

AMERICAN COMMUNITY BANCSHARES INC  
Form 10KSB  
March 28, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED DECEMBER 31, 2002

Commission File Number: 000-30517

AMERICAN COMMUNITY BANCSHARES, INC.  
(Exact Name of Registrant as specified in its charter)

NORTH CAROLINA  
(State of Incorporation)

56-2179531  
(I.R.S. Employer Identification No.)

2593 West Roosevelt Boulevard  
Monroe, North Carolina 28110  
(Address of Principal Office)

(704) 225-8444  
(Registrant's telephone number, including area code)

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

COMMON STOCK, \$1.00 PAR VALUE

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 X NO  
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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X  
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The Registrant's revenues for the year ended December 31, 2002 were \$13,493,259.

The aggregate market value of the voting stock held by non-affiliates of the Registrant at December 31, 2002 was approximately \$21,942,000.

The number of shares of the Registrant's Common Stock outstanding on December 31, 2002 was 2,824,376.

Documents Incorporated by Reference:

1. Portions of Annual Report to Shareholders for the Fiscal Year Ended December 31, 2002 (Part I and II).

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2. Portions of Registrant's Proxy Statement for the 2003 Annual Meeting of Shareholders (Part III).

Transitional Small Business Disclosure Format                      Yes     No

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FORM 10-KSB CROSS-REFERENCE INDEX

PART I	FORM 10-KSB -----	PROXY STATEMENT -----
Item 1 - Description of Business		
Item 2 - Property		
Item 3 - Legal Proceedings		
Item 4 - Submission of Matters to a Vote of Security Holders	N/A	
 PART II		
Item 5 - Market for Common Equity and Related Shareholder Matters		
Item 6 - Management's Discussion & Analysis		
Item 7 - Financial Statements		
Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	N/A	
 PART III		
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PART I

ITEM 1 - DESCRIPTION OF BUSINESS

The information contained in the section captioned "Business" in the 2002 Annual Report to Shareholders is incorporated herein by reference.

ITEM 2 - PROPERTIES

The information contained in the section captioned "Business - Properties" in the 2002 Annual Report to Shareholders is incorporated herein by reference.

ITEM 3 - LEGAL PROCEEDINGS

The information contained in the section captioned "Business - Litigation" in

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the 2002 Annual Report to Shareholders is incorporated herein by reference.

### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NOT APPLICABLE.

## PART II

### ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information contained in the section captioned "Market for Common Equity and Related Stockholder Matters" in the 2002 Annual Report to Shareholders is incorporated herein by reference.

### ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2002 Annual Report to Shareholders is incorporated herein by reference.

### ITEM 7 - FINANCIAL STATEMENTS

The information contained in the Independent Auditors' Report in the 2002 Annual Report to Shareholders is incorporated herein by reference.

### ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

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## Part III

### ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The information contained in the sections captioned "Proposal 1: Election of Directors," "Executive Officers," and "Required Reports of Beneficial Ownership" in the 2003 Annual Meeting Proxy Statement is incorporated herein by reference.

### ITEM 10 - EXECUTIVE COMPENSATION

The information contained in the sections captioned "Director Compensation" and "Executive Compensation" in the 2003 Annual Meeting Proxy Statement is incorporated herein by reference.

### ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the sections captioned "Ownership of Voting Securities" in the 2003 Annual Meeting Proxy Statement is incorporated herein by reference.

#### Stock Option Plans

Set forth below is certain information regarding the Registrant's various stock option plans.

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Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number remaining future equity (exclud reflect (c)
	(a)	(b)	
Equity compensation plans approved by security holders	1999 Incentive: 129,675	\$8.39	
	1999 Nonstatutory: 164,127	\$8.33	
	2001 Incentive: 53,158	\$7.57	
	2002 Nonstatutory: 15,000	\$8.35	
Equity compensation plans not approved by security holders	None	None	None
Total	361,960	\$8.24	

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ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the sections captioned "Director Relationships" and "Indebtedness of and Transactions with Management" in the 2003 Annual Meeting Proxy Statement is incorporated herein by reference.

ITEM 13 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Index to Exhibits

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3.1	Registrant's Articles of Incorporation *
3.2	Registrant's Bylaws *
4.1	Specimen Stock Certificate*
4.2	Specimen Warrant Certificate**
4.3	Warrant Agreement**
10.1	Employment Agreement of Randy P. Helton*

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- 10.2 1999 Incentive Stock Option Plan\*
- 10.3 1999 Nonstatutory Stock Option Plan\*
- 10.4 401(k) Plan\*
- 10.5(i) Issuance of Trust Preferred Securities by American Community Capital Trust I Indenture dated December 31, 2001\*\*
- 10.5(ii) Issuance of Trust Preferred Securities by American Community Capital Trust I Expense Agreement dated December 31, 2001\*\*
- 10(iii) Issuance of Trust Preferred Securities by American Community Capital Trust I Amended and Restated Trust Agreement dated March 1, 2002\*\*
- 10(iv) Issuance of Trust Preferred Securities by American Community Capital Trust I Supplemental Indenture dated March 1, 2002\*\*
- 10(v) Issuance of Trust Preferred Securities by American Community Capital Trust I Subordinated Debenture dated March 1, 2002 (\$2,061,860) \*\*

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- 10(vi) Issuance of Trust Preferred Securities by American Community Capital Trust I Subordinated Debenture dated March 1, 2002 (\$1,546,000) \*\*
- 10(vii) Issuance of Trust Preferred Securities by American Community Capital Trust I Amended and Restated Preferred Securities Guarantee Agreement dated March 1, 2002\*\*
- 10.6 2001 Incentive Stock Option Plan\*\*\*
- 10.7 2002 Nonstatutory Stock Option plan\*\*\*\*
- 13 2002 Annual Report
- 21 Subsidiaries of Registrant\*\*
- 99 Registrant's Definitive Proxy Statement \*\*\*\*\*

\* Incorporated by reference from exhibits to Registrant's Registration Statement on Form S-4 (File No. 333-31148)

\*\* Incorporated by reference from exhibits to Registrant's Registration statement on Form SB-2 (File No. 333-84484)

\*\*\* Incorporated by reference from exhibit 10.5 to Registrant's Annual Report for the year ended December 31, 2000 on Form

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10-KSB.

\*\*\*\* Incorporated by reference from Registrant's Registration Statement on Form S-8 (File No. 333-101208)

\*\*\*\*\* Filed with the Commission pursuant to Rule 14a-6.

(b) Reports on Form 8-K.

None.

ITEM 14. -- CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Registrant carried out an evaluation under the supervision and with the participation of the Registrant's management, including the Registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures are effective in timely alerting them to material information relating to the Registrant required to be included in the Registrant's periodic SEC Filings. There were no significant changes in the Registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 28, 2003

/s/ Randy P. Helton

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Randy P. Helton  
President and Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Randy P. Helton

March 28, 2003

-----  
Randy P. Helton, President,  
Chief Executive Officer and Director

/s/ Dan R. Ellis, Jr.

March 28, 2003

-----  
Dan R. Ellis, Jr., Chief Financial Officer

/s/ Robert G. Dinsmore

March 28, 2003

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Robert G. Dinsmore, Director

/s/ Frank L. Gentry  
-----  
Frank L. Gentry

March 28, 2003

/s/ Thomas J. Hall  
-----  
Thomas J. Hall, Director

March 28, 2003

/s/ Larry S. Helms  
-----  
Larry S. Helms, Director

March 28, 2003

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Peter A. Pappas, Director

/s/ L. Steven Philips  
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L. Steven Phillips, Director

March 28, 2003

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Alison J. Smith, Director

-----  
L. Carlton Tyson, Director

-----  
David D. Whitley, Director

/s/ Gregory N. Wylie  
-----  
Gregory N. Wylie, Director

March 28, 2003

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10.4	401(k) Plan*
10.5(i)	Issuance of Trust Preferred Securities by American Community Capital Trust I Indenture

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dated December 31, 2001\*\*

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\*\*\*\*\* Filed with the Commission pursuant to Rule 14a-6.

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Randy P. Helton, certify that:

1. I have reviewed this annual report on Form 10-KSB of American Community Bancshares, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act 13a-14 and 15-d-14) for the registrant and have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based upon our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: March 28, 2003

By: /s/ Randy P. Helton

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Randy P. Helton  
President and Chief Executive Officer

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## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dan R. Ellis, Jr., certify that:

1. I have reviewed this annual report on Form 10-KSB of American Community Bancshares, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act 13a-14 and 15-d-14) for the registrant and have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based upon our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

By: /s/ Dan R. Ellis, Jr.  
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Dan R. Ellis, Jr.  
Chief Financial Officer

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Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned hereby certifies that, to his knowledge, (i) the Form 10-KSB filed by American Community Bancshares, Inc. (the "Issuer") for the year ended December 31, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

American Community Bancshares, Inc.

Date: March 28, 2003

By: /s/ Randy P. Helton  
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Randy P. Helton  
President and Chief Executive Officer

Date: March 28, 2003

By: /s/ Dan R. Ellis, Jr.  
-----  
Dan R. Ellis, Jr.  
Chief Financial Officer

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