

GOLD BANC CORP INC
Form 10-K/A
October 15, 2002
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-28936

GOLD BANC CORPORATION, INC.

(Exact name of registrant as specified in its charter)

Kansas
(State or other jurisdiction of
incorporation or organization)

48-1008593
(I.R.S. Employer
Identification No.)

11301 Nall Avenue
Leawood, Kansas 66211
(Address of principal executive offices) (Zip Code)

(913) 451-8050

Registrant's telephone number, including area code:

Securities registered pursuant to section 12 (b) of the Act:

None

Securities registered pursuant to section 12 (g) of the Act:

Title of Each Class
Common Stock, \$1.00 par value

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the 28,521,046 shares of common stock, par value \$1.00 per share, of the registrant held by non-affiliates of the registrant as of March 6, 2002 was \$218,471,212, computed based on the \$7.66 closing sale price of such common stock on that date. As of March 6, 2002, the registrant had 33,642,990 shares of its common stock outstanding.

Explanatory Note:

On October 15, 2002, the Company filed Amendment No. 3 to its Registration Statement on Form S-3/A with the Securities and Exchange Commission (the "SEC"), amending its registration statement on Form S-3 originally filed on August 23, 2002. The Company hereby amends and restates Items 1, 5, 6, 7, 8 and 14 of its Annual Report on Form 10-K for the year ended December 31, 2001 that was originally filed with the SEC on March 25, 2002 (the "Original Filing") to provide supplemental information and clarifying disclosure requested by the SEC in connection with the Form S-3/A and to make other minor changes. This report continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures in this report to speak as of a later date.

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PART I

ITEM 1. BUSINESS

THE COMPANY AND SUBSIDIARIES

Gold Banc Corporation, Inc.

Our Company, Gold Banc Corporation, Inc., is a Kansas corporation that was organized in 1986 as a multi-bank holding company. Our Company is registered under the Bank Holding Company Act of 1956, as amended, and is subject to regulation by the Board of Governors of the Federal Reserve System. Effective June 15, 2000, we elected to become a Financial Holding Company pursuant to the Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act established a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers by substantially revising and expanding the Bank Holding Company Act framework.

We are now engaged in a full range of financial activities because of our new designation as a financial holding company. Financial activities are broadly defined to include not only banking, insurance and securities activities, but also merchant banking, investment advisory and additional activities that the Federal Reserve Board, in concert with the Secretary of the Treasury, determines to be financial in nature or complementary to such activities. As a financial holding company, we are now eligible to engage in a significantly broader range of financial activities.

We own all of the outstanding stock of three commercial banks with 53 offices in 41 communities in Kansas, Missouri, Oklahoma and Florida. Our Banks are Gold Bank-Kansas, Gold Bank-Oklahoma, and American Bank, Bradenton, Florida, which had total assets as of December 31, 2001 of \$1.5 billion, \$905.0 million, and \$545.7 million, respectively. We also owned one federal savings bank, Provident Bank f.s.b., St. Joseph, Missouri, during the first half of 2001. Provident Bank was merged into Gold Bank-Kansas on July 6, 2001.

In addition to our Banks, we also own seven non-bank financial subsidiaries. Our financial subsidiaries provide securities brokerage, investment management, trust, insurance agency, investment advisory, title insurance services, data processing and information technology services. Since December 1978, we have grown internally and through acquisitions from a one bank holding company with \$2.9 million in total assets to a financial services holding company offering diversified financial services with total assets as of December 31, 2001 of \$3.0 billion. Our principal executive offices are located at 11301 Nall Avenue, Leawood, Kansas 66211, and our telephone number is (913) 451-8050.

During 2001:

we completed the merger of Provident Bank f.s.b. into Gold Bank-Kansas

Gold Bank-Kansas purchased the deposit base of North American Savings Bank f.s.b. branch in Leawood, Ks.

our subsidiary, CompuNet Engineering, Inc., acquired the assets of Information Products, Inc.

we acquired Ott Financial Corporation which was merged into Gold Capital Management, Inc.

we established a new financial subsidiary of Gold Financial Services, Inc., known as GBS Holding Company, LLC, to provide title insurance services through its wholly owned subsidiary Gold Title Agency LLC

we established a new subsidiary of Gold Banc, known as Gold Reinsurance Company, Ltd. To provide reinsurance services for credit life sold through the bank affiliates

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The Subsidiary Banks

Gold Bank-Kansas. Gold Bank-Kansas is a Kansas state bank that has 26 banking offices located throughout the state of Kansas as well as two locations in Kansas City, Missouri and two locations in St. Joseph, Missouri. Gold Bank-Kansas is a full service bank that conducts a general banking and trust business, offering its customers checking and savings accounts, debit cards, certificates of deposit, trust services, brokerage services, safety deposit boxes and a wide range of lending services, including: credit card accounts, commercial and industrial loans, single payment personal loans, installment loans and commercial and residential real estate loans. This Bank's loan portfolio consists primarily of commercial, real estate and agricultural loans. As of December 31, 2001, Gold Bank-Kansas had total assets of approximately \$1.5 billion.

Gold Bank-Oklahoma. Gold Bank-Oklahoma is an Oklahoma state bank that has 18 banking offices located in western and central Oklahoma and one western Kansas location. Its headquarters are located in Edmond, Oklahoma, a suburb of Oklahoma City. Gold Bank-Oklahoma is a full service bank that conducts a general banking and trust business, offering its customers checking and savings accounts, debit cards, certificates of deposit, trust services, brokerage services, safety deposit boxes and a wide range of lending services, including credit card accounts, commercial and industrial loans, single payment personal loans, installment loans and commercial and residential real estate loans. Gold Bank-Oklahoma's loan portfolio consists primarily of commercial, real estate and agricultural loans. As of December 31, 2001, Gold Bank-Oklahoma had total assets of approximately \$905.0 million.

American Bank, Bradenton, Florida. American Bank is a Florida state bank that has nine banking offices located in Bradenton, Florida and five other surrounding communities. We acquired American Bank on March 20, 2000. American Bank is a full service bank that conducts a general banking business, offering its customers checking and savings accounts, debit cards, certificates of deposit, brokerage services, safety deposit boxes and a wide range of lending services including: credit card accounts, commercial and industrial loans, single payment personal loans, installment loans and commercial and residential real estate loans. American Bank's loan portfolio consists primarily of commercial, real estate, personal and agricultural loans. As of December 31, 2001, American Bank had total assets of approximately \$545.7 million.

The Financial Services Subsidiaries

Gold Financial Services, Inc. Gold Financial Services is our wholly-owned subsidiary that serves as the division for our financial holding company activities of insurance, trust, brokerage, investment advisory services, merchant banking, and title insurance services.

Gold Capital Management, Inc. Gold Capital Management is a securities broker dealer and investment advisor that is registered with the National Association of Securities Dealers, and was formerly known as Midwest Capital Management, Inc. Gold Capital Management's customers consist primarily of financial institutions located throughout the United States but primarily in the midwestern section of the United States. Gold Capital Management manages a wide variety of stock, bond and money market portfolios for clients that currently include a significant number of commercial banks located primarily in Kansas, Missouri, Oklahoma, Nebraska and Iowa. Gold Capital Management also provides its services to trusts, pension plans, insurance companies, commercial businesses, government entities, foundations and high net worth individuals. Gold Capital Management is headquartered in Overland Park, Kansas, and is a wholly-owned subsidiary of Gold Financial Services. We acquired Gold Capital Management in January 1998.

Gold Trust Company. Gold Trust Company, which we acquired in December 1998, is a wholly-owned subsidiary of Gold Financial Services. Gold Trust Company is a Missouri trust company that is headquartered in St. Joseph, Missouri. Gold Trust Company also provides trust services at each Gold

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Bank-Kansas affiliate location. As of December 31, 2001, Gold Trust Company had approximately \$343 million in discretionary trust assets under management and approximately \$119 million in non-discretionary trust assets under administration. Gold Trust Company was known as The Trust Company prior to March 15, 2001.

Gold Insurance Agency, Inc. Gold Insurance Agency is a Kansas insurance agency which sells a full line of insurance products, including life insurance, annuities, property and casualty insurance, disability insurance and credit life insurance. Gold Insurance Agency was previously a subsidiary of Gold Bank-Kansas, but as of December 28, 2000, they became a wholly owned subsidiary of Gold Financial Services. During 2001 we sold several of Gold Insurance Agency's agency locations and substantially reduced the scope of its operations. Gold Insurance Agency formerly was known as Gold Banc Financial Services, Inc.

Gold Merchant Banc, Inc. Gold Merchant Banc was established at the end of December 2000 and is a wholly-owned subsidiary of Gold Financial Services. Gold Merchant Banc engages in merchant banking activities as authorized for financial holding companies.

Gold Investment Advisors, Inc. We formed Gold Investment Advisors as a wholly-owned subsidiary in December 2000. Gold Investment Advisors was inactive in 2001, but we expect that it will provide investment advisory services in 2002.

GBS Holding Company, LLC. GBS Holding was formed in September 2001 as a joint venture with Stewart Title Insurance Company. GBS Holding is 75% owned by Gold Financial Services and 25% owned by Stewart Title Insurance Company. GBS Holding owns 100% of its subsidiary, Gold Title Agency, LLC. Gold Title Agency will provide title insurance services through the various Gold Bank locations.

Gold Reinsurance Company, Ltd. Gold Reinsurance Company, Ltd. was formed in November 2001 and is owned by Gold Banc Corporation, Inc. This company will provide reinsurance services for credit life insurance sold through the bank affiliates.

CompuNet Engineering, Inc. CompuNet Engineering, which we acquired in March 1999, provides information technology, e-commerce services and networking solutions for banks and other businesses, including the design and implementation of local and wide area networks. CompuNet Engineering is our wholly-owned subsidiary and is headquartered in Overland Park, Kansas.

Gold Banc Mortgage, Inc. Gold Banc Mortgage is a residential mortgage banking company with headquarters in Overland Park, Kansas. Gold Banc Mortgage was formerly named Regional Investment Company. We acquired Gold Banc Mortgage in August 1999 and then contributed it to Gold Bank-Kansas on December 16, 1999. On December 28, 2000, Gold Banc Mortgage was transferred to Gold Banc. On October 10, 2000, we initiated a corporate reorganization and announced plans to cease our mortgage banking activities through this subsidiary and the 17 states in which it was doing business. During 2001, Gold Banc Mortgage's activities were limited to closing out its loan activities.

Mergers, Acquisitions, Dispositions and Consolidations During 2001 and Early 2002

Ott Financial Corporation. On March 30, 2001, Gold Capital Management, our wholly owned subsidiary, acquired Ott Financial Corporation of Wichita, Kansas for approximately \$2.7 million. Ott was the holding company for Davidson Securities, Inc. and J.O. Davidson and Associates, Inc., which specialized in public finance advisory and underwriting services. At the time of the acquisition, the companies were all merged into Gold Capital Management. The acquisition was accounted for using the purchase method of accounting. The excess of cost over fair value of the underlying net assets acquired was \$1.5 million. Ott had total assets of approximately \$1.3 million at the time of the acquisition.

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Information Products, Inc. On April 26, 2001, CompuNet Engineering, a wholly owned subsidiary of our Company, acquired the assets of Information Products for approximately \$1 million. Information Products provides technology services, including LAN, WAN, product support, telecommunication line monitoring, hardware maintenance and systems design and installation across all industry sectors. The asset acquisition was accounted for using the purchase method of accounting. The excess of cost over fair value of the underlying assets acquired was approximately \$872 thousand.

North American Savings Bank. On July 27, 2001, Gold Bank-Kansas entered into an agreement with North American Savings Bank, F.S.B., Grandview, Missouri, to purchase North American's deposit base of approximately \$51 million and physical assets at 8840 State Line Road, Leawood, Kansas. The excess of cost over fair value of the underlying assets acquired was approximately \$4.2 million.

Merger of Provident Savings into Gold Bank-Kansas. On July 6, 2001, Provident Bank, F.S.B., a federal savings bank and our wholly-owned subsidiary, merged with and into Gold Bank-Kansas. As a result of the merger, Provident Bank's two offices in St. Joseph, Missouri became branch offices of Gold Bank-Kansas. In connection with the Provident merger, the REIT-related subsidiaries of Gold Bank-Kansas and Provident Bank were combined. Gold Bank-Kansas' wholly-owned subsidiary, Gold IHC, Inc., a Nevada corporation, merged with and into Provident Bank's wholly-owned subsidiary, Gold IHC-I, LLC, a Delaware limited liability company. Also, Gold RE Holdings, Inc., a Nevada corporation and REIT subsidiary of Gold IHC, Inc., merged with and into Gold RE Holdings-I, Inc., a Delaware limited liability company and REIT subsidiary of Gold IHC-I, LLC. As a result of these two REIT-related mergers, Gold IHC-I, LLC became a wholly-owned subsidiary of Gold Bank-Kansas, and Gold RE Holdings-I, LLC remained a subsidiary of Gold IHC-I, LLC. Gold IHC-I, LLC and Gold RE Holding, LLC now conduct our REIT operations from offices in St. Joseph, Missouri.

Sales of Rural Branches. In January 2002, we entered into contracts to sell branches of Gold Bank-Kansas located in rural Kansas. Bank branches in Oberlin, Colby and Norcatur, with deposits of \$27.3, \$12.6, and \$8.9 million, respectively, are being sold to one purchaser. The branch in Alma, with deposits of \$23.3 million, is being sold to a second purchaser. The branch sales are expected to close in the first quarter of 2002, pending final regulatory approval.

BUSINESS

Community Banking Style

We serve the needs and cater to the economic strengths of the metropolitan and county seat centers where our Banks are located. Through our Banks and their employees, we strive to provide a high level of personal and professional customer service focusing on commercial banking and assets and wealth management in a community bank setting. Employee participation in community affairs is encouraged in order to build long-term banking relationships with established businesses and individual customers in these market areas.

We have applied our community banking style to the affluent communities in the rapidly developing Johnson County suburbs southwest of Kansas City and the growing Tulsa and Oklahoma City, Oklahoma market areas. We intend to implement this strategy in the higher growth market areas served by the banks acquired during 2000, particularly, in the Oklahoma City, Oklahoma and Sarasota/Bradenton, Florida markets. We believe the recent wave of regional bank acquisitions of local banks in those communities and metropolitan areas, and the subsequent conversion of some of those acquired banks to branch locations, have alienated the customers of those locations. This has created an opportunity for us to attract and retain as loan customers those owner-operated businesses that require flexibility and responsiveness in lending decisions and desire a more personal banking relationship. We believe that we have been able to meet these customers' expectations without compromising credit standards. The success of this strategy is reflected in our growth and ability to attract significant levels

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of non-interest bearing deposits in the suburban communities of Leawood and Shawnee, Kansas and in markets such as Tulsa and Oklahoma City, Oklahoma and Sarasota/Bradenton, Florida.

Operating Strategy

Our operating strategy is commercial banking and wealth management. This operating strategy is to provide a focused range of financial products and services to small and medium sized businesses and consumers in each of our markets. We emphasize personal relationships with customers, involvement in local community activities and responsive lending decisions. We strive to maintain responsive community banking offices with local decision makers, allowing senior management at each banking location, within certain limitations, to make their own credit and pricing decisions allowing us to retain a local identity at each Bank.

Our goals include long-term customer relationships, a high quality of service, and responsiveness to specific customer needs. The principal elements of our operating strategy are:

Emphasize Personalized Customer Service and Community Involvement. We believe that in most of our market areas customer loyalty and service are the most important competitive factors. Our primary goal is to provide exceptional customer service, turning the Gold Banc relationship into More Than Money. Our focus is to provide commercial banking and wealth management in such a manner as to be the Financial Services Company of Choice. Our Banks' management and other employees participate actively in a wide variety of community activities and organizations in order to develop and maintain customer relationships. Our Banks seek to retain and recruit the best available banking talent to deliver the quality of personal banking services required to meet customer expectations and to permit us to meet our goals for long term profitable growth.

Capitalize on Changing Market Conditions. Our management continually monitors economic developments in our market areas in order to tailor our operations to the evolving strengths and needs of the local communities. For example, Gold Bank-Kansas has opened service locations in the high-growth sections of the Kansas City area to fill the void of community banks that our management believes has been created by the recent transaction activity of regional banking institutions. Gold Bank-Oklahoma also has opened a facility in northwestern Oklahoma City in a high-growth area. Florida's market area is a strong market for commercial banking and wealth management services.

Centralize and Streamline Operations to Achieve Economies. In order to minimize duplication of functions, we have centralized certain management and administrative functions, including data processing, human resources, internal audit, loan review and regulatory administration. These initiatives can be demonstrated through:

the consolidation of both the Kansas and Oklahoma banking charters effective December 30, 2000 and November 10, 2000, respectively

the ongoing centralization of operations at the Overland Park location of the technology center and Gold Capital

a company-wide scheduled conversion to a common data processing platform during the 2nd and 3rd quarters of 2001 and continuing into 2002 and 2003

Such centralization will reduce operating expenses and enable our Bank personnel to focus on customer service and community involvement. We believe we have the personnel necessary to make implementation of these operating efficiencies possible. We also provide overall direction in the following areas: budgets, asset/liability, and investment portfolio management.

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Acquisition/Growth Strategy

Transactions. Our management believes that we are well positioned to acquire and profitably operate community banks because of our experience in operating community banks, our ability to provide centralized management assistance to those banks and our access to capital. Our management believes there are owners of community banks who may be willing to sell their banks in the future for, among other reasons, stockholder liquidity, diversification of their own investment portfolios, lack of family successor operators and the burden of compliance with bank regulations. In addition, management believes there are individual community bank owners in the targeted regions who are interested in selling their banks to an organization that has a strong capital base and management that has demonstrated a commitment to maintaining local bank identity. Our goal is to acquire banks with strong existing management such that our strategies can be implemented while retaining the individual identity of the banks through the continuation of the existing management and local decision makers.

Internal Growth. The recent wave of regional bank acquisitions of community banks in the midwest has created what our management perceives to be a void in the community banking market. It is management's belief that it has been the practice of regional banking institutions to convert the banks they acquire into branches of the acquiring institution without the retention of local decision making. Our management believes this practice detracts from the delivery of quality personalized services to the existing customer base of those branches. Our management believes our branching activities are distinguished from those of other regional banking institutions by the high degree of autonomy given each branch location.

Our expansion activity has allowed us to diversify our loan portfolio. Furthermore, due to heavy residential and small business development, the loan demand in the suburban Johnson County, Kansas communities, as well as in southeastern Tulsa, Oklahoma, Oklahoma City, Oklahoma and Bradenton/Sarasota, Florida, is greater than that experienced in our rural market areas.

Lending Activities

General. In each market area we serve, we strive to provide a full range of financial products and services to small and medium-sized businesses and to consumers. We target owner operated businesses and emphasize the use of Small Business Administration and Farm Services Administration lending. Our Banks participate in credits originated within the organization but generally do not participate in loans from non-affiliated lenders. Each of our Banks has an established loan committee which has authority to approve credits within established guidelines. Concentrations in excess of those guidelines must be approved by an executive loan committee comprised of our Chief Executive Officer and one of our Vice Presidents, and the local Bank's president and senior lending officer. When lending to an entity, we generally obtain a guaranty from the principals of such entity. The loan mix within the individual Banks is subject to the discretion of the Bank's board of directors and the demands of the local marketplace.

Residential loans are priced consistently with the secondary market, and commercial and consumer loans generally are issued at or above the prime rate. We have no potential negative amortization loans. The following is a brief description of each major category of our lending activity:

Real Estate Lending. Commercial, residential and agricultural real estate loans represent the largest class of our loans. As of December 31, 2001, real estate and real estate construction loans totaled \$1.0 billion and \$203.8 million, respectively or 46.65% and 9.42% of all loans, respectively. Generally, residential loans are written on a variable rate basis with adjustment periods of five years or less and amortized over either 15 or 30 years. We retain in our portfolio some adjustable rate mortgages having an adjustment period of five years or less. Agricultural and commercial real estate loans are amortized over 15 or 20 years. We also generate long term fixed rate residential real estate loans which we sell in the secondary market. We take a security interest in the real estate. Commercial

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real estate, construction and agricultural real estate loans are generally limited, by policy, to 80% of the appraised value of the property. Commercial real estate and agricultural real estate loans also are supported by an analysis demonstrating the borrower's ability to repay. Residential loans that exceed 80% of the appraised value of the real estate generally are required, by policy, to be supported by private mortgage insurance; although, on occasion, we will retain non-conforming residential loans to known customers at premium pricing.

Commercial Lending. Loans in this category principally include loans to service, retail, wholesale and light manufacturing businesses including agricultural service businesses. Commercial loans are made based on the financial strength and repayment ability of the borrower, as well as the collateral securing the loans. As of December 31, 2001, commercial loans represented the second largest class of loans at \$629.6 million, or 29.1% of total loans. We target owner operated businesses as our customers and make lending decisions based upon a cash flow analysis of the borrower as well as the accounts receivable, inventory and equipment of the borrower. Accounts receivable loans and loans for inventory purchases are generally of a one year renewable term and those for equipment generally have a term of seven years or less. We generally take a blanket security interest in all assets of the borrower. Equipment loans are generally limited to 75% of the cost or appraised value of the equipment. Inventory loans generally are limited to 50% of the value of the inventory, and accounts receivable loans generally are limited to 75% of a predetermined eligible base. Each of our Banks is approved to make loans under the Small Business Administration program.

Consumer and Other Lending. Loans classified as consumer and other loans include automobile, credit card, boat, home improvement and home equity loans, the latter two secured principally through second mortgages. We generally take a purchase money security interest in goods for which we provide the original financing. The terms of the loans range from one to five years, depending upon the use of the proceeds, and range from 75% to 90% of the value of the collateral. The majority of these loans are installment loans with fixed interest rates. As of December 31, 2001, consumer and other loans amounted to \$112.4 million, or 5.2% of total loans. We implemented a credit card program in late 1994 and targeted our Banks' existing customer base as potential consumers. As of December 31, 2001, we had issued 5,899 cards having an aggregate outstanding balance of \$3.4 million. We have not marketed credit cards other than to existing customers.

Agricultural Lending. We provide short-term credit for operating loans and intermediate-term loans for farm product, livestock and machinery purchases and other agricultural improvements. Agricultural loans were \$196.6 million as of December 31, 2001, or 9.1% of total loans. Farm product loans have generally a one year term, and machinery and equipment and breeding livestock loans generally have five to seven year terms. Extension of credit is based upon the ability to repay as well as the existence of federal guarantees and crop insurance coverage. Farm Credit Services guarantees are pursued wherever possible. Gold Bank holds a Preferred Lender Status from Farm Credit Services, a guarantee program similar to the Small Business Administration, that minimizes the credit exposure of our Banks through partial transfer of the credit risk to the federal government. Preferred Lender Status expedites the processing of loan applications. These loans are generally secured by a blanket lien on livestock, equipment, feed, hay, grain and growing crops. Equipment and breeding livestock loans generally are limited to 75% of appraised value.

Loan Origination and Processing

Loan originations are derived from a number of sources. Residential loan originations result from real estate broker referrals, mortgage loan brokers, direct solicitation by our Banks' loan officers, present savers and borrowers, builders, attorneys, walk-in customers, and in some instances, other lenders. Residential loan applications, whether originated through our Banks or through mortgage brokers, are underwritten and closed based on the same standards, which generally meet FNMA

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underwriting guidelines. Consumer and commercial real estate loan originations emanate from many of the same sources. The average loan is less than \$500,000. From time to time, loans may be participated among our Banks.

The loan underwriting procedures followed by our Banks conform to regulatory specifications and are designed to assess both the borrower's ability to make principal and interest payments and the value of any assets or property serving as collateral for the loan. Generally, as part of the process, a loan officer meets with each applicant to obtain the appropriate employment and financial information as well as any other required loan information. Our Bank then obtains reports with respect to the borrower's credit record and orders and reviews an appraisal of any collateral for the loan (prepared for our Bank through an independent appraiser). The loan information supplied by the borrower is independently verified.

Loan applicants are notified promptly of the decision of our Bank by telephone and a letter. If the loan is approved, the commitment letter specifies the terms and conditions of the proposed loan including the amount of the loan, interest rate, amortization term, a brief description of the required collateral, and required insurance coverage. Prior to closing any long term loan, the borrower must provide proof of fire and casualty insurance on the property serving as collateral, and such insurance must be maintained during the full term of the loan. Title insurance is required on loans collateralized by real property. Interest rates on committed loans are normally locked in at the time of application or for a 30 to 45 day period.

Mortgage Banking Operations

Through Gold Bank-Kansas, Gold Bank-Oklahoma, and American Bank, we are engaged in the production of residential mortgages. Our banks originate residential mortgage loans in their respective market areas, which will generally be sold servicing-released. Income is generated from origination fees and the gain on sale of loans.

Residential loan business is generated primarily through networking with, and referrals from, real estate brokers, builders, developers and prior customers.

Brokerage Services

We provide securities brokerage and investment management services through Gold Capital Management, a wholly-owned subsidiary, which operates as a broker dealer in securities. Customers consist primarily of financial institutions located throughout the United States with concentrations in the midwestern section of the United States. Gold Capital Management manages a wide variety of stock, bond and money market portfolios for clients which currently include a significant number of commercial banks located primarily in Kansas, Missouri, Oklahoma, Nebraska and Iowa. It also provides service to trusts, pension plans, insurance companies, commercial businesses, government entities, foundations and high net worth individuals. Gold Capital Management is registered with the National Association of Securities Dealers as a broker dealer and investment advisor.

Trust Services

We provide trust services, primarily to individuals, corporations and employee benefit plans, through Gold Trust Company, a Missouri chartered trust company and wholly-owned non-bank subsidiary.

Merchant Banking

We engage in merchant banking activities, as authorized for financial holding companies, through Gold Merchant Banc, a wholly-owned non-bank subsidiary.

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Investment Advisory Services

We plan to provide investment advisory services through Gold Investment Advisors, a wholly-owned non-bank subsidiary. Gold Investment Advisors was inactive in 2001, but expects to initiate operations in 2002.

Technology and E-Commerce Services

We provide technology and e-commerce services through CompuNet Engineering and the Gold Bank Technology Center. The Technology Center provides consolidated core and back office processing, including:

the electronic storage of checks and statements and the preparation of imaged statements for the Kansas and Missouri banks

on-line banking support

a Call Center currently serving the Kansas City metropolitan area

internet access and electronic mail, as well as the gateway for all intra-company electronic communications

24 hour, seven-days-a-week telephone banking

CompuNet Engineering designs and implements scaleable local and wide area networking solutions utilizing the products of Microsoft, Novell, Cisco and Citrix, among others. CompuNet Engineering provides these services, including network and PC service support on a 24 hour per day, seven-days-per-week basis, for us as well as other bank and non-bank clients. Additional services provided by CompuNet Engineering include the design and implementation of voice-over IP (internet) solutions and consulting design and implementation of wireless networking solutions. In 2001, CompuNet Engineering acquired Information Products, Inc. which provided technology services, including LAN, WAN, product support, telecommunication line monitoring, hardware maintenance, and systems design and installation across all industry sectors.

Insurance Services

We provided insurance agency services through Gold Insurance Agency, a wholly-owned subsidiary. During 2001, we sold most of our agency locations and substantially reduced the activities of Gold Insurance Agency to life insurance products to the bank's clients.

Title Insurance Services

In September 2001, we entered into a joint venture agreement with Stewart Title Agency Company to form GBS Holding Company, LLC. The purpose of GBS Holding was to generate title insurance business and fees which would then be collected through a subsidiary of GBS Holding. The subsidiary, Gold Title Agency LLC, initiated activity in the last quarter of 2001, but the revenues for this period were minimal and did not result in any income for the year. The activity is expected to increase significantly in 2002.

Investment Portfolio

Our Banks' investment portfolio is used to meet our Banks' liquidity needs while endeavoring to maximize investment income. Additionally, management augments the quality of the loan portfolio by maintaining a high quality investment portfolio oriented toward U.S. government and U.S. government agency securities. The portfolio is comprised of U.S. Treasury securities, U.S. government agency instruments and a modest amount of investment grade obligations of state and political subdivisions. In

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managing our interest rate exposure, we also invest in mortgage backed securities and collateralized mortgage obligations. Federal funds sold and certificates of deposit are additional investments that are not classified as investment securities. Investment securities were \$588.8 million, or 19.5% of total assets, on December 31, 2001.

Deposits and Borrowings

Deposits are the major source of our Banks' funds for lending and other investment purposes. In addition to deposits, including local public fund deposits and demand deposits of commercial customers, our Banks derive funds from loan principal repayments, maturing investments, Federal Funds borrowings from commercial banks, borrowings from the Federal Reserve Bank of Kansas City and the Federal Home Loan Bank, and from repurchase agreements. Loan repayments and maturing investments are a relatively stable source of funds while deposit inflows are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short term basis to compensate for reductions in the availability of funds from other sources. They also may be used on a long-term basis for funding specific loan transactions and for general business purposes.

Our Banks offer a variety of accounts for depositors designed to attract both short-term and long-term deposits. These accounts include certificates of deposit, savings accounts, money market accounts, checking and individual retirement accounts. Deposit accounts generally earn interest at rates established by management based on competitive market factors and management's desire to increase or decrease certain types or maturities of deposits.

Competition

The deregulation of the banking industry, the widespread enactment of state laws permitting multi-bank holding companies, and the availability of nationwide interstate banking has created a highly competitive environment for financial service providers particularly for institutions in suburban areas such as Gold Bank-Kansas' Shawnee and Leawood, Kansas locations, Gold Bank' Oklahoma's Tulsa and Oklahoma City locations and American Bank's Bradenton/Sarasota locations. These locations compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies and other financial intermediaries. Some of these competitors have substantially greater resources and lending limits and may offer certain services that these locations do not currently provide. In addition, some of the non-bank competitors are not subject to the same extensive federal regulations that govern these locations.

Our management believes that our Banks generally have been able to compete successfully in their respective communities because of our emphasis on local control and the autonomy of Bank management, allowing our Banks to meet what is perceived to be the preference of community residents and businesses to deal with local banks. While management believes our Banks will continue to compete successfully in their communities, there is no assurance future competition will not adversely affect our Banks' earnings.

Table of Contents**Our Executive Officers**

Our executive officers are as set forth below.

Name	Age	Principal Occupation and Five Year Employment History
Michael W. Gullion	47	Mr. Gullion has served as Chairman of our Board of Directors and Chief Executive Officer since our inception and served as our President from our inception until February 10, 1999.
Malcolm M. Aslin	54	Mr. Aslin was appointed to the Board of Directors on February 11, 1999. He has served as our President and Chief Operating Officer since February 10, 1999. From October 1995 until February 10, 1999, Mr. Aslin served as (a) Chairman of the Board of Western National Bank and Unison Bancorporation, Inc. in Lenexa, Kansas and (b) Chairman and Managing Director of CompuNet Engineering, L.L.C., a Lenexa, Kansas computer service business we acquired in February 1999. From May 1994 until May 1995, Mr. Aslin served as President of Langley Optical Company, Inc., a wholesale optical laboratory located in Lenexa, Kansas. Prior to purchasing Langley Optical Company, Mr. Aslin spent more than 22 years in various positions with UMB Banks and United Missouri Financial Corporation, including President, Chief Operating Officer and Director of United Missouri Bancshares, Inc. and President and Director of UMB's Kansas City bank, United Missouri Bank of Kansas City, N.A.
John R. Price	45	Mr. Price is our Executive Vice President - Credit Administration. He has served as a Senior Vice President and Senior Commercial Loan Officer of Gold Bank-Kansas since November 1992. In his present capacity, he serves as a member of each of our Banks' loan committees and monitors all aspects of our credit risk. Prior to joining us, Mr. Price was employed by the Farmers Home Administration Division of the United States Department of Agriculture, where he served as the Kansas State Director since November 1989.
Rick J. Tremblay	50	Mr. Tremblay served as our Executive Vice President and Chief Financial Officer since December 18, 2000. He was previously a Vice President and Controller at UMB Financial Corporation and UMB, N.A., Kansas City, Missouri for almost four years. Mr. Tremblay was also employed as Vice President and Controller for Simmons First National Corporation and Simmons First National Bank of Pine Bluff, Arkansas for 14 years.
Richard C. Moone	58	Mr. Moone served as our Chief Operating Officer of CompuNet Engineering, Inc. since July, 2000. He was previously a Business Unit Executive in the Financial Services Area for IBM Corporation for 31 years.

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Employees

We maintain a corporate staff of approximately 30 persons. At December 31, 2001, our Banks and non-bank subsidiaries had approximately 880 full time equivalent employees. None of our employees, nor any of the employees of our Banks or non-bank subsidiaries are covered by a collective bargaining agreement. We, along with our Banks and our non-bank subsidiaries, believe that our employee relations are satisfactory.

SUPERVISION AND REGULATION

Regulation Applicable to Bank Holding Companies

General. Gold Banc is a registered bank holding company within the meaning of the Bank Holding Company Act, subject to the supervision of the Federal Reserve Board. We are required to file with the Federal Reserve Board an annual report and such other additional information as the Federal Reserve Board may require pursuant to the Bank Holding Company Act. Also, the Federal Reserve Board periodically examines Gold Banc. The Federal Reserve Board has authority to issue cease and desist orders against bank holding companies if it determines that their actions represent unsafe and unsound practices or violations of law. In addition, the Federal Reserve Board is empowered to impose substantial civil money penalties for violations of certain banking statutes and regulations. Regulation by the Federal Reserve Board is intended to protect depositors of our Banks, not our shareholders.

Source of Strength. Federal Reserve Board policy requires a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. Under this policy, a bank holding company is expected to stand ready to use its available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and to maintain resources and the capacity to raise capital which it can commit to its subsidiary banks. It is the Federal Reserve Board's position that the failure of a bank holding company to serve as a source of strength to a distressed subsidiary bank is an unsafe and unsound banking practice. This has become known as the source of strength doctrine. It is not clear whether the source of strength doctrine is legally enforceable by the Federal Reserve Board.

Limitation on Acquisitions. The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve Board before:

taking any action that causes a bank to become a controlled subsidiary of the bank holding company

acquiring direct or indirect ownership or control of voting shares of any bank or bank holding company if the acquisition results in the acquiring bank holding company having control of more than 5% of the outstanding shares of any class of voting securities of such bank or holding company and such bank or bank holding company is not majority-owned by the acquiring bank holding company prior to the acquisition

the acquisition by a bank holding company, or any non-bank subsidiary thereof, of all, or substantially all, of the assets of a bank

a merger or consolidation with another bank holding company

In determining whether to approve a proposed acquisition, merger or consolidation, the Federal Reserve Board is required to take into account the competitive effects of the proposed acquisition, the convenience and needs of the community to be served, and the financial and managerial resources and future prospects of the bank holding company and banks concerned. If a proposed acquisition, merger or consolidation might have the effect in any section of the United States of substantially lessening competition or tendency to create a monopoly, or if such proposed acquisition, merger, or consolidation otherwise would be in restraint of trade, then the Federal Reserve Board may not

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approve it unless it finds that the anticompetitive effects are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. We may, from time to time, acquire an interest in the voting stock or assets of other banks or financial institutions.

Limitation on Certain Activities. The Bank Holding Company Act also prohibits a bank holding company, with certain exceptions, from engaging in, and from acquiring direct or indirect ownership or control of the voting shares or assets of any company engaged in, any activity other than banking, managing, or controlling banks, or any activity which the Federal Reserve Board has determined before November 12, 1999 to be so closely related to banking, managing or controlling banks, as to be a proper incident thereto.

As of November 11, 1999, the Federal Reserve Board, by regulation, has determined that, subject to expressed limitations, certain activities are permissible for bank holding companies and their subsidiaries and may be engaged in upon notice to the Federal Reserve Board without prior approval. These permissible activities include: furnishing or providing services for the internal operations of the bank holding company and its subsidiaries, operating a safe deposit business, making and servicing loans, operating an industrial bank, performing certain trust company functions, acting as an investment or financial advisor in certain capacities, leasing certain real or personal property, making certain investments to promote community development, providing certain data processing services, performing certain insurance agency and underwriting functions, owning, controlling and operating a savings association, providing specified courier services, providing management consulting advice to non-affiliated banks and non-bank depository institutions, selling certain money orders, United States savings bonds and traveler's checks, performing appraisals of real and personal property, arranging certain commercial real estate equity financing, providing securities brokerage services, underwriting and dealing in certain government obligations and money market instruments, providing foreign exchange advisory and transactional services, acting as a futures commission merchant, providing investment advice on financial futures and options on futures, providing consumer financial counseling, providing tax planning and preparation services, providing certain check guaranty services, operating a collection agency, operating a credit bureau, acquiring debt previously contracted property, extending credit and servicing loans, asset management, servicing and collection activities, real estate settlement services, private placement services, buying and selling precious metal bullion, providing administrative and other services to mutual funds, owning shares of a securities exchange, acting as a certification authority for digital signatures and authenticating the identity of persons conducting financial and non-financial transactions, providing employment histories to third parties for use in making credit decisions and to depository institutions and their affiliates for use in the ordinary course of business, check cashing and wire transmission services, providing notary public services, selling postage stamps and postage-paid envelopes, providing vehicle registration services, selling public transportation tickets and tokens and real estate title abstracting.

The Federal Reserve Board also has determined that certain other activities, including real estate brokerage and syndication, land development, property management, management consulting, underwriting of life insurance not sold in connection with a credit transaction, and insurance premium funding, are improper activities for bank holding companies and their subsidiaries. Under the Gramm-Leach-Bliley Act, which was enacted on November 12, 1999, the Federal Reserve Board is prohibited from approving new kinds of activities to be permissible for a bank holding company unless the bank holding company has elected to be a financial holding company. Certain bank holding companies and their subsidiaries possess grandfather rights giving them authority to engage in one or more of the activities which are not generally permissible because they were engaged in such activities prior to the adoption of legislation restricting such activities.

Under cross-guaranty provisions of the Federal Deposit Insurance Act, bank subsidiaries of a bank holding company are liable for any loss incurred (or reasonably anticipated to be incurred) by the Bank

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Insurance Fund (the BIF), the federal deposit insurance fund for banks, in connection with the failure of any other bank subsidiary of the bank holding company. Liability under such cross-guaranty would be junior to deposit liabilities and most secured obligations, but senior to obligations to shareholders and most obligations to affiliates. The FDIC has authority to prospectively waive the cross-guaranty provision. As of December 31, 2001, we had three bank subsidiaries: Gold Bank-Kansas, Gold Bank-Oklahoma and American Bank.

A bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit or the lease or sale of any property or the furnishing of services. Subsidiary banks of a bank holding company are also subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the bank holding company or any of its subsidiaries, or investment in the stock or other securities thereof, and on the taking of such stocks or securities as collateral for loans.

Activities of a Financial Holding Company. Effective June 15, 2000, we elected to become a Financial Holding Company, pursuant to the Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act, a bank holding company that elects to be a financial holding company may engage in a wider range of financial activities than a bank holding company that does not make such an election. Effective March 11, 2000, the Gramm-Leach-Bliley Act:

terminates the restrictions of the Bank Holding Company Act that prohibit banks from affiliating with insurance companies

terminates the restrictions of the Glass-Steagall Act that prohibit affiliates of banks from conducting certain securities underwriting activities

permits bank holding companies to conduct other activities that the Federal Reserve Board and the United States Department of Treasury determine to be financial in nature or incidental to a financial activity or the Federal Reserve Board determines to be complimentary to a financial activity

On December 19, 2000, the Federal Reserve Board promulgated a regulation permitting a financial holding company to act as a finder, which is the activity of bringing together one or more buyers and sellers of any product or service for transactions that the parties themselves negotiate and consummate.

To engage in the newly authorized financial activities, a bank holding company must elect to become a financial holding company. The bank holding company may make such an election by filing with the Federal Reserve Board:

a declaration that the company elects to be a financial holding company to engage in Fed-approved financial activities or to acquire a company that engages in such activities, and

a certification, based upon the most recent regulatory examinations, that each of the bank holding company insured depository institutions is well-capitalized and well-managed

Furthermore, each of the insured depository institutions must be rated satisfactory in its latest Community Reinvestment Act examination.

The Federal Reserve Board, by regulation, has determined that, subject to expressed limitations, the following activities are permissible for financial holding companies and may be engaged in, without providing prior notice to and without obtaining prior approval of the Federal Reserve Board: any activity permissible for a bank holding company; providing advisory management consulting services; operating a travel agency; organizing, sponsoring or managing a mutual fund; acting as a finder in bringing together one or more buyers or sellers of any product or service for transactions that parties themselves negotiate and consummate; lending, exchanging, transferring, investing for others or safeguarding financial assets other than money or securities; providing any device or other instrument

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for transferring money or other financial assets; and arranging, effecting, or facilitating financial transactions for the account of third parties. A financial holding company may conduct any of these activities so long as the financial holding company notifies the Federal Reserve Board within 30 days after the financial holding company commences such activities or acquires a company that engages in such activities.

If a financial holding company wishes to engage in activities that are financial in nature or incidental to a financial activity but not yet specifically authorized by the Federal Reserve Board, the financial holding company must file an application with the Federal Reserve Board. If both the Federal Reserve Board and Department of Treasury approve the application, the financial holding company may commence the new activity. The Federal Reserve Board may also approve a new activity that is complementary to a financial activity, but the financial holding company must make an additional showing that the activity does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

A bank holding company that does not elect to become a financial holding company may remain a bank holding company. A bank holding company's regulatory requirements remain substantially the same with two exceptions. First, the bank holding company and its subsidiaries are subject to new customer privacy regulations which became effective on July 1, 2001. Second, a bank that engages in securities brokerage activities may be required, under certain circumstances, to move its securities brokerage activities to a subsidiary or non-bank affiliate that is a broker-dealer registered with the NASD. Effective June 15, 2000, we elected to become a Financial Holding Company pursuant to the Gramm-Leach-Bliley Act.

Regulatory Capital Requirements. The Federal Reserve Board has promulgated capital adequacy guidelines for use in its examination and supervision of bank holding companies. A holding company's ability to pay dividends and expand its business through the acquisition of new banking subsidiaries can be restricted if its capital falls below levels established by these guidelines. In addition, holding companies whose capital falls below specified levels can be required to implement a plan to increase capital.

The Federal Reserve Board's capital adequacy guidelines provide for the following types of capital: Tier 1 capital (also referred to as core capital), Tier 2 capital (also referred to as supplementary capital), Tier 3 capital (consisting of short-term subordinated debt that meets certain conditions and used only in the measure of market risk, as discussed below) and Total capital. A bank holding company's Tier 1 capital generally includes the following elements: common shareholders' equity, qualifying non-cumulative perpetual preferred stock and related surplus, qualifying cumulative perpetual preferred stock and related surplus (limited to a maximum of 25% of Tier 1 capital elements) and minority interests in the equity accounts of consolidated subsidiaries. Goodwill is generally excluded from Tier 1 capital. Most intangible assets are also deducted from Tier 1 capital. A bank holding company's Tier 2 capital generally includes allowances for loan and lease losses (limited to 1.25% of risk-weighted assets), most perpetual preferred stock and any related surplus (non-cumulative and cumulative, without percentage limits), certain hybrid capital instruments, perpetual debt and mandatory convertible debt securities, and certain intermediate-term preferred stock and intermediate-term subordinated debt instruments (to a maximum of 50% of Tier 1 capital excluding goodwill, but phased out as the instrument matures). The maximum amount of supplementary capital that qualifies as Tier 2 capital is limited to 100% of Tier 1 capital (net of goodwill). For purposes of calculating the total risk-based capital ratio, Total capital generally includes Tier 1 capital *plus* qualifying Tier 2 capital, *minus* investments in unconsolidated subsidiaries, reciprocal holdings of bank holding company capital securities, certain deferred tax assets and other deductions as determined by the Federal Reserve Board.

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The Federal Reserve Board issued a regulation effective on October 1, 1998 which increases the amount of intangible assets which may be included in Tier 1 capital. Under the regulation, mortgage servicing rights (MSRs), non-mortgage servicing assets (NMSAs) and purchased credit card relationships (PCCRs) are included in Tier 1 capital to the extent that, in the aggregate, they do not exceed 100% of Tier 1 capital and, to the further extent that PCCRs and NMSAs, in the aggregate, do not exceed 25% of Tier 1 capital. MSRs and PCCRs in excess of these limits, as well as core deposit intangibles (CDI) and all other identified intangible assets, must be deducted in determining Tier 1 capital.

Effective October 1, 1998, the Federal Reserve Board amended its capital adequacy guidelines to permit bank holding companies to include as part of Tier 2 capital up to 45 percent of the pre-tax net unrealized holding gains on available-for-sale equity securities.

The Federal Reserve Board's capital adequacy guidelines require a bank holding company to satisfy a Tier 1 Leverage Ratio, a total risk-based capital ratio and a Tier 1 risk-based capital ratio. Under the Tier 1 Leverage Ratio capital guideline, a bank holding company must have and maintain Tier 1 capital in an amount equal to at least 3.0% of its average total consolidated assets. In general, average total consolidated assets means the quarterly average total assets (net of the allowance for loan and lease losses) reported on a bank holding company's Consolidated Financial Statements (FR Y-9C Report), *minus* goodwill and any other intangible assets or investments in subsidiaries which are deducted from Tier 1 capital. The 3.0% minimum Tier 1 Leverage Ratio is considered the absolute minimum amount of Tier 1 capital which the most highly rated bank holding companies (those rated composite 1 under the BOPEC rating system for bank holding companies) or those bank holding companies that have implemented the risk-based capital market risk measure set forth in the Federal Reserve Board's capital adequacy guidelines are required to maintain. All other bank holding companies must maintain a minimum Tier 1 Leverage Ratio of 4.0%.

Under the Federal Reserve Board's capital adequacy guidelines, a bank holding company must have and maintain a ratio of Total capital to risk-weighted assets of 8% and a ratio of Tier 1 capital to risk-weighted assets of 4%. The amount of a bank holding company's risk-weighted assets is determined by multiplying the balance sheet amount of each of the bank holding company's consolidated assets by a specified risk-weight factor of 0%, 20%, 50% or 100%, in accordance with the relative risk level of the asset. In determining risk-weighted assets, off-balance sheet items, such as standby letters of credit, are converted to an on-balance sheet credit equivalent amount by multiplying the face amount of the off-balance sheet item by a credit conversion factor of 0%, 20%, 50% or 100%, in accordance with the probability that the off-balance sheet item will become a credit extended by the bank holding company. In general, intangible assets and other assets which are deducted in determining Tier 1 capital and Total capital may also be excluded from risk-weighted assets.

Under the Federal Reserve Board's market risk rules, an institution with significant trading activities must measure and hold capital for exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates and commodity prices and exposure to specific risk associated with debt and equity positions in the trading portfolio. This regulation applies to any bank holding company (a) whose trading activity equals 10% or more of its total assets or (b) whose trading activity equals \$1 billion or more. General market risk refers to changes in the market value of on-balance sheet assets and off-balance sheet items resulting from broad market movements. Specific risk refers to changes in the market value of individual positions due to factors other than broad market movements and includes such risks as the credit risk of an instrument's issuer. Under the Federal Reserve Board's rules, an institution must measure its general market risk using its internal risk measurement model to calculate a value-at-risk based capital charge. An institution must also measure its specific risk either through a valid internal model or by a so-called standardized approach. The standardized approach for the measurement of specific risk uses a risk-weighting process developed by the Federal Reserve Board which categorizes individual instruments and then assesses a fixed capital

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charge. Until September 1997, an institution that used an internal model to measure specific risk rather than the standardized approach, was required to hold capital for specific risk at least equal to 50% of the specific risk charge calculated when using the standardized approach (the minimum specific risk charge). If that portion of an institution's value-at-risk capital charge which was attributable to specific risk, did not equal the minimum specific risk charge, the institution was subject to additional charges to make up for such difference. In September 1997, the Federal Reserve Board eliminated the use of the minimum specific risk charge and consequently, the need for a dual calculation if an institution uses its internal model to measure specific risk. Therefore, an institution using a valid internal model to measure specific risk may use the value-at-risk measures generated by its model without being required to compare the model-generated risk charge to the minimum specific risk charge as calculated under the standardized approach.

The regulation supplements the existing credit risk-based capital standards by requiring an affected institution to adjust its risk-based capital ratio to reflect market risk. In measuring market risk, institutions may use Tier 3 capital to meet the market risk capital requirements. Tier 3 capital is subordinated debt that is unsecured, fully paid up, has an original maturity of at least two years, is not redeemable before maturity without the prior approval of the institution's supervisor, is subject to a lock-in clause that prevents the issuer from repaying the debt even at maturity if the issuer's capital ratio is, or with repayment, would become, less than the minimum 8% risk-based capital ratio, and does not contain, and is not covered, by any covenants, terms or restrictions that may be inconsistent with safe and sound banking practices.

On December 31, 2001, we were in compliance with all of the Federal Reserve Board's capital guidelines. On such date, we had a Tier 1 leverage ratio of 6.27% (compared with a minimum requirement of 4%), a ratio of total capital to risk-weighted assets of 11.41% (compared with a minimum requirement of 8%) and a ratio of Tier 1 capital to risk-weighted assets of 7.85% (compared with a minimum requirement of 4%).

Interstate Banking and Branching. Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Riegle-Neal Act), bank holding companies are permitted to acquire the stock or substantially all of the assets of banks located in any state regardless of whether such transaction is prohibited under the laws of any state. The Federal Reserve Board, however, may not approve an interstate acquisition if, as a result of the acquisition, the bank holding company would control more than 10% of the total amount of insured deposits in the United States or would control more than 30% of the insured deposits in the home state of the acquired bank. The 30% of insured deposits state limit does not apply if the acquisition is the initial entry into a state by a bank holding company or if the home state waives such limit.

Under the Riegle-Neal Act, individual states may restrict interstate acquisitions in two ways. First, a state may prohibit an out-of-state bank holding company from acquiring a bank located in the state unless the target bank has been in existence for a specified minimum period of time (not to exceed five years). Second, a state may establish limits on the total amount of insured deposits within the state which are controlled by a single bank holding company (a deposit cap), provided that such deposit limit does not discriminate against out-of-state bank holding companies.

The Riegle-Neal Act now permits affiliated banks in different states to act as agents for each other for purposes of receiving deposits, renewing time deposits, closing loans, servicing loans and receiving payments on loans and other obligations. A bank acting as an agent for an affiliated bank is not considered a branch of the affiliated bank.

Beginning on June 1, 1997, the Riegle-Neal Act authorized interstate branching by allowing a merger of banks with different home states to result in a single bank with branches in both states. The Riegle-Neal Act gave states the right to opt out and prohibit interstate mergers by passing legislation before June 1, 1997 that expressly prohibits all merger transactions with out-of-state banks. The

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Riegle-Neal Act also gave states the right to opt in and authorize early interstate mergers by passing legislation that expressly permits interstate merger transactions with all out-of-state banks. The Riegle-Neal Act authorized banks to establish and operate de novo branches in a state (other than the bank's home state) only if the host state opts in to authorize de novo interstate banking by passing legislation that expressly permits all out-of-state banks to establish de novo branches in the state. As of June 1, 1997, approximately 44 states acted on the Riegle-Neal Act. As of June 1, 1997, only two states, Texas and Montana, opted out. Two states contiguous with Kansas borders, Nebraska and Oklahoma, affirmatively opted-in. Neither Kansas, Colorado nor Missouri acted by June 1, 1997 to opt-in or opt-out. Therefore, interstate branching of banks by merger is now permitted in Kansas and its contiguous states.

Effective October 10, 1997, the Riegle-Neal Act prohibits any bank from establishing or acquiring a branch or branches outside its home state primarily for the purpose of deposit production. An interstate branch must reasonably help meet the credit needs of the communities served as determined by a loan-to-deposit ratio screen. The FDIC and other banking agencies, under the final rule, will determine a bank's total loan-to-deposit ratio for all branches opened in a particular state one year or more after the bank has established an interstate branch. If the ratio is less than 50% of the average loan-to-deposit ratio for all banks headquartered in that state, the banking regulators will try to determine whether the branches are making a reasonable effort to meet the needs of the community served in that state by using six mitigating factors. The agencies may impose sanctions on institutions found not to meet the community credit needs. The regulators may require the bank to close branches in the state where it has a low loan-to-deposit ratio, and may prohibit the bank from opening any new branches unless the institution assures the agencies that it will attempt to meet those credit needs.

Gold Bank-Kansas has four (4) branch offices located in the State of Missouri and it has the authority to do further statewide branching in the State of Missouri.

Kansas Bank Holding Company Regulation. A bank holding company that owns, controls or has the power to vote 25% or more of any class of voting securities of a Kansas bank or a Kansas bank holding company must file an application with the Kansas State Bank Commissioner. Kansas prohibits any bank holding company or any subsidiary of a bank holding company from acquiring ownership or control of, or power to vote, any of the voting shares of any bank that holds Kansas deposits if, after such acquisition, the bank holding company and all of its subsidiaries would hold or control, in the aggregate, more than 15% of total Kansas deposits.

Regulation Applicable to the Banks

General. As a Kansas state member bank, Gold Bank-Kansas is subject to regulation and examination primarily by the Kansas State Bank Commissioner and the Federal Reserve Board and is also regulated by the FDIC. As an Oklahoma state member bank, Gold Bank-Oklahoma is subject to regulation and examination primarily by the Oklahoma State Banking Department and the Federal Reserve Board and also regulated by the FDIC. As a Florida state non-member bank, American Bank is subject to regulation and examination primarily by the Florida Department of Banking and Finance and the FDIC. Regulation by these agencies is designed to protect bank depositors rather than our shareholders. The Federal Reserve Board and the FDIC has the authority to issue cease and desist orders if it determines that activities of any of our subsidiary Banks represents unsafe and unsound banking practices or violations of law. In addition, the Federal Reserve Board and the FDIC are empowered to impose substantial civil money penalties for violations of banking statutes and regulations.

Regulatory Capital Requirements. The Federal Reserve Board and the FDIC have adopted minimum capital requirements applicable to state member banks and state non-member banks, respectively, which are substantially similar to the capital adequacy guidelines established by the

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Federal Reserve Board for bank holding companies. There are, however, technical differences in the methodologies used to calculate the capital ratios.

On December 31, 2001, each of the Banks was in compliance with its federal banking agency's minimum capital requirements. The capital ratios of each of the Banks as of December 31, 2001 is shown on the chart below.

<u>Subsidiary Bank</u>	<u>Tier I Leverage Ratio</u>	<u>Tier I Risk-Based Capital Ratio</u>	<u>Total Risk-Based Capital Ratio</u>
Gold Bank-Kansas	7.62%	9.08%	10.14%
Gold Bank-Oklahoma	7.05%	8.91%	10.13%
American Bank			