

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF CARVER

FIRST JUDICIAL DISTRICT  
PROBATE DIVISION  
Case Type: Special Administration

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Court File No. 10-PR-16-46

In the Matter of:

Estate of Prince Rogers Nelson,

**ORDER & MEMORANDUM ON  
DISTRIBUTION ARGUMENTS**

Decedent.

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The above-entitled matter came on before the Court on February 4, 2022, pursuant to the request of the Heirs to have the Court to identify the manner in which distribution of the Estate assets may take place. Appearances were noted on the record. All appearances were via Zoom pursuant to COVID-19 protocol.

The parties in position to receive distribution of the assets of the Estate of Prince Rogers Nelson have not been able to agree as to a corporate structure which needs to be in place to receive the Estate assets and continue to manage the monetization of those assets. One group comprising a fifty percent (50%) interest in the assets includes Primary Wave, IP Fund 1, LP and the interest still held by Tyka Nelson. They favor the distribution of all assets to a single holding company where each Heir would hold membership in the LLC equivalent to their percentage interest in the Estate. A second group of Heirs comprising a fifty percent (50%) interest in the assets includes Sharon Nelson, Noreen Nelson, the Estate of John Nelson, L. Londell McMillian and Charles Spicer. They favor the distribution of all assets to each Heir equivalent to their percentage interest in the Estate and, upon distribution, each Heir would then determine to what business entity they would contribute their share. Under this proposal, it is anticipated that Primary Wave, LLC and Tyka Nelson would contribute their share to one holding company and the remaining Heirs would contribute their shares to a second holding company. There would then be a management agreement between the two holding companies which would direct how the assets would be managed.

Now, based upon the file and proceedings herein, and the arguments of counsel, the Court makes the following:

## **ORDER**

1. The Court adopts the proposal submitted by Sharon Nelson, Noreen Nelson, the Estate of John Nelson, L. Londell McMillian and Charles Spicer.
2. Subject to the subsequent paragraph, the Court will not proceed to the distribution of the assets of the Estate until:
  - a. the Subchapter S Corporations have been converted into LLCs,
  - b. the Heirs have created the (presumably 2) holding companies that will hold the undivided interests of the Heirs in the assets of the Estate,
  - c. the Heirs have filed assignments with the Court assigning their interest into the holding companies, and
  - d. all other steps necessary permit distribution have been completed.
3. The Court will consider a partial distribution of cash from the Estate to the Heirs if the Heirs agree and if the Personal Representative can monetize the assets of the Estate to raise sufficient cash, over and above necessary funds to operate the Estate, to allow such a distribution.
4. The attached Memorandum is incorporated herein by reference.

BY THE COURT:

Dated: February 8, 2022

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Kevin W. Eide  
Judge of District Court

NOTICE: A true and correct copy of this Order/Notice has been served by EFS upon the parties. Please be advised that orders/notices sent to attorneys are sent to the lead attorney only.

## **MEMORANDUM**

### **Factual Background**

Following the death of Prince Rogers Nelson, the Court determined that there were six siblings or half-siblings of Prince who were the lawful heirs of the Estate. They were Tyka Nelson, Omarr Baker, Alfred Jackson, Sharon Nelson, Noreen Nelson and John Nelson. Alfred Jackson and John Nelson are now deceased. Omarr Baker and Alfred Jackson (and subsequently

the Estate of Alfred Jackson) agreed to sell their entire expectancy interest in the Estate to Primary Wave. Tyka Neson agreed to sell a portion of her expectancy interest in the Estate to Primary Wave. Sharon Nelson, Noreen Nelson and John Nelson agreed to sell a portion of their expectancy interest in the Estate to L. Londell McMillian and Charles Spicer. For the purpose of this Order, those now maintaining an expectancy interest in the Estate shall be considered the “Heirs”.

Minnesota Statute Section 524.3-906(a) provides that “the Distributable assets of a decedent’s estate shall be distributed in kind to the extent possible,” and that “a specific devisee is entitled to distribution of the thing devised.” Minnesota Statute Section 524.3-906(a)(4) further provides that “the residuary estate shall be distributed in kind if there is no objection to the proposed distribution and it is practicable to distribute undivided interests. In other cases, residuary property may be converted into cash for distribution.”

In this proceeding, no party is asking the Court to order that the assets be converted to cash for distribution. Further, all parties who participated in this hearing agreed that the Court has substantial equitable powers to carry out the intent of the statute and protect the interests of the Heirs.

Sharon Nelson, Noreen Nelson, the Estate of John Nelson, L. Londell McMillian and Charles Spicer argue that the intent of 524.3-906 is that each Heir be entitled to their undivided share of the assets of the Estate and, importantly, they not be forced to contribute their share to a business entity against their wishes. The Court agrees.

The theoretical distinction may not be significant. Under the single holding company structure proposed by Primary Wave, the two fifty percent ownership groups would need to work out a management structure within the company that would determine how decisions would be made, what directors and officers would be elected or appointed, and how day-to-day operations would be conducted. Under the two-entity proposal by Sharon Nelson, Noreen Nelson, the Estate of John Nelson, L. Londell McMillian and Charles Spicer, the two holding companies would be formed. In turn, the two holding companies would determine how decisions would be made and how day-to-day operations would be conducted by negotiating a joint management agreement.

The practical distinction is significant to the individual Heirs. If the Court would adopt the proposal of Primary Wave, the Court would direct the creation of a single holding company

and direct that the Heirs must contribute their share to that entity, even if they oppose its creation. Their control over their inheritance might appear to be minimal, as they would hold a minority voting share in a holding company that would, to some degree, be managed by directors or officers which have been elected or appointed. The Heirs have waited for almost six years to have some control over how the Prince Estate moves forward. The Court will not, by choice, order that their share of the Estate be turned over to a single holding company.

This Court also acknowledges that it would not be equitable for one Heir to withhold their ascent to business opportunities that bind the other Heirs or diminish the value of Estate assets. The Court will require that the management structure be in place before distribution. The Court's decision today shall be reviewed further if the parties do not set up the two-entity holding companies that have been proposed, if the two holding companies cannot reach an agreement as to a management structure, and if the Heirs are unwilling to assign their interests to the holding companies.

All Heirs agree that the Subchapter S corporations that are owned by the Estate must be converted to LLCs. They disagree as to how long this will take. Counsel for the Personal Representative have opined that this will take 4-6 months. Sharon Nelson, Noreen Nelson, the Estate of John Nelson, L. Londell McMillian and Charles Spicer have proposed that the Court distribute all assets except the Subchapter S corporations as soon as possible. In that event, they further propose that the Personal Representative, Comerica, be allowed to resign and be replaced by fiduciaries appointed by the two Heirs groups. This is short-sighted. The Court is convinced that, even after the issuance of this order, distribution of the non-subchapter S assets will take some time. The new fiduciaries would have to go through an extensive learning curve to take over the reins of the various businesses. This would be expensive for Comerica to pass on the expertise they have developed and for the new fiduciaries to understand all that is necessary. The management of the businesses would be fragmented until the subchapter S corporations were also distributed. The Court does not consider this to be a viable option just to distribute some of the assets a couple of weeks or months earlier.

K.W.E.