

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **2005-05-02** | Period of Report: **2004-12-31**  
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### FILER

#### **NEW PEOPLES BANKSHARES INC**

CIK: **1163389** | IRS No.: **311804543** | State of Incorporation: **VA**  
Type: **10-K/A** | Act: **34** | File No.: **000-33411** | Film No.: **05790568**  
SIC: **6022** State commercial banks

Business Address  
2 GENT DR  
HONAKER VA 24260  
5407782294

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**United States**  
**Securities and Exchange Commission**  
Washington, D.C. 20549

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**FORM 10-K/A**  
(Amendment No. 1)

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

For fiscal year ended December 31, 2004

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 000-33411

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**New Peoples Bankshares, Inc.**

(Exact name of registrant as specified in its charter)

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**Virginia**  
(State or other jurisdiction of  
incorporation or organization)

**31-1804543**  
(I.R.S. Employer  
Identification No.)

**67 Commerce Drive**  
**Honaker, VA**  
(Address of principal executive offices)

**24260**  
(Zip Code)

**Registrant's telephone number, including area code (276) 873-7000**

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**Securities registered pursuant to Section 12(b) of the Act:**  
**None**

**Securities registered pursuant to Section 12(g) of the Act:**  
**Common Stock - \$2 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common stock held by non-affiliates, based on the last reported sales prices of \$14.00 per share on the last business day of the second quarter of 2004 was \$85,178,786.

The number of shares outstanding of the registrant's common stock was 6,910,204 as of March 30, 2005.

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**Explanatory Note**

New Peoples Bankshares, Inc. is filing this amendment on Form 10-K/A to its Form 10-K for the year ended December 31, 2004 to include Management' s Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on Management' s Report on Internal Control Over Financial Reporting, which were omitted from its Form 10-K in reliance on a 45 day extension of time allowed by the SEC for companies of a certain size to file these reports.

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## **PART II**

### **Item 9A. Controls and Procedures**

#### **Management' s Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting practices.

All internal control systems, no matter how well designed, have inherent limitations. Because of these inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a significant deficiency (as defined in PCAOB Auditing Standard No. 2), or combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement in financial statements will not be prevented or detected on a timely basis by employees in the normal course of their work.

Brown, Edwards & Company, LLP, our independent registered public accounting firm, has provided us with an unqualified report on our consolidated financial statements for 2004. However, in connection with the audit procedures for the audit of our 2004 financial statements and internal controls assessment, we were not able to complete the documentation and testing of a sufficient amount of key controls in our processes to satisfy Brown, Edwards & Company, LLP with regard to their effectiveness. Our original date for compliance with Section 404 of the Sarbanes-Oxley Act, as a non-accelerated filer, was our first fiscal year ending on or after July 15, 2005 (i.e., December 31, 2005). However, we became an accelerated filer as of December 31, 2004, as a result of our stock price based on a limited number of stock transactions during the second quarter of 2004. Accelerated filer status significantly accelerated our deadline and put us behind on the process. We did not have adequate resources to complete the required documentation and testing by December 31, 2004. Accordingly, in consultation with Brown, Edwards, we have concluded that we are unable to assess all key controls of our internal control over financial reporting as of December 31, 2004 and, therefore, Brown, Edwards has issued a “disclaimer” opinion, included herein, indicating that they do not express an opinion as to management' s assessment and as to the effectiveness of our internal control over financial reporting as of December 31, 2004.

Notwithstanding the above, management is strengthening New Peoples' internal control over financial reporting beyond what has existed in prior years. In the course of performing its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004, management has thus far identified the following material weakness in our internal control over financial reporting:

In February 2005, we identified certain control deficiencies in NPB Financial Services, Inc., a new startup division. These deficiencies relate to the design effectiveness of certain internal controls regarding segregation of duties in the processes of initiating, authorizing, recording, processing, and reporting certain insurance and brokerage transactions, as well as the design effectiveness of related fraud detection. Management has concluded that the above-described deficiencies constitute a material weakness.

Since the discovery of the material weakness in internal controls described above, we have taken various actions to remediate our internal control in this subsidiary including, but not limited to, the following:

- (1) We have made management changes at NPB Financial during the first quarter of 2005 and continue to establish a greater level of control over the subsidiary' s overall management.

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- (2) We are improving our process of segregating the function of production of and accounting for sold commissions by having all additional commissions sent directly to the accounting department. Due to the hiring of an additional accountant, these duties are now more properly segregated and are supervised by a senior accounting official.
- (3) We have improved our system of identifying sales through the finalization of pending contracts with insurance companies, which allows us to have a better understanding of what commissions are receivable and to better prevent the diversion of commissions to another party.
- (4) We are in the process of changing our recording procedures for sold items by requiring verification with the insurance companies prior to recording.
- (5) We are in the process of changing our broker-dealer relationship to provide a higher level of compliance and controls related to investment products.

The continued implementation of the initiatives described above is among our highest priorities. We have discussed our corrective actions and future plans with our Audit Committee and Brown, Edwards and, as of the date of this report, we believe the actions outlined above should correct the above-listed material weakness in our internal control. However, we cannot assure you that either we or our independent accountants will not in the future identify further material weaknesses or significant deficiencies in our internal control over financial reporting that we have not discovered to date.

In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Because of the material weakness described above, management concluded that, as of December 31, 2004, our internal control over financial reporting was not effective based on those criteria.

Notwithstanding Brown, Edwards & Company, LLP' s "disclaimer" opinion, Brown, Edwards & Company has indicated its agreement with the above listed weakness in our internal controls and has advised our audit committee of our board of directors that the identified internal control weakness does not affect its unqualified report on our consolidated financial statements for 2004.

### **Changes in Internal Control Over Financial Reporting**

In the fourth fiscal quarter of 2004, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The material weakness related to NPB Financial was not discovered until February 2005. As such, the remedial changes to our internal control over financial reporting, discussed above, occurred in the first quarter of 2005, not the fourth quarter of 2004. We expect these changes to materially affect and improve our internal control over financial reporting.

### **Disclosure Controls and Procedures**

We also maintain a system of disclosure controls and procedures that is designed to ensure that material information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As

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required, management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not operating effectively to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. This conclusion was due to the determination, discussed in "Management's Report on Internal Control Over Financial Reporting" above, that a material weakness existed in New Peoples' internal control over financial reporting at December 31, 2004 as a result of the identified control deficiencies in NPB Financial, and that, as a result, a more than remote likelihood existed that a material misstatement of New Peoples' financial statements would not be prevented or detected.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that our disclosure controls and procedures will detect or uncover every situation involving the failure of persons within New Peoples to disclose material information otherwise required to be set forth in our periodic reports.

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM INTERNAL CONTROL OVER REPORTING**

To the Board of Directors and Stockholders  
New Peoples Bankshares, Inc.:

We were engaged to audit management's assessment, included in Management's Report on Internal Control over Financial Reporting (included in Item 9 of this Form 10-K), that New Peoples Bankshares, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A material weakness has been identified and included in management's assessment as of December 31, 2004, with regard to the design effectiveness of certain internal controls regarding segregation of duties in the processes of initiating, authorizing, recording, processing, and reporting certain insurance and brokerage transactions, as well as the design effectiveness of related fraud detection controls in NPB Financial Services, Inc., a new startup division. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2004 financial statements, and this report does not affect our report dated March 4, 2005 on those financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations



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of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Since management was unable to complete its documentation and testing of internal control over financial reporting as of December 31, 2004, and we were unable to apply other procedures to satisfy ourselves as to the effectiveness of the Company's internal control over financial reporting, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion either on management's assessment or on the effectiveness of the Company's internal control over financial reporting.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and our report dated March 4, 2005, expressed an unqualified opinion on those consolidated financial statements.

/s/ **BROWN EDWARDS & COMPANY LLP**

Bluefield, West Virginia  
April 29, 2005

## PART IV

### **Item 15. Exhibits, Financial Statement Schedules**

#### Exhibits

The following exhibits are filed as part of this Form 10-K/A, and this list includes the exhibit index:

- 31.1 Certification by Chief Executive Officer pursuant to Rule 13a-14(a)
- 31.2 Certification by Chief Financial Officer pursuant to Rule 13a-14(a)

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NEW PEOPLES BANKSHARES, INC.**

By: /s/ KENNETH D. HART  
Kenneth D. Hart  
President and Chief Executive Officer  
Date: May 2, 2005

By: /s/ C. TODD ASBURY  
C. Todd Asbury  
Senior Vice President and Chief Financial Officer  
Date: May 2, 2005

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

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ KENNETH D. HART</u> Kenneth D. Hart	President and Chief Executive Officer	May 2, 2005
<u>/s/ C. TODD ASBURY</u> C. Todd Asbury	Senior Vice President and Chief Financial Officer	May 2, 2005
<u>*/s/ TIM BALL</u> Tim Ball	Director	May 2, 2005
<u>*/s/ JOE CARTER</u> Joe Carter	Director	May 2, 2005
<u>*/s/ JOHN D. COX</u> John D. Cox	Director	May 2, 2005
<u>*/s/ CHARLES H. GENT</u> Charles H. Gent	Director	May 2, 2005
<u>*/s/ HAROLD LYNNE KEENE</u> Harold Lynne Keene	Director	May 2, 2005
<u>*/s/ FRANK KILGORE</u> Frank Kilgore	Director	May 2, 2005

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<u>*/s/ JOHN MAXFIELD</u> John Maxfield	Director	May 2, 2005
<u>*/s/ MICHAEL G. MCGLOTHLIN</u> Michael G. McGlothlin	Director	May 2, 2005
<u>*/s/ FRED MEADE</u> Fred Meade	Director	May 2, 2005
<u>*/s/ BILL ED SAMPLE</u> Bill Ed Sample	Director	May 2, 2005
<u>*/s/ EARNEST VIRGIL SAMPSON, JR</u> Earnest Virgil Sampson, Jr.	Director	May 2, 2005
<u>*/s/ STEPHEN H. STARNES</u> Stephen H. Starnes	Director	May 2, 2005
<u>*/s/ PAUL VENCILL, JR.</u> Paul Vencill, Jr.	Director	May 2, 2005
<u>*/s/ B. SCOTT WHITE</u> B. Scott White	Director	May 2, 2005
<u>/s/ KENNETH D. HART</u> Kenneth D. Hart Attorney-in-Fact*	Attorney-in-Fact	May 2, 2005

## CERTIFICATIONS

I, Kenneth D. Hart, certify that:

1. I have reviewed this amended annual report on Form 10-K/A of New Peoples Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 report;
3. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
4. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 2, 2005

/s/ Kenneth D. Hart

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Kenneth D. Hart

President & Chief Executive Officer

## CERTIFICATIONS

I, C. Todd Asbury, certify that:

1. I have reviewed this amended annual report on Form 10-K/A of New Peoples Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a 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 report;
3. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
4. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 2, 2005

/s/ C. Todd Asbury

C. Todd Asbury

Senior Vice President & Chief Financial Officer