

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF CARVER

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.

**DECLARATION OF KAREN SANDLER
STEINERT****PUBLICLY FILED REDACTED
VERSION**

I, Karen Sandler Steinert, declare and state as follows:

1. I am a shareholder at Fredrikson & Byron, P.A. (“Fredrikson”), counsel for Comerica Bank & Trust, N.A. in its capacity as personal representative (the “Personal Representative” of the Estate (the “Estate”) of Prince Rogers Nelson (the “Decedent”). Along with Mark Greiner, I manage and oversee Fredrikson’s representation of the Personal Representative.

2. Sharon, John, and Norrine Nelson, L. Londell McMillan, and Charles Spicer (the “Objectors”) challenge the legal fees charged by Fredrikson in connection with the IRS estate tax litigation (the “Estate Tax Litigation”). The time period encompassed by the Personal Representative’s fee application involved work on a number of separate matters relating to the Estate Tax Litigation. Although the estate tax petition was filed in the summer of 2020, IRS counsel did not begin to engage substantively with the Estate on settlement discussions until January 2021. During the time period at issue, the Estate resolved the valuation of all real estate matters with the IRS and [REDACTED]

[REDACTED]. Both of these matters involved substantial and necessary work during this time frame

in order to (i) meet with the IRS, (ii) research substantive questions of law raised in connection with the negotiations, (iii) coordinate with the Estate's valuation experts and (iv) prepare correspondence, offers and counterproposals.

3. Mark Greiner, Sue Ann Nelson, and I have been the primary attorneys involved with the Estate Tax Litigation since the IRS audit of the estate tax return began in May 2018. We have involved additional attorneys at the firm on discrete matters that do not require significant knowledge of the case. The staffing of three shareholders at the firm is appropriate in light of the significance of the estate tax deficiency proposed and the specialized experience and varying levels of involvement of the team involved. The work each of us has performed has been necessary and non-duplicative in nature.

4. Ms. Nelson is a former trial attorney for the IRS and focuses her practice on tax litigation. She is an expert on IRS and Tax Court procedure and has been able to leverage this experience to help shape appropriate resolution on issues with the IRS. Her hourly rate is commensurate with her experience in the field, both among local and national practitioners, and has been consistently approved by this Court. Ms. Nelson spent fewer hours on this matter than the other lawyers involved beginning in May 2021, when the Estate began preparations on a non-technical global settlement proposal.

5. Mr. Greiner has led the overall supervision of the estate administration since Comerica began serving as personal representative in February 2017, including with respect to the Estate Tax Litigation. In this role, Mr. Greiner's involvement in the Estate Tax Litigation is critically important. A more detailed review of invoices reflects that Mr. Greiner has billed less to the Estate Tax Litigation during this time period than me or Ms. Nelson, appropriate to his role as general counsel to the Estate. Mr. Greiner's hourly rate is appropriate given his experience both among local and national practitioners and has been consistently approved by this Court.

6. I bring a depth of knowledge to the team as to the factual basis for the valuation of various estate assets. From the outset of trying to file an estate tax return for the Estate, the chaotic state of the Decedent's records made bringing a sense of order to the valuations difficult. These problems persisted throughout the audit stage, where I supervised the document production. My historic knowledge of the factual bases and supporting documentation makes my participation in the negotiation stage with the IRS critical. My hourly rate is appropriate given my experience in estate administration among both local and national practitioners and has been consistently approved by this Court.

7. Additional attorneys at the firm are involved on discrete matters. The Objectors highlight fees billed to the Estate by Lynn Linne (\$8,242 in March 2021). Fredrikson utilized Ms. Linne—a first year shareholder—to conduct research on certain real estate valuation matters. This was prudent because Ms. Linne had previously led the firm's representation of the Estate on property tax disputes while she was an associate, meaning that she already had a base of knowledge on the matter. Fredrikson has also consistently utilized a staff attorney, Adam Gyurisin, to assist on computational matters.

8. The Objectors continue to object to the allegedly slow speed at which the Estate Tax Litigation is being resolved. As Fredrikson has communicated on a number of occasions, the Estate has no control over the speed at which the IRS proceeds on these matters. After successfully resolving the real estate matters with the IRS during May 2021, [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] (to which most of the time billed on this matter in May 2021 relates).

9. The Objectors' objection misrepresents and conflates the additional value asserted in the IRS's Notice of Deficiency with the additional tax attributable to such value. The Notice of Deficiency indicated a deficiency in estate tax of \$32,356,762, as well as penalties of \$6,355,367. The deficiency resulted from additional value that the IRS was proposing of approximately \$82 million. Of this additional \$82 million of value, approximately \$9.3 million of the additional value asserted by the IRS related to the real estate assets. The Estate and the IRS agreed to a settlement of additional value on the real estate assets of less than 1/3 of the amount set forth in the Notice of Deficiency, with an increase from the amount reported by the Estate of approximately \$2.75 million. This resulted in a reduction of federal estate tax liability by more than \$2.2 million, as well as additional savings with respect to interest and penalties associated with such assets. The Estate's legal fees spent on the resolution of the real estate valuation matters are appropriate in light of these significant savings, particularly considering that some of the fees expended during this time period relate to matters on which the IRS has not yet provided a response.

10. The Objectors also challenge amounts billed under Fredrikson's "Intellectual Property" matter. Fredrikson uses the matter for work related to the Estate's intellectual property that does not fall within more specific matters.

11. With respect to the "IP Due Diligence Project" identified in the objection, during the Decedent's lifetime, there were substantial deficiencies associated with the Decedent's maintenance and organization of his copyright catalog and entertainment industry agreements. The result of those deficiencies is that there was, following the appointment of the Personal Representative, substantial disarray regarding the copyright registrations controlled or potentially controlled by the Estate, as well as licenses, security interests, and assignments related thereto. In anticipation of the closing of the Estate, the Personal Representative directed Fredrikson to undertake a review of those copyright registrations to determine: (1) how they are held (i.e., in the

name of the Decedent, under a pseudonym, or in an entity); (2) what other individuals or entities claims rights to the registrations; (3) the historical ownership of each registration; and (4) how the various agreements entered into by the Decedent and the Estate implicate the registrations, including permissions that may be necessary in order to transfer the registrations. The Personal Representative needed to complete the project so that it can transfer the copyrights to the successors to the Estate when the Estate is closed.

12. The task required Fredrikson to review and catalog more than 1,900 copyright registrations, as well as analyze the rights to those registration, as controlled by the numerous entertainment agreements to which the Decedent or the Estate is a party. The result of the project is a detailed spreadsheet with 14 columns and over 1,900 rows cataloging each copyright registration that the Personal Representative can use to determine which entities to assign various assets to, prepare assignments and obtain relevant permissions from its entertainment partners upon closing of the Estate.

**I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS
TRUE AND CORRECT.**

Dated: August 11, 2021

s/ Karen Sandler Steinert
Karen Sandler Steinert