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In the Matter of the Trust Created by  
Article VII of the Last Will and Testament  
of CHARLES K. BLANDIN (aka the  
Residuary Trust),  
Deceased.

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**FINDINGS OF FACT,  
CONCLUSIONS OF LAW, AND  
ORDER ALLOWING TRUSTEES'  
ACCOUNTS AND OTHER RELIEF**

The above-titled matter came on for hearing, pursuant to notice duly given, before the undersigned, one of the Judges of this Court, on March 7, 2022 on the Petition to Allow Trustees' Accounts and Other Relief of Wells Fargo Bank Minnesota, N.A. ("Wells Fargo") and James Hoolihan filed January 5, 2022 (the "Petition"). The Petition covered the period commencing January 1, 2018 and ending December 31, 2020.

Shehla P. Tauscher, Neal T. Buehe, and Andrew T. Howard of Taft, Stettinius & Hollister LLP, appeared for Petitioners. James W. Rockwell of Wells Fargo, James Hoolihan and Tuleah Palmer, President and Chief Executive Officer of the Charles K. Blandin Foundation ("Foundation") were present and testified in support of all aspects of the Petition. Daniel Lemm, Chief Financial Officer of the Foundation, Jennifer Bevis, Communications Associate for the Foundation, and Marie Ruzek and Dan Burke of Wells Fargo were also present.

Assistant Attorney General Lindsey Lee appeared by letter dated February 16, 2022.

Upon the evidence adduced and all the files and proceedings herein, the Court makes the following Findings of Fact, Conclusions of Law and Order:

**FINDINGS OF FACT**

1. The Residuary Trust is subject to the *in rem* jurisdiction of the Court pursuant to Minn. Stat. § 501C.0201 and the Petition is authorized pursuant to Minn. Stat. § 501C.0202 and 501C.0205.

2. This matter is brought on for hearing pursuant to the Notice and Order for Hearing of this Court dated January 26, 2022. Notice of Hearing was published in the St. Paul Legal Ledger (MN) on January 31, 2022. Notice of Hearing was published in the Grand Rapids

Herald-Review on January 30, 2022. Mailed notice was given to the Office of the Minnesota Attorney General, and to the Charles K. Blandin Foundation.

3. Petitioners are the duly qualified and acting trustees of the Residuary Trust. The appointment of Petitioner, then known as Northwestern National Bank of St. Paul, was confirmed by Order of this Court dated April 23, 1958. Bruce W. Stender was appointed a co-trustee to succeed James R. Oppenheimer by Order of this Court dated April 9, 1997, and James Hoolihan was appointed as the individual co-trustee to succeed Bruce W. Stender by Order of this Court dated November 29, 2011.

4. Charles K. Blandin created the Residuary Trust by his Last Will and Testament which consists of his Will dated January 18, 1949, and Codicils thereto dated December 17, 1951, October 1, 1952 and October 19, 1953. Charles K. Blandin died February 9, 1958, a resident of Ramsey County, Minnesota. His Will and Codicils were duly admitted to probate in Ramsey County, Probate Court File No. 97521. The Will and Codicils are sometimes referred to as the trust or the trust instrument. Two of the trusts created under his Will and Codicils are subject to the jurisdiction of this Court:

- The Trust Created Under Article III of the Codicil dated October 19, 1953, of the Will (the "Cemetery Trust") (Ct. File No. 62-CX-58-302792).
- The Trust Created Under Article VII of the Will, sometimes referred to as the Residuary Trust and/or the Charitable Trust (Ct. File No. 62-C5-58-302795).

The Petitioners filed the Petition with respect to the Trust Created Under Article VII of the Will, sometimes referred to as the Residuary Trust and/or the Charitable Trust. Wells Fargo Bank, N.A., as sole trustee of the Cemetery Trust, has filed a separate Petition with respect to the Cemetery Trust.

#### **DISTRIBUTION REQUIREMENTS**

5. The Residuary Trust provides in pertinent part that "[T]he net income shall be paid in quarter-yearly installments to the Charles K. Blandin Foundation, a charitable corporation organized under the laws of Minnesota, to be expended by said corporation solely within this State..."

6. This Residuary Trust is a private foundation as described in Section 509 of the Internal Revenue Code of 1986, as amended, (the Code) and Minn. Stat. § 501B.32. As such, the Residuary Trust is required by Section 4942 of the Code to make annual distributions based upon five percent (5%) of the value of its assets, less certain expenses. This amount is the Residuary Trust's minimum distribution amount and this distribution amount generally exceeds the net income of the Residuary Trust. By Order of this Court dated November 10, 1988, the Court authorized the trustees to pay annually to the Charles K. Blandin Foundation (the "Foundation") the Residuary Trust's "distributable amount" as determined in accordance with Section 4942 of the Code. To date, the trustees have done so.

7. The amount the Residuary Trust has distributed pursuant to the November 10, 1988 Court Order has exceeded the Residuary Trust's net income in each 2018, 2019 and 2020.

#### **FOUNDATION DISTRIBUTION REQUIREMENTS**

8. The Foundation is a 501(c)(3) organization classified as a private foundation as described in Section 509 of the Code and Minn. Stat. § 501B.32. The Foundation uses the amounts received by the Residuary Trust to administer the Foundation's programs and make distributions to other charities. In this connection, Article X of the Will of Charles K. Blandin contains specific directions regarding the Foundation, including its corporate governance and its grant-making policy. By Order of this Court dated October 25, 1990, this Court ruled:

*That the provision of Article X of the Will of Charles K. Blandin that requires the income of the Trust to be "of a character beneficial to the residents of" Grand Rapids, Minnesota, and its vicinity does not restrict the Foundation to supporting activities and programs solely in the Grand Rapids geographical area, and the Foundation may expend funds received from the above named Trust in such manner as the Foundation Board of Trustees deems advisable in support of activities and programs within the State of Minnesota.*

9. By Order of this Court dated December 21, 2000, the Court ruled as follows:

*In keeping with the intent of Charles K. Blandin, the Blandin Foundation's perpetual and primary responsibility is to distribute its funds to meet the reasonable needs of the Grand Rapids area. The distribution of funds to meet the reasonable needs of the Grand Rapids area is in the discretion of the Trustees. The Court's*

*Order of October 25, 1990 recognized the changed circumstances of the Trust during the past 50 years, including the increase in the Blandin Trust assets. Subject to its responsibility as described above, the Foundation may distribute funds to meet the needs, in the discretion of the Trustees, of the Minnesota communities outside the Grand Rapids area.*

10. By Stipulation and Order of this Court dated December 17, 2003 (the "2003 Stipulation and Order"), the Court confirmed as follows:

*III. In keeping with the intent of Charles K. Blandin and the Court's December 21, 2000 Order, the Blandin Foundation's perpetual and primary responsibility is to distribute its funds to meet the reasonable needs of the Grand Rapids area. The parties and Objectors agree that the Foundation shall satisfy its "perpetual and primary responsibility ... to distribute its funds to meet the reasonable needs of the Grand Rapids area" by meeting the following criteria:*

*(a) The Grand Rapids area shall mean the area contained on [an] attached map and so labeled. The area on the map is Itasca County, Minnesota, and Hill City, Remer, Blackduck, and Northome, Minnesota.*

*(b) The Foundation shall distribute an average of at least fifty-five (55) percent of all grants to benefit the Grand Rapids area during rolling six year periods. The first rolling six year period begins January 1, 2003 and continues until December 31, 2008, the second begins January 1, 2004 and continues until December 31, 2009, and so on.*

*(c) For purposes of this Stipulation and Order, the grants shall be accounted for on a cash basis.*

*(d) Grants mean all distributions to persons and entities for the benefit of the Grand Rapids areas, including scholarships to students who have graduated from schools within the Grand Rapids area.*

*(e) Nothing herein shall prohibit the Foundation from making additional distributions or spending additional funds within the Grand Rapids area.*

*The court reserves the right to review whether the Foundation is still fulfilling its perpetual and primary responsibility to meet the reasonable needs of the Grand Rapids area under this Paragraph*

*if there are significant changes to the Foundation's grantmaking and charitable distribution practices in the future.*

11. By Order of this Court dated April 28, 2015, the Court amended the average distribution percentage related to the Grand Rapids area as follows:

*The Foundation shall distribute an average of at least sixty (60%) percent of all grants to the benefit of the Grand Rapids area during rolling six year periods. The first rolling six year period begins January 1, 2015 and continues until December 31, 2020, the second begins January 1, 2016 and continues until December 2021 and on.*

#### **FOUNDATION'S COMPLIANCE WITH DISTRIBUTION REQUIREMENTS**

12. The Foundation completed its thirteenth (13<sup>th</sup>) six (6) year rolling period. These period are as follows:

1. January 1, 2003 – December 31, 2008
2. January 1, 2004 – December 31, 2009
3. January 1, 2005 – December 31, 2010
4. January 1, 2006 – December 31, 2011
5. January 1, 2007 – December 31, 2012
6. January 1, 2008 – December 31, 2013
7. January 1, 2009 – December 31, 2014
8. January 1, 2010 – December 31, 2015
9. January 1, 2011 – December 31, 2016
10. January 1, 2012 – December 31, 2017
11. January 1, 2013 – December 31, 2018
12. January 1, 2014 – December 31, 2019
13. January 1, 2015 – December 31, 2020

13. Since the 2003 Stipulation and Order, the Foundation has met or exceeded the six-year fifty-five percent (55%) rolling average grant requirement of the 2003 Stipulation and Order.

14. The Foundation has exceeded the six year sixty percent (60%) rolling average grant requirement of the April 28, 2015 Court Order for the period January 1, 2015 through December 31, 2020.

15. By its Findings of Fact, Conclusions of Law, and Order Discharging Special Master and Approving Independent Auditor Verified Self-Reporting Process dated April 28, 2015, the Court discharged Special Master Peter Ulmen and instituted the following reporting responsibilities on the Foundation ("Independent Auditor Verified Self-Reporting Process"):

(i) *The Foundation is charged with reporting its compliance with Paragraphs II and III of this Order, taking into consideration the requirement that the Foundation shall distribute an average of at least sixty (60) percent of all grants to benefit the Grand Rapids area during rolling six-year periods. The first rolling six year period begins January 1, 2015 and continues until December 31, 2020, the second begins January 1, 2016 and continues until December 31, 2021 and on.*

(ii) *The Foundation shall annually author a report that identifies the following information:*

(a) *The grant amounts paid in the prior year on a cash basis of accounting to the Grand Rapids area;*

(b) *The grant amounts paid in the prior year on a cash basis of accounting outside of the Grand Rapids area;*

(c) *The program expenses paid in the prior year on an accrual basis of accounting;*

(d) *The administrative expenses paid in the prior year on an accrual basis of accounting; and*

(e) *The total expenditures on a cash basis of accounting for the prior year as available upon filing of the Form 990-PF.*

(f) *The Foundation's report shall contain such other information as may be requested pursuant to the Supervision of Charitable Trusts and Trustees Act. Minn. Stat. §§ 501B.31 – 501B.45. The Foundation shall also provide Management Discussion and Analysis information and other points of discussion and updated information consistent with this Order and the Foundation's audit process.*

(iii) *The format of the Foundation's report shall be consistent with the reporting format established by Peter Ulmen during his tenure as special master. The Foundation may wish to amend or alter the format of the report from time to time, but any substantive changes may only be made after comment and review by the Court.*

(iv) *The Foundation's report shall be provided to the Court on or about September 30 of each year, and said report shall be*

*included in the Court's public files. In addition, the Foundation's report shall be prominently posted on the Foundation's website when it is filed with the Court.*

*(v) The Foundation's report shall be prepared by the management of the Foundation and be included as supplemental information or Management Discussion and Analysis to the Foundation's annual audited financial statements. The report shall be audited in compliance with generally accepted accounting standards and the requirements of Paragraphs II and III of this Order related to the calculation of the six-year rolling average. The audit plan shall include all appropriate procedures, including document review, personal interviews, and confirmation to ensure the accuracy of the Foundation's financial statements and to ensure the Foundation's financial statements are fairly stated in all material respects. The Foundation's independent auditor shall also (1) determine whether there has been any change in the charitable financial practices of the Foundation; (2) identify any newly issued, newly effective, or proposed accounting standards that impact the Foundation; (3) verify all material amounts and significant inputs, and recalculate all key computations related to numerical presentations presented in the supplemental information or Management Discussion and Analysis; and (4) confirm, on a test basis as part of the overall audit of the Foundation's financial statements, the accuracy of the amount and the local and rural designation of the grants approved, paid and accrued during the year as presented in the supplemental information or Management Discussion and Analysis.*

*(vi) The Foundation's annual report shall be reviewed by the Foundation's Board of Trustees each year, and after conducting such review, the Board of Trustees shall by resolution: (1) confirm that the Foundation complied with its requirement to distribute an average of at least sixty (60) percent of all grants to the benefit the Grand Rapids area during rolling six-year periods, with the first rolling six year period beginning January 1, 2015, and continuing until December 31, 2020, the second beginning January 1, 2016 and continuing until December 31, 2021, and so on; and (2) identify any significant changes in the charitable financial practices of the Foundation. The Foundation Board of Trustees' resolution for the prior year shall be included as part of the Foundation's annual report and the Board resolution for the current year shall be available upon request. The Foundation's legal counsel shall review each annual report prior to filing with the Court.*

(vii) *The Foundation's report shall also be reviewed by the trustees of the Residuary Trust each year, and after conducting such review, the trustees shall confirm in writing that the Foundation complied with its requirement to distribute an average of at least sixty (60) percent of all grants to the benefit the Grand Rapids area during rolling six-year periods, with the first rolling six year period beginning January 1, 2015 and continuing until December 31, 2020, the second beginning January 1, 2016 and continuing until December 31, 2021, and so on.*

(viii) *The Foundation shall adopt a policy that will address how to handle questions or concerns raised by any member of the Grand Rapids community regarding the Foundation's compliance with Paragraph II of this Findings and Order or the Foundation's annual report. The policy shall provide that such questions or concerns will be directly presented to the Foundation President for review and require the Foundation President to respond within ten (10) business days to the question or concern. The policy shall also provide that such questions or concerns be recorded and maintained for a minimum of two years from the date of receipt.*

(ix) *The Minnesota Attorney General's Office may from time to time have questions related to the Foundation's compliance with Paragraph II of this Order, or the Foundation's annual report. Such questions may be addressed to the Foundation President, who shall promptly respond to any inquiry of the Minnesota Attorney General's Office. In the alternative, if the Attorney General's Office determines that it is prudent to address any inquiry directly to the Court, it may do so by way of an informational meeting to be attended by representatives of the Foundation and the co-trustees of the Residuary Trust. Nothing in this Findings and Order waives, alters, or amends any right or authority the Minnesota Attorney General has under Minnesota law to enforce the laws of the State or to investigate charitable trusts.*

(x) *The Foundation's annual reports and the Foundation's compliance with Paragraphs II and III of this Findings and Order shall be formally reviewed by the Court as part of the tri-annual petition for approval of accounts.*

16. The Foundation's Annual Reports for the years 2018, 2019, and 2020 are on file with this Court.



## ACCOUNTS

17. The accounts of the trustees for years through 2017 have previously been approved and the trustees have filed with the Court their verified accounts for the years 2018, 2019 and 2020. Said accounts are full, true and correct. The accounts for the period ending December 31, 2020 shows the following assets:

<u>Fund Name</u>	<u>12/31/2020 Market Value</u>
Residuary U/W	\$0.00
Cash Account	\$39,454,233.48
Private Equity	\$58,117,645.13
Income Investments	\$39,778,428.38
Reinhart Partners	\$19,416,032.32
Time Square	\$25,999,948.46
Vanguard 500	\$75,055,906.54
EAFE	\$70,067,675.63
Abbot Downing Fees	\$0.00
KAR - SCC	\$9,747,622.02
SAM - PSC	\$2,289,772.42
Real Assets	\$25,489,684.34
Harding Loevner	\$17,455,100.91
HF Comp Strategies	\$39,160,792.92
<b>Total</b>	<b>\$422,032,842.55</b>

18. During the years 2018, 2019 and 2020, the trustees made the following distributions to the Charles K. Blandin Foundation:

Distributions	Actual Distribution
2018	\$19,524,056.98
2019	\$20,199,523.12
2020	\$18,487,923.99

19. The funds paid to the Foundation are administered in accordance with the terms of the Residuary Trust and this Court's Orders dated October 25, 1990; December 21, 2000; Stipulation and Order dated December 17, 2003; and April 28, 2015.

## INVESTMENT CONSTRAINTS

20. The Finding of Fact, Conclusions of Law, and Order Allowing Accounts and Other Relief dated April 28, 2015, provides that:

*The trustees of the Residuary Trust will not directly invest in securities lending programs without prior approval by the Court. Any future direct investment by the trustees of the [Trust] in alternative investments (including "hedge funds" audited by independent auditors and on the Wells Fargo approved client investment list and consistent with Trust and Foundation investment policies) will be disclosed and reviewed with the Ramsey County District Court in future informational meetings and/or Petition hearings. Any potential investment in an unaudited hedge fund would be only pursuant to a Petition for Instruction to the Court.*

21. Pursuant to this Court's Finding of Fact, Conclusions of Law, and Order Allowing Accounts and Other Relief dated April 28, 2015, Petitioners have not directly invested in any securities lending programs and acknowledge that they will not do so without prior approval of the Court.

22. Direct investments, if any, in alternative investments (including "hedge funds" audited by independent auditors and on the Wells Fargo approved client investment list and consistent with Trust and Foundation investment policies) were disclosed in the accounts filed with the Court and reviewed as part of the accounts filed with the Court at the hearing on this Petition.

23. Petitioners have not invested in any unaudited hedge funds during the accounting period commencing January 1, 2018 and ending December 31, 2020.

24. James Hoolihan, former President and CEO of the Foundation, is a member of the Foundation's Board of Trustees. Wells Fargo was the fiscal agent for the separate assets of the Foundation during the years covered by the petition.

### TRUSTEES' FEES

25. The terms of the Residuary Trust, provide that: "The trustees shall have reasonable compensation for services rendered as such, the same to be paid out of income or principal, [as said trustees,] in their discretion, deem proper and as may be approved by the court." By Order of this Court dated December 21, 2000, Wells Fargo Bank, N.A., is to be paid annual fees according to the following schedule until further Order of the Court:

*\$7.50 per \$1,000 on the first \$1,000,000;*

*\$5.50 per \$1,000 on the next \$2,000,000;*

*\$3.00 per \$1,000 on the balance in excess of \$3,000,000;  
such fees to be computed upon the average of the monthly  
market values of the trust assets over a twelve-month period.*

*The outside investment advisers and consultants are paid fees in  
addition to the corporate and individual trustee fees.*

26. The fees paid Wells Fargo Bank N.A. as disclosed in the accounts for the years commencing January 1, 2018 through December 31, 2020, have been computed pursuant to the Court's December 21, 2000 Order.

27. The duties and responsibilities of the individual co-trustee continue to be substantial due to the complexity of the investment policies and guidelines implemented in managing the trust assets, along with the ongoing reporting required by the Court.

28. The individual co-trustee fees were last increased in 2012 from \$36,000 to \$44,000 per year. The individual trustee has received this trustee's fee for the period before the Court and the fees are fully disclosed in the account. There has been no further increase since 2012 thereby resulting in the constant dollar value of the individual trustee fees being reduced every year by inflation.

29. Petitioners are informed and believe that an annual adjustment to the trustees fee in a manner consistent with the cost of living adjustment based on the Consumer Price Index for wage earners and clerical (CPI-W) as published by the Social Security Administration is necessary and appropriate to maintain the real dollar value of the \$44,000 annual fees awarded in 2012. Petitioners are not seeking reimbursement for the decrease in value from 2012-2021, but only the re-setting of the \$44,000 fee amount to its current dollar value with a COLA added each year to avoid further future inflationary reductions. The Cost-of-Living Adjustment (COLA) for 2022 is 5.9%

30. The COLA rate for the period in question is:

YEAR	COLA %
2012	1.7
2013	1.5
2014	1.7
2015	0

2016	.03
2017	2.0
2018	2.8
2019	1.6
2020	1.3
2021	5.9

31. The individual trustee's annual fee, as adjusted from 2012 to date using the COLA rates noted, would be, in round numbers, \$52,000. The Petitioners request that the individual trustee's fee be increased to this amount effective January 1, 2022, and a similar adjustment occur on January 1 of each year, based on the COLA rate published by Social Security Administration. Petitioners believe this maintains fair compensation and sets the current precedent for future individual trustee candidates.

32. The Residuary Trust and the Charles K. Blandin Foundation are both "charitable trusts" described in Minn. Stat. § 501B.35 and both are subject to the registration and reporting requirements of Minn. Stat. §§ 501B.37 and 501B.38. Both are in full compliance with such requirements. Notice of this proceeding is to be given to the Attorney General as required by Minn. Stat. § 501B.41, subd. 2.

33. Other than the Attorney General and the Trustees of the Residuary Trust, the only other party in interest is:

Charles K. Blandin Foundation  
100 Pokegama Avenue North  
Grand Rapids, Minnesota 55744

#### **EXTENSION REQUEST**

34. The General Rules of Practice of the District Courts, Rule 417.02 requires filing an annual account within 60 days after the end of the accounting year.

35. By Order of this Court dated March 26, 2018, the Court granted the Residuary Trust an extension to file its annual accounts until June 30 (roughly 180 days) following the end of the accounting year. This request was to provide the trustees with additional time to fully prepare the accounts in proper format and allow for preparation of an Account Summary.

36. The General Rules of Practice of the District Courts, Rule 417.06 requires that a hearing on five year accounts shall be held within 150 days after the end of the accounting period for each fifth annual unallowed account.

37. While the General Rules of Practice require accounts be allowed every five years, Article VIII, paragraph 3 of the Will and Codicils of Charles K. Blandin provides that "formal hearings for the approval and allowance of [trustee accounts] shall be had in [Ramsey County] after notice to all beneficiaries at not more than three-year intervals."

38. By Findings of Fact, Conclusions of Law, and Order Discharging Special Master and Approving Independent Auditor Verified Self-Reporting Process dated April 28, 2015, the Foundation's Annual Report must be filed with the Court on or about September 30 of the following year and the Foundation's annual reports and the Foundation's compliance with the Order shall be formally reviewed by the Court as part of the triennial petition for approval of accounts.

39. The Petitioners and the Foundation are required to file a Return of Private Foundation (Form 990-PF) annually with the Internal Revenue Service, and similar information with the Minnesota Attorney General. The return, while due on May 15 each year, is typically extended to November 15 each year to allow the parties, and their tax preparers, to gather the necessary information in order to properly prepare and file that return.

40. The Petitioners now request a reoccurring extension to file their Petition to Allow Trustees' Accounts to November 30 following the end of the accounting period for each third annual unallowed account. Such extension will be consistent with the Court's March 26, 2018 Order giving the Petitioners until June 30 to file annual accounts and will be consistent with the Findings of Fact, Conclusions of Law, and Order Discharging Special Master and Approving Independent Auditor Verified Self-Reporting Process dated April 28, 2015 which provides for the Foundation's annual report to be filed with the Court on or about September 30 and reviewed as part of the triennial petition for approval of accounts; and would further allow the trustees to prepare and file their annual tax filings.

It further appearing to the Court as:

**CONCLUSIONS OF LAW**

That Petitioners are entitled to the Order set forth below,

NOW THEREFORE, upon motion of Taft, Stettinius & Hollister LLP, attorneys for Petitioners,

IT IS ORDERED:

1) The Trustees' accounts for the period commencing January 1, 2018 and ending December 31, 2020 are settled, approved and allowed.

2) The annual payment of the Residuary Trust's distributable amount to the Charles K. Blandin Foundation is approved.

3) The Foundation's subsequent distribution of such payments made pursuant to this Court's prior Orders is approved.

4) The fee schedule for the fees of Wells Fargo Bank, N.A., for its custodial, administrative and investment services as Trustee is continued until further order of this Court.

5) The individual trustee's annual fees shall be increased to \$52,000 effective January 1, 2022, and shall be increased annually on January 1 of each year by the COLA rate published annually by the Social Security Administration; and

6) The reoccurring extension to the Petitioners to file their Petition to Allow Trustee's Accounts to November 30 following the end of the accounting period for each third annual unallowed account is approved.

Dated: March 23, 2022

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**Judge Sara R. Grewing**

MINNESOTA  
JUDICIAL  
BRANCH