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STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Probate Division

Case Type: Trust

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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.

Court File No. 62-C5-58-302795

Judge: Stephen L. Smith

**Blandin Foundation's  
Petition for Instructions to Direct the  
Corporate Trustee to Correct Its  
Unmitigated Conflict of Interest**

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Blandin Foundation (the "Foundation") respectfully submits the following  
Petition for Instructions pursuant to Minn. Stat. §§ 501C.0201 and 501C.0202(19) and  
(24).

### INTRODUCTION

The Foundation is a private foundation and the sole beneficiary of a Trust for  
which Wells Fargo Bank, N.A. ("Wells Fargo") is the corporate trustee. Wells Fargo,  
wearing its corporate trustee hat, has retained another Wells Fargo affiliate to act as an  
outsourced chief investment officer ("OCIO"). On the basis of this arrangement, from  
2018 to the present, Wells Fargo has extracted annual compensation ranging from  
\$1,162,274 to \$1,368,316, notwithstanding sustained underperformance and an inherent  
conflict of interest that has not been adequately managed.

Wells Fargo as corporate trustee is required to be loyal to the Foundation as its  
beneficiary. Contrary to that duty, Wells Fargo has demonstrated that it is instead

beholden to its bottom line, leaving the Foundation with no way to hold the Wells Fargo OCIO accountable for poor performance. This has had a materially detrimental impact on the Foundation's charitable and community impact that will persist if it is not addressed.

## ALLEGATIONS

### A. Background of the Foundation and the Residuary Trust

1. The Foundation is based in Grand Rapids, Minnesota. Charles K. Blandin ("Blandin") established the Foundation in 1941. The Foundation is the sole beneficiary of the Trust created by Article VII of the Last Will and Testament of Charles K. Blandin (the "Residuary Trust") and an interested party under the Minnesota Trust Code. The address of the Foundation is 100 North Pokegama Avenue, Grand Rapids, Minnesota 55744.

2. The Foundation bears Blandin's name and pursues a mission driven by Blandin's charitable intent: to benefit the community of Grand Rapids, Minnesota, and its surrounding areas. Today, the Foundation has a professional staff of 27 and awarded \$14.8 million in giving in 2025.

3. Prior to 1977, when it was ultimately sold, the Blandin Paper Company ("BPC") was the Residuary Trust's primary asset. Blandin was devoted to the growth and sustainability of BPC, which motivated him to have it held in the Residuary Trust to be kept under the protection of specific trusted advisors who he named as trustees.

4. Until the sale of BPC, the Foundation was a modest operation because Blandin's primary focus with his estate planning had been to keep BPC operating under the control of himself or, after his death, his trusted advisors.

5. Today, the Foundation has well-regarded and highly qualified leadership and an engaged, knowledgeable, dedicated, and independent Board of Trustees. It has chartered Executive, Finance and Audit, Investment, and Governance Committees. And it has a robust, trained, and independent staff in all operational areas, including grantmaking.

6. Presently, the Foundation is the state's largest rural-based and rural-focused foundation. It independently manages approximately 10% of the assets on which it relies for its operations and grantmaking.

7. Starting in approximately 2020, the Foundation's leadership began closely evaluating its social and economic impact, consistent with its mission and commitment to the Grand Rapids Area. This has necessarily included looking closely at the revenue generated by the Residuary Trust's investments, the expense burden on the Residuary Trust, and other management issues that impact the Foundation's ability to do planful long-term grantmaking in the Grand Rapids Area. That review has led to the Foundation's objection to the Trustees' accounting (which will be addressed separately) and this related Petition.

**B. Wells Fargo's Role as Trustee**

8. Blandin named Northwestern National Bank and Trust Company of Minneapolis ("Northwestern") as the corporate trustee for the Residuary Trust. He also named William H. Oppenheimer as an individual trustee.

9. Since the sale of BPC in 1977, there has not been a need for the trustees to oversee and manage BPC, but there is a need for investment of the financial assets that resulted from the sale of BPC.

10. The Residuary Trust currently holds approximately \$475 million in different investment vehicles. Wells Fargo's affiliated OCIO invests these assets.

**C. Retention of Wells Fargo Affiliated OCIO**

11. In 1998, Wells Fargo acquired Northwestern, and as a result, inherited the role of corporate trustee for the Residuary Trust. This has been a notable windfall for Wells Fargo due to its perpetual retention of its affiliated Wells Fargo OCIO, which from 2018 to the present has extracted annual compensation ranging from \$1,162,274 up to \$1,368,316, notwithstanding sustained underperformance and an inherent conflict of interest that has not been adequately managed.<sup>1</sup>

12. OCIOs are one of the fastest growing areas of investment management. When executed well, OCIOs can deliver the advantages of a sophisticated, conflict-free,

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<sup>1</sup> In contrast with the present compensation received by Wells Fargo due to the conflicted retention of its affiliated OCIO, in the years prior to the sale of BPC, the corporate trustee's compensation was moderate and comparable to the individual trustee's compensation. For example, in 1977, Northwestern received \$32,597.50 and then individual trustee James R. Oppenheimer received \$25,000. The individual trustee received \$58,333 in 2024, while Wells Fargo received \$1,354,584.

multibillion-dollar, independent investment office. But the lucrative potential has also attracted others who have structural conflicts of interest that impede independence and accountability.

13. The retention of the Wells Fargo OCIO creates an inherent conflict of interest between:

- the corporate trustee's fiduciary duty to act solely in the interests of the beneficiary; and
- the corporate trustee's financial interest in retaining its affiliate to provide lucrative OCIO services.

14. This arrangement constitutes a transaction "affected by a conflict between the trustee's fiduciary and personal interests" within the meaning of Minn. Stat. § 501C.0802(c), because Wells Fargo has a significant financial and business interest in the affiliated entity's continued retention as OCIO.

15. Minnesota law is clear that a trustee must act solely in the interests of the beneficiary and must not allow its own financial interests to influence trust administration. Minn. Stat. § 501C.0802. Where a conflict exists, the trustee bears the burden of demonstrating that its conduct remains faithful to its duties to its beneficiary.

16. While a trustee may delegate to an associated entity under Minn. Stat. § 501C.0807, a trustee who delegates investment functions must:

- Exercise reasonable care in selecting the agent;
- Establish the scope and terms of the delegation; and
- Periodically review the agent's actions.

17. Wells Fargo has failed to satisfy its duty to monitor because it has proven that it cannot impartially evaluate its own affiliate. For example, it has not done any sort of “selection” of the OCIO and instead defaulted to its affiliate. It also has not set any limitations on the scope or terms of the retention and has indicated that the role will be perpetual. And any efforts to review Wells Fargo’s own performance have been ineffective and defensive.

18. Wells Fargo’s failure to act in response to underperformance constitutes a breach of its duty of prudence, its duty to monitor delegated functions, and its duty of loyalty to the Foundation.

**D. Underperformance of the Residuary Trust**

19. The Residuary Trust’s investment portfolio has materially underperformed appropriate benchmarks and/or comparable investment strategies over a sustained period.

20. The overall investment returns that have been achieved on behalf of the Residuary Trust have been below Wells Fargo’s own benchmark approximately two-thirds of the time for an extended period, even in times of very strong financial market returns.

21. For example, the year-end investment performance reports show the following 10-year trailing average performance to benchmarks:

- 2021 returns (net of fees) were 9.1% compared to 11.3% Strategic Policy and 7.2% Absolute Objective.

- 2022 returns (net of fees) were 6.9% compared to 8.5% Strategic Policy and 7.7% Absolute Objective.
- 2023 returns (net of fees) were 6.2% compared to 7.9% Strategic Policy and 7.9% Absolute Objective.
- 2024 returns (net of fees) were 6.5% compared to 8.1% Strategic Policy and 8.1% Absolute Objective.

22. The Strategic Policy Objective reflects market performance; or in other words, it measures the Residuary Trust's investment performance relative to the market. The Absolute Objective is inflation plus 5%, or in other words, a measure of whether the Residuary Trust's purchasing power is keeping up with inflation while accounting for a legally required minimum 5% distribution to the Foundation.

23. In each of the last three years, the Residuary Trust's long-term performance has not only fallen below the Strategic Policy Objective (underperformed compared to the market), but it has been below the Absolute Objective, meaning the Residuary Trust's purchasing power is declining. Wells Fargo cannot blame this underperformance on distributions to the Foundation – performing at the Absolute Objective would maintain the Residuary Trust's purchasing power after distributions to the Foundation. And Wells Fargo cannot claim that its investment strategy is intentionally conservative to ensure perpetuity – the Residuary Trust's level of underperformance is not sustainable.

24. Had Wells Fargo met its Absolute Objective benchmark since 1998 when it inherited the role of corporate trustee, the Residuary Trust would have \$129 million

more than it has today. This underperformance is significant: Wells Fargo's underperformance of its benchmark means \$6.5 million less coming into the Foundation every year to pursue Blandin's charitable intent.

25. The Foundation manages assets totaling \$60 million and, until 2022, also had assets managed by Wells Fargo's OCIO.

26. Around 2020, it became apparent that Wells Fargo did not have enough resources or the right technology to evaluate or track investment performance up to industry standards. In 2021, Wells Fargo's team left, creating a lack of clarity as to who, within Wells Fargo, was responsible for managing assets. As a result, with regard to the assets that it holds, the Foundation had one portfolio management team in 2020, another in 2021, and yet another in 2022. Finally, the Foundation moved its own investments from Wells Fargo to a new OCIO in 2022 after a thorough search process. At the time, the Wells Fargo executive in charge of the Foundation's account told the Foundation "I would have left and found a new OCIO as well."

27. In contrast to Wells Fargo, the Foundation has met or exceeded its benchmark since moving its assets from Wells Fargo in April 2022.

**E. Failure to Manage Conflict of Interest**

28. Despite this underperformance, Wells Fargo as corporate trustee has:
- Failed to conduct an objective review of its affiliated OCIO's performance;
  - Not demonstrated any arm's-length control over its affiliate;

- Failed to establish traditional vendor terms, such as term-limited and competitive contracts;
- Defensively insisted on retaining the conflicted OCIO;
- Failed to subject the OCIO role to competitive bidding or market testing;
- Charged fees in excess of what the Foundation could get through an alternative OCIO vendor. The Foundation uses an independent OCIO for its own assets, and if the Residuary Trust's assets were combined with the Foundation's assets, there would be a fee reduction of \$1,279,109 annually as of December 2025; and
- Demonstrated no willingness to consider alternatives to its affiliated OCIO, and in fact it has suggested that it expects to reap the benefits of this lucrative relationship in perpetuity.

29. Wells Fargo's continued retention of its affiliate, despite performance concerns, demonstrates a failure to act impartially and independently.

30. This failure is particularly concerning given that Wells Fargo as corporate trustee is evaluating its own affiliate, creating an inherent inability to exercise independent judgment.

31. Any hypothetical mitigating factors have been compromised or proven ineffective.

32. DeMarche Associates ("DeMarche"), an investment advisory consulting firm based in Kansas City, Missouri, has been engaged with the Residuary Trust and

the Foundation since at least 1987. DeMarche's involvement has not, however, had any mitigating impact vis-à-vis Wells Fargo's inherent conflict of interest because it has no legal authority or responsibility to the sole beneficiary in this capacity. DeMarche was hired by Wells Fargo as corporate trustee, creating an additional barrier to independent monitoring of Wells Fargo's performance. DeMarche also cannot conduct an independent review of investment performance because it obtains the investment reporting from Wells Fargo and not directly from the investment managers.

33. The presence of the individual trustee also does not effectively mitigate Wells Fargo's inherent conflict of interest. Concerns about Wells Fargo's performance have been a topic of discussion that included the current individual trustee for a number of years, but the individual trustee has not taken meaningful action to address them.<sup>2</sup> Wells Fargo as corporate trustee nominates for the role of individual trustee, further entrenching Wells Fargo's ability to insulate its perpetual OCIO business from meaningful review or accountability.

34. Minnesota law is clear that a trustee must act solely in the interests of the beneficiary and must not allow its own financial interests to influence trust

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<sup>2</sup> The ineffective mitigation of the individual trustee on Wells Fargo's conflict has had other repercussions. By way of example, in 2021, counsel jointly representing Wells Fargo, the individual trustee, and the Foundation provided a legal opinion to the individual trustee justifying Wells Fargo's failure to provide fee remediation to the Residuary Trust related to overcharges that were the subject of a recently settled SEC investigation. The result was that Wells Fargo provided some fee remediation to the Foundation but did not provide any to the Residuary Trust. While this outcome benefitted Wells Fargo, it was objectively detrimental to the Residuary Trust and to the Foundation as the sole beneficiary of the Residuary Trust.

administration. Minn. Stat. § 501C.0802. Where a conflict exists, the trustee bears the burden of demonstrating that its conduct remains faithful to those duties.

35. Despite Wells Fargo's underperformance as OCIO, Wells Fargo as corporate trustee has allowed Wells Fargo as OCIO to continue to serve as OCIO – a lucrative arrangement for Wells Fargo but a detrimental one for the Residuary Trust and the Foundation. The Court may surcharge or order disgorgement of the Residuary Trust's overpayments as a remedy for this breach of trust.

36. Wells Fargo's breach of trust is longstanding and financially significant. Moreover, Wells Fargo has not shown a willingness to address this conflict of interest on its own without court intervention. This ongoing breach of trust is serious. It is also a persistent failure to administer the Residuary Trust effectively. Wells Fargo's failures permit court removal of a trustee under Minn. Stat. § 501C.0706(b)(1) and (3). Furthermore, the Foundation is the only qualified beneficiary of the Residuary Trust and removal of Wells Fargo as corporate trustee under Minn. Stat. § 501C.0706(b)(4) upon identification of a suitable successor corporate trustee would serve the best interests of the Foundation and is not inconsistent with any material purpose of the Residuary Trust.

**WHEREFORE**, the Blandin Foundation requests that the Court make and enter an order as follows:

1. Finding and declaring that Wells Fargo's retention of its affiliated OCIO constitutes a transaction affected by a conflict of interest under Minn. Stat. § 501C.0802

and that the corporate trustee has not demonstrated that such arrangement has been managed in a manner consistent with its fiduciary duties;

2. Removing or replacing Wells Fargo as the corporate trustee pursuant to Minn. Stat. § 501C.0706;

3. As an alternative to removal or replacement, ordering the corporate trustee to participate in an independent OCIO selection process, including: competitive bidding for OCIO services; retention of a qualified, independent, and unaffiliated investment consultant; regular written evaluations of the OCIO's performance, fees, and structure; and further requiring the corporate and individual trustees to report to the Court and the Foundation within a reasonable time regarding the results of the trustees' progress in establishing conflict-free OCIO services;

4. Ordering a surcharge or other remedies for breach of trust; and/or

5. Awarding such further relief as the Court deems just and equitable.

I declare under penalty of perjury that I have read the foregoing Petition for Instructions to Direct the Corporate Trustee to Correct Its Unmitigated Conflict of Interest and that, to the best of my knowledge and information, its representations are true, correct, and complete. Minn. Stat. § 358.116.

Date: 4/20/2026 | 7:37:57 PM CDT 2026

Blandin Foundation

Itasca County County, Minnesota

DocuSigned by:  
By: Tuleah Palmer  
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Tuleah Palmer

Its: CEO

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