best interest of the Estate, therefore the Personal Representative respectfully requests that the Court approve them. To be clear, the Personal Representative believes that the valuations included with the Federal Return and State Return were reasonable and accurate. The Personal Representative further believes that, had it proceeded to trial in the United States Tax Court and engaged in litigation with the MNDOR, it would have prevailed in both proceedings, which would have led to the Estate owing less in taxes and interest than the Estate will be paying under the Estate Tax Agreements to the IRS and MNDOR. The Personal Representative has consistently communicated its belief to the members of the Heir Group (comprising the Court-recognized heirs and their successors-in-interest) that if lowering the amount of estate taxes to be paid by the Estate is their primary interest, then the Estate should proceed with additional negotiations, litigation and, if necessary, trial with the taxing authorities.

The Heir Group, however, has made it clear that minimizing the amount of estate taxes is not their primary interest. Instead, the members of the Heir Group have uniformly communicated to the Personal Representative their strong desire that the Estate settle with the taxing authorities

as quickly as possible to allow the Court to close the Estate and distribute assets to the members of the Heir Group. As such, all the members of the Heir Group authorized the Personal Representative to attempt to negotiate the best possible settlement with the taxing authorities without proceeding to further litigation or trial, if at all possible.

Based on that request from the Heir Group and the limitations related thereto, the Personal Representative believes that these are fair settlements, considering the cost, delay, and uncertainty with proceeding to trial with the taxing authorities. The combined reduction in valuations from the positions asserted by the taxing authorities and the waiver of all asserted penalties results in a substantial tax savings to the Estate. Most importantly, these settlements remove a significant remaining obstacle to the closure of the Estate.

Attached hereto as Exhibit C are executed consents to the relief requested in this motion by all members of the Heir Group, including the trustees of the revocable trust that has stated that it holds the expectancy interest formerly held by John Nelson.

The Personal Representative respectfully requests that the Court enter an order authorizing the Estate to enter into agreements with the IRS and MNDOR substantially in the form of Exhibits A and B hereto.

Dated: January 14, 2022

/s/ Joseph J. Cassioppi

Mark W. Greiner (#0226270)

Joseph J. Cassioppi (#0388238)

FREDRIKSON & BYRON, P.A.

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Minneapolis MN 55402-1425

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Attorneys for Comerica Bank & Trust, N.A.

UNITED STATES TAX COURT

ESTATE OF PRINCE R. NELSON,)	
DECEASED, COMERICA BANK &)	
TRUST, N.A., EXECUTOR,)	
)	
Petitioners,)	
)	
v.)	Docket No. 11442-20
)	
COMMISSIONER OF INTERNAL)	
REVENUE,)	Filed Electronically
)	
Respondent.)	

STIPULATION OF SETTLED ISSUES

With respect to certain items reported on the Decedent's Estate Tax Return and adjusted in the Notice of Deficiency issued to petitioners on June 1, 2020, the parties stipulate as follows:

1. The correct fair market value of all assets reportable on Schedule A of the Estate Tax Return was \$18,177,233 as of April 21, 2016.
2. The correct fair market value of all assets reportable on Schedule B of the Estate Tax Return was \$42,250,379 as of April 21, 2016.
3. The correct fair market value of all assets reportable on Schedule C of the Estate Tax Return was \$104,657 as of April 21, 2016.
4. The correct fair market value of all assets reportable on Schedule F of the Estate tax return was \$95,549,756 as of April 21, 2016.

Docket No. 11442-20

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5. The correct fair market value of all assets includable in the gross estate was \$156,371,755 as of April 21, 2016.

6. Petitioners are not liable for any penalties with respect to any of the adjustments set forth in the notice of deficiency dated June 1, 2020.

WILLIAM M. PAUL
Acting Chief Counsel
Internal Revenue Service

MARK W. GREINER
Fredrikson & Byron
Counsel for Petitioners
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By: _____
RANDALL L. EAGER
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(Small Business/Self-Employed)
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2345 Grand Blvd.
Suite 301
Kansas City, MO 64108
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Telephone: (816) 823-0909

Date: _____

Date: _____

**STATE OF MINNESOTA
DEPARTMENT OF REVENUE**

**AGREEMENT AS TO TAX LIABILITY
PURSUANT TO MINNESOTA STATUTES § 270C.35, SUBDIVISION 7**

This AGREEMENT is entered into by and between the Estate of Prince Nelson, who is the taxpayer with social security number xxx-xx-0807 (hereinafter referred to as “Taxpayer”), and the Commissioner of Revenue of the State of Minnesota (hereinafter referred to as “Commissioner”), collectively referred to as “Parties”.

WHEREAS, there has been at issue between the Parties AN ASSESSMENT AGAINST TAXPAYER for \$18,178,526.57 in Minnesota Estate Tax, Penalty, and Interest for the 2016 Tax Period, arising from the Commissioner’s TAX ORDER with a Notice Date of November 9, 2020 (hereinafter referred to as “ASSESSMENT”); and

WHEREAS, the Taxpayer has filed an administrative appeal seeking reconsideration of the ASSESSMENT under the provisions of Minnesota Statutes, § 270C.35; and

WHEREAS, the Parties have settled and resolved the items at issue between themselves,

NOW, THEREFORE, IT IS MUTUALLY AGREED BY AND BETWEEN the Parties as follows:

1. The Parties agree with the valuations set forth in the Stipulation of Settled Issues dated XXXX regarding the Federal Taxable Estate, as part of the United States Tax Court Appeal in Dkt # 11442-20. The stipulated values include the following:

- i. The fair market value of all assets reportable on Schedule A of the Estate Tax Return was \$18,177,233 as of April 21, 2016.

- ii. The fair market value of all assets reportable on Schedule B of the Estate Tax Return was \$42,250,379 as of April 21, 2016.
 - iii. The fair market value of all assets reportable on Schedule C of the Estate Tax Return was \$104,657 as of April 21, 2016.
 - iv. The fair market value of all assets reportable on Schedule F of the Estate Tax Return was \$95,549,756 as of April 21, 2016.
 - v. The fair market value of all assets includable in the gross estate was \$156,371,755 as of April 21, 2016.
2. The Commissioner agrees to abate the penalties set forth in the ASSESSMENT.
 3. Pursuant to Minn. Stat. § 289A.30, subd. 2, the Taxpayer has elected to pay tax for the 2016 Tax Period to the Commissioner in equal amounts at the same time as required for federal purposes under I.R.C. § 6166.
 4. The net additional amount OWED BY the Taxpayer in relation to the ASSESSMENT is \$[0.00] (the “Settlement Amount”).
 5. Notwithstanding the Taxpayer’s I.R.C. § 6166 election, the Taxpayer agrees to pay the Settlement Amount within ____ days of the Effective Date of this Agreement. Payment may be made by check, money order, or electronic payment (applicable fees apply) payable to the “Minnesota Department of Revenue.” Payment by any means other than electronic payment must be remitted to the following address: Appeals and Legal Services Division, Minnesota Department of Revenue, P.O. Box 64451, St. Paul, Minnesota 55164-0451.

6. That nothing in this Agreement shall constitute an admission by the Parties as to the substantive legal or factual issues involved in the controversy to which this Agreement relates.

7. That this agreement contains the entire agreement between the Parties and is intended to be a final and conclusive settlement of all issues that have been or could have been raised by the Parties with respect to the Estate Tax for the 2016 Tax Period and as provided in Minnesota Statutes § 270C.35, the case shall not be reopened except upon a showing of fraud or malfeasance, or misrepresentation of a material fact.

8. That, notwithstanding any other paragraph in this Agreement, the matter it relates to may be reopened by the Taxpayer or Commissioner if there are adjustments to the taxable estate as reported to the Internal Revenue Service or corrected by the Commissioner of Internal Revenue or other officer of the United States, whether such change or correction is initiated by the Taxpayer or the Internal Revenue Service. The Taxpayer shall notify the Commissioner of such adjustments. The Commissioner may recompute and reassess the tax due under the provisions of Minnesota Statutes, § 289A.38, subdivisions 7 to 9, provided that any such reopening shall be limited to only those changes accepted by the commissioner of the Internal Revenue and that are required to be made which relate to the changes made on the federal return.

9. That Taxpayer acknowledges having fully read the provisions of this Agreement and having fully understood its terms and conditions.

10. That the Parties to this Agreement each covenant and represent that the individuals signing are fully empowered to bind them to the obligations and commitments set forth herein.

11. That the obligations of the Parties as set forth in this Agreement shall be binding upon the Parties, their successors, assignees, and heirs.

12. That the terms, provisions, interpretations, and enforcement of this Agreement shall be governed by the laws of the State of Minnesota.

13. That the Effective Date of this Agreement is when it has been executed by both the Taxpayer and the Commissioner. The Parties agree that this Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall constitute a duplicate original, but all counterparts together shall constitute a single agreement.

ESTATE OF PRINCE NELSON XXX-XX-0807

Dated: _____

By _____

**STATE OF MINNESOTA
COMMISSIONER OF REVENUE**

Dated: _____

By _____
Jordan Stadheim, Supervisor
Appeals and Legal Services Division

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF CARVER

FIRST JUDICIAL DISTRICT
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**CONSENT TO COMERICA BANK &
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AND MOTION TO APPROVE
STIPULATION OF SETTLED ISSUES
WITH THE IRS AND AGREEMENT AS
TO TAX LIABILITY WITH THE MNDOR**

I, the undersigned, hereby consent to the relief requested in Comerica Bank & Trust,
N.A.'s Motion to Approve Stipulation of Settled Issues with the IRS and Agreement as to Tax
Liability with the MNDOR.

January 11, 2022



STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF CARVER

FIRST JUDICIAL DISTRICT
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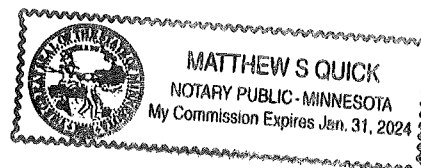
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I, the undersigned, hereby consent to the relief requested in Comerica Bank & Trust, N.A.'s Motion to Approve Stipulation of Settled Issues with the IRS and Agreement as to Tax Liability with the MNDOR.

Allen Nelson

January 12th, 2022

Matthew S Quick



STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF CARVER

FIRST JUDICIAL DISTRICT
PROBATE DIVISION

In the Matter of:

Court File No. 10-PR-16-46

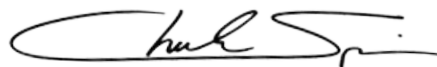
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January 11, 2022

Charles F. Spicer Jr.

STATE OF MINNESOTA
COUNTY OF CARVER

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I, the undersigned, hereby consent to the relief requested in Comerica Bank & Trust, N.A.'s Motion to Approve Stipulation of Settled Issues with the IRS and Agreement as to Tax Liability with the MNDOR.

January 13, 2022



L. Londell McMillan

STATE OF MINNESOTA

DISTRICT COURT

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January 11, 2022

Norraine Nelson

STATE OF MINNESOTA

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January 11, 2022

Sharon L. Nelson

