



**Corporate Decision #2015-06
June 2015**

May 14, 2015

Steven J. Johnson, Esq.
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80 South Eighth Street
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Re: St. James Federal Savings and Loan Association, St. James, Minnesota
(Savings Association)
Conversion Application Under 12 C.F.R. Part 192
Notification Under 12 C.F.R. § 163.22(b)(1)(i)
Charter No. 706335; OCC Control No. R3-2015-0047 and 0048

Dear Mr. Johnson:

The Office of the Comptroller of the Currency (OCC) hereby approves the application filed on behalf of the Savings Association to convert to a federally chartered stock savings association. This approval is granted based on a thorough review of the application and other information available to the OCC, including commitments and representations made in the application by representatives of the Savings Association during the application process.

The Savings Association has filed with the OCC an application (Conversion Application) for approval to convert from a federally chartered mutual savings association to a federally chartered stock savings association (Conversion), pursuant to section 5(i)(2) of the Home Owners' Loan Act, and 12 C.F.R. Part 192 (Conversion Regulations). As described in greater detail below, the Savings Association has requested that the OCC waive the following regulations, in accordance with 12 C.F.R. § 192.5(c): (i) Section 192.105(a); (ii) Section 192.395(b); and (iii) Section 192.505. The Savings Association intends to sell all of its stock to Wells Financial Corp. (Holding Company), a Minnesota-chartered corporation and a bank holding company, and the Holding Company will offer shares of its common stock based on the appraised value of the Savings Association. Immediately after completion of the Holding Company's stock offering, the Savings Association will merge into Wells Federal Bank, Wells, Minnesota (Bank), a wholly owned Minnesota-chartered commercial bank subsidiary of the Holding Company. The Savings Association has submitted a notification regarding the merger of the converted Savings

Association with and into the Bank (Notification), as required by 12 C.F.R. 163.22(b)(1)(i).¹
The Bank will be the surviving depository institution.

Conversion Application

The Conversion Regulations provide that the OCC may approve an application for conversion only if: (i) the plan of conversion adopted by the savings association's board of directors complies with 12 C.F.R. Part 192; (ii) after the conversion, the savings association will meet its regulatory capital requirements; and (iii) the conversion will not result in a taxable reorganization of the association under the Internal Revenue Code (IRC). In addition, 12 C.F.R. § 192.200(c) provides that the OCC, in reviewing an application for conversion under 12 C.F.R. Part 192, will consider the extent to which the conversion will affect the convenience and needs of the community, and may deny or condition the application on the basis of this review. Furthermore, the Conversion Regulations provide that a plan of conversion shall contain no provision that the OCC shall determine to be inequitable or detrimental to the applicant, its savings account holders or other savings associations or to be contrary to the public interest.²

The OCC has considered the Savings Association's Plan of Conversion Merger (Plan), and has concluded that the Plan contains the required provisions, and that the Plan is in accordance with the relevant regulatory requirements, with the exception of the provisions for which the Savings Association has requested a waiver. In particular, we conclude that the purchase priorities in the subscription offering are consistent with the Conversion Regulations.

The Savings Association requests a waiver of 12 C.F.R. § 192.105(a), which requires a business plan reflecting how the Savings Association will deploy the proceeds of the conversion. In this case, the Savings Association will cease to exist when the transaction is consummated, because the Savings Association will be merged into the Bank. Upon completion of the transaction, the Savings Association will cease to exist, the Savings Association's assets and liabilities will constitute only a minor part of the Bank upon completion of the transaction, and the resulting depository institution will not be subject to OCC regulation. Accordingly, we conclude that the waiver is equitable, not detrimental to the Savings Association, its account holders, or other savings associations, and is consistent with the public interest.

The Savings Association also requests a waiver of 12 C.F.R. § 192.395(b), which provides that if an institution offers shares in a community offering or public offering, it must first fill orders for its stock up to a maximum of two percent of the conversion stock on a basis that will promote a widespread distribution of stock, and that any remaining shares must be offered on an equal number of shares per order basis until all orders are filled. Because the Holding Company's common stock will be offered and sold in the conversion, implementing a two percent limitation on purchases of stock in the community offering will have little impact on the overall

¹ The Bank has submitted an application to the Federal Deposit Insurance Corporation for approval under § 18(c) of the Federal Deposit Insurance Act (Bank Merger Act), 12 U.S.C. § 1828(c), to merge the Savings Association with and into the Bank.

² 12 C.F.R. § 192.130.

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distribution of Holding Company common stock following the offering, especially given the size of the offering. Accordingly, we conclude that the waiver is equitable, not detrimental to the Savings Association, its account holders, or other savings associations, and is consistent with the public interest.

Finally, the Savings Association requests a waiver of 12 C.F.R. § 192.505, which restricts the ability of the Savings Association's officers and directors to sell stock obtained in the conversion and restricts the manner in which the Savings Association's officers and directors may acquire stock of the converted institution. The Holding Company's stock will be issued and sold in the conversion, and, at the completion of the transaction, the Savings Association will be merged into the Bank, an existing entity. Because the Holding Company's stock is traded in the over the counter market and the stock sold in the conversion will make up a small part of the Holding Company's stock, we conclude that the waiver is equitable, not detrimental to the Savings Association, its account holders, or other savings associations, and is consistent with the public interest.

The proposed transaction complies with the provisions addressing designation of a "local community." A preference in the community offering for natural persons (and trusts of natural persons) residing in the area constituting the "local community" is required by 12 C.F.R. § 192.390(b). The local community is defined in § 192.25 as including the county in which the Savings Association has its office. Here, the Savings Association has one office, located in St. James, in the County of Watonwan, Minnesota. The Savings Association has designated St. James, Minnesota, and Watonwan County, Minnesota, as the Savings Association's local community, and the Plan provides primary preference in any community offering to natural persons and trusts of natural persons in the local community. The Plan proposes that the Holding Company's existing stockholders be given a secondary preference in the community offering. The OCC Conversion Regulations provide only for a primary preference in the community offering. Therefore, the OCC has no objection to the provision for a secondary preference in the community offering. We conclude that the Plan, including the community offering section of the Plan, satisfies the Conversion Regulations.

With respect to the remaining approval criteria, the Conversion would not cause the Savings Association, which is currently well capitalized, to fail to meet its regulatory capital requirements, and the Conversion will not result in a taxable reorganization of the Savings Association under the IRC.

Based on the information provided in the Conversion Application, the OCC concludes that the Conversion meets the convenience and needs requirement set forth at 12 C.F.R. § 192.200(c).

The Conversion Regulations provide that a plan of conversion shall contain no provision that the OCC determines to be inequitable or detrimental to the applicant, its savings account holders or other savings associations or to be contrary to the public interest. We conclude that approval, as granted herein, is consistent with this standard.

The Notification regarding the Savings Association's proposed combination with the Bank includes a copy of the Bank's application filed with the Federal Deposit Insurance Company under the Bank Merger Act. As proposed, the Savings Association's members and borrowers with voting rights must approve the conversion by the vote required under 12 C.F.R. § 192.225, the Holding Company must approve the merger of the converted Savings Association with the Bank by the vote required under 12 C.F.R. § 152.13, and the resulting Bank must amend its liquidation account in order to include a liquidation account provision for the Savings Association's conversion. Therefore, the proposed transaction complies with the requirements of 12 C.F.R. § 163.22(h)(1).

Consummation Requirements

The approvals set forth herein are granted based on our understanding that other regulatory approvals, non-objections or waivers with respect to the proposed transaction will have been received prior to consummation of the transactions. Unless a timeframe is otherwise stated below, please submit the following information to the attention of the Senior Licensing Analyst in Washington D.C. prior to consummation of the transaction:

- Copies of all related regulatory approvals not previously submitted;
- On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Association must certify in writing to the Senior Licensing Analyst that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Association as disclosed in the application. If additional information having a material adverse bearing on any feature of the application is brought to the attention of the Savings Association or the OCC since the date of the financial statements submitted with the application, the transaction must not be consummated unless the information is presented to the Deputy Comptroller for Licensing (Deputy Comptroller), and the Deputy Comptroller provides written nonobjection to the consummation of the transaction;
- Promptly after the completion of the sale of all the shares of the Holding Company's capital stock to be sold in connection with the Conversion, the Savings Association must submit to the OCC's Senior Licensing Analyst: (a) a certification by the Savings Association's chief executive officer stating that all the shares proposed to be sold have been sold, the price at which they were sold, and the date of completion of the offering; and (b) a statement by the Savings Association's independent appraiser that, to the best of his/her knowledge and judgment, nothing of a material nature has occurred (taking into account all of the relevant factors including those which would be involved in a change in the maximum subscription price) which would cause him/her to conclude that the sale price was not compatible with his/her estimate of the Savings Association's total pro forma market value at the time of sale; and

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- The Savings Association must, within five calendar days after the effective date of the proposed transaction, advise the OCC's Senior Licensing Analyst in writing: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the application and this approval.

If the transaction is not consummated within 120 calendar days of the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period for good cause.

This approval and the activities and communications by OCC employees in connection with the filings do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the Savings Association's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, you may contact Senior Licensing Analyst Carla S. Holiman at (202) 649-6339 or at carla.holiman@occ.treas.gov.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing