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FIRST COMMUNITY BANCSHARES INC /NV/  
Form PRE 14A  
March 22, 2001

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SCHEDULE 14A  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

- /X/ Preliminary Proxy Statement
- / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- / / Definitive Proxy Statement
- / / Definitive Additional Materials
- / / Soliciting Material under Section 240.14a-12

FIRST COMMUNITY BANCSHARES, INC.

-----  
(Name of Registrant as Specified In Its Charter)

-----  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- / / \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- / / Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:  
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(2) Aggregate number of securities to which transaction applies:  
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):  
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(4) Proposed maximum aggregate value of transaction:  
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(5) Total fee paid:

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/ / Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:  
-----

(2) Form, Schedule or Registration Statement No.:  
-----

(3) Filing Party:  
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(4) Date Filed:  
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NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

Annual Meeting of Stockholders April 24, 2001

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FIRST COMMUNITY BANCSHARES, INC.  
ONE COMMUNITY PLACE  
BLUEFIELD, VIRGINIA 24605-0989

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NOTICE OF 2001  
ANNUAL MEETING OF STOCKHOLDERS

To The Stockholders of First Community Bancshares, Inc.:

The ANNUAL MEETING of Stockholders of First Community Bancshares, Inc. will be held at Fincastle Country Club, Double Gates, Bluefield, Virginia, at 2:30 p.m. local time on April 24, 2001, for the purpose of considering and voting upon the following items as more fully discussed herein.

1. Election of three directors to serve as members of the Board of Directors, Class of 2004.
2. Removal of James L. Harrison, Sr. as a director of the Corporation for cause.
3. Ratification of the selection of Ernst & Young, Charleston, West Virginia, as independent auditors for the year ending December 31, 2001.
4. Transacting such other business as may properly come before the meeting, or any adjournment thereof.

Only stockholders of record at the close of business on March 9, 2001 are entitled to notice of and to vote at such meeting or at any adjournment thereof.

By Order of the Board of Directors

Robert L. Buzzo, Secretary

IMPORTANT

To ensure your shares are represented at the Annual Meeting, please complete, sign and return the enclosed proxy as promptly as possible whether or not you plan to attend the meeting. An addressed return envelope is enclosed for your convenience. YOU MAY REVOKE YOUR PROXY AT ANY TIME PRIOR TO THE TIME IT IS VOTED.

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PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON TUESDAY, APRIL 24, 2001

The Board of Directors of First Community Bancshares, Inc. (the "Corporation") solicits the enclosed proxy for use at the Annual Meeting of Stockholders of First Community Bancshares, Inc., which will be held on Tuesday, April 24, 2001 at 2:30 p.m. local time at Fincastle Country Club, Double Gates, Bluefield, Virginia, and at any adjournment thereof.

The expenses of the solicitation of the proxies for the meeting, including the cost of preparing, assembling and mailing the notice, proxy

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statement and return envelopes, the handling and tabulation of proxies received, and charges of brokerage houses and other institutions, nominees or fiduciaries for forwarding such documents to beneficial owners, will be paid by the Corporation. In addition to the mailing of the proxy material, solicitation may be made in person, by telephone or by other means by officers, directors or regular employees of the Corporation.

This Proxy Statement and the proxies solicited hereby are being first sent or delivered to stockholders of the Corporation on or about March 24, 2001.

### VOTING

Shares of Common Stock (par value \$1 per share) represented by proxies in the accompanying form, which are properly executed and returned to the Corporation, will be voted at the Annual Meeting in accordance with the stockholder's instructions contained therein. In the absence of contrary instructions, shares represented by such proxies will be voted FOR the election of the nominees as described herein under "Election of Directors," FOR removal of James L. Harrison, Sr. as a Director and FOR ratification of the selection of Ernst & Young as independent public accountants for the year ended December 31, 2001. Any stockholder has the power to revoke his proxy at any time before it is voted.

The Board of Directors has fixed March 9, 2001 as the record date for stockholders entitled to notice of and to vote at the Annual Meeting. Shares of Common Stock outstanding on the record date are entitled to be voted at the Annual Meeting and the holders of record will have one vote for each share so held in the matters to be voted upon by the stockholders. There are no cumulative voting rights.

Directors are elected by a plurality of votes present in person or by proxy and entitled to vote, assuming a quorum is present. All other matters coming before the meeting will be determined by majority vote of those present in person or by proxy and entitled to vote. Abstentions and broker non-votes for shares represented at the meeting thus have no direct effect on the election of directors but have the effect of negative votes on other matters to be considered.

As of the close of business on March 9, 2001, the outstanding shares of the Corporation consisted of 9,051,335 shares of Common Stock.

### 1. ELECTION OF DIRECTORS

The Corporation's Board of Directors is comprised of eleven directors, including ten non-employee directors, divided into three classes with staggered terms. All directors are elected for three-year terms.

The nominees for the Board of Directors to serve until the Annual Meeting of Stockholders in 2004 are set forth below. All nominees are currently serving on the Corporation's Board of Directors. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all

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proxies received by them for the nominees listed below. All nominees named herein have consented to be named and to serve as directors if elected.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES FOR DIRECTOR.

| Name            | Age | Principal Occupation and<br>Employment Last Five Years;<br>Principal Directorships   | Director of<br>Corporation<br>Since |
|-----------------|-----|--|-------------------------------------|
| Allen T. Hamner | 59  | Professor of Chemistry, West Virginia Wesleyan College; Director, First Community Bank, N. A.  | 1993                                |
| B. W. Harvey    | 69  | President, Highlands Real Estate Management, Inc.; Director, First Community Bank, N. A.   | 1989                                |
| John M. Mendez  | 46  | President and Chief Executive Officer of the Corporation; Director, Executive Vice President and Secretary, First Community Bank, N. A.; Director & Chairman, United First Mortgage, Inc.; Past Vice President, Chief Financial Officer & Secretary of the Corporation; Past Senior Vice President- Finance & Chief Administrative Officer, First Community Bank, N.A. | 1994                                |

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### CONTINUING DIRECTORS

The following persons will continue to serve as members of the Board of Directors until the Annual Meeting of Stockholders in the year of the expiration of their designated terms (except in the case of Mr. Harrison in the event item 2 of this proxy statement receives the requisite greater than two-thirds vote). The name, age, principal occupation and certain biographical information for each continuing director are presented below:

| Name                   | Age | Principal Occupation and<br>Employment Last Five Years;<br>Principal Directorships                                      | Director of<br>Corporation<br>Since |
|------------------------|-----|---|-------------------------------------|
| Sam Clark              | 69  | Agent, State Farm Insurance; Director, First Community Bank, N. A.  | 1993                                |
| James L. Harrison, Sr. | 53  | Practicing CPA; Past President & Chief Executive Officer of the Corporation; Past President & Director, First Community | 1989                                |

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|                          |    |  |      |
|--------------------------|----|--|------|
|                          |    | Bank, N.A; Past Director & Chairman, United First Mortgage, Inc. See Item 2 herein.  |      |
| I. Norris Kantor         | 71 | Of Counsel, Katz, Kantor & Perkins, Attorneys-at-Law; Director, First Community Bank, N. A.  | 1989 |
| A. A. Modena             | 72 | Retired Executive Vice President and Secretary of the Corporation; Director, First Community Bank, N. A.   | 1989 |
| Robert E. Perkinson, Jr. | 53 | Past Vice President-Operations, MAPCO Coal, Inc.; Permac, Inc.; Race Fork Coal Company; South Atlantic Coal, Inc.  | 1994 |
| William P. Stafford      | 67 | President, Princeton Machinery Service, Inc.; Chairman of the Board of the Corporation; Director, First Community Bank, N. A.                                    | 1989 |
| William P. Stafford, II  | 37 | Attorney, Brewster, Morhous & Cameron; Director, First Community Bank, N. A.   | 1994 |
| W. W. Tinder, Jr.        | 75 | Chairman & Chief Executive Officer, Tinder Enterprises, Inc.; President, Tinco Leasing Corporation (Real Estate Holdings); Director, First Community Bank, N. A. | 1989 |

### COMPENSATION OF DIRECTORS

During 2000, non-employee members of the Board of Directors received a director's fee of \$500 per month. Directors of the Corporation may also be reimbursed for travel or other expenses incurred in attendance at Board or committee meetings. Directors who are employees of the Corporation receive no additional compensation for service on the Board or its committees.

### MEETING ATTENDANCE

The Board of Directors held twelve meetings during 2000. All directors and those nominees, who are currently directors, attended at least 75% of all meetings of the Board and any committee of which they were a member, except Mr. Harrison who attended 73% of such meetings.

### BOARD COMMITTEES

The Board of Directors of the Corporation has an Audit Committee consisting of Chairman Harvey and Messrs. Hamner and Stafford, all non-employee members of the Board. The Audit Committee of the Board of Directors, which held six meetings during 2000, reviews and acts on reports to the Board with respect

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to various auditing and accounting matters, the scope of the audit procedures and the results thereof, the internal accounting and control systems of the Corporation, the nature of service performed for the Corporation by and the fees to be paid to the independent auditors, the performance of the Corporation's independent and internal auditors and the accounting practices of the Corporation. The Audit Committee also recommends to the full Board of Directors the auditors to be appointed by the Board, subject to stockholders' ratification. The 2000 Report of the Audit Committee is presented on page 9 of this Proxy Statement.

The Board of Directors has a Compensation Committee that was formed in May, 1999 consisting of non-employee Directors Hamner, Tinder, and William P. Stafford, II. The Compensation Committee reviews and considers the form and amount of compensation and contractual employment terms of the President and Chief Executive Officer of the Corporation. Recommendations of the Compensation Committee are made to the Board of Directors. The 2000 Report of the Compensation Committee is presented on page 8 of this Proxy Statement

The Board of Directors of the Corporation has an Executive Committee consisting of seven members including the Chairman and Chief Executive Officer. The Executive Committee held seven meetings during 2000. The Executive Committee is empowered to act on behalf of the Board on most Corporate matters not involving business combinations.

The Board does not maintain a Nominating Committee.

### TRANSACTIONS WITH DIRECTORS AND OFFICERS

Some of the directors and officers of the Corporation and members of their immediate families are at present, as in the past, customers of the Corporation's subsidiary bank, and have had and expect to have transactions with the bank. In addition, some of the directors and officers of the Corporation are, as in the past, also officers of or partners in entities that are customers of the bank and have had and expect to have transactions with the bank. Such transactions were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features.

Two of the directors, Messrs. Harrison and Stafford, II, are members of professional firms which provide accounting, legal and /or other services on a fee basis to the Company. Mr. Harrison is a practicing CPA with Brown, Edwards & Company, a regional accounting firm. Brown, Edwards & Company performs limited scope audit services and

provides accounting and advisory services to the Company. The Company paid \$60,350 for these professional services in the year 2000.

Mr. Stafford, II is a practicing attorney with Brewster, Morhous & Cameron, a Bluefield, WV law firm which provides general legal services to the Company. The Company paid \$79,564 for these professional services in the year 2000.

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## REPORTS OF CHANGES IN BENEFICIAL OWNERSHIP

Directors, executive officers and principal shareholders of the Corporation are required to file Initial Statements of Beneficial Ownership and Changes of Beneficial Ownership of holdings in the Corporation's stock. These filings on Form 3, Form 4 and Form 5 are to be filed with the Securities and Exchange Commission within various time frames following a change in status or changes in the level of beneficial ownership. During 2000, a filing pursuant to these requirements was inadvertently made on a late basis by Director Harrison.

### PRINCIPAL STOCKHOLDERS

The following sets forth information with respect to those persons who, to the knowledge of management, beneficially owned more than 5% of the Corporation's outstanding stock as of March 9, 2001. All shares are subject to the named entity's sole voting and investment power.

| Title of Class | Name and Address of Beneficial Owner         | Shares Beneficially Owned | Per cent of |
|----------------|--|---------------------------|-------------|
| Common         | The H. P. & Anne S. Hunnicutt Foundation (1) | 1,010,000                 | 11          |

(1) William P. Stafford is deemed a beneficial owner of the same shares by virtue of his position as President of the Foundation.

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### OWNERSHIP OF COMMON STOCK BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the beneficial ownership of the Common Stock of the Corporation as of March 9, 2001, by each director and nominee, each executive officer named in the Summary Compensation Table, and all directors and executive officers as a group including each executive officer named in this Proxy Statement.

| Name of Group          | Number of Shares | Percent of Beneficial |
|------------------------|------------------|-----------------------|
| Robert L. Buzzo        | 10,015           | *                     |
| Sam Clark              | 52,194           | *                     |
| Allen T. Hamner        | 6,985            | *                     |
| James L. Harrison, Sr. | 48,744           | *                     |
| B. W. Harvey           | 10,011           | *                     |
| I. Norris Kantor       | 22,060           | *                     |
| E. Stephen Lilly       | 4,022            | *                     |
| John M. Mendez         | 18,662           | *                     |
| A. A. Modena           | 26,778           | *                     |



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|   |         |       |
|---|---------|-------|
| Robert E. Perkinson, Jr. (1)  | 35,562  | *     |
| Robert L. Schumacher  | 9,410   | *     |
| William P. Stafford (2)   | 192,536 | 2.13% |
| William P. Stafford, II   | 151,478 | 1.68% |
| W. W. Tinder, Jr.   | 55,962  | *     |
| All Directors and Executive Officers<br>as a Group (Fourteen Persons) | 644,419 | 7.19% |

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(1) Mr. Perkinson serves as Co-trustee of the Trust Under Agreement for Robert E. Perkinson, Sr., and by virtue of voting power is deemed to share beneficial ownership of an additional 104,373 shares held by Trust, or 1.16% of the Corporation's outstanding stock.

(2) Mr. Stafford serves as President of The H. P. and Anne S. Hunnicutt Foundation, and by virtue of voting power is deemed to share beneficial ownership of an additional 1,010,000 shares held by the Foundation, or 11.18 % of the Corporation's outstanding stock.

\* Less than one percent.

REPORT ON EXECUTIVE COMPENSATION

The Board of Directors maintains a Compensation Committee (the "Committee") whose role is the establishment and management of employment terms and the form and levels of compensation paid to the President and Chief Executive Officer ("CEO"). The CEO manages compensation of other executive officers named in the Compensation Table.

It is the responsibility of the Compensation Committee to develop proposed contractual terms of employment and establish a framework for a competitive compensation package for the CEO and other senior executives that adequately rewards performance and provides incentives for retention. In carrying out its responsibilities, the Compensation Committee considers: i) the need to retain competent and effective management personnel; ii) competitive terms and levels of compensation relative to other companies of comparable size and operation within the commercial banking industry; iii) past performance of the CEO as measured against predetermined goals and objectives; iv) comparative performance of the CEO as benchmarked against peer groups of comparable commercial banks; and v) the achievement of overall corporate goals.

The Committee establishes current compensation based primarily on review of competitive salary practices by similarly sized banking organizations locally and nationally giving appropriate weight to regional differences in cost of living and contrasting relative performance of the Company and the designated peer group. In performing this analysis, the Committee utilized the Sheshunoff Executive Compensation Survey as well as compensation data from other specifically identified banking peers.

In 2000, with a change in senior management, the Committee reviewed the employment contract of the President and Chief Executive Officer. Based on that review and upon the Committee's recommendation to the Board of Directors, a new employment contract ("contract") was adopted for the President and Chief Executive Officer. The new three-year contract contains similar terms of

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employment and provides for salary continuation for a period of 35 months in the event of termination within three years of a change in control of ownership. The contract also provides for salary continuation for a period of 30 months in the event of termination without cause, absent a change in control of ownership.

The Committee recommended to the Board of Directors a two-tiered incentive compensation strategy for the President and Chief Executive Officer based upon the Company meeting specific financial benchmarks and an additional discretionary incentive based upon both the financial and non-financial performance of company.

This report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless First Community Bancshares, Inc. specifically incorporates this report by reference. It will not otherwise be filed under such Acts.

Allen T. Hamner  
William P. Stafford, II  
W. W. Tinder, Jr.

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### REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board is responsible for providing independent, objective oversight of the Corporation's accounting functions and internal controls. The Audit Committee is composed of independent directors, and acts under a written charter adopted and approved by the Board of Directors. Each of the members of the Audit Committee is independent as defined by Corporation policy and by the listing standards of the National Association of Securities Dealers. A copy of the Audit Committee Charter is attached to this proxy statement as Appendix A.

The responsibilities of the Audit Committee include recommending to the Board an accounting firm to be engaged as the Corporation's independent accountants. Additionally, and as appropriate, the Audit Committee reviews and evaluates, and discusses and consults with management, internal audit personnel and the independent accountants regarding, the following:

- o the plan for, and independent accountants' report on, each audit of the Corporation's financial statements
- o the Corporation's financial disclosure documents, including all financial statements and reports sent to shareholders
- o changes in the Corporation's accounting practices, principles, controls or methodologies, or in its financial statements
- o significant developments in accounting rules
- o the adequacy of the Corporation's internal accounting controls, and accounting, financial and auditing personnel
- o the establishment and maintenance of an environment at the Corporation that promotes ethical behavior

This year the Audit Committee revised its Audit Committee Charter,

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incorporating the new standards set forth in Securities Exchange Commission regulations and the listing standards of the National Association of Securities Dealers. After appropriate review and discussion, the Audit Committee determined that the Committee fulfilled its responsibilities under the Audit Committee Charter.

The Audit Committee is responsible for recommending to the Board that the Corporation's financial statements be included in its annual report. The Committee took a number of steps in making this recommendation and held six meetings during fiscal year 2000. First, the Audit Committee discussed with its independent public accountants those matters the accountant communicated to and discussed with the Audit Committee under applicable auditing standards, including information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. Second, the Audit Committee discussed the accountant's independence with that firm and received a letter from the accountant concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure informed the Audit Committee of the accountant's independence, and assisted the Audit Committee in evaluating such independence. Finally, the Audit Committee reviewed and discussed, with the Corporation management and the accounting firm, the Corporation's audited consolidated balance sheet at December 31, 2000 and consolidated statement of income, cash flows and stockholders' equity for the year then ended. Based on discussions with the accountants concerning the audit, the independence discussions, and the financial statement review, and such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board (and the Board approved) that these financial statements be included in the Corporation's 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

B.W. Harvey, Audit Committee Chair  
William P. Stafford, Audit Committee Member  
Allen T. Hamner, Audit Committee Member

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### EXECUTIVE COMPENSATION FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

The following summary compensation table sets forth information concerning compensation for services in all capacities awarded to, earned by, or paid to the Corporation's President and Chief Executive Officer and to other executive officers of the Corporation whose salary and bonus exceeded \$100,000 during the years ended December 31, 2000, 1999 and 1998.

#### SUMMARY COMPENSATION TABLE

| Name of Individual /<br>Capacities Served | Year | Salary | Bonus | Other Annual<br>Compensation (1) |
|---|------|--------|-------|----------------------------------|
|---|------|--------|-------|----------------------------------|

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|   |      |           |          |          |
|---|------|-----------|----------|----------|
| John M. Mendez  | 2000 | \$185,460 | \$30,780 | \$10,512 |
| President & Chief   | 1999 | \$157,193 | \$ --    | \$ 6,156 |
| Executive Officer   | 1998 | \$154,970 | \$14,969 | \$ 8,062 |
| of the Corporation;<br>Executive Vice President &<br>Secretary, First Community<br>Bank, N. A.; Director & Chairman<br>of United First Mortgage, Inc. |      |           |          |          |
| Robert L. Buzzo   | 2000 | \$110,080 | \$14,450 | \$ 7,715 |
| Vice President and  | 1999 | \$ 82,121 | \$ --    | \$ 7,416 |
| Secretary of the  | 1998 | \$ 81,977 | \$ 3,154 | \$21,499 |
| Corporation; President of<br>First Community Bank, N. A.;<br>Chief Executive Officer of the<br>Bluefield Division of First<br>Community Bank, N. A.   |      |           |          |          |
| E. Stephen Lilly  | 2000 | \$ 94,569 | \$21,035 | \$ 8,035 |
| Chief Operating Officer   | 1999 | \$100,379 | \$ --    | \$ 4,819 |
| of the Corporation  | 1998 | \$ 87,217 | \$ 2,183 | \$ 5,862 |
| Robert L. Schumacher  | 2000 | \$ 99,540 | \$ 7,943 | \$ 9,427 |
| Senior Vice President,  | 1999 | \$ 97,469 | \$ --    | \$ 7,571 |
| Finance of the Corporation  | 1998 | \$ 96,314 | \$14,293 | \$ 8,974 |
| James L. Harrison, Sr.  | 2000 | \$137,830 | \$12,246 | \$ 2,520 |
| Former President, Chief   | 1999 | \$219,651 | \$ --    | \$29,965 |
| Executive Officer & Director  | 1998 | \$199,619 | \$ --    | \$46,609 |
| of the Corporation, President &<br>Director of First Community<br>Bank, N. A.; Director of United<br>First Mortgage, Inc. (2)                         |      |           |          |          |

(1) Other annual compensation includes non-qualified deferred compensation agreements, deferred bonuses and non-cash fringe benefits.

(2) Employment with the Corporation ceased on June 11, 2000; however, James L. Harrison, Sr. continues to serve as a director of First Community Bancshares, Inc. (See Item 2 herein.)

STOCK OPTIONS

In 1999, the Company instituted a Stock Option Plan to encourage and facilitate investment in the common stock of the Company by key executives and to assist in the long-term retention of service by those executives. The Plan covers key executives as determined by the Company's Board of Directors from time to time. Options under the Plan were granted in the form of non-statutory stock options with the aggregate number of shares of common stock available for grant under the Plan set at 275,000 shares. Total options currently available under the Plan at December 31, 2000 represent the rights to acquire 191,932 shares with deemed grant dates of January 1st for each year 1999 through 2003 resulting in the deemed grant of 38,387 shares in each year of the five-year deemed grant period. All stock options granted pursuant to the Plan vest ratably

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on the first through the seventh anniversary dates of the deemed grant date. The option price of each stock option is equal to the fair market value of the Company's common stock on the date of each deemed grant during the five-year grant period. Vested stock options granted pursuant to the Plan are exercisable for a period of five years after the date of the grantee's retirement (provided retirement occurs at or after age 62), disability, or death. If employment is terminated other than by retirement at or after age 62, disability, or death, vested options must be exercised within 90 days after the effective date of termination. Any option not exercised within such period will be deemed cancelled.

In the event of a change of control or upon dissolution of the corporation, the stock options granted under the Plan continue to vest and are exercisable in accordance with the terms of the original grant. Change of control provisions further provide that any optionee who is terminated without cause by the corporation, its successor or affiliate during the 12 months preceding, or at any time following a change of control, and any participant who remains employed by the corporation or any affiliate during the 90-day period following a change of control and thereafter resigns, shall continue to receive grants on the deemed grant dates and vest as if the optionee continued to be employed, and optionee, or his estate, shall be entitled to exercise such options within five years after death or attainment of age 62, whichever first occurs.

### OPTIONS DEEMED GRANTED IN LAST FISCAL YEAR

|   | Individual Grants                                   |  |                                    |                              |
|---|---|--|------------------------------------|------------------------------|
| Name  | Number of Securities Underlying Options Granted (#) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Sh) (1) | Expiration Dates (2)         |
| John M. Mendez                                | 11,660  | 30.37%   | 19.36                              | 03/01/22                     |
| Robert L. Buzzo                               | 6,253   | 16.29%   | 19.36                              | 04/01/17                     |
| E. Stephen Lilly                              | 6,240   | 16.26%   | 19.36                              | 07/01/25                     |
| Robert L. Schumacher                          | 7,658   | 19.95%   | 19.36                              | 04/01/18                     |
| 6 Optionees<br>(including the 4 listed above) | 38,387  | 100.00%  | 19.36                              | From 01/01/14<br>To 07/01/25 |

(1) Plan participants may use previously owned shares to pay for an option's exercise price. Additionally, plan participants may have the Company withhold their shares due upon exercise of an option to satisfy their required tax withholding obligations.

(2) Options expire 5 years after the executive's retirement date, death or disability. In the event of termination other than retirement, death or disability, options must be exercised within 90 days of effective date of termination. If not exercised within that period, options are deemed cancelled. For purposes of this table, retirement age is assumed to be age 62.

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- (3) The present value of grant at date of grant values options using the Black-Scholes model with the following assumptions: risk-free interest rate of 6.00%, dividend yield of 5.21%, and volatility of the expected market price of the Company's common stock of 26.1%.

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### OPTION EXERCISES IN LAST FISCAL YEAR

The following table lists the number of shares underlying unexercised options as well as values for "in-the-money" options. Options are "in-the-money" if the 2000 year-end share price is higher than the exercise price. No options were exercised for the listed officers in 2000, and no shares were acquired on exercise.

| Name                 | Underlying Unexercised<br>Options at Fiscal Year End |               | In-the-Money<br>at Fiscal Y |
|----------------------|--|---------------|-----------------------------|
|                      | Exercisable  | Unexercisable | Exercisable                 |
| John M. Mendez       | --   | 23,320        | \$ --                       |
| Robert L. Buzzo      | --   | 12,506        | \$ --                       |
| E. Stephen Lilly     | --   | 12,480        | \$ --                       |
| Robert L. Schumacher | --   | 15,316        | \$ --                       |

### EXECUTIVE RETENTION PLAN

In 1999, the Company established an Executive Retention Plan for key members of senior management, including the individuals named in the Summary Compensation Table. This Plan provides for a benefit at normal retirement (age 65) targeted at 15% of final compensation projected at an assumed 3% salary progression rate. Benefits under the Plan become payable at age 62. Actual benefits payable under the Retention Plan are dependent on an indexed retirement benefit formula that accrues benefits equal to the aggregate after-tax income of associated life insurance contracts less the Company's tax-effected cost of funds for that plan year. Benefits under the Plan are dependent on the performance of the insurance contracts and are not guaranteed by the Company.

In connection with the Executive Retention Plan, the Company has also entered into Life Insurance Endorsement Method Split Dollar Agreements (the "Agreements") with the executives covered under the Retention Plan. Under the Agreements, the Company shares 80% of death benefits (after recovery of cash surrender value) with the designated beneficiaries of the executives under life insurance contracts referenced in the Retention Plan. The Company as owner of the policies retains a 20% interest in life proceeds and a 100% interest in the cash surrender value of the policies.

The Retention Plan also contains provisions for change of control, as

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defined, which allow the executives to retain benefits under the Plan in the event of a termination of service, other than for cause, during the twelve months prior to a change in control or anytime thereafter, unless the executive voluntarily terminates his employment within 90 days following the change in control.

Because the Retention Plan was designed to retain the future services of key executives, no benefits are payable under the Plan in the event of voluntary or involuntary termination prior to retirement age of 62.

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### COMPARATIVE PERFORMANCE OF THE COMPANY

The following chart was compiled by SNL Securities, LC and compares cumulative total shareholder return on the Corporation's Common Stock for the five-year period ended December 31, 2000 with cumulative total shareholder return of: (1) The Standard & Poor's 500 market index ("S&P 500"); and 2) a group of five Peer Bank Holding Companies (First Community Bancshares' Peer Group) which was selected by management of the Corporation based upon relative asset size and geographic location; and 3) a group of 21 Peer Bank Holding Companies (Asset Size & Regional Peer Group) selected to replace the original peer group which has been diminished in number due to mergers and acquisitions. Three of the five Bank Holding Companies in First Community Bancshares' Peer Group are also included in the Asset Size & Regional Peer Group. Both peer groups are presented in this transition year. Subsequent years will present only the Asset Size and Regional Peer Group; the newly constituted, larger peer group.

| Index                                  | Period Ending |          |          |          |          |
|--|---------------|----------|----------|----------|----------|
|  | 12/31/95      | 12/31/96 | 12/31/97 | 12/31/98 | 12/31/99 |
| First Community Bancshares, Inc.       | 100.00        | 109.10   | 156.89   | 157.36   | 128.57   |
| S&P 500                                | 100.00        | 122.86   | 163.86   | 210.64   | 254.97   |
| First Community Bancshares Peer Group* | 100.00        | 131.97   | 189.72   | 182.04   | 156.10   |
| Asset Size & Regional Peer Group**     | 100.00        | 120.13   | 185.37   | 175.98   | 142.48   |

\*First Community Bancshares, Inc. Peer Group consists of five banks used in the 2000 fiscal year ending Total Return Analysis. The financial institutions which comprise the Peer Group are: WesBanco, Inc., City Holding Company, United Bankshares, Inc., One Valley Bancorp, Inc. (which, as of year end 2000, had been acquired by BB & T Corp.), and Pocahontas Bankshares Corp. (which had a name change and is now called First Century Bankshares, Inc.).

\*\*Asset Size & Regional Peer Group, used by First Community Bancshares for comparison in the fiscal year ending December 31, 2000, consists of 21 institutions that have an asset size of \$1 billion to \$5 billion and are located in the southeast region.

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The graph assumes an initial investment of \$100 on December 31, 1995 in the Corporation's common stock and each of the comparative investments with dividends from each of the investments reinvested at year-end in additional shares of stock at the then current market value.

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### EMPLOYMENT CONTRACT

Under the provisions of an employment contract with Mr. Mendez, in the event of a change in control of the Corporation, Mr. Mendez may elect to terminate services and be compensated at his annual salary for the balance of the term of the contract or for a period of thirty months, whichever is greater. In the event Mr. Mendez is dismissed for reasons other than cause, as defined, he will be compensated at his annual salary for the balance of the term of the three-year contract, or thirty months, whichever is greater.

### EMPLOYEE STOCK OWNERSHIP PLAN

The individuals listed in the Summary Compensation Table are covered under an Employee Stock Ownership and Savings Plan ("ESOP"). Contributions under the ESOP feature are made annually at the discretion of the Board of Directors. Allocations of those contributions to participants' accounts are made on the basis of relative W-2 compensation (up to \$170,000). Allocations to the accounts of the individuals named in the Summary Compensation Table for the 2000 year were: Buzzo -- \$13,225; Lilly --\$12,364; Mendez -- \$17,000; Schumacher -- \$11,958.

### SAVINGS PLAN

The Plan also provides a 401(k) Savings feature and matches employee contributions at the rate of 25% up to 6% of compensation. Matching contributions for 2000 for the covered persons listed in the Summary Compensation Table were as follows: Buzzo -- \$1,340; Lilly -- \$1,261; Mendez -- \$2,323; and Schumacher -- \$1,214.

### WRAP PLAN

The Corporation maintains a non-qualified Supplemental 401(k) Plan ("Plan") for the purpose of providing deferred compensation which cannot be accumulated under the Basic Plan provisions above because of deferral and covered compensation limitations on tax-qualified pension plan benefits. The Company makes a non-qualified matching credit on employee contributions at the rate of 25% up to 6% of compensation under the 401(k) feature of the basic plan and also makes contributions in lieu of basic plan ESOP contributions for compensation in excess of the \$170,000 compensation limit. Contributions under this Plan in 2000 for the covered persons listed in the Summary Compensation Table were as follows: Buzzo -- \$641; Lilly -- \$604; Mendez -- \$1,262; and Schumacher -- \$581.

## 2. REMOVAL OF DIRECTOR

In June of 2000, James L. Harrison, Sr. was terminated as President and Chief Executive Officer of the Corporation, President and Director of First Community Bank, N.A., a subsidiary of the Corporation, and Director of United



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First Mortgage, Inc., a subsidiary of the bank. Termination from these positions followed an employee complaint and an investigation which established to the satisfaction of the Board of Directors of the Corporation that serious violations of personnel policies of the Corporation and the bank had occurred.

Corporate law generally requires a vote of the stockholders to remove a director, and the Articles of Incorporation of the Corporation further provide that a director of the Corporation can only be removed for cause relating to the performance of his duties as a director. The removal of Mr. Harrison as director of the bank and the mortgage company was possible because the Corporation is the sole shareholder of the bank, and the bank is the sole shareholder of the mortgage company. However, the Corporation's board of directors does not have the authority under applicable law to remove Mr. Harrison as a director of the Corporation, even if such cause exists.

The chairman of the Corporation's board of directors requested Mr. Harrison's resignation from the Corporation's board, but he declined to honor this request. Accordingly, the Executive Committee of the Board of Directors is asking the

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stockholders to accomplish this result at a meeting of the Corporation duly called for such purpose. The Committee has unanimously concluded, after consultation with counsel and extensive discussion, that the conduct which led to Mr. Harrison's dismissal reflects on his performance as a director and constitutes due cause for removal, and that it is inappropriate for a former employee terminated under these circumstances to continue service in such a critical position as director of the Corporation.

Because applicable law requires that removal be accomplished by the affirmative vote of the holders of more than two-thirds of the outstanding common stock of the Corporation, your vote is especially important. If you do not return your proxy, this has the effect of a vote against removal.

THE BOARD OF DIRECTORS OF THE CORPORATION UNANIMOUSLY (WITH THE EXCEPTION OF MR. HARRISON) SUPPORTS THIS REQUEST, AND ASKS THAT YOU VOTE IN FAVOR OF REMOVAL.

### 3. RATIFICATION OF THE SELECTION OF AUDITORS

Pursuant to the Bylaws of the Corporation, stockholders will be asked to ratify the selection of Ernst & Young, Charleston, West Virginia, as independent auditors of the Corporation and its subsidiaries for the fiscal year ended December 31, 2001. Ernst & Young served as independent auditors for the Corporation for the fiscal year ended December 31, 2000. The firm Deloitte & Touche previously served as independent auditors and examined the financial statements of the Corporation and its subsidiaries from 1985 through 1999. The Audit Committee of the Board of Directors recommended to the Board of Directors a change in the independent auditors for 2000 based upon proposals received in January 2000. Ernst & Young was selected as a qualified national firm based upon its qualifications, proposed staffing, estimated fees and its proximity to the Company's operations from its Charleston, West Virginia office. Ernst & Young has no relationship with the Corporation or its subsidiaries except in its capacity as proposed Independent Auditor. In connection with its audit of the Corporation's financial statements for the year ended December 31, 2001, Ernst &

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Young will review the Corporation's annual reports to stockholders and its filings with the Securities and Exchange Commission and will conduct reviews of quarterly reports to stockholders. Fees for the last annual report were \$85,000 and all other fees were \$69,500, including audit related services of \$34,500, and non-audit services of \$35,000. Audit related services generally include fees for statutory audits, business acquisitions, accounting consultations, and SEC registration statements.

The Audit Committee of the Board of Directors has recommended to the Board of Directors that Ernst & Young be appointed as independent auditors for the year ended December 31, 2001. The Board of Directors has made that appointment and recommends that the stockholders ratify the selection of Ernst & Young as independent auditors for the ensuing year.

A representative of Ernst & Young is expected to be present at the meeting. Inquiries or questions of Ernst & Young may be directed to Mr. Paul Arbogast, Managing Partner, Ernst & Young, 900 United Center, Charleston, West Virginia 25301, (304) 343-8971.

### OTHER MATTERS

All properly executed proxies received by the Corporation will be voted at the meeting in accordance with the specifications contained thereon. The Board of Directors knows of no other matter that may properly come before the meeting for action. However, if any other matter does properly come before the meeting, the persons named in the proxy materials enclosed will vote in accordance with their judgment upon such matter.

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### STOCKHOLDERS' PROPOSALS

If any stockholder intends to present a proposal at the 2002 Annual Meeting, such proposals must be received by the Corporation at its principal executive offices on or before November 16, 2001. Otherwise, such proposal will not be considered for inclusion in the Corporation's Proxy Statement for such meeting.

You are urged to properly complete, execute and return the enclosed form of proxy.

By Order of the Board of Directors

Robert L. Buzzo, Secretary to the Board  
March 24, 2001

APPENDIX A.

FIRST COMMUNITY BANCSHARES, INC.

AUDIT COMMITTEE CHARTER

ORGANIZATION

This charter governs the operations of the Audit Committee. The Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors. The Committee shall be appointed by the Board of Directors and shall consist of at least three directors, each of whom are independent of management and the Company. Members of the Committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company. All Committee members shall be generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. The Chairman of the Board of Directors of the Corporation will be a permanent member of the Audit Committee. Other Directors' terms shall be staggered with one and two year terms. The Committee shall annually elect a Chairman from among the members.

STATEMENT OF POLICY

The Audit Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the stockholders, potential stockholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose. Members of the Audit Committee are to be present at all meetings either in person, proxy or other technological means, unless extenuating circumstances prevail. As necessary or desirable, the Chairman may request that members of management, the Director of Auditing, and representatives of the independent auditors be present at the Audit Committee meetings.

RESPONSIBILITIES AND PROCESSES

The primary responsibility of the Audit Committee is to safeguard the Company's assets and to oversee the financial integrity of the Company's accounting, auditing and reporting practices and such other duties as directed by the Board. The Committee is to report significant developments or issues to the Board of Directors. The Committee will report on its review of quarterly financial

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statements included in the filing of the Company's Quarterly Report on Form 10-Q and report on its review of the annual financial statements included in the filing of the Company's Annual Report on Form 10-K. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business practices, and ethical behavior.

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The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- o The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's stockholders. The Committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. Annually, the Committee shall evaluate the work of the independent auditors and recommend to the Board the selection of the Company's independent auditors for the ensuing year, subject to stockholders' approval.
- o The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and the legal and ethical compliance programs. Further, the Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- o The Committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Chairman of the Committee may represent the entire Committee for the purposes of this review.
- o The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the

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Committee shall discuss the results of the annual audit and all other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, including the written disclosures and letter required by the Independence Standard Board Standard No. 1.

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PROXY FOR ANNUAL MEETING OF STOCKHOLDERS
FIRST COMMUNITY BANCSHARES, INC. ONE COMMUNITY PLACE, BLUEFIELD, VA 24605
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints James L. Miller and Barbara J. Buchanan, or either of them, attorney and proxy with full power of substitution, to represent the undersigned at the Annual Meeting of the Stockholders of First Community Bancshares, Inc. (the "Corporation") to be held on Tuesday, April 24, 2001, at the Fincastle Country Club, Double Gates, Bluefield, Virginia, at 2:30 P.M., local time, and any adjournments thereof, with all power then possessed by the undersigned, and to vote, at that meeting or any adjournment thereof, all shares which the undersigned would be entitled to vote if personally present.

1. FOR [ ] the election of 3 directors - Class of 2004 WITHHOLD AUTHORITY [ ]
B. W. Harvey John M. Mendez You may withhold authority to vote
Allen T. Hamner nominee by lining through or otherwise
striking out his name.

2. To remove James L. Harrison, Sr. as a director of the Corporation for cause.
FOR [ ] AGAINST [ ] ABSTAIN [ ]

3. To ratify the selection of the firm of Ernst & Young, Charleston, West Virginia, as independent auditors for the year ending December 31, 2001.
FOR [ ] AGAINST [ ] ABSTAIN [ ]

4. To vote upon such other business as may properly come before this meeting.

CONTINUED ON THE REVERSE

SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED, IF AUTHORITY IS NOT WITHHELD OR IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED FOR ITEMS 1, 2 AND 3 ABOVE.

DATED: \_\_\_\_\_, 2001

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER

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SIGNATURE OF STOCKHOLDER

[ ] Please check if you plan to attend the Stockholders' Meeting on April 24, 2001

Please sign your name(s) exactly as shown imprinted hereon. If more than one name appears as part of registration name, all names must sign. If acting in executor, trustee

or other fiduciary capacity, please  
sign as such.