

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT  
Court File No. C5-58-302795

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

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

The above-titled matter originally came on for hearing, pursuant to notice duly given, before the undersigned, one of the Judges of this Court, on January 7, 2013, on the Petition of Wells Fargo Bank, N.A. ("Wells Fargo") and James Hoolihan, Trustees, dated October 29, 2012, for Allowance of Accounts and Other Relief (the Petition). The Petition covered the period from January 1, 2009 through December 31, 2011 (the Accounting Period). At the January 7, 2013 hearing, Darlene M. Cobian and Neal T. Bueth of Briggs and Morgan, P.A., appeared for Petitioners. James W. Rockwell of Wells Fargo, James Hoolihan, and Dr. Kathy Annette, President and Chief Executive Officer of the Charles K. Blandin Foundation ("Blandin Foundation"), were present and testified in support of all aspects of the Petition other than the Securities Lending Program ("the Securities Lending Program" or "Program") and the decisions related to it. Wade Fauth, Vice President of the Blandin Foundation, Dr. Mike Johnson, Board Chair of the Blandin Foundation, Brian Nicklason, Chair of the Investment Committee for the Blandin Foundation, and John Lorentz, Wells Fargo/Abbott Downing Investment Advisor were also present. Assistant Attorney General Binh Tuong appeared on behalf of the State of Minnesota, Office of the Attorney General. Special Master Peter Ulmen was present.

The Court continued the January 7, 2013 hearing, until such time as Petitioners provided the Court with a complete accounting of the trustees' investment in, and exit from, a Securities Lending Program administered by Wells Fargo. As requested by the Court, Petitioners filed a Supplemental Petition, dated September 30, 2014, containing a complete accounting of the Program from July 1999 through July 31, 2014, and the Court continued the hearing, pursuant to notice duly given, on October 30, 2014. By Order Continuing Hearing dated October 28, 2014, the Court continued the hearing, and directed the Minnesota Attorney General's Office to coordinate a meeting with Special Master Ulmen, community representatives and Blandin Trust and Blandin Foundation officials to review a proposed Stipulation to Discharge the Special

Master and Approve Self-Reporting and discuss any community member concerns. That meeting was held November 14, 2014 and the Minnesota Attorney General's Office filed its report with the Court by Letter dated December 2, 2014. The Court continued the hearing to April 21, 2015.

At the April 21, 2015 hearing, Darlene M. Cobian, Neal T. Buehe and Shehla Tauscher of Briggs and Morgan, P.A., appeared for Petitioners. James W. Rockwell of Wells Fargo, James Hoolihan, and John Lorentz of Wells Fargo/Abbot Downing, were present and testified in support of the Trustees' Supplemental Petition. Dr. Kathy Annette, President and Chief Executive Officer of the Blandin Foundation and Dr. Mike Johnson, Board Chair of the Blandin Foundation were also present. Deputy Attorney General Nathan Brennaman and Assistant Attorney General Elizabeth Kremenak appeared on behalf of the State of Minnesota, Office of the Attorney General. Special Master Peter Ulmen was present.

Prior to the continued hearing on April 21, 2015, Petitioners and Blandin Foundation officials reviewed all aspects of the Securities Lending Program, including the March 2011 settlement agreement between Blandin and Wells Fargo. After completing this review process, Petitioners submitted significant Program-related materials to the Court, including a full accounting from inception of the Program in July of 1999 through the date all distressed securities received by Blandin as part of its exit from the Program were sold, and affidavits from the current and former individual trustee, Foundation President, Foundation Board Chair, and Investment Committee Chair explaining investment decisions made by Blandin with respect to the Program, such as the decision to wind down the Program in 2008, the decision to consult Special Counsel and negotiate an arms-length settlement agreement with Wells Fargo in March of 2011, and the decision to exit the program in December of 2011.

These submissions were extensively reviewed by Special Master Ulmen and the Minnesota Attorney General's Office. In support of the affidavits and the accounting, Petitioners provided account statements, invoices, agreements, and Foundation Board and Investment Committee minutes covering the period 1999 through 2012 to Special Master Ulmen and the Minnesota Attorney General's Office. These documents have been filed with the Court as part of Petitioners' Supplemental Petition. Special Counsel to Blandin met with Special Master Ulmen to discuss the negotiation of the March 2011 settlement agreement between Blandin and Wells Fargo, and the terms of the settlement agreement, and Petitioners' counsel provided an

opinion at the request of Special Master Ulmen that the sale of the securities in the Distressed Securities Account was consistent with Mr. Blandin's Will and the duties imposed on the trustees under state and federal law.

The Court reviewed these submissions at an October 18, 2013 informational meeting. The Court noted that one aspect of the accounting that could not be confirmed was the value of certain securities which continued to be held in the Distressed Securities Account of the Residuary Trust. The securities were paid for by the Residuary Trust as part of its exit of the Program in December 2011. Because the value of these remaining securities was subject to standard market forces, the total financial impact of the Program, as stated in the accounting, could not be confirmed until all of the securities were sold by the trustees. The sale of those securities occurred in the 2012 – 2014 accounting period.

Pending the sale of the remaining distressed securities, Petitioners investigated whether an independent auditor could verify the figures contained in the accounting, and the cost for an independent auditor to do so. Before the procedure to verify these figures began, Abbot Downing learned of an opportunity to sell the remaining distressed securities held by the Residuary Trust and Blandin Foundation as part of an aggregate sale to third-party purchasers. Abbot Downing recommended this sale, and immediately presented this opportunity to the Trustees and members of the Foundation's Investment Committee, each of whom was in agreement that the sale of these securities was the appropriate investment decision because it allowed the Residuary Trust and Blandin Foundation to obtain the best sales price for the securities.

By July 31, 2014, all of the remaining securities were sold to third-parties. As a result of sale, and the prior sale of the GMAC Mortgage Corporation security on May 10, 2013, the total financial impact of the Program has been established. As such, Petitioners prepared a complete accounting of the Program, which was reviewed by Special Master Ulmen and the Minnesota Attorney General's Office and filed with this Court as part of Petitioners' Supplemental Petition. In addition, testimony was provided by James Rockwell and John Lorenz regarding the financial impact of the Program.

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. This Trust is subject to the *in rem* jurisdiction of the Court pursuant to Section 501B.24 of the Minnesota Statutes and this Petition is authorized by Section 501B.16 of the Minnesota Statutes.

2. This matter is brought on for hearing pursuant to Order for Hearing of this Court dated October 29, 2012. Notice of Hearing was published in the St. Paul Legal Ledger on November 1, 2012. Notice of Hearing was published in the Grand Rapids Herald-Review on November 4, 2012. Mailed notice was given to the Office of the Minnesota Attorney General, to the Charles K. Blandin Foundation and Special Master Peter Ulmen on November 6, 2012.

3. Notices of Continuance and Orders for Hearing were published in the St. Paul Legal Ledger on December 6, 2012, on October 9, 2014, and April 2, 2015 and in the Grand Rapids Herald-Review on December 9, 2012 and on April 5, 2015. Mailed notice of the continuance and Orders for Hearing were given to the Office of the Minnesota Attorney General, to the Charles K. Blandin Foundation and Special Master Peter Ulmen on December 4, 2012, September 30, 2014 and on April 6, 2015.

4. 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.

5. 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. Three trusts created under this trust instrument are subject to the jurisdiction of this Court:

- The Trust Created Under Article III of the Codicil dated October 19, 1953, of the Will, sometimes referred to as the Cemetery Trust (D. Ct. File No. CX-58-302792).

- The Trust Created Under Article VI of the Will, sometimes referred to as the Family Trust (D. Ct. File No. C3-58-302794).
- The Trust Created Under Article VII of the Will, sometimes referred to as the Residuary Trust and/or the Charitable Trust (D. Ct. File No. C5-58-302795).

Petitioners filed Petitions simultaneously with respect to all three trusts.

6. Article VII of the trust provides in pertinent part:

\* \* \*

The 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.

\* \* \*

7. The Residuary Trust is a private foundation as described in Section 509 of the Internal Revenue Code of 1986, as amended, (the Code) and Section 501B.32 of the Minnesota Statutes. As such, the 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 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 directed the trustees to pay annually to the Charles K. Blandin Foundation the Residuary Trust's "distributable amount" as determined in accordance with Section 4942 of the Code. To date, the trustees have done so.

8. The Charles K. Blandin Foundation (the Foundation) is also a private foundation as described in Section 509 of the Code and Section 501B.32 of the Minnesota Statutes. The Foundation uses the amounts received by this Residuary Trust to administer programs and make additional distributions to other charities. In this connection, Article X of the Will of Charles K. Blandin contains specific directions regarding the Charles K. Blandin 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. On December 17, 2003, this Court entered a Stipulation and Order which provides at Paragraph 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. Paragraph V of the Stipulation and Order dated December 17, 2003 states "that the Foundation does not object to and the Attorney General's Office recommends, that the Court appoint a special master, pursuant to Minn. R. Civ. P. 53.01, whose reasonable fees will be paid by the Residuary Trust, to monitor compliance with Paragraph III of [the] Stipulation and Order and any other resulting Orders." By Order dated January 19, 2004, this Court appointed a special master.

12. An Amended Order Appointing Special Master was filed with the Court on May 8, 2007. Paragraph Seven (7) of that Order states that the continued appointment of the special master shall be evaluated at the close of the first six (6) year rolling period which began on January 1, 2003. The end of the first six (6) year rolling period ended on December 31, 2008.

13. The Residuary Trust is in the seventh (7<sup>th</sup>) of the six (6) year rolling periods. They 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

14. Paragraph 2 of the Amended Order Appointing Special Master dated May 8, 2007 charges the special master "with inquiring into the Foundation's grant distributions and allocation of those distributions to the Grand Rapids Area, as said area is defined in the Stipulation and Order attached hereto, taking into consideration the requirement that the Grand Rapids Area receive an average of at least fifty-five (55%) percent of all grants made over a six-year rolling period, said six-year period to begin January 1, 2003" and, is to prepare and provide an annual report addressing his "findings about the Trust and Foundations' compliance with Paragraph III of the Stipulation and Order".

15. The Special Master has filed with the Court a combined report for calendar years 2006-2011, and has provided copies to the Minnesota Attorney General, the Trustees of the Residuary Trust, and to the President of the Blandin Foundation. This report reflects that the Blandin Foundation is in full compliance with the Court's Order dated December 17, 2003.

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

17. James Hoolihan, former President and CEO of the Foundation, is a member of the Foundation's Board of Trustees. Wells Fargo is the fiscal agent for the separate assets of the Foundation.

18. The accounts of the trustees for the period from inception of the Trust through December 31, 2008 have previously been approved. Pursuant to Orders of this Court in previous proceedings herein, the trustees have invested portions of the Trust assets in separate funds or with specialized investments advisors who are paid investment advisory fees. The trustees have filed separate accounts for each such fund or segregated asset for each of the years 2009, 2010 and 2011. The account for the period ended December 31, 2011 shows the following assets:

<u>Fund Name</u>	<u>12/31/2011 Market Value</u>
Residuary U/W	\$0.00
LH Small Cap Investments	\$0.00
Cash Account	\$14,302,602.21
Tocqueville	\$8,791,471.52
Russell 1000 Index Fund	\$13,947,839.76
Private Equity	\$56,498,878.80
Sprucegrove Int'l Fund	\$17,770,562.88
Int'l Investment Acct	\$14,589,008.81



Fairholme	\$0.11
LH Value	\$5,377,106.39
Income Investments	\$20,157,141.40
Reinhart Partners	\$12,737,820.00
Time Square	\$4,081,663.48
Longleaf	\$14,417,552.81
Vanguard Convt	\$2,165,851.84
Oaktree Senior Loan Fund	\$6,630,591.00
Vanguard 500	\$31,739,442.32
Real Estate	\$21,103,132.43
Wellington	\$4,942,408.75
Vanguard Emg Mkts	\$0.00
WGI Emg Mkts	\$5,158,341.24
EAFE	\$10,926,680.92
TIPS	\$8,486,352.01
Utility	\$2,499,026.88
Income Equity ETF	\$23,455,447.96
Lowry Hill Fees	\$0.00
Highclere	\$7,382,482.37
Goodhaven	\$6,979,212.21
Brandes	\$5,006,582.71
LH Income Equity	\$7,086,049.66
Distressed Securities	\$1,873,219.00
<b>Total</b>	<b>\$328,106,469.47</b>

19. At the January 7, 2013 hearing on the Petition, the Court requested a full accounting of the trustees' investments in, and exit from, the Program. Prior to an informational meeting on October 18, 2013, the trustees submitted two binders of information to the Court which included an accounting of the Program as of December 31, 2012 and informed the Court of the financial impact of the Program and the investment decisions related to it. Specifically, the following information was submitted to the Court:

**Binder 1.** Affidavits and minutes explaining the investment decisions related to the securities lending program, as well as the settlement process conducted by The Residuary Trust and Foundation and the settlement values:

- **Exhibit A:** Affidavit of Bruce Stender: Former Individual Trustee including the 2010 Settlement Agreement
- **Exhibit B:** Affidavit of James Hoolihan: Former Foundation President
- **Exhibit C:** Affidavit of Michael Johnson: Foundation Board Chair

- **Exhibit D:** Affidavit of Kathleen Annette: Foundation President
- **Exhibit E:** Affidavit of Brian Nicklason: Foundation Investment Committee Chair
- **Exhibit F:** Foundation Board and Foundation Investment Committee Minutes

**Binder 2.** The Abbot Downing Report describing the financial impact of the securities lending program and settlement agreement as of December 31, 2013, which was supported by following Exhibits:

- **Exhibit A:** Securities Lending Income
- **Exhibit B:** Cash Distributions from Collateral Pool
- **Exhibit C:** Wells Fargo/Abbot Downing Fee Credit
- **Exhibit D:** Collateral Portfolio NAV as of December 31, 2012
- **Exhibit E:** Exit Securities Lending Program
- **Exhibit F:** Wells Fargo Client Letter dated November 18, 2008 re: Pro Rata

Division of Accounts

- **Exhibit G:** Blandin Residuary Trust Outstanding Capital Commitments as of March 31, 2013
- **Exhibit H:** Other Agreements Requested by Special Master
- **Exhibit I, Tab 1:** March 27, 2013 Letter to Special Master
- **Exhibit I, Tab 2:** Abbot Downing Investment Update dated November 21, 2012

20. The Abbot Downing Report concluded with a chart disclosing the total financial impact of the Program from inception in July 1999 through December 31, 2012. The purpose of the Abbot-Downing Report was to set forth the total financial impact of the Securities Lending Program since its conception, through settlement and to date. In the interests of transparency and accessibility, the analysis presented to the Court is a cash basis analysis showing the earnings from the Securities Lending Program (including the value of the 2010 settlement) less the costs of exiting the program. This total financial impact is the basis of the Trust's and Foundation's analysis of the Securities Lending Program and how its impact would be presented to any interested third person, including residents of the Grand Rapids Giving Area. The financial summary of the Program is contained in the Abbot Downing Report dated May 31, 2013 (Binder 2, Memorandum). In the 2013 Abbot-Downing Report, each component of the total financial impact summary is supported by account statements and other internal documents from the

period covering 1999 through December 2011 (Binder 2, Exhibits A-E). These supporting documents and the financial summary were reviewed by Special Master Ulmen and the Minnesota Attorney General's Office. Based on these documents, the total financial impact of the Program as of December 31, 2012 was summarized in the 2013 Abbot-Downing Report as follows:

<b>Financial Summary As of December 31, 2012</b>	<b>Residuary Trust</b>	<b>Foundation</b>
Securities Lending Income Received by the Trust and Foundation (1999-2011)	\$1,467,366	\$185,995
Cash Distributions from Collateral Pool (January 2012 - December 2012)	\$502,853	\$74,696
Wells Fargo/Abbot Downing Fee Credit Pursuant to Settlement Agreement	\$500,000	\$150,000
Collateral Portfolio NAV as of December 31, 2012	\$2,008,088	\$324,695
<b>Total Value</b>	<b>\$4,478,307</b>	<b>\$735,386</b>
Payment in December 2011 to Exit Securities Lending Program and Pay for Collateral Portfolio	(\$3,835,000)	(\$588,000)
<b>Total Financial Impact of Securities Lending</b>	<b>\$643,307</b>	<b>\$147,386</b>

21. Upon its review of the materials submitted by Petitioners, the Parties confirmed to the Court that the total financial impact of the Program, as stated in the accounting, could not be confirmed until all of the securities were sold by the trustees because the value of certain securities which continued to be held in the Distressed Securities Account was subject to standard market forces. In other words, the 2013 Abbot-Downing report included projected value of the repurchased securities.

22. An opportunity arose for the Residuary Trust and Foundation to sell the remaining securities as part of an aggregate sale to third-party purchasers. Abbot Downing recommended this sale, and after consultation with the Trustees and the Blandin Foundation's Investment Committee, the remaining distressed securities were sold. Petitioners informed the Court of this opportunity and pending sale by letter dated May 30, 2014.

23. As a result of the sale of the remaining distressed securities to third-parties, and the trustees' prior sale of the GMAC Mortgage Corporation security on May 10, 2013, the total

financial impact of the Program can be established. The follow is a summary of the cash flow analysis:

<b>Financial Summary As of Securities Lending Program Exit</b>	<b>Residuary Trust</b>	<b>Foundation</b>
Securities Lending Income Received by the Trust and Foundation (1999-2011)	\$1,480,714	\$186,347
Wells Fargo/Abbot Downing Fee Credit Pursuant to Settlement Agreement	\$500,000	\$150,000
Collateral Portfolio NAV as of December 31, 2011	\$1,958,013	\$314,098
<b>Total Value</b>	<b>\$3,925,379</b>	<b>\$335,995</b>
Payment in December 2011 to Exit Securities Lending Program and Pay for Collateral Portfolio	(3,835,000)	(588,000)
<b>Securities Lending Impact at Time of Program Exit</b>	<b>\$103,727</b>	<b>\$62,445</b>

<b>Financial Summary As of July 31, 2014</b>	<b>Residuary Trust</b>	<b>Foundation</b>
Cash Received from income and sale of Distressed Securities (January 2012 - December 2012)	\$500,770	\$74,696
Cash Received from income and sale of Distressed Securities (January 2013 - December 2013)	\$624,987	\$103,400
Cash Received from income and sale of Distressed Securities (January 2014 - July 2014)	\$1,764,370	\$282,436
Distressed Securities NAV as of July 31, 2014* *All securities have been sold/transferred. One investment-grade security, with a value of \$36.02 for the Trust and 6.52 for the Foundation, was transferred in-kind.	\$0	\$0
Less Initial Purchase Price of Distressed Securities at NAV Dec 2011	(\$1,958,013)	(\$314,098)
<b>Total Financial Impact of Securities Lending (Net Cash Received on Distressed Securities)</b>	<b>\$932,114</b>	<b>\$146,434</b>

The schedules reflect cash flow in connection with the distressed securities, including income and proceeds from sale of the securities.

24. The final accounting is true, accurate, and correct to the best of Petitioners' knowledge.

25. Petitioners submitted this final accounting and the supporting account statements to Special Master Ulmen and the Minnesota Attorney General's Office for review. The Minnesota Attorney General's Office does not object to the relief requested by Petitioners after their review of these submissions.

26. Petitioners have agreed that the trustees will no longer directly invest in any securities lending program without prior approval of the Court. Any future direct investment by the Residuary 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 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.

27. Petitioners confirmed that neither Wells Fargo nor Abbot Downing received any fee or commission with respect to Blandin exiting the program in December 2011 or the sale of the remaining securities in 2014. The Abbot-Downing management fee for all assets in the portfolio applied to the distressed securities held until sale. The only amounts received by Wells Fargo prior to the 2011 program exit with respect to the Program were amounts associated with the income generated from the Program under the terms of the securities lending agreement. Based on the structure of the Program, Wells Fargo only received revenue if Blandin also received revenue from the Program. Specifically, the terms of the securities lending agreement provided that Blandin was to receive sixty percent (60%) of the earnings generated from the Program, and Wells Fargo was to receive forty percent (40%) of the earnings generated from the Program (this earnings split was incorrectly reversed in the Foundation's 2007 Audited Financial Statements). Although the securities lending agreement provided for a 60%-40% split of income generated from the Program, Abbot Downing (formerly Lowry Hill) rebated back to Blandin portions of Wells Fargo's split of the income. As a result of this rebate, the actual income split for the period July 1999 through September 2007 was 80% Blandin and 20% Wells Fargo; for the period October 2007 through March 2010 the income split was 100% Blandin and 0% Wells Fargo; and for the period April 2010 to December 2011 there were no rebates, so the effective sharing ratio on income was 60% Blandin and 40% Wells Fargo pursuant to the securities lending agreement. As a result of these rebates, the total amount of revenue allocated to Wells Fargo/Abbot Downing with respect to Blandin's participation in the Program since inception was

for The Residuary Trust \$261,000 and the Foundation \$29,000. The Residuary Trust's earnings since inception were \$1,480,714 and the Foundation's earnings were \$186,347.

28. The documents referenced in this Order have been filed with this Court as part of Petitioners' Supplemental Petition, and the any questions or concerns raised by any member of the Grand Rapids community regarding the filed documents or the Program itself shall be presented to, and responded by, the Blandin Foundation consistent with Paragraph 16 of the Petition to Discharge Special Master and Approve Verified Self-Reporting Process dated March 26, 2015.

29. During the years 2009, 2010 and 2011, the trustees made distribution payments to the Charles K. Blandin Foundation as follows:

<b>Year</b>	<b>Distribution</b>
2009	\$15,559,739
2010	\$16,284,793
2011	\$17,864,873

30. The terms of the Trust provided in part in Article VIII of the Trust are 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. The fees paid to Wells Fargo Bank, N.A., as disclosed in the accounts for the years commencing January 1, 2009 through December 31, 2011, have been computed upon the foregoing basis. Any overcharge or undercharge as a result of the above calculations is determined at year end and is properly charged or refunded to the account in the following year.

31. The former co-trustee, Bruce W. Stender, was paid an annual fee of \$36,000 authorized by Order of this Court dated December 20, 2000.

32. Since the appointment of Bruce W. Stender as co-trustee in 1997, the duties and responsibilities as the individual co-trustee continue to be substantial due to the complexity of the investment policies and guidelines implemented in managing the trust assets.

33. The individual co-trustee fees were last increased in 2000, from \$28,000 to \$36,000 per year.

34. Petitioners believe a reasonable trustee fee for the individual co-trustee's services to be \$44,000.00 and request that this increase be effective January 1, 2012, the same date as James Hoolihan's appointment as successor individual co-trustee.

35. Wells Fargo has filed certified copies of insurance certificates confirming the Evidence of Professional (Errors & Omissions) Liability Coverage and Evidence of Fidelity (employee Dishonesty) Coverage, covering the period April 1, 2010 through April 1, 2013. Both certificates reference Abbot Downing as the insured.

36. Legal fees of Briggs and Morgan, P.A. to terminate the Trust Created by Article VI of the Last Will and Testament of Charles K. Blandin, (Family Trust), District Court File No. C3-58-302794, were paid from assets of this Trust as the assets of the Family Trust were depleted on August 1, 2011.

37. This Trust and the Charles K. Blandin Foundation are both "charitable trusts" described in Minnesota Statutes § 501B.35 and both are subject to the registration and reporting requirements of Minnesota Statutes § 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 Section 501B.41, subd. 2, of the Minnesota Statutes. Other than the Attorney General and the Trustees of the Trust, the only other party in interest is:

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

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 Briggs and Morgan, attorneys for Petitioners,

IT IS ORDERED:

1) The Trustees' accounts for period commencing January 1, 2009 and ending December 31, 2011 are settled, approved and allowed, and the annual payment of the Trust's distributable amount to the Charles K. Blandin Foundation is approved. The sales of the distressed securities as part of the Securities Lending Program will be reviewed by the Court at the hearing on the 2012, 2013 and 2014 Residuary Trust accounts.

2) In fulfillment of Paragraph III(b) of the Stipulation and Order dated December 17, 2003, the Foundation has distributed an average of at least fifty-five percent (55%) of all grants to benefit the Grand Rapids area during the "rolling six-year periods" that fall under this Order, those being the second rolling six-year period beginning January 1, 2004 and ending December 31, 2009; the third rolling six-year period beginning January 1, 2005 and ending December 31, 2010; and the fourth rolling six-year period beginning January 1, 2006 and ending December 31, 2011.

3) 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 Residuary 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. Any questions or concerns raised by any member of the Grand Rapids community regarding the Residuary Trust and Foundation's participation in the securities lending program or the documents filed with the Court as part of Petitioners' Supplemental Petition shall be presented to, and responded to, by the Blandin Foundation consistent with Paragraph 16 of the Petition to Discharge Special Master and Approve Verified Self-Reporting Process dated March 26, 2015.




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

5) The individual trustee's fees shall be \$44,000 per year effective January 1, 2012 until further order of this Court.

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6) Wells Fargo, N.A. shall file certified copies of its insurance certificates with this Court for each accounting period, which shall evidence the existence of insurance coverage.

Dated: 28 April, 2015

  
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Judge Margaret M. Marrinan