

STATE OF MINNESOTA
COUNTY OF RAMSEY

DISTRICT COURT
SECOND JUDICIAL DISTRICT

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 DISCHARGING
SPECIAL MASTER AND APPROVING
INDEPENDENT AUDITOR VERIFIED
SELF-REPORTING PROCESS**

A public hearing was held before this Court on April 21, 2015 pursuant to a Petition to Discharge Special Master and Approve Verified Self-Reporting Process (the "Petition") filed by James W. Rockwell, on behalf of Wells Fargo Bank, N.A. ("Wells Fargo"), and James Hoolihan, co-trustees of the Residuary Trust created under Article VII of the Last Will and Testament of Charles K. Blandin (the "Residuary Trust"). Dr. Kathleen Annette, President and Chief Executive Officer of the Charles K. Blandin Foundation (the "Foundation"), and Michael Johnson, Chair of the Foundation Board of Trustees, appeared on behalf of the Foundation and joined in the Petition. Jean Lane, Director of Finance for the Foundation, appeared on behalf of the Foundation. The co-trustees of the Residuary Trust and the Foundation were represented by their attorneys Neal T. Buethe and Darlene M. Cobian, Briggs and Morgan, P.A. Deputy Attorney General Nathan Brenneman 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.

After having considered the arguments and reviewing the Petition, the Court makes the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. Article X of the Last Will and Testament of Charles K. Blandin (the "Will") requires that income received by the Foundation "be used for the purposes of [the

Foundation] and shall be of a character beneficial to the residents of the Village of Grand Rapids, Minnesota and vicinity."

2. By Order dated October 25, 1990 (the "1990 Order"), the Court determined that Article X of the Will "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 [Residuary Trust] in such manner as the Foundation Board of Trustees deems advisable in support of activities and programs within the State of Minnesota."

3. By Order dated December 21, 2000 (the "2000 Order"), the trustees of the Residuary Trust, the Foundation, and the Attorney General stipulated to the following provision:

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 dated October 25, 1990 recognized the changed circumstances of the [Residuary Trust] during the past 50 years, including the increase in the Blandin [Residuary 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.

4. During the 2003 tri-annual petition process, a dispute arose regarding the Foundation's perpetual and primary responsibility to distribute its funds to meet the reasonable needs of the Grand Rapids area. This Court conducted mediation to resolve the dispute, resulting in the Stipulation and Order dated December 17, 2003 (the "2003 Stipulation and Order"), whereby it was agreed that the Foundation would 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 the 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 the 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 the 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 area, 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.*

2003 Stipulation and Order at ¶ III.

5. In the 2003 Stipulation and Order, the Court reserved the right to review whether the Foundation fulfilled its perpetual and primary responsibility to meet the reasonable needs of the Grand Rapids area, if there were significant changes to the Foundation's grant making and charitable distribution practices in the future. *Id.*

6. To monitor compliance with Paragraph III of the Stipulated Order and any other resulting Orders, the Attorney General's Office recommended that the Court appoint a special master, pursuant to Minn. R. Civ. P. 53.01. *Id.* at ¶ V.

7. By Order dated January 19, 2004 (the "2004 Order"), this Court appointed Peter Ulmen as Special Master to monitor the Foundation's compliance with Paragraph III of the 2003 Stipulation and Order. The Special Master was charged with inquiring into the Foundation's grant distributions and allocations of those distributions to the Grand Rapids area, 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 beginning January 1, 2003. The 2004 Order was subsequently amended by Order dated May 8, 2007 (the "2007 Amended Order"), which renewed the appointment of Peter Ulmen as Special Master to monitor the Foundation's compliance with Paragraph III of the 2003 Stipulation and Order.

8. 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. As part of the Petition and Orders, 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 so on. This also is supported by the "citizens concerned for Blandin" community objectors' group, who signed the Stipulation in 2003. It is consistent with Mr. Blandin's stated intentions that the Foundation provide capacity, not dependency, to the community:

Furthermore, it is not the intention thru the medium of the Foundation, established as it is for the purpose of charitable enterprises and items that will be incidental to the welfare of the community to pauperize individuals or any class of people. Quite to the contrary, it is the intention of the Foundation, I hope, to be of material assistance in helping people to assist themselves. This, of course, would apply to both young and old, not overlooking the fact that in certain instances the principles of charity alone must be applied.

Memorandum for the Files of the Charles K. Blandin Foundation, and Trustees of the Foundation, and the Executors of the C.K. Blandin Estate, authored by C.K. Blandin (emphasis added).

9. The Special Master reports to the Court the Foundation's grant making activities using a template that outlines the requirements of Paragraph III of the 2003 Stipulation and Order. The Foundation has advised the Court that it will continue to use this

template as a reporting tool for future reporting periods and file the report with the Court and put it on its website so that there exists transparency in the Foundation's grant making.

10. The Foundation has created a process to identify and review whether a particular grant is local or rural in nature. This process includes various checks and balances, such as the ability of Foundation officials to consult with the Foundation Board of Trustees, the Court, and/or its auditor regarding a particular grant classification.

11. In addition to the Special Master's annual report, the Foundation has also produced its own annual report (the "Foundation's Original Report") to the Court regarding the charitable activities of the Foundation, which includes a detailed list of all grants approved by the Foundation during the year and identifies the strategic priorities and the specific ways in which the Foundation supported the local community each year. The template developed by the Special Master and Foundation officials will supplant the Foundation's Original Report.

12. Since the issues raised during the 2003 tri-annual petition process, the Court has emphasized to the Foundation that it is imperative to continue to comply with the 2003 Order as it relates to grants to benefit the Grand Rapids community. The Foundation will continue to contemporaneously publish the annual report on its website.

CONCLUSIONS OF LAW

1. The Court has jurisdiction over this matter by virtue of the common law and Minn. Stat. § 501B.24 (2014).

2. The Court has authority to discharge the Special Master.

3. The Court shall retain jurisdiction of this matter for purposes of enforcing this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED:

I. That the Petition to Discharge Special Master and Approve Verified Self-Reporting Process, filed by of the Trustees of the Residuary Trust created under Article VII of the Last Will and Testament of Charles K. Blandin and joined in by the Charles K. Blandin Foundation is approved.

II. This Findings and Order shall supersede the 2003 Stipulation and Order, except Paragraph III of the 2003 Stipulation and Order, which shall be incorporated in this Findings and Order. Paragraph III of the 2003 Stipulation and Order in its entirety provides as follows:

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 the 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 the 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 the 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 the 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 area, 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.

III. This Findings and Order hereby amends the January 19, 2004 and the May 8, 2007 Orders to discharge the Special Master and provide that a special master is no longer required. The Court also hereby amends Paragraph III (a) to provide:

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 31, 2021 and on.

IV. The Court hereby transfers responsibility of reporting the Foundation's compliance with Paragraph III of the 2003 Stipulation and Order, as incorporated by Paragraph II above, from Special Master Peter Ulmen to the Foundation itself, thereby discharging and relieving Peter Ulmen from his responsibilities as a special master appointed pursuant to Minn. R. Civ. P. 53.01 as of the date of this Order, provided that Peter Ulmen shall retain all immunities and confidences allowable under Minnesota law with regard to any Residuary Trust and Foundation communications or information disclosed to him during his tenure as special mater. The reporting responsibilities of the Foundation (“Independent Auditor Verified Self-Reporting Process”) shall be as follows:

1. 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 last 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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, 2012, 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.

7. 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.

8. 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.

9. 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

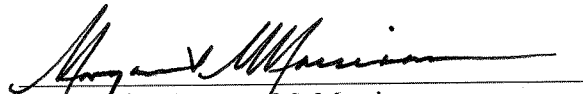
General's Office. In the alternative, if the Attorney General's Office determines that it is prudent to address any inquiry directly to the Court, it may do so by way of an informational meeting to be attended by representatives of the Foundation and the co-trustees of the Residuary Trust. Nothing in 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.

10. 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.

Based on the foregoing, **IT IS SO ORDERED:**

Dated: 28 April, 2015

BY THE COURT:


Honorable Margaret M. Marrinan
Judge of District Court