

OFFICE OF THRIFT SUPERVISION

Approval of Operating Subsidiary Application

Order No. 2002-40

Date: September 6, 2002

Re: Docket No. 2984

Wells Federal Bank, FSB, Wells, Minnesota (Savings Bank) has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1828(m) and 12 C.F.R. Part 559, to organize two operating subsidiaries, Wells REIT Holding, LLC (Holding) and Wells Real Estate Investment Trust, LLC (REIT). Both Holding and REIT will be organized as Delaware Limited Liability Companies, and Holding will maintain an office in Nassau, Commonwealth of the Bahamas. (The foregoing is referred to as the Application.)

The Savings Bank will own 100% of the outstanding common stock of Holding, which in turn will own 100% of the outstanding common stock, and 80% of the non-voting preferred stock, of REIT. To qualify for the tax treatment available to real estate investment trusts under the Internal Revenue Code, the remaining 20% of REIT's preferred stock will be distributed to directors, officers and employees of the Savings Bank. The Savings Bank will capitalize REIT with mortgage loans and mortgage-backed securities from its portfolio. The proposed arrangement will reduce the Savings Bank's state tax liabilities.

OTS regulations, at 12 C.F.R. § 559.3(c)(1), provide that a federal savings association may invest in an operating subsidiary if it owns, directly or indirectly, at least 50% of the voting shares of the operating subsidiary and no other party has operating control of the subsidiary. Section 559.3(e)(1) provides that an operating subsidiary of a federal savings association may engage in any activity that a federal savings association may conduct directly.

The Savings Bank will own, directly or indirectly, 100% of the voting shares of Holding and REIT and no other party will have operating control of these entities. Holding will control REIT, and REIT will invest in mortgage loans and mortgage-backed securities, which are permissible activities for federal associations. Accordingly, the Application satisfies the requirements of §§ 559.3(c)(1) and 559.3(e)(1).

In addition, § 559.1(a) provides that OTS may, at any time, limit a federal savings association's investment in an operating subsidiary, or may limit or refuse to permit any activities of an operating subsidiary, for supervisory, legal, or safety and soundness reasons.

Based on the Application, OTS concludes that the proposed investment is not objectionable on safety and soundness or supervisory grounds, provided that the Savings Bank, Holding and REIT satisfy the conditions set forth below, which are intended to ensure

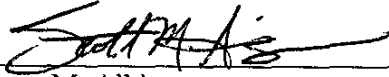
that the proposed activities do not raise supervisory concerns, in a manner satisfactory to the Midwest Regional Director or his designee (together, the Regional Director).

For the reasons set forth above, OTS has determined that the Application satisfies all applicable approval standards and criteria, and the Application is hereby approved, subject to the following conditions:

1. Holding and REIT must make available to OTS such information as OTS deems necessary from time to time to monitor the activities of Holding and REIT, and the effect of those activities on the safe and sound operation of the Savings Bank;
2. The Regional Director must be promptly informed, in writing, of all changes in the directors, officers, and employees or managers of Holding and REIT; and
3. The documents required by the following bullet items must be submitted to the Regional Director. Once these documents are submitted and the Regional Director indicates in writing that the documents are in acceptable form, Holding may establish the foreign office:
 - Holding must establish and document internal controls that demonstrate adequate oversight of its foreign office, and provide materials documenting the institution of such internal controls to the Regional Director.
 - Holding and REIT must consent in writing to the jurisdiction of the U.S. over, and the applicability of U.S. law to, the foreign office for purposes of all claims made by, proceedings initiated by, or obligations to, the U.S., OTS and any U.S. governmental agency, department or division, and must consent in writing to the jurisdiction of OTS over the foreign office for purposes of examination, supervision and enforcement.
 - Holding and REIT must consent in writing to the disclosure by the governmental authorities of the Commonwealth of the Bahamas to OTS of such information on the operations of the foreign office that OTS deems necessary from time to time to determine and enforce compliance with applicable U.S. law.
 - Holding, REIT and the Savings Bank must agree in writing to terminate operations of the foreign office as soon as possible (but no later than 30 days) after being advised in writing that OTS, in its sole discretion, has determined that such operations present undue risk.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective September 6, 2002.



Scott M. Albinson
Managing Director
Office of Supervision