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STATE OF MINNESOTA
COUNTY OF RAMSEY

FILED

DISTRICT COURT

DEC 21 2000 SECOND JUDICIAL DISTRICT

COURT ADMINISTRATOR
By  Deputy

FILE NO. C5-58-302795

In the Matter of the Trust Created by
Article VII of the Last Will and Testament of

CHARLES K. BLANDIN,

Deceased.

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

The above matter came on for hearing before the undersigned, one of the Judges of this Court, on November 1, 2000 on the Petition of Wells Fargo Bank Minnesota, N.A., formerly known as Norwest Bank Minnesota, N.A. (Wells Fargo) and Bruce W. Stender dated September 21, 2000 for Allowance of Trustees' Accounts and Other Relief.

Briggs and Morgan appeared for Petitioners. Stephen K. Warch and Heidi Neff Christianson, Assistant Attorney General, appeared on behalf of the Honorable Michael Hatch, Attorney General of the State of Minnesota.

Upon the evidence adduced and all the files and proceedings herein, the Court makes Findings of Fact as follows:

FINDINGS OF FACT

1. This Trust is subject to the in rem jurisdiction of the Court pursuant to Minnesota Statute § 501B.24 and this Petition is authorized by Minnesota Statute § 501B.16.
2. This matter is brought on for hearing pursuant to Order for Hearing of this Court dated September 25, 2000. Notice of Hearing was published in the Legal Ledger on September 28,

2000 and mailed notice was given to Attorney General Michael Hatch and to the Charles K. Blandin Foundation on September 26, 2000.

3. Charles K. Blandin created this 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 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).

Petitions have been filed simultaneously with respect to all three trusts and have been consolidated for hearing.

4. The terms of trust provide in pertinent part in Article VII that *"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"*

5. This Trust is a private foundation as described in Section 509 of the Internal Revenue Code of 1986 as amended (the "Code") and Minnesota Statute § 501B.32. As such, the Trust is required by Section 4942 of the Code to make annual distributions based on five percent (5%) of the

value of its assets, less certain expenses. This is the Trust's distributable amount. The distributable amount is in excess of the net income of the 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 Trust's "distributable amount" as determined in accordance with Section 4942 of the Code. The trustees have done so.

6. The Charles K. Blandin Foundation is also a private foundation as described in Section 509 of the Code and Minnesota Statute § 501B.32. The Foundation distributes to other charities all of the amounts paid to it by this Trust. 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 grants policy. By Order of this Court dated October 25, 1990, this Court ruled: "That the provision of Article X of the Last Will and Testament 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."

7. In the exercise of the foregoing powers, the Foundation's Board of Trustees has adopted as its Mission "To strengthen rural communities in Minnesota." The Board of Trustees of the Foundation has confirmed "that it has a perpetual responsibility to the Grand Rapids area as a primary area of giving." The funds paid to the Foundation are administered in accordance with the Foundation's Mission Statement and in a manner consistent with the terms of the trust and the Court's Order dated October 25, 1990.

8. Bruce W. Stender is a member of the Board of Trustees of the Foundation. Wells Fargo is the fiscal agent for the separate assets of the Foundation and is compensated for such services.

9. The Trustees' accounts for the period from inception of the Trust through December 31, 1996, have been approved in prior proceedings in this Court. 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 investment advisers who are paid investment advisory fees. The Trustees have filed separate accounts for each such fund or segregated assets for each of the years 1997, 1998, 1999 as follows:

<u>Norwest Account No.</u>	<u>Fund Name</u>	<u>12/31/99 Value</u>
11596200	General	\$105,634,711
11596201*	Denver	14,807,800
11596202	International – State Street	16,297,761
11596203*	Westpeak	19,509,440
11596204	Barclays Index	31,294,672
11596205	Venture	53,437,452
11596206	Sprucegrove	15,248,306
11596207**	International – Lowry Hill	6,512,210
11596210**	Domestic Fixed	89,973,406
TOTAL		\$352,715,770

Each of said accounts is full, true and correct.

* These accounts hold small cap equities which transitioned from small cap mutual funds to active small cap managers hired in May, 1998.

** These accounts are for 1999 only.

10. The terms of trust provided in part in Article VIII of the Trust are that: "6. 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 May 20, 1993, Norwest Bank, Minnesota, 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 on the average of the market values of the Trust assets at the beginning and end of the fiscal year.

The fees paid Wells Fargo Bank Minnesota, N.A. as disclosed in the accounts for the years commencing January 1, 1997 through December 31, 1999, have been computed upon the foregoing basis, except that, due to computer programming, the market value of assets was computed on the average of the monthly market values over a twelve-month period rather than the average of the market values at the beginning and end of the fiscal year. The difference between the fees calculated on the monthly basis and the fees calculated on the annual basis for the three-year period is \$9,507.01, more than the fees authorized. This amount has been deducted from the fees payable to Wells Fargo in the year 2000.

11. Commencing January 1, 2000 and continuing until further Order of this Court, a reasonable fee for Wells Fargo is:

\$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.

12. The co-trustee, Bruce W. Stender, is paid an annual fee of \$28,000 authorized by Order of this Court dated April 9, 1997. Since his appointment in 1997, Mr. Stender's duties and responsibilities as a co-trustee are substantial and have increased with the continued growth and complexity of the trust assets. A reasonable annual fee for his services is \$36,000, to be effective January 1, 2000.

13. 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.

14. The Trustees' attorneys, Briggs and Morgan, are entitled to attorneys' fees in the amount of \$26,000.00 and expenses of \$126.00. These are to be charged one-half to income and one-half to principal of this trust.

15. The Trustees of this Trust, the Blandin Foundation and the Attorney General have stipulated to the addition to the Order to be entered herein of the following paragraph:

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.

16. The Attorney General has determined that the Foundation's distributions are in compliance with the terms of the paragraph quoted above.

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 the period commencing January 1, 1997 and ending December 31, 1999 are settled, approved and allowed.
- 2) The fee schedule for the fees of Wells Fargo Bank Minnesota, N.A., is modified as above stated.
- 3) The annual fee of the individual trustee is set at \$36,000 per year, effective January 1, 2000.
- 4) The Trustees are directed to pay the fees and expenses described above to their attorneys, Briggs and Morgan.
- 5) The Objection of the Attorney General to the increase in Mr. Stender's fee as co-trustee is denied.
- 6) 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.

7) The Order is to be effective only on the filing with the Court of a Certificate of the Secretary of the Foundation that, at a special meeting of the Board of Trustees duly called and held for the purpose, a majority of the Trustees have approved the paragraph quoted above.

Dated: December 24, 2000.


District Judge