

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 65260 / September 2, 2011

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3317 / September 2, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14528

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In the Matter of	:	ORDER INSTITUTING
	:	ADMINISTRATIVE PROCEEDINGS
LELAND G. ORR, CPA,	:	PURSUANT TO RULE 102(e) OF THE
	:	COMMISSION'S RULES OF
Respondent.	:	PRACTICE, MAKING FINDINGS, AND
	:	IMPOSING REMEDIAL SANCTIONS
	:	

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Leland G. Orr (“Respondent” or “Orr”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

A. Orr served as chief financial officer of Brooke Corporation (“Brooke”) from 1995 until March 11, 2008, and as chief executive officer of Brooke from March 11, 2008 until October 17, 2008. Orr served as chief financial officer of Brooke Capital Corp. (“Brooke Capital”) from November 15, 2007 until August 15, 2008. Orr is and has been a certified public accountant licensed in the state of Kansas.

B. Brooke was, at all relevant times, a Kansas corporation with its principal place of business in Overland Park, Kansas. Brooke was a provider of banking, insurance, and other financial services. At all relevant times, Brooke’s common stock was registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and traded on the NASDAQ Global Market. Brooke Capital was, at all relevant times, a Kansas corporation with its principal place of business in Overland Park, Kansas. Brooke Capital operated a franchise network of insurance agents. At all relevant times, Brooke Capital’s common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and traded on the American Stock Exchange.

C. On July 13, 2011, a judgment was entered against Orr, permanently enjoining him from future violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act of 1933 (“Securities Act”), Sections 10(b) and 13(b)(5) of the Exchange Act, Rules 10b-5, 13a-14, 13b2-1 and 13b2-2 thereunder, and aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, in the civil action entitled Securities and Exchange Commission v. Leland G. Orr, Case Number 11-CV-2251 WEB/KGG, in the United States District Court for the District of Kansas.

D. The Commission’s complaint alleged, among other things, that Orr was responsible for Brooke filing materially false and misleading financial statements in the company’s Form 10-K for the fiscal year ended December 31, 2007, and in the company’s Forms 10-Q for the period ended March 31, 2008, the period ended June 30, 2008 and Amended 2008 Form 10-Q for that period, and Form S-3 filed May 28, 2008, and for Brooke Capital filing materially false and

misleading financial statements in the company's Form 10-K for the fiscal year ended December 31, 2007, and in the company's Forms 10-Q for the periods ended March 31, 2008 and June 30, 2008. The Complaint alleged that Orr engaged in a number of improper accounting practices that materially misstated the net income of Brooke and Brooke Capital in a departure from generally accepted accounting principles ("GAAP"), including, among other things, improperly recognizing loan fee revenue on unfunded loans, and failing to adjust and to record adequate reserves for uncollectable franchise accounts receivable which were commonly referred to as statement and non-statement balances.

E. In addition, the Complaint alleged that Orr allowed consolidation of Aleritas Capital Corporation's ("Aleritas") financial statements into Brooke's financial statements, with knowledge that Aleritas improperly reduced second quarter collateral preservation expenses and established a collateral recovery asset during the second quarter of 2008, thereby materially misstating the financial statements contained in Brooke's Form 10-Q for the period ended June 30, 2008 and Amended 2008 Form 10-Q for that period.

F. In addition, the Complaint alleged that Orr made certifications of Brooke's Form 10-K for the fiscal year ended December 31, 2007, and in the company's Forms 10-Q for the period ended March 31, 2008, the period ended June 30, 2008 and Amended 2008 Form 10-Q for the that period, and Brooke Capital's Form 10-K for the period ended December 31, 2007, and Forms 10-Q for the periods ended March 31, 2008 and June 30, 2008, which contained untrue statements of material fact, and omitted material facts necessary to make the statements made therein, in light of the circumstances under which the statements were made, not misleading.

G. In addition, the Complaint alleged that Orr reviewed and signed Brooke's Form 10-K for the period ended December 31, 2007, Forms 10-Q for the period ended March 31, 2008, the period ended June 30, 2008 and Amended 2008 Form 10-Q for that period, and Form S-3 filed May 28, 2008, and Brooke Capital's Form 10-K for the period ended December 31, 2007, and Forms 10-Q for the periods ended March 31, 2008 and June 30, 2008, which contained material misrepresentations and omitted material facts. Those misrepresentations and omissions included, among other things:

1. the extent to which franchise location numbers and growth included abandoned and failed locations;
2. the nature and extent of Brooke Capital's financial assistance to franchisees, including, the number of franchisees receiving financial assistance, the long-term and recurring nature of such financial assistance to some franchisees, the dependence of some franchisees on such financial assistance to continue operations, and Brooke Capital's payment of principal and interest on some franchisee loans to Aleritas; and
3. the extent to which Brooke and Brooke Capital were profitable, liquid, and able to cash flow.

H. In addition, the Complaint alleged that Orr made false or misleading statements and failed to disclose information to the independent auditors and accountants of Brooke and Brooke Capital about certain of the companies' fraudulent accounting practices.

I. In addition, the Complaint alleged that Orr failed to make and keep accurate books and records of Brooke and Brooke Capital with regards to the misstatements of their financial statements.

J. In addition, the Complaint alleged that Orr failed to devise and maintain a system of internal accounting controls sufficient to prevent, detect and correct the misstatements of the financial statements of Brooke and Brooke Capital.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Orr's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

Orr is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Elizabeth M. Murphy
Secretary