

OFFICE OF THRIFT SUPERVISION

Approval of Holding Company Application and Related Filings

Order No.: 2006-53

Date: December 29, 2006

OTS Nos.: 16195, H-4293,
H-4294, H-4295

Brooke Holdings, Inc. (Holdings), Phillipsburg, Kansas, Brooke Corporation (Corporation), Overland Park, Kansas, and Brooke Brokerage Corporation (Brokerage), Overland Park, Kansas, (collectively, Applicants) have applied to the Office of Thrift Supervision (OTS) for approval under § 10(e) of the Home Owners' Loan Act (HOLA) and 12 C.F.R. § 574.3 to acquire control of Generations Bank (Savings Bank), a federal stock savings bank. The Applicants have proposed to rename the Savings Bank "Brooke Savings Bank," and move its home office from Kansas City, Missouri, to Phillipsburg, Kansas. In addition, the Savings Bank has requested permission to amend its bylaws to provide for five directors. (Collectively, the foregoing are referred to herein as the Applications.)

Background

The Savings Bank is a Deposit Insurance Fund (DIF)-insured, federally chartered stock savings bank. The Savings Bank is considered "well capitalized" pursuant to the OTS Prompt Corrective Action (PCA) regulation.

Holdings is a privately held company that owns 46.9 percent of the Corporation's common stock. The Corporation is a publicly traded company that owns all of the common stock of Brokerage, a wholesale insurance broker, which will hold the stock of the Savings Bank.

The Proposed Transaction

The Applicants will acquire all of the outstanding stock of the Savings Bank. The Applicants propose to move the home office of the Savings Bank to Phillipsburg, Kansas. In connection with the acquisition, the size of the Savings Bank's board of directors will be decreased from 9 to 5 members.

Holding Company Application

Section 10(e)(1)(B) of the HOLA and the Acquisition of Control Regulations thereunder provide that OTS must approve a proposed acquisition of a savings association by a company, other than a savings and loan holding company, unless OTS finds that the financial and managerial resources and future prospects of the company and association

involved would be detrimental to the association or the insurance risk of the DIF. OTS must also consider the impact of the acquisition on competition. Finally, OTS must take into account assessments under the Community Reinvestment Act (CRA) when considering holding company applications.

With respect to managerial resources, OTS' review of the Applicants has revealed no material adverse information. In addition, OTS has reviewed the background of each of the Applicants' directors and senior executive officers, and the persons who have been proposed as directors and officers of the Savings Bank. OTS has found no material adverse information regarding any of these persons. One of the proposed directors of the Savings Bank is expected to resign and a replacement will be named. Condition number six below will ensure that the new director will have the requisite competence, experience and integrity.

Based on its review, OTS concludes that the managerial resources of the Applicants and the Savings Bank are consistent with approval.

With regard to financial resources, OTS has reviewed the Applicants' financial position and the Savings Bank's business plan. OTS concludes that the Applicants have demonstrated adequate financial resources. The Applications indicate that the Savings Bank will meet all of its capital requirements and will be well capitalized under the PCA regulation throughout the next three years. Based on the foregoing, OTS concludes that the financial resources of the Applicants and the Savings Bank are consistent with approval of the holding company application.

With regard to future prospects, OTS has considered the financial and managerial resources of the Applicants and the Savings Bank's business plan. OTS is imposing conditions six through eight below to ensure that: the Savings Bank and its immediate holding company are operated by competent personnel; and the Savings Bank follows its business plan and that changes to that plan are appropriate. Also, because the Savings Bank will share certain management officials with the Applicants, because the Savings Bank is expected to have transactions with its affiliates, and because the Savings Bank's products will be marketed through its affiliates' agents, OTS is imposing conditions five and nine, below, to ensure that the Savings Bank's future prospects are consistent with approval. Together these conditions are intended to ensure the future prospects of the Applicants and the Savings Bank, and limit the insurance risks of the DIF. Based on the factors considered above and in the discussions regarding managerial and financial resources, OTS concludes that the future prospects of the Applicants and the Savings Bank are consistent with approval, and will not pose undue risk to the DIF.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

With respect to the Applicants' performance under the CRA, the Applicants have not controlled any entities that have been subject to the CRA. At the Savings Bank's CRA

examination, dated October 17, 2005, it received a CRA rating of "Needs to Improve." OTS did not receive any comments on the holding company applications. The CRA plan submitted by Applicants and the Savings Bank addresses the deficiencies in the Savings Bank's CRA performance, and OTS believes that adherence to the plan will result in improved CRA performance. Accordingly, OTS concludes that the holding company application meets the CRA criterion for approval.

Charter and Bylaw Amendments

The Savings Bank has filed an application to amend and restate its charter to change its name and location, and amend its bylaws to reduce the number of directors serving on its board. These changes are consistent with amendments permitted by §§ 552.4 and 552.5.

Home Office Relocation

The Applicants have applied under 12 C.F.R. §§ 545.93 and 545.95 to move the Savings Bank's home office from Kansas City, Missouri, to Phillipsburg, Kansas. Section 545.95(b) provides that OTS will approve an application to relocate a federal savings association's home office if the savings association: (i) has overall policies, condition, and operations that afford no basis for supervisory objection; (ii) meets or exceeds its minimum capital requirements; and (iii) demonstrates a record of helping to meet the credit needs of the entire community it serves, including low- and moderate-income neighborhoods.

The Savings Bank is currently "well capitalized." The Savings Bank received a rating of "Needs to Improve" in its most recent CRA exam, and a revised CRA plan for the Savings Bank was submitted with the Applications. OTS has concluded that adherence to the Savings Bank's plan will improve the Savings Bank's CRA performance. OTS has no supervisory objection to Savings Bank's proposed policies, condition, and operations following the proposed home office relocation to Phillipsburg, Kansas. Accordingly, the Savings Bank's proposed home office relocation meets the standards for approval.

Conclusion

Based on the foregoing, OTS concludes that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee (Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Applicants and the Savings Bank must receive all required regulatory and shareholder approvals for the proposed transaction and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The Applicants and the Savings Bank must consummate the proposed transaction within 120 calendar days from the date of this Order;

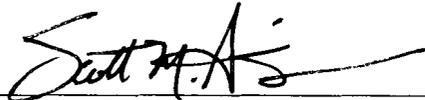
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of Holdings, the Corporation, Brokerage and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of Holdings, the Corporation, Brokerage, and the Savings Bank, as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications are brought to the attention of Holdings, the Corporation, Brokerage, the Savings Bank, or OTS, since the date of the financial statements submitted with the Applications, the transactions must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Applicants and the Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (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 Applications, and this Order;
5. For the first eighteen months following consummation of the acquisition, any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, shall be provided to the Regional Director at least 30 days prior to execution and shall receive the Regional Director's written non-objection prior to implementation;
6. For two years following the date of consummation, Brokerage and the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant changes in responsibilities of any senior executive officer;
7. The Savings Bank must operate within the parameters of the three-year business plan, and must submit any proposed major deviations or material changes from the plan (including those initiated by the Applicants) for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date;
8. For three years following the date of consummation, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any material deviations; and

9. Within 60 calendar days of the date of consummation and continuously thereafter, at least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Applicants or their affiliates and who have not otherwise been determined by the Regional Director to lack sufficient independence; and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Applicants or their affiliates and who is not an officer or employee of the Savings Bank, and has not otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of any audit committee established by the Savings Bank must be directors who are not officers or employees of the Savings Bank, the Applicants or their affiliates and have not otherwise been determined by the Regional Director to lack sufficient independence.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

December 29, 2006



Scott M. Albinson
Managing Director
Office of Examinations, Supervision,
and Consumer Protection