

AMERICAN COMMUNITY BANCSHARES INC

Form 10-Q

November 10, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D. C. 20549**

**FORM 10-Q**

**x Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended September 30, 2008**

**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 000-30517**

**AMERICAN COMMUNITY BANCSHARES, INC.**

**(Exact name of registrant as specified in its charter)**

<b>NORTH CAROLINA</b> (State or other jurisdiction of incorporation or organization)	<b>56-2179531</b> (I.R.S. Employer Identification No.)
<b>4500 Cameron Valley Parkway, Suite 150, Charlotte, NC 28211</b> (Address of principal executive offices)	
<b>(704) 225-8444</b> (Registrant's telephone number, including area code)	
<b>N/A</b> (Former name, former address and former fiscal year, if changed since last report)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 5, 2008 6,574,600 shares of the issuer's common stock, \$1.00 par value, were outstanding.

This report contains 24 pages.

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**Table of Contents****Part I. FINANCIAL INFORMATION****Item 1 Financial Statements*****AMERICAN COMMUNITY BANCSHARES, INC.******CONSOLIDATED BALANCE SHEETS***

	September 30, 2008 (Unaudited)	December 31, 2007*
	(In thousands)	
ASSETS		
Cash and due from banks	\$ 15,968	\$ 14,346
Interest-earning deposits with banks	8,720	930
Investment securities available for sale, at fair value	71,770	75,012
Investment securities held to maturity, at cost	1,768	1,770
Loans	421,141	392,959
Allowance for loan losses	(7,316)	(5,740)
NET LOANS	413,825	387,219
Accrued interest receivable	2,173	2,640
Bank premises and equipment, net	7,293	8,694
Foreclosed assets	77	
Non-marketable equity securities	2,980	2,119
Goodwill	9,838	9,838
Other assets	6,433	3,027
TOTAL ASSETS	\$ 540,845	\$ 505,595
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand non-interest bearing	\$ 50,693	\$ 54,459
Savings	16,613	24,181
Money market and NOW	72,248	67,877
Time	289,730	253,277
TOTAL DEPOSITS	429,284	399,794
Short-term borrowings	19,931	31,509
Long-term debt	37,990	17,995
Accrued expenses and other liabilities	2,142	2,273
TOTAL LIABILITIES	489,347	451,571
Stockholders' Equity		
Preferred stock, no par value, 1,000,000 shares authorized; none issued		
Common stock, \$1 par value, 9,000,000 shares authorized; 6,574,600 and 6,502,288 issued and outstanding, respectively	6,575	6,502
Additional paid-in capital	32,785	32,364
Retained earnings	12,040	14,744

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Accumulated other comprehensive income	98	414
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>51,498</b>	<b>54,024</b>
Commitments (Note 2)		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 540,845</b>	<b>\$ 505,595</b>

\* Derived from audited consolidated financial statements  
See accompanying notes

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**Table of Contents****AMERICAN COMMUNITY BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)***Three and Nine Months Ended September 30, 2008 and 2007*

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	(In thousands, except share and per share data)			
INTEREST INCOME				
Loans	\$	6,619	\$	7,976
Investments		947		949
Interest-earning deposits with banks		6		145
				39
				524
TOTAL INTEREST INCOME		7,572		9,070
				23,329
				26,689
INTEREST EXPENSE				
Money market, NOW and savings deposits		258		568
Time deposits		2,780		3,132
Short-term borrowings		139		223
Long-term borrowings		391		302
				1,135
				961
TOTAL INTEREST EXPENSE		3,568		4,225
				11,070
				12,125
NET INTEREST INCOME		4,004		4,845
PROVISION FOR LOAN LOSSES		1,441		156
				2,163
				570
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		2,563		4,689
				10,096
				13,994
NON-INTEREST INCOME				
Service charges on deposit accounts		593		617
Mortgage operations		43		70
Gain on investment securities				2
Gain (loss) on derivative		(4)		138
Loss on SERP investment		(397)		(487)
Other		51		134
				197
				340
TOTAL NON-INTEREST INCOME		286		961
				1,846
				2,490
NON-INTEREST EXPENSE				
Salaries and employee benefits		1,873		1,768
Occupancy and equipment		566		560
Other than temporary impairment of non-marketable equity securities		2,753		2,753
Professional fees		320		316
Merger costs		399		399
Other		789		805
				2,409
				2,465
TOTAL NON-INTEREST EXPENSE		6,700		3,449
				13,515
				10,333
INCOME (LOSS) BEFORE INCOME TAXES		(3,851)		2,201
				(1,573)
				6,151

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INCOME TAXES (BENEFIT)	(653)	801	151	2,243
NET INCOME (LOSS)	\$ (3,198)	\$ 1,400	\$ (1,724)	\$ 3,908
NET INCOME (LOSS) PER COMMON SHARE				
BASIC	\$ (0.49)	\$ 0.21	\$ (0.26)	\$ 0.57
DILUTED	(0.48)	0.21	(0.26)	0.56
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
BASIC	6,561,132	6,635,709	6,538,950	6,873,101
DILUTED	6,625,695	6,799,753	6,631,918	7,037,052

See accompanying notes



**Table of Contents*****AMERICAN COMMUNITY BANCSHARES, INC.******CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)******Three and Nine Months Ended September 30, 2008 and 2007***

	<b>Three Months Ended September 30, 2008</b>		<b>Nine Months Ended September 30, 2008</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
NET INCOME (LOSS)	\$ (3,198)	\$ 1,400	\$ (1,724)	\$ 3,908
Other comprehensive income (loss):				
Securities available for sale:				
Unrealized holding losses on securities available for sale	3,440	937	2,608	410
Tax effect	(1,326)	(360)	(1,005)	(158)
Reclassification adjustment for losses realized in income	(2,694)	(2)	(2,694)	(19)
Tax effect	667	1	667	7
Net of tax amount	87	576	(424)	240
Cash flow hedging activities:				
Unrealized holding gains (losses) on cash flow hedging activities	(49)	148	236	119
Tax effect	19	&nbs		