

LESSONS LEARNED FROM THE Prince Estate

What the yearslong legal battle can teach us about the importance of proper estate planning

By Joseph Cassioppi and Anne Rondoni Tavernier

The issues that arose from the intestate estate of the late music icon Prince Rogers Nelson could fill a legal textbook. From qualification procedures for DNA testing for over 100 putative heirs to methods for valuing music publishing and recording rights, the Carver County District Court in Minnesota handled an incredible range of contested matters over the course of nearly six years. But of particular importance for fiduciaries, beneficiaries and their counsel are the attempts by Prince's heirs to remove the corporate personal representative of the estate.



Robert Whitman (American, 20th century)
Prince, Minneapolis, Minnesota, 1977
Sold for: \$1,750 | October 2018

Initial Conflict

Prince passed away in April 2016 from an accidental fentanyl overdose at his home and recording studio, Paisley Park, located in suburban Minneapolis. The court appointed a special administrator, which was replaced by a corporate personal representative in early 2017. By then, the court had determined that Prince's six siblings were the heirs of the estate. The heirs' interests of expediting distribution of estate assets and shaping Prince's legacy ran headfirst into the personal representative's duty to raise funds to pay estate taxes and prepare for a valuation dispute with the IRS. As the personal representative attempted to balance the heirs' involvement with efficient estate administration, conflict quickly followed. Certain of the estate heirs made multiple attempts to remove the personal representative. None succeeded.

The "Nuclear Option"

The first removal attempt was in late 2017, when three heirs brought a petition under Minnesota's version of Section 3-611 of the Uniform Probate Code, which allows termination of a personal representative for, among other reasons, misrepresentation, mismanagement, or if removal is "in the best interests of the estate." A petition under Section 3-611 is the removal "nuclear option," as the mere filing of the petition requires the personal representative to immediately cease all activities "except to account, to correct maladministration or preserve the estate." In the context of the Prince estate, where the personal representative was addressing literally dozens of complicated issues on a daily basis, the "pencils down" order endangered a host of ongoing work. Virtually all administration ceased for four days, until the personal representative obtained an expedited order allowing it to continue administering the estate. The resources spent litigating the petition, in turn, frustrated the heirs who did not seek removal. Ultimately, the court rejected the petition in its entirety.

Strike Two

The second removal attempt was brought by just one heir, who filed a separate civil action seeking to remove the personal representative. Because the court found that the heir was attempting to relitigate issues that had been decided adverse to the heir in the earlier petition, the court sanctioned the heir.

Strike Three

Finally, in 2019, all six heirs brought a petition that would have drastically limited the authority of, and thereafter removed, the personal representative. In its order denying the petition, the court found that the heirs' arguments echoed the first petition and lacked specificity beyond generalized concerns. The court – which had instituted extraordinary protocols to ensure the heirs could participate in decisions regarding monetizing the estate's entertainment assets – issued a stern warning to the heirs:

"Unless a viable alternative is presented by the Heirs to replace the current Personal Representative, the Court will view further discord with a leaning toward limiting the authority of the Heirs to participate in the administration of this estate, not limiting the authority of the Personal Representative."

Takeaways

1. Fiduciaries can affirmatively protect against removal petitions by creating a record of open communication with beneficiaries.
 - For the Prince estate, the personal representative went to extreme lengths to keep the heirs advised on estate activities.
 - Importantly, that included regular meetings in which vital information regarding estate assets was shared, detailed meeting minutes, and thorough documentation of emails and calls with heirs and their counsel.
 - When the heirs asserted that the personal representative was hiding or misrepresenting its activities, the personal representative could prove that such claims were false, which the court repeatedly cited in its orders denying the removal petitions.
2. Beneficiaries who seek to remove a fiduciary cannot do so on a whim or based on a disagreement with strategy. Personal representatives have substantial discretion to administer estates, and, absent a really good reason, most courts are hesitant to interfere with that administration.
3. Unfortunately, disputes among beneficiaries of the Prince estate continue to this day. What ultimately convinced the heirs to forgo a fourth attempt to remove the personal representative was the realization that with each attempt, the heirs were paying their own attorneys' fees and – through a reduction of the estate's cash assets – the personal representative's attorneys' fees as well.

Conclusion

Absent good cause to remove, a removal petition will most often result in an expensive and losing battle.



Joseph Cassioppi is a shareholder at Fredrikson & Byron P.A.



Anne Rondoni Tavernier is a shareholder at Fredrikson & Byron P.A.



Prince (70+) photographs
Sold for: \$1,792 | June 2017

Prince Owned and Gifted Signature Schecter "Cloud" Guitar
Sold for: \$40,000 | April 2021