

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-11-006
)	
)	
GENERATIONS BANK)	Effective Date: March 3, 2011
)	
Overland Park, Kansas)	
OTS Docket No. 16195)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Generations Bank, Overland Park, Kansas, OTS Docket No. 16195 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association, its institution-affiliated parties,¹ and its successors and assigns, shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or aiding and abetting the unsafe or unsound banking practices that resulted in:

- (a) operating the Association with an inadequate level of capital protection for the volume, type and quality of assets held by the Association;
- (b) operating the Association with inadequate earnings to augment capital;
- (c) operating the Association with an inadequate allowance for loan and lease losses (ALLL) for the volume, type, and quality of loans and leases held;
- (d) operating the Association with inadequate written internal loan review policies and procedures;
- (e) operating the Association with elevated liquidity risk;
- (f) failing to establish a complete and adequate interest rate risk management process that effectively identifies, measures, monitors, and controls risk; and
- (g) operating the Association in contravention of supervisory policy statements and other guidance, including, but not limited to:
 - (i) OTS CEO Memorandum No. 334 (Interagency Advisory on Interest Rate Risk Management), dated January 7, 2010;
 - (ii) OTS CEO Memorandum 342 (Interagency Policy Statement on Funding and Liquidity Risk Management), dated March 17, 2010; and
 - (iii) OTS Thrift Bulletin 13a (TB 13a).

¹ The term “institution-affiliated party” is defined at 12 U.S.C. § 1813(u).

Capital.

2. By March 31, 2011, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8.00%) and a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12.00%).²
3. Within fifteen (15) days after the Association fails to meet the capital requirements prescribed in Paragraph 2, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.
4. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations and regulatory guidance.
5. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports, detailing the Association's progress in implementing the Contingency Plan, by no later than the first (1st) and fifteenth (15th) days of each month following implementation of the Contingency Plan.

² The requirement in Paragraph 2 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. § 565.4(b)(1)(iv).

Dividends and Other Capital Distributions.

6. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital. The Association shall not request approval of a declaration of dividend, dividend payment or other capital distribution unless it demonstrates that the Association is (and would be after the payment of the proposed dividend or capital distribution) in compliance with Paragraph 2 of this Order.

Business Plan.

7. By March 31, 2011, the Association shall submit a new comprehensive business plan for the period of April 1, 2011 through March 31, 2014 (Business Plan) that is acceptable to the Regional Director and addresses all corrective actions in the OTS Report of Examination, dated September 27, 2010 (2010 ROE) relating to the Association's business operations. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:

- (a) plans to improve the Association's core earnings, maintain appropriate levels of liquidity, and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital

requirements, and comply with this Order;

(c) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan; and

(d) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

8. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan.

9. Any material modifications³ to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

10. Within forty-five (45) days after the end of each quarter, after implementation of the Business Plan, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Variance Reports). The Variance Reports shall:

(a) identify variances, expressed in dollars and percentages, in the Association's actual performance during that quarter as compared to the projections set forth in the Business Plan;

(b) contain an analysis and explanation of identified variances; and

(c) discuss the specific measures taken or to be taken to address identified variances.

³ A modification shall be considered material under this Paragraph of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

11. A copy of each Variance Report and the Board meeting minutes discussing such report shall be provided to the Regional Director within five (5) days after the Board meeting at which the Variance Report was discussed.

Internal Asset Review and Classification.

12. By March 31, 2011, the Association shall develop a new written internal asset review and classification program (IAR Program) that is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE relating to internal asset review and classification and that complies with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program shall:

- (a) ensure the accurate and timely identification, classification, and reporting of the Association's assets, including the designation of loans as special mention or placement of loans on a watch list where a borrower's credit standing has deteriorated on an ongoing basis;
- (b) detail the Association's loan grading system and specify parameters for the identification of criticized loans for each type of loan offered by the Association; and
- (c) provide for the appointment of a qualified, experienced, and independent third party to conduct, at a minimum, quarterly reviews of the Association's loan portfolio and assessments of the Association's internal asset review process thereof.

13. Upon receipt of written notice of non-objection to the IAR Program from the Regional Director, the Association shall implement and adhere to the IAR Program.

Liquidity.

14. By March 31, 2011, the Association shall amend its Liquidity Policy to ensure that it addresses all corrective actions in 2010 ROE relating to liquidity and conforms to applicable laws, regulations and regulatory guidance, including, but not limited to, OTS CEO Memorandum 342 (Interagency Policy Statement on Funding and Liquidity Risk Management), dated March 17, 2010. The Board's review of the amended Liquidity Policy shall be documented in the Board meeting minutes and a copy of the amended Liquidity Policy shall be provided to the Regional Director within five (5) days of adoption by the Board. Upon adoption of the amended Liquidity Policy by the Board, the Association shall implement and adhere to the amended Liquidity Policy.

Interest Rate Risk.

15. By March 31, 2011, the Association shall amend its Asset, Liability and Investment Policy (ALI Policy) to ensure that it addresses all corrective actions in 2010 ROE relating to asset, liability and investments and conforms to applicable laws, regulations and regulatory guidance, including, but not limited to, the guidance set forth in TB 13a relating to the establishment of specific net present value (NPV) exposure limits for at least six (6) interest rate shock scenarios, and the guidance set forth in OTS CEO Memorandum No. 334 (Interagency Advisory on Interest Rate Risk Management), dated January 7, 2010. The Board's review of the amended ALI Policy shall be documented in the Board meeting minutes and a copy of the amended ALI Policy shall be provided to the Regional Director within five (5) days of adoption by the Board. Upon adoption of the amended ALI Policy by the Board, the Association shall implement and adhere to the amended ALI Policy.

Growth.

16. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

Transactions with Affiliates.

17. Effective immediately, the Association shall not engage in any new transaction with an affiliate unless, with respect to each transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Directorate and Management Changes.

18. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁴ set forth in 12 C.F.R. Part 563, Subpart H.

Golden Parachute and Indemnification Payments.

19. Effective immediately, the Association shall not make any golden parachute payment⁵ or prohibited indemnification payment⁶ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

⁴ The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

⁵ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁶ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

Employment Contracts and Compensation Arrangements.

20. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Third Party Contracts.

21. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association⁷ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

⁷ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

Brokered Deposits.

22. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

Board Oversight of Compliance with Order.

23. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

24. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

25. Within sixty (60) days at the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

26. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

27. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

28. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

29. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

30. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

31. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

32. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Philip A. Gerbick
Attn: Dennis R. Havener, Assistant Director
225 E. John Carpenter Freeway, Suite 500
Irving, Texas 75062-2326
Fax: (972) 277-9501

- (b) To the Association:
Attn: Roger Messner, President
Generations Bank
7200 West 132nd Street, Suite 220
Overland Park, Kansas 66213
Fax: (913) 928-6189

No Violations Authorized.

33. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Philip A. Gerbick
Regional Director, Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	Order No.: WN-11-006
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GENERATIONS BANK)	Effective Date: March 3, 2011
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Overland Park, Kansas)	
OTS Docket No. 16195)	
_____)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Generations Bank, Overland Park, Kansas, OTS Docket No. 16195 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its examination of the Association, as described more fully in the Report of Examination, dated September 27, 2010 (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices, including:

- (a) operating the Association with an inadequate level of capital protection for the volume, type and quality of assets held by the Association;
- (b) operating the Association with inadequate earnings to augment capital;
- (c) operating the Association with an inadequate allowance for loan and lease losses (ALLL) for the volume, type, and quality of loans and leases held;
- (d) operating the Association with inadequate written internal loan review policies and procedures;
- (e) operating the Association with elevated liquidity risk;
- (f) failing to establish a complete and adequate interest rate risk management process

that effectively identifies, measures, monitors, and controls risk; and

(g) operating the Association in contravention of supervisory policy statements and other guidance, including, but not limited to:

(i) OTS CEO Memorandum No.334 (Interagency Advisory on Interest Rate Risk Management), dated January 7, 2010;

(ii) OTS CEO Memorandum 342 (Interagency Policy Statement on Funding and Liquidity Risk Management), dated March 17, 2010; and

(iii) OTS Thrift Bulletin 13a (TB 13a).

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

5 The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

(a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and

(d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and

enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

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WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

GENERATIONS BANK
Overland Park, Kansas

OFFICE OF THRIFT SUPERVISION

By: _____ /s/ _____
Larry R. Goddard
Chairman

By: _____ /s/ _____
Philip A. Gerbick
Regional Director, Western Region

Date: See Effective Date on page 1

_____/s/_____
Jeffrey D. Copper, Director

_____/s/_____
Roger Messner, Director

_____/s/_____
William R. Morton, Director