GREAT SOUTHERN BANCORP INC
Form 8-K/A
November 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

September 4, 2009

GREAT SOUTHERN BANCORP, INC.

(Exact name of Registrant as specified in its Charter)

Maryland	0-18082	43-1524856
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification Number)

1451 East Battlefield, Springfield, Missouri	65804
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (417) 887-4400

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

NOTE

On September 11, 2009, Great Southern Bancorp, Inc. ("Great Southern") filed a Current Report on Form 8-K to report the completion of its acquisition of certain assets and assumption of deposits of Vantus Bank, a full-service thrift headquartered in Sioux City, Iowa. In that filing, Great Southern indicated that it would amend the Form 8-K at a later date to the extent financial information was required by Item 9.01. This amendment is being filed to update the disclosure in Item 2.01 and to provide the required financial information in Item 9.01.

Item 2.01. Completion of Acquisition or Disposition of Assets

The acquisition consisted of assets with a fair value of approximately $294.2 million, including $247.0 million of loans, $23.1 million of investment securities, $12.8 million of cash and cash equivalents, $2.2 million of foreclosed assets, $5.9 million of FHLB stock and $3.2 million of other assets. Liabilities with a fair value of $444.0 million were also assumed, including $352.7 million of deposits, $74.6 million of FHLB advances, $10.0 million of borrowings from the Federal Reserve Bank, $3.2 million of repurchase agreements with a commercial bank, $0.3 million of reverse repurchase agreements with customers and $3.2 million of other liabilities. A customer-related core deposit intangible asset of $2.2 million was also recorded. In addition to the excess of liabilities over assets, Great Southern Bank (the "Bank") received approximately $131.3 million in cash from the FDIC and entered into a loss sharing agreement with the FDIC. Under the loss sharing agreement, the Bank will share in the losses on assets covered under the agreement (referred to as covered assets). On losses up to $102.0 million, the FDIC has agreed to reimburse the Bank for 80 percent of the losses. On losses exceeding $102.0 million, the FDIC has agreed to reimburse the Bank for 95 percent of the losses. Reimbursement for losses on single family residential mortgage loans are to be made monthly until the end of the month in which the tenth anniversary of the closing of the acquisition occurs, and reimbursement for losses on other loans are to be made quarterly until the end of the quarter in which the fifth anniversary of the closing of the acquisition occurs. The loss sharing agreement provides for indemnification from the first dollar of losses without any threshold requirement. The reimbursable losses from the FDIC are based on the book value of the relevant loans and foreclosed assets as determined by the FDIC as of the date of the acquisition, September 4, 2009.

Within 15 days after the end of each calendar month through September 2019, the Bank will deliver to the FDIC a certificate documenting the losses on single family residential mortgage loans and any recoveries offsetting prior losses on such loans during the applicable month. Within 30 days after each calendar quarter between and including the quarter ended September 30, 2009 and the quarter ended September 30, 2014, the Bank will deliver to the FDIC a certificate documenting the losses on other loans and any recoveries offsetting prior losses on such loans. In addition, within 15 days after the end of each quarter between and including September 30, 2014 and September 30, 2017, the Bank will deliver to the FDIC a certificate documenting recoveries on other loans.

The loss sharing agreement is subject to the following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their estimated fair value of $62.2 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. The transaction resulted in a gain of $45.9 million (pre-tax), which was included in Non-Interest Income in Great Southern's September 30, 2009 Consolidated Statement of Operations. Due to the difference in tax bases of the assets acquired and liabilities assumed, Great Southern recorded a deferred tax liability of $16.1 million, resulting in an after-tax gain of $29.8 million. Under the Internal Revenue Service code, the gain will be recognized over the next six years.

An analysis of the likely short-term and long-term effects of the loss sharing agreement on Great Southern’s cash flows and reported results is included in Item 9.01(a) below.

The foregoing description of the Purchase and Assumption Agreement, including the loss sharing agreement, is a summary and is qualified in its entirety by reference to the full version of the Purchase and Assumption Agreement. A copy of the Purchase and Assumption Agreement, including the loss sharing agreement, was previously filed as Exhibit 2.1 to this report and is incorporated by reference into this Item 2.01. In addition, a copy of the press release announcing the transaction described above was previously filed as Exhibit 99.1 to this report and is incorporated by reference into this Item 2.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements and Exhibits.

Discussion

As set forth in Item 2.01 above, on September 4, 2009, the Bank acquired certain assets and assumed certain liabilities relating to 15 former branch offices of Vantus Bank pursuant to the Purchase and Assumption Agreement. A narrative description of the anticipated effects of the acquisition on Great Southern’s financial condition, liquidity, capital resources and operating results is presented below. This discussion should be read in conjunction with the historical financial statements and the related notes of Great Southern, which have been filed with the Securities and Exchange Commission and the audited statement of assets acquired and liabilities assumed, which is included below.

The acquisition resulted in significant increases in Great Southern’s total assets and total deposits, which will positively affect Great Southern’s operating results, as Great Southern earns more from interest earned on its assets than it pays in interest on deposits and other borrowings. The ability of Great Southern to successfully collect interest and principal on loans acquired will also impact Great Southern’s cash flows and operating results.

Great Southern considers that the determination of the initial fair value of loans acquired in the September 4, 2009, FDIC-assisted transaction and the initial fair value of the related FDIC indemnification asset involve a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification asset reflect management’s best estimate of the amount to be realized on each of these assets. Great Southern determined current fair value accounting estimates of the acquired assets and assumed liabilities in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 805 (Statement of Financial Accounting Standards (“SFAS”) No. 141(R), Business Combinations). However, the amount that Great Southern realizes on these assets could differ materially from the carrying value reflected in these financial statements, based upon the timing of collections on the acquired loans in future periods. Because of the loss sharing agreement with the FDIC on these assets, Great Southern should not incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimate, the indemnification asset will generally be impacted in an offsetting manner due to the loss sharing support from the FDIC.

Financial Condition. In the acquisition, the Bank purchased $247.0 million in loans receivable, at fair value. This amount represents approximately 14.4% of Great Southern's total loans at December 31, 2008. Foreclosed assets acquired were $2.2 million at fair value.

The Bank acquired $12.8 million in cash and cash equivalents in the transaction. In addition to the cash and cash equivalents acquired, the Bank received $131.3 million from the FDIC. The Bank also acquired $23.1 million in securities, at fair value. These assets provided additional liquidity to Great Southern, a portion of which was used to repay or prepay FHLB advances scheduled to mature in the remainder of 2009.

The following table presents information with respect to the carrying value of loans and investments acquired, as well as their principal amount and average contractual yield and term, and the amounts of acquired loans that are accounted for under AICPA Statement of Position 03-3 ("SOP 03-3") and other loans.

Schedule of earning assets acquired

September 4, 2009
(dollars in thousands)

	Initial Value	Market Value	FDIC Loss Recovery	Recorded Fair Value	Average Months to Maturity	Average Effective Rate
ASSETS						
Interest bearing deposits in other banks	$ 8,649	$ 8,649	$ ---	$ 8,649	---	.25%
Investment securities	$ 23,066	$ 23,066	$ ---	$ 23,066	198	4.15%
Acquisition, development and construction loans (1)						
Non SOP 03-3	$ 13,856	$ 9,452	$ 3,130	$ 12,582	15	6.00%
SOP 03-3	16,114	5,856	7,106	12,962	24	6.37%
Total acquisition, development and construction loans	29,970	15,308	10,236	25,544	20	6.15%
Residential mortgages (1)						
Non SOP 03-3	68,026	56,248	8,425	64,673	165	6.68%
SOP 03-3	2,574	1,494	705	2,199	81	4.25%
Total residential mortgages	70,600	57,742	9,130	66,872	162	6.61%
Commercial real estate loans (1)						
Non SOP 03-3	90,386	69,145	14,569	83,714		