

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL CIRCUIT,
IN AND FOR PALM BEACH COUNTY, FLORIDA
PROBATE DIVISION "IH"

Case No. 50 2012-CP-4391 XXXX NB

IN RE: THE ESTATE OF:
SIMON BERNSTEIN,
Deceased.

ORDER DENYING MOTION TO VACATE
AND
DENYING MOTION TO DISQUALIFY FOR INAPPROPRIATE JURISDICTION,
ALTERNATIVELY, DENYING ON ITS MERITS, AND
ORDER DENYING APPOINTMENT OF TED BERNSTEIN AS ADMINISTRATOR AD
LITEM

THIS MATTER came before the Court February 16, 2017, March 2, 2017, and March 16, 2017 on the following matters:

1. October 7, 2016, D.E. 496, Stansbury's Motion to Vacate in Part the Court's Ruling on September 7, 2016, and/or Any Subsequent Order, Permitting the Estate of Simon Bernstein to Retain Alan Rose and Page, Mrachek, Fitzgerald, Rose, Konopka, Thomas & Weiss, P.A. as Legal Counsel and Motion for Evidentiary Hearing to Determine Whether Rose and Page, Mrachek are Disqualified from Representing the Estate Due to an Inherent Conflict of Interest.
2. November 28, 2016, D.E. 507, Stansbury's Motion to Disqualify Alan Rose and Page, Mrachek, Fitzgerald, Rose, Konopka, Thomas & Weiss, P.A.¹ as Legal Counsel for the Estate of Simon Bernstein Due to an Inherent Conflict of Interest.
3. Evidentiary Hearing on Trustee's Motion to Approve Retention of Counsel and to Appoint Ted S. Bernstein as Administrator Ad Litem to Defend Claim Against the Estate by William Stansbury, D.E. 471, Objection to Trustee's Motion to Appoint Ted S. Bernstein as Administrator Ad Litem to Defend Claim Against Estate by William Stansbury, D.E. 475, and Order Granting Retention of Counsel and Deferring on Administrator Ad Litem, D.E. 495

¹ Hereafter, "Mrachek Firm" unless quoted separately from an Order or document.

Present before the Court were Peter Feaman, Esquire on behalf of William Stansbury (hereafter “Stansbury”); Alan Rose, Esquire on behalf of Ted Bernstein, Trustee, Brian O’Connell as Personal Representative of the Estate of Simon Bernstein, Eliot Bernstein as interested party. The parties presented their testimony and evidence. Thereafter, pursuant to the Court’s March 3, 2017 Order, the parties were to submit written closing arguments and proposed orders no later than March 9, 2017².

The Court carefully evaluated and weighed the testimony presented, considering the intelligence, frankness, credibility, plausibility, character, and competence of each witness, all the while being cognizant of the interests of the parties in the outcome of the case. Based on the forgoing, giving the evidence and testimony the weight it deserves, the Court has resolved any conflicts in the evidence. After evaluating the witnesses’ testimony, exhibits, and the applicable law, and being otherwise informed in the premises, the Court makes the following findings of fact:

1. On July 24, 2014, “the parties having agreed to the appointment,” this Court entered an Order Appointing Successor Personal Representative, Brian M. O’Connell, Esquire, D.E. 219. The letters issued on July 24, 2014 give Brian O’Connell, as the Personal Representative of the Estate of Simon Bernstein, the “full power to administer the estate according to law; to ask, demand, sue for, recover”
2. Pursuant to Fl. Stat. 733.612(19), *without court order*, a personal representative acting reasonably for the benefit of the interested persons may properly employ persons, including, but not limited to, attorneys. Moreover, pursuant to 733.612(20) the Personal Representative, *without court order*, has the power to prosecute or defend claims or

² On March 10, 2017 Eliot Bernstein filed a motion to accept a late filing in excess of the given page limit. While the Court acknowledges the late filing and will give it the weight appropriate, this Court will not condone or excuse violations of its Order.

proceedings in any jurisdiction for the protection of the estate and of the personal representative.

3. On September 1, 2016 the parties presented to the Court on Successor Trustee's [Brian O'Connell's] Motion to Approve Retention of Counsel AND, to Appoint Ted S. Bernstein as Administrator Ad Litem to Defend Claim Against Estate by William Stansbury.
4. On September 29, 2016, D.E. 495, this Court entered its Order Approving Retention of Counsel and Deferring Ruling on Appointment of Ted S. Bernstein as Administrator Ad Litem to Defend Claim Against Estate by William Stansbury. This Order states, "The Court, having reviewed the Motion and the record, *having been advised in the Motion that the PR and the beneficiaries of the Estate believe this relief will result in a benefit to the Estate, having been advised that William Stansbury has filed a written objection to Ted S. Bernstein serving as Administrator. . . .*" (emphasis added).
5. Notwithstanding the Personal Representative's statutory right to retain counsel without court approval, the September 29, 2016 Order then grants in part and defers in part, stating as follows:

2. The Court approves the retention of the law firm Mrachek, Fitzgerald, Rose, Konopka, Thomas & Weiss, P.A. ("Mrachek-Law") to serve as counsel for Brian O'Connell, as Personal Representative of the Estate of Simon L. Bernstein, for the purpose of defending the Estate in an independent action brought by William Stansbury. The reasonable costs and attorneys' fees incurred by Mrachek-Law in defending the claim shall be paid by the Estate.

3. Unless Stansbury withdraws his objection, the Court will need to conduct an evidentiary hearing on that portion of the motion which seeks the appointment of an administrator

ad litem. The Court will determine at the evidentiary hearing whether to appoint Ted S. Bernstein as administrator ad litem under Rule 5.120, which provides that when necessity arises, "the court may appoint an administrator ad litem . . . without bond or notice for that particular proceeding."

Until the evidentiary hearing, the Court defers ruling on the administrator ad litem issues.

6. Noteworthy is the fact that in the Court's Order appointing the Mrachek Firm, no objection from Stansbury was noted; the only objection noted is to appointment of Ted as administrator ad litem to which an evidentiary hearing would be required.
7. The 2012 independent action brought by William Stansbury referenced in the Court's Order cited above is a 2012 case pending in the Civil Division, 50-2012-CA-013933, Division AN, wherein Stansbury seeks to recover in excess of \$2.5 million from the Estate of Simon Bernstein based upon alleged misconduct of Simon Bernstein. (After Simon's death the Personal Representative of the Estate was substituted as the real party in interest.)
8. Stansbury's claims arise from Stansbury's part ownership and employment with LIC Holdings, Inc. ("LIC") and Arbitrage International Management, LLC ("AIM"), two companies founded by Simon and Ted Bernstein. Stansbury has asserted claims against the Estate of Simon Bernstein for breach of contract, fraudulent inducement, conspiracy, equitable lien, and constructive trust. Stansbury is a claimant, not a creditor, against the Estate. On June 23, 2014 in the independent civil case, 50-2012-CA-013933, the Court entered an Order of Dismissal with Prejudice of Certain Parties and Claims; specifically, the Court dismissed Defendants, Ted S. Bernstein, individually, LIC Holdings, Inc., Arbitrage International Management, LLC, f/k/a Arbitrage International Holdings, LLC and the Shirley Bernstein Trust Agreement dated May 20, 2008, D.E. 214.
9. Pending ending in Illinois is the case of *Simon Bernstein Irrevocable Insurance Trust Dtd. 6/21/95, Ted Bernstein, et al. v. Heritage Union Life Insurance Company, et al.*, Case No. 13

CV 3643, United States District Court for the Northern District of Illinois (the “Insurance Litigation”). This case commenced after Simon’s death and seeks to have the Court determine the rightful owners of Simon’s 1.7 million dollar life insurance death benefit proceeds. Ted Bernstein, individually, and as an alleged Trustee of a purported lost trust document, and his siblings, Pamela Simon, Jill Iantoni, and Lisa Friedstein, as Plaintiffs, seek to recover the \$1.7 million dollar life insurance proceeds for the ultimate benefit of Simon Bernstein’s adult children.

10. The Simon Trust is the primary beneficiary of the Estate via a pour over will. The beneficiaries of the Trust are Simon’s ten grandchildren. Initially, the Estate was not a party to the Insurance Litigation. The Illinois Court denied Stansbury the right to intervene in the Insurance Litigation. Subsequently, the Estate, at the request of Stansbury in the instant probate litigation, intervened. Stansbury is funding the Estate’s costs and fees in the Illinois litigation based on this Court’s dated May 23, 2014. Clearly, Stansbury, as a claimant of the Estate, seeks to benefit from the Estate’s collection of the insurance proceeds *if* Stansbury prevails in his civil independent action against the Estate.
11. Stansbury argues that Mrachek Firm represented Ted in his deposition in the Insurance Litigation in Illinois. Illinois counsel for Ted as the Plaintiff attended the deposition. Apparently, O’Connell agreed not to attend the trial to save money. Mrachek Firm never filed a notice of appearance in the Illinois Court. It is undisputed that Elliot and Stansbury were present during that deposition. Ted was examined extensively by counsel for the Estate. Mrachek Firm objected approximately four times. The deposition was taken prior to the trial in Palm Beach County to determine the validity of the will and trusts. There is no indication that Mrachek Firm was acting in any capacity other than on behalf of Ted as Trustee in an effort to protect any interests in the validity dispute.

12. On October 7, 2016, D.E. 496, in the instant probate action Stansbury filed his Motion to Vacate in Part the Court's Ruling on September 7, 2016, and/or Any Subsequent Order, Permitting the Estate of Simon Bernstein to Retain Alan Rose and Page, Mrachek, Fitzgerald, Rose, Konopka, Thomas & Weiss, P.A. as Legal Counsel and Motion for Evidentiary Hearing to Determine Whether Rose and Page, Mrachek are Disqualified from Representing the Estate Due to an Inherent Conflict of Interest.

13. In D.E. 496, Stansbury's Motion to Vacate, Stansbury states as follows:

1. Stansbury filed a lawsuit styled *William E. Stansbury v. Ted Bernstein, et al*, Case No. 50 2012 CA 013933 MB AA, Palm Beach County, Florida against Simon Bernstein ("Simon"), Ted Bernstein ("Ted") and several corporate defendants in August of 2012 to collect compensation, and other damages due Stansbury arising out of an insurance business in which Stansbury, SIMON and TED were principals. Stansbury asserted claims against Simon and Ted both as agents of the corporate defendants and in their individual capacities (the claims against TED and the companies have settled). The Shirley Bernstein Trust was dropped as a Party.

14. After Simon died, the Estate was substituted into the lawsuit; Ted Bernstein serves as Trustee of the July 25, 2012 "Simon Trust". It is undisputed that Stansbury has settled the claims against Ted, individually, and as to the corporate defendants. It is undisputed that Mrachek Firm represented some of the dismissed corporate defendants in the civil independent lawsuit set forth above.

15. Mrachek Firm represents Ted Bernstein, as Trustee of the Simon Trust, the sole residuary beneficiary of the Estate with the exception of certain personal property, in the current probate litigation involving the Estate of Simon, 50-2012-CP-4391. The Simon Trust is a pour over trust and Simon's ten grandchildren are the beneficiaries of the Simon Trust.

16. On November 28, 2016, D.E. 507, Stansbury filed his Motion to Disqualify Alan Rose and Page, Mrachek, Fitzgerald, Rose, Konopka, Thomas & Weiss, P.A. as Legal Counsel for the Estate of Simon Bernstein Due to an Inherent Conflict of Interest.
17. Elliot Bernstein joins Stansbury's opposition to the appointment of Mrachek Firm. Elliot is a residuary beneficiary of any tangible property of the Estate. All other beneficiaries (Trust Beneficiaries) approve the retention of the Mrachek Firm.
18. Stansbury's Motion to Vacate, D.E. 496, and Stansbury's Motion to Disqualify, D.E. 507, are *not* based on perceived conflict arising out of the Mrachek Firm and alleged association or representation of William Stansbury, Plaintiff in the civil suit. ***It is undisputed that the Mrachek Firm never represented Stansbury, obtained any confidential information from Stansbury, or attempted to use, obtained, or are in possession of privileged information regarding Stansbury and now must be disqualified.*** In fact, there was no evidence that Mrachek has obtained or used any information that would prejudice a current or former client.
19. Stansbury is objecting to the Personal Representative's choice of counsel for the Estate based on a perceived conflict from Mrachek's Firm's representation of Ted as Trustee of the Simon Trust.
20. With regard to the Motion to Vacate Judge Phillip's Order, the Court finds, without court order, the Personal Representative has the right to retain counsel to defend lawsuits. Independent of the same, after a hearing wherein no objection was raised, Judge Phillips granted the retention of the Personal Representative's choice of counsel. This Court denies the motion to vacate.
21. With regard to the Motion to Disqualify, the parties have all stipulated and agreed that the undersigned judge should decide this matter versus the civil judge in the probate proceeding.

The parties' rationale is that since the prior judge approved the retention of counsel by the Personal Representative, this Court should make the decision on whether to disqualify Mrachek Firm from another judge's case. Stansbury is objecting *as the Plaintiff* in the civil lawsuit to the Defendant's choice of counsel. Specifically, Stansbury, Plaintiff, objects to the Defendant, Estate's choice of counsel via the Personal Representative of the Estate. Elliot believes there has been a continuing fraud being perpetrated by the Court and Ted; Elliot joins Stansbury's objection.

22. Despite the parties' stipulation allowing this Court to decide whether Mrachek Firm should be disqualified from representing the Estate in the civil case, this Court is hard pressed to see how this Court can rule on a matter in a separate case without the other judge's approval / acquiesce of the same. This Court hereby finds this Court is not the proper forum and the matter should be heard in the civil litigation. However, if in fact the other Court chooses to accept this Court's findings in order to conserve judicial resources and the efficiency of justice, since this Court heard in excess of six hours of evidence and testimony, this Court would deny the motion to vacate and to disqualify on the merits.

23. Stansbury has alleged disqualification of Mrachek Firm is appropriate under Florida Rule Regulating the Florida Bar, 4-1.7(a):

Rule 4-1.7. Conflict of Interest; Current Clients

(a) Representing Adverse Interests. Except as provided in subdivision (b), a lawyer must not represent a client if:

- (1) the representation of 1 client will be directly adverse to another client; or
- (2) there is a substantial risk that the representation of 1 or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

(b) Informed Consent. Notwithstanding the existence of a conflict of interest under subdivision (a), a lawyer may represent a client if:

- (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
- (2) the representation is not prohibited by law;
- (3) the representation does not involve the assertion of a position adverse to another client when the lawyer represents both clients in the same proceeding before a tribunal; and
- (4) each affected client gives informed consent, confirmed in writing or clearly stated on the record at a hearing.

(c) Explanation to Clients. When representation of multiple clients in a single matter is undertaken, the consultation must include an explanation of the implications of the common representation and the advantages and risks involved.

24. Again, Stansbury is not asserting Mrachek Firm ever represented Stansbury. The Personal Representative of the Estate, Brian O'Connell, executed the PR's Statement of Its Position That There is No Conflict and His Waiver of Any Potential Conflict. Mr. O'Connell also testified that it is his opinion that the Estate would be best served by the Mrachek Firm being retained.
25. The comment Rule 4-1.7 states as follows:

Conflict charged by an opposing party

Resolving questions of conflict of interest is primarily the responsibility of the lawyer undertaking the representation. In litigation, a court may raise the question when there is reason to infer that the lawyer has neglected the responsibility. In a criminal case, inquiry by the court is generally required when a lawyer represents multiple defendants. Where the conflict is such as clearly to call in question the fair or efficient administration of justice, opposing counsel may properly raise the question. Such an objection should be viewed with caution, however, for it can be misused as a technique of harassment. See scope.

26. The Court has reviewed all the testimony, case law, positions of the parties, and considered the position of the Estate as expressed by the Personal Representative, an experienced Estate and Probate Attorney.

27. The Estate's goal in the Stansbury litigation is to defend against Stansbury's claim and minimize Stansbury's recovery. The Mrachek Firm has extensive knowledge of this lawsuit. Given Stansbury is the Plaintiff in that lawsuit, the Court embraces the Comment to Rule 4-1.7 and heeds its warning. The Court finds no conflict in affirming the Personal Representative's choice of counsel, the Mrachek Firm, to defend the Estate in the Stansbury litigation. Additionally, this Court finds that if in fact there is a conflict, it has been waived by the Personal Representative.

28. The Court now turns to the question of whether Ted Bernstein should be appointed by the Court as an Administrator Ad Litem on behalf of the Estate in the Stansbury litigation.

29. Florida Statute 733.308 Administrator ad litem states as follows:

When an estate must be represented and the personal representative is *unable to do so*, the court shall appoint an administrator ad litem without bond to represent the estate in that proceeding. The fact that the personal representative is seeking reimbursement for claims against the decedent does not require appointment of an administrator ad litem.

(emphasis added).

30. Brian O'Connell testified in Court that it is his position that the appointment of Ted would be in the best interest of the Estate for the following reasons: Ted has the most knowledge of the claims; Ted will not charge the estate and Mr. O'Connell would charge for his time; the appointment is limited to the civil litigation and has no overlap with the Insurance Litigation in Illinois; Mr. O'Connell's busy schedule would delay the litigation's progress; and, he would still be intricately involved with any negotiations on behalf of the Estate. There is no indication that Mr. O'Connell is unable to represent the Estate.

31. The parties stipulated to the March 13, 2017 deposition of Brian O'Connell coming into evidence. Stansbury's counsel, Mrachek Firm, and Elliot all had the opportunity to question Mr. O'Connell regarding his positions regarding the Estate being represented by Ted as administrator ad litem. Additionally, all parties questioned Mr. O'Connell regarding his

position on whether the Estate should continue in the Insurance Litigation. It is Mr.

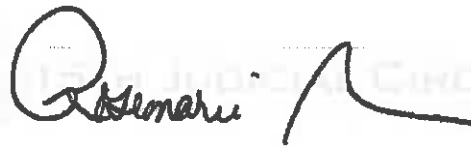
O'Connell's position that the Estate should continue its positions in the Insurance Litigation.

32. The Court finds Mr. O'Connell to be credible. Conserving the Estate's assets by not having to pay the Personal Representative to be involved in the Stansbury litigation is a laudable goal; nonetheless, the Court cannot ignore the fact that the Estate and Ted are adverse in the Illinois lawsuit. Moreover, Mr. O'Connell is capable of representing the Estate. While the Illinois action is still pending, the Court declines to appoint Ted as Administrator Ad Litem.

IT IS ORDERED AS FOLLOWS:

The Court **DENIES** Stansbury's motions seeking to vacate the retention order of September 7, 2016, and to disqualify the Mrachek Firm. The Court **DENIES** appointment of Ted Bernstein as Administrator Ad Litem.

DONE AND ORDERED in Chambers, North County Courthouse on ^{April 27,} ~~3rd~~, 2017.



HONORABLE ROSEMARIE SCHER

cc: All parties on the attached service list

IN RE: Estate of SIMON L. BERNSTEIN
 File No.: 502012CP004391XXXXNB IH
 Notice of Hearing for 3/21/17

SERVICE LIST

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