Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

STATE OF MINNESOTA

COUNTY OF FARIBAULT

DISTRICT COURT

FIFTH JUDICIAL DISTRICT
Case Type: Class Action
File No.:

PAUL PARSHALL, Individually and On Behalf of All Others Similarly Situated,

Plaintiffs,

vs.

CLASS ACTION

WELLS FINANCIAL CORP., JAMES D. MOLL, RANDEL I. BICHLER, GERALD D. BASTIAN, DAVID BUESING, RICHARD A. MUELLER, AND CITIZENS COMMUNITY BANCORP, INC.,

Defendants.

CLASS ACTION COMPLAINT

Plaintiff, by his undersigned attorneys, for this complaint against defendants, alleges upon personal knowledge with respect to himself, and upon information and belief based upon, *inter alia*, the investigation of counsel as to all other allegations herein, as follows:

NATURE OF THE ACTION

1. This action stems from a proposed transaction announced on March 17, 2017 (the "Proposed Transaction"), pursuant to which Wells Financial Corp. ("Wells" or the "Company") will be acquired by Citizens Community Bancorp, Inc. ("CCBI") in a transaction valued at approximately $39.8 million (the "Proposed Transaction").

2. On March 17, 2017, Wells' Board of Directors (the "Board" or "Individual Defendants") caused the Company to enter into an agreement and plan of merger (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, stockholders of Wells will

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

receive total consideration of only $51.00 per share, consisting of $41.31 in cash and 0.7636 shares of CCBI common stock (the "Merger Consideration"). The stock portion of the Merger Consideration is subject to a pricing collar adjustment in certain circumstances based on CCBI's common stock price at the time of closing.

3. At the closing of the Proposed Transaction, Wells Federal Bank, a Minnesota state-chartered bank and a wholly-owned subsidiary of Wells ("Wells Bank") and Citizens Community Federal N.A., a federally-chartered national bank and a wholly-owned subsidiary of CCBI ("CCBI Bank"), will enter into an agreement and plan of merger pursuant to which Wells Bank will merge with and into CCBI Bank, with CCBI Bank surviving the bank merger.

4. The Proposed Transaction is the product of a flawed process and deprives Wells' public stockholders of the ability to participate in the Company's long-term prospects. Furthermore, in approving the Merger Agreement, the Individual Defendants breached their fiduciary duties to plaintiff and the Class (defined herein). Moreover, as alleged herein, Wells and CCBI aided and abetted the Individual Defendants' breaches of fiduciary duties.

5. Accordingly, plaintiff seeks enjoinment of the Proposed Transaction or, alternatively, rescission of the Proposed Transaction in the event defendants are able to consummate it.

PARTIES

6. Plaintiff is, and has been continuously throughout all times relevant hereto, the owner of Wells common stock.

7. Defendant Wells is a Minnesota corporation and maintains its principal executive office at 53 First Street, S.W., Wells, Minnesota 56097. Wells' common stock is traded on the Other OTC under the ticker symbol "WEFP."

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

8. Defendant James D. Moll ("Moll") has served as a director of Wells since 2013 and as President and Chief Executive Officer ("CEO") since June 2015. From December 1994 to June 2015, Moll was the Chief Financial Officer ("CEO") of the Company and Wells Bank and, since February 1995, the Treasurer of the Company and Wells Bank.

9. Defendant Randel I. Bichler ("Bichler") has served as a director of Wells since 1998 and is Chairman of the Board.

10. Defendant Gerald D. Bastian ("Bastian") has served as a director of Wells since 1994.

11. Defendant David Buesing ("Buesing") has served as a director of Wells since 1998.

12. Defendant Richard A. Mueller ("Mueller") has served as a director of Wells since 1994. Mueller is a first cousin of, and is beholden to, Moll.

13. The defendants identified in paragraphs 8 through 12 are collectively referred to herein as the "Individual Defendants."

14. Defendant Parent is a Maryland corporation that maintains its principal executive offices at 2174 EastRidge Center, Eau Claire, Wisconsin 54701 and is a party to the Merger Agreement.

CLASS ACTION ALLEGATIONS

15. Plaintiff brings this action as a class action on behalf of himself and the other public stockholders of Wells (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendant.

16. This action is properly maintainable as a class action.

17. The Class is so numerous that joinder of all members is impracticable. As of

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

March 1, 2016, there were 794,253 shares of Wells common stock outstanding, held by hundreds, if not thousands, of individuals and entities scattered throughout the country.

18. Questions of law and fact are common to the Class, including, among others: (i) whether defendants breached their fiduciary duties; and (ii) whether defendants will irreparably harm plaintiff and the other members of the Class if defendants' conduct complained of herein continues.

19. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff has the same interests as the other members of the Class. Accordingly, plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

20. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for defendants, or adjudications that would, as a practical matter, be dispositive of the interests of individual members of the Class who are not parties to the adjudications or would substantially impair or impede those non-party Class members' ability to protect their interests.

21. Defendants have acted, or refused to act, on grounds generally applicable to the Class as a whole, and are causing injury to the entire Class. Therefore, final injunctive relief on behalf of the Class is appropriate.

SUBSTANTIVE ALLEGATIONS

Background of the Company

22. Wells is a bank holding company that was incorporated in December 1994 under

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

the laws of the State of Minnesota for the purpose of acquiring all of the issued and outstanding common stock of Wells Bank, which acquisition occurred in April 1995. At the same time, Wells Bank simultaneously converted from a mutual to a stock institution, and sold all of its outstanding capital stock to the Company and the Company made its initial public offering of common stock.

23. The primary activity of the Company is directing and planning the activities of the Wells Bank, the Company's primary asset. On December 31, 2015, the remainder of the Company's assets were maintained in deposits in non-interest bearing accounts at Wells Bank. The Company engages in no other significant activities.

24. Wells Bank converted from a federally chartered savings bank to a Minnesota state chartered commercial bank in 2012. It is headquartered in Wells, Minnesota, and has nine full service offices located in Faribault, Blue Earth, Martin, Nicollet, Freeborn, Steele and Watonwan Counties, Minnesota. Wells Bank was founded in 1934 and its deposits are insured to applicable limits by the FDIC. It is a member of the Federal Home Loan Bank ("FHLB") System.

25. Wells Bank is a community-oriented, full service retail commercial bank. It attracts deposits from the general public and uses such deposits to invest in residential lending on owner-occupied and non-owner occupied properties, agricultural real estate and operating loans, home equity and other consumer loans, commercial real estate and commercial construction and operating loans. Cash in excess of amounts needed for lending operations is used to purchase investment securities and to maintain required liquidity. Wells Bank has one subsidiary, Wells Insurance Agency, Inc., which is a full service insurance agency that sells property, casualty, life and health insurance.

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

26. Effective July 16, 2015, the Company completed its acquisition of St. James Federal Savings and Loan Association, St. James, Minnesota ("St. James"), in a conversion merger transaction. As a result of the transaction, St. James converted from a mutual to stock institution and merged with and into Wells Bank, with the Wells Bank as the surviving institution. The Company acquired 100% of the voting shares of St. James. The Company issued and sold 78,736 shares of common stock at a price of $27.36 per share, which reflected a 5% discount on the 30-day average price as prescribed in the merger agreement. The shares were offered to depositor and borrower members of St. James in a subscription offering and to stockholders of the Company and members of the general public in a community offering. The Company's ESOP acquired 8%, or 6,299 shares, of the newly issued shares using funds borrowed from the Company. Gross offering proceeds totaled approximately $2.2 million including $172,000 purchased by the Company's ESOP. As a result of the stock offering, the Company had 814,758 shares of common stock outstanding as of the close of business on July 16, 2015. St. James' sole office, located in St. James, Minnesota, has become a branch office of the Bank. The Company's primary reasons for the acquisition are to provide for asset growth, improve capital and competitive positions, and increase the limit on loans to one borrower.

27. The acquisition of St. James had substantial immediate positive results for Wells. On November 2, 2015, Wells announced its financial results for the third quarter of 2015. Wells reported net income for the third quarter of 2015 of $3,420,000, *up $2,902,000 or 560.2%*, when compared to the third quarter of 2014, and that basic and diluted earnings per share for the third quarter of 2015 were $4.63, *up $3.95 or 581.0%*, when compared to the third quarter of 2014. As reported by the Company, the improvement in net income for the quarter was due primarily to the bargain purchase gain of $2,848,000 that resulted from the merger with St. James, as well

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

as an increase in net interest income of $298,000 and a decrease in the provision for loan losses of $170,000.

28. The press release announcing the Company's financial results for the third quarter of 2015 also reported the following table reflecting the Company's impressive results:

Wells Financial Corp. Announces Third Quarter Results of Operations

Selected Financial Data
(Dollars in thousands, except per share data)
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 3,420	$ 518	$ 4,463	$ 865
Basic earnings per share	$ 4.63	$ 0.68	$ 5.88	$ 1.14
Diluted earnings per share	$ 4.63	$ 0.68	$ 5.87	$ 1.14
Return on average equity (1)(2)	46.42%	7.82%	21.28%	4.37%
Return on average assets(1)	5.11%	0.84%	2.31%	0.47%
Net interest rate spread	3.74%	3.54%	3.67%	3.47%
Net interest rate margin	3.75%	3.56%	3.69%	3.48%
Book value per share (2)	$ 38.69	$ 35.37	$ 38.69	$ 35.37

(1) Annualized
(2) Includes stockholders' equity and mezzanine equity

29. Notwithstanding the Company's potential for growth and success, the Board determined to sell the Company for the inadequate Merger Consideration.

The Preclusive Merger Agreement

30. On March 17, 2017, the Board caused the Company to enter into the Merger Agreement, pursuant to which Wells will be acquired for inadequate consideration.

31. To the detriment of the Company's stockholders, the terms of the Merger Agreement substantially favor CCBI and are calculated to unreasonably dissuade potential suitors from making competing offers.

32. For example, the Individual Defendants have all but ensured that another entity will not emerge with a competing proposal by agreeing to a "no solicitation" provision in the Merger Agreement that prohibits the Individual Defendants from soliciting alternative proposals

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

and severely constrains their ability to communicate and negotiate with potential buyers who wish to submit or have submitted unsolicited alternative proposals. Sections 4.2(a) of the Merger Agreement states in pertinent part:

> (a) From the date hereof until the earlier of the Effective Time or the date on which this Agreement is terminated in accordance with the terms hereof, the Company shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any officer, director or employee of the Company or any of its Subsidiaries, or any financial advisor, attorney or other advisor or representative ("Representatives") of the Company or any of its Subsidiaries, to, directly or indirectly (i) solicit, initiate or knowingly facilitate, induce or encourage the submission of any Takeover Proposal (as hereinafter defined) or any proposal that could reasonably be expected to lead to a Takeover Proposal, (ii) enter into any letter of intent, agreement in principle or Contract providing for, relating to or in connection with, any Takeover Proposal or any proposal that could reasonably be expected to lead to a Takeover Proposal, (iii) enter into, continue or otherwise participate in any discussions or negotiations with any Third Party with respect to any Takeover Proposal or (iv) furnish to any Third Party any information regarding the Company or its Subsidiaries, or afford access to the properties, books and records of the Company or its Subsidiaries, to any Third Party in connection with or in response to any Takeover Proposal . . . .

33. Additionally, Sections 4.3 of the Merger Agreement provides that, "[d]uring the period from the date of this Agreement through the Effective Time, the Company shall not terminate, amend, modify or waive any provision of any confidentiality agreement relating to a Takeover Proposal or standstill agreement to which the Company or its Subsidiaries is a party (other than any agreement involving CCBI)." Thus, any interested parties that entered into any standstill agreements, which prevent those parties from offering to acquire the Company, cannot submit topping bids to acquire Wells, and the Board has knowingly contractually prohibited itself from waiving those preclusive standstill provisions in breach of their fiduciary duties.

34. Further, the Company must promptly advise CCBI of any proposals or inquiries received from other parties. Section 4.2(b) of the Merger Agreement states:

> (b) The Company shall promptly, and in any event no later than twenty-four (24) hours after it receives any Takeover Proposal, or any written request for

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

> information regarding the Company or any of its Subsidiaries in connection with a Takeover Proposal or any inquiry with respect to, or which could reasonably be expected to lead to, any Takeover Proposal, advise CCBI orally and in writing of such Takeover Proposal or request, including providing a description of the Third Party sufficient to permit an evaluation of the relative merits of the Takeover Proposal or request, and (i) if it is in writing, the material terms of such Takeover Proposal and any related draft agreements and other written material setting forth the material terms and conditions of such Takeover Proposal and (ii) if oral, a reasonably detailed written summary thereof, including a description of such Third Party sufficient to permit an evaluation of the relative merits of the Takeover Proposal. The Company shall keep CCBI informed in all material respects on a prompt basis of the status and details of any such Takeover Proposal or with respect to any change to the material terms of any such Takeover Proposal. The Company agrees that it shall, prior to or concurrent with the time it is provided to any Third Parties, provide to CCBI any non-public information concerning the Company and its Subsidiaries that the Company provides to any Third Party in connection with any Takeover Proposal which was not previously provided to CCBI.

35. Moreover, the Merger Agreement contains a highly restrictive "fiduciary out" provision permitting the Board to withdraw its approval of the Proposed Transaction under extremely limited circumstances, and grants CCBI a "matching right" with respect to any "Superior Proposal" made to the Company. Section 4.2(d) of the Merger Agreement provides:

> (d) Notwithstanding Section 4.2(c), at any time prior to the approval and adoption of this Agreement by the shareholders of the Company at the Shareholder Meeting, the Board of Directors of the Company may make a Company Adverse Recommendation Change in response to a Superior Proposal made after the date hereof and which shall not have been withdrawn if such Board of Directors determines in good faith (after consultation with its outside financial advisor and outside counsel) that the failure to do so would reasonably be expected to violate the fiduciary duties of the Board of Directors of the Company to the shareholders of the Company under applicable Law; provided, however, that (i) no such Company Adverse Recommendation Change may be made if the Company failed to comply with this Section 4.2, (ii) no such Company Adverse Recommendation Change shall be made until after the third Business Day following CCBI's receipt of written notice (a "Notice of Adverse Recommendation") from the Company advising CCBI that the Board of Directors of the Company intends to take such action and specifying the reasons therefor, including the terms and conditions of the Superior Proposal that is the basis of the proposed action by the Board of Directors of the Company (it being understood and agreed that any amendment to the financial terms or any other material term of such Superior Proposal shall require a new Notice of Adverse

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

> Recommendation and a new three (3) Business Day period), identifying the Person making such Superior Proposal, providing copies of any agreements intended to effect such Superior Proposal and representing that the Company has complied with this Section 4.2, (iii) during such three (3) Business Day period, the Company and its advisors shall negotiate with CCBI in good faith to make such adjustments to the terms and conditions of this Agreement as would enable the Board of Directors of the Company to proceed with its recommendation of this Agreement and not make a Company Adverse Recommendation Change, and (iv) the Board of Directors of the Company shall not make a Company Adverse Recommendation Change if, prior to the expiration of such three (3) Business Day period, CCBI makes a proposal to adjust the terms and conditions of this Agreement that the Company's Board of Directors determines in good faith (after consultation with its financial advisors) to be at least as favorable as the Superior Proposal after giving effect to, among other things, the payment of the Termination Fee.

36. Further locking up control of the Company in favor of CCBI, the Merger Agreement provides for a "Termination Fee" of $1.6 million, or an unreasonably high 4% of the Proposed Transaction's value, payable by the Company to CCBI if the Individual Defendants cause the Company to terminate the Merger Agreement.

37. By agreeing to all of the deal protection devices, the Individual Defendants have locked up the Proposed Transaction and have precluded other bidders from making successful competing offers for the Company.

COUNT I

(Breach of Fiduciary Duties against the Individual Defendants)

38. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

39. As members of the Company's Board, the Individual Defendants have fiduciary obligations to: (a) undertake an appropriate evaluation of Wells's net worth as a merger/acquisition candidate; (b) take all appropriate steps to enhance Wells's value and attractiveness as a merger/acquisition candidate; (c) act independently to protect the interests of the Company's public stockholders; (d) adequately ensure that no conflicts of interest exist

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

between the Individual Defendants' own interests and their fiduciary obligations, and, if such conflicts exist, to ensure that all conflicts are resolved in the best interests of Wells's public stockholders; (e) actively evaluate the Proposed Transaction and engage in a meaningful auction with third parties in an attempt to obtain the best value on any sale of Wells; and (f) disclose all material information to the Company's stockholders.

40. The Individual Defendants have breached their fiduciary duties to plaintiff and the Class.

41. As alleged herein, the Individual Defendants have initiated a process to sell Wells that undervalues the Company. In addition, by agreeing to the Proposed Transaction, the Individual Defendants have capped the price of Wells at a price that does not adequately reflect the Company's true value. The Individual Defendants also failed to sufficiently inform themselves of Wells's value, or disregarded the true value of the Company. Furthermore, any alternate acquiror will be faced with engaging in discussions with a management team and Board that are committed to the Proposed Transaction.

42. As such, unless the Individual Defendants' conduct is enjoined by the Court, they will continue to breach their fiduciary duties to plaintiff and the other members of the Class.

43. Plaintiff and the members of the Class have no adequate remedy at law.

COUNT II

(Aiding and Abetting the Board's Breaches of Fiduciary Duties Against Wells and CCBI)

44. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

45. Defendants Wells and CCBI knowingly assisted the Individual Defendants' breaches of fiduciary duties in connection with the Proposed Transaction, which, without such aid, would not have occurred. In connection with discussions regarding the Proposed

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

Transaction, Wells provided, and CCBI obtained, sensitive non-public information concerning Wells and thus had unfair advantages that are enabling it to pursue the Proposed Transaction, which offers unfair and inadequate consideration.

46. As a result of this conduct, plaintiff and the other members of the Class have been and will be damaged in that they have been and will be prevented from obtaining fair consideration for their Wells shares.

47. Plaintiff and the members of the Class have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment and relief as follows:

A. Ordering that this action may be maintained as a class action and certifying plaintiff as the Class representative and plaintiff's counsel as Class counsel;

B. Preliminarily and permanently enjoining defendants and all persons acting in concert with them from proceeding with, consummating, or closing the Proposed Transaction;

C. In the event defendants consummate the Proposed Transaction, rescinding it and setting it aside or awarding rescissory damages to plaintiff and the Class;

D. Directing defendants to account to plaintiff and the Class for their damages sustained because of the wrongs complained of herein;

E. Awarding plaintiff the costs of this action, including reasonable allowance for plaintiff's attorneys' and experts' fees; and

F. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Filed in Fifth Judicial District Court
3/22/2017 8:52:01 AM
Faribault County, MN

Dated: March 22, 2017

ALTMAN & IZEK

By: *s/ Douglas B. Altman*

Douglas B. Altman (13854X)
Adam M. Altman (0393515)
901 North Third Street
Suite 140
Minneapolis, MN 55401S
Tel: (612) 335-3700
Fax: (612) 335-3701

OF COUNSEL:

RIGRODSKY & LONG, P.A.
Brian D. Long
Gina M. Serra
2 Righter Parkway, Suite 120
Wilmington, DE 19803
Tel: (302) 295-5310

RM LAW, P.C.
Richard A. Maniskas
1055 Westlakes Drive, Suite 3112
Berwyn, PA 19312
Tel: (484) 324-6800

Attorneys for Plaintiff