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FIRST AMERICAN CAPITAL CORP /KS
Form 10QSB/A
November 27, 2002

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

FORM 10-QSB/A AMENDMENT NO. 1

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the quarterly period ended September 30, 2002.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 0-25679

FIRST AMERICAN CAPITAL CORPORATION

(Exact Name of small business issuer in its charter)

----- Kansas ----- 48-1187574 -----
(State of incorporation) (I.R.S. Employer Identification Number)

1303 S.W. First American Place Topeka, Kansas 66604

(Address of principal executive offices)

Issuer's telephone number (785) 267-7077

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 preceeding 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

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

Common Stock, \$.10 Par Value - 4,676,485 shares as of November 1, 2002

Transitional Small Business Disclosure Format (check one): Yes No

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FIRST AMERICAN CAPITAL CORPORATION

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PART 1

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST AMERICAN CAPITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2002	December 31, 2001
	-----	-----
	(Unaudited)	

Investments:
Securities available for sale, at fair value:

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Fixed maturities (amortized cost, \$9,310,560 in 2002 and \$8,313,448 in 2001)	\$ 9,930,240	\$ 8,605,901
Investments in real estate	274,564	274,564
Policy loans	58,954	33,178
Notes receivable (net of valuation allowance of \$2,368 in 2002 and \$4,406 in 2001)	30,555	--
Short-term investments	867,354	2,286,095
Total investments	11,161,667	11,199,738
Cash and cash equivalents	371,996	463,363
Investments in related parties	138,769	150,576
Accrued investment income	207,738	181,719
Accounts receivable	254,647	104,447
Accounts receivable from affiliate	--	124,881
Deferred policy acquisition costs (net of accumulated amortization of \$1,659,452 in 2002 and \$1,259,744 in 2001)	2,748,295	1,928,820
Property and equipment (net of accumulated depreciation of \$229,650 in 2002 and \$129,977 in 2001)	2,984,529	3,060,347
Other assets	57,447	26,072
Total assets	\$ 17,925,088	\$ 17,239,963

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FIRST AMERICAN CAPITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 2002	December 31, 2001
	(Unaudited)	
Policy and contract liabilities:		
Annuity contract liabilities	\$ 2,491,531	\$ 1,424,118
Life policy reserves	2,108,584	1,522,794
Liability for policy claims	3,014	--
Policyholder premium deposits	250,151	166,182
Deposits on pending policy applications	78,326	172,616
Reinsurance premiums payable	39,304	32,142
Total policy and contract liabilities	4,970,910	3,317,852
Commissions, salaries, wages and benefits payable	159,782	84,038
Other liabilities	77,095	28,395
Note payable	1,909,080	1,967,328
Accounts payable to affiliate	--	18,022
Federal income taxes payable:		
Current	--	613
Deferred	911,429	533,793
Total liabilities	8,028,296	5,950,041

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Shareholders' equity:		
Common stock, \$.10 par value, 8,000,000 shares authorized; 5,438,985 shares issued and 4,676,485 shares outstanding in 2002 and 5,273,985 shares outstanding in 2001;	543,899	543,899
Additional paid in capital	12,328,617	12,328,617
Accumulated deficit	(1,993,143)	(1,529,613)
Accumulated other comprehensive income	402,902	191,277
Less: Treasury shares held at cost (762,500 shares in 2002 and 165,000 shares 2001)	(1,385,483)	(244,258)
	-----	-----
Total shareholders' equity	9,896,792	11,289,922
	-----	-----
Total liabilities and shareholders' equity	\$ 17,925,088	\$ 17,239,963
	=====	=====

See notes to condensed consolidated financial statements.

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FIRST AMERICAN CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended		Nine
	September 30, 2002	September 30, 2001	September 3 2002
	-----	-----	-----
	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:			
Gross premium income	\$ 871,974	\$ 594,226	\$ 2,560,6
Reinsurance premiums ceded	(26,557)	(12,109)	(94,5
	-----	-----	-----
Net premium income	845,417	582,117	2,466,1
Net investment income	168,261	167,349	447,8
Net realized gain on disposal of assets	39,153	5,699	22,8
Rental income	70,919	57,426	212,0
Other income	254	3,430	1,2
	-----	-----	-----
Total revenue	1,124,004	816,021	3,150,0
Benefits and expenses:			
Increase in policy reserves	154,396	151,053	585,7
Policyholder surrender values	13,992	17,000	51,6
Interest credited on annuities and premium deposits	46,993	22,325	117,7
Death claims	3,013	11,250	4,0
Commissions	391,461	236,282	956,1
Policy acquisition costs deferred	(456,257)	(312,973)	(1,219,1
Amortization of deferred policy acquisition costs	182,638	141,070	399,7
Salaries, wages, and employee benefits	344,821	283,057	1,030,7
Miscellaneous taxes	7,462	4,583	26,5
Administrative fees - related party	222,794	34,735	288,9
Other operating costs and expenses	348,595	381,965	1,107,4
	-----	-----	-----

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Total benefits and expenses	1,259,908	970,347	3,349,7
	-----	-----	-----
Income before income tax expense	(135,904)	(154,326)	(199,6
	-----	-----	-----
Income tax expense	106,392	36,897	263,8
	-----	-----	-----
Net income	\$ (242,296)	\$ (191,223)	\$ (463,5
	=====	=====	=====
Net income per common share - basic and diluted	\$ (0.05)	\$ (0.04)	\$ (0.
	=====	=====	=====

See notes to condensed consolidated financial statements.

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FIRST AMERICAN CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	September 30, 2002	September 2001
	-----	-----
	(Unaudited)	(Unaudit
Net loss	\$ (463,530)	\$ (243
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Interest credited on annuities and premium deposits	73,992	55
Net realized investment loss	(22,848)	(4
Provision for depreciation and amortization	99,673	53
Equity loss in investment in affiliate	21,612	
Amortization of premium and accretion of discount on fixed maturity and short-term investments	40,348	(15
Interest credited to certificates of deposit balances	(7,020)	(39
Realized net loss on disposal of assets	--	1
Provision for deferred federal income taxes	263,689	134
Increase in prepaid administrative fees - related party	--	(25
Increase in accrued investment income	(26,019)	(2
Increase in accounts receivable	(150,200)	(25
Decrease (increase) in accounts receivable from affiliate	124,881	(8
Increase in deferred policy acquisition costs, net	(819,475)	(442
Increase in policy loans	(25,776)	(25
Increase in other assets	(31,375)	(50
Increase in policy reserves	585,790	402
Increase (decrease) in liability for policy claims	3,014	(22
(Decrease) increase in deposits on pending policy applications	(94,290)	129
Increase in reinsurance premiums payable	7,162	1
Increase in commissions, salaries, wages and benefits payable	75,744	56
Decrease in accounts payable to affiliate	(18,022)	(13
Increase in other liabilities	48,087	144
	-----	-----
Net cash (used in) provided by operating activities	\$ (314,563)	\$ 58

FIRST AMERICAN CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	September 30, 2002	September 30, 2001
	----- (Unaudited)	----- (Unaudited)
INVESTING ACTIVITIES:		
Purchase of available-for-sale fixed maturities	\$ (3,966,200)	\$ (4,052,732)
Sale or maturity of available-for-sale fixed maturities	2,983,351	1,550,865
Additions to property and equipment, net	(23,855)	(2,033,788)
Purchases of real estate held for investment	--	(274,564)
Purchase of investments in affiliates	(9,805)	(25,000)
Changes in notes receivable, net	(30,555)	9,675
Short-term investments disposed, net	1,392,343	2,414,682
	-----	-----
Net cash provided by (used in) investing activities	345,279	(2,410,862)
FINANCING ACTIVITIES:		
Proceeds from note payable	--	1,301,982
Payments on note payable	(58,248)	(13,812)
Deposits on annuity contracts, net	1,001,476	666,254
Purchase of treasury stock	(1,141,225)	--
Policyholder premium deposits, net	75,914	46,588
	-----	-----
Net cash (used in) provided by financing activities	(122,083)	2,001,012
	-----	-----
Decrease in cash and cash equivalents	(91,367)	(351,525)
	-----	-----
Cash and cash equivalents, beginning of period	463,363	832,485
	-----	-----
Cash and cash equivalents, end of period	\$ 371,996	\$ 480,960
	=====	=====

See notes to condensed consolidated financial statements.

FIRST AMERICAN CAPITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of First American Capital Corporation and its Subsidiaries (the "Company") for the three month and the nine month periods ended September 30, 2002 and 2001 are unaudited. However, in the opinion of the Company, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been

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reflected therein.

Certain financial information which is normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, but which is not required for interim reporting purposes, has been omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the fiscal year ended December 31, 2001. Certain reclassifications have been made in the prior period financial statements to conform with the current period presentation.

2. INVESTMENTS IN RELATED PARTIES

During 2001, the Company purchased a 50% interest in First Computer Services, LLC ("FCS"). FCS owns the computer hardware and software that operates a Company policy administration, underwriting, claim processing, and accounting system. The company uses the equity method to account for this investment, which is owned jointly by the Company and First Alliance Corporation. As of September 30, 2002, the carrying value of the FCS investment was \$96,969. This amount represents total capital contributions of \$125,000 reduced by the Company's \$28,031 share of the cumulative operating losses to date. Selected financial data for FCS at September 30, 2002 and for the period ended September 30, 2002 is listed below.

Total Assets:	\$ 193,938
Total Liabilities:	0
Total Liabilities and Equity:	193,938
Loss from Operations:	(43,225)

3. DEBT

On February 12, 2002, the Company obtained a \$300,000 line of credit from Bank of America. The line of credit expires on February 12, 2003 and interest is accrued on the outstanding principal balance at Bank of America's Prime Rate. The line of credit was obtained solely to secure the issuance of standby letters of credit by the Company's subsidiary, First Life America Corporation ("FLAC"). The standby letters of credit are used to guarantee reserve credits taken by FLAC's reinsurers in conjunction with reinsurance agreements. At September 30, 2002, FLAC has a \$10,000 letter of credit secured by the line of credit agreement. FLAC has pledged bonds with a market value of \$25,000 as collateral for the letter of credit. As of September 30, 2002, the Company has not borrowed against this line of credit and does not anticipate utilizing the line of credit.

4. NET EARNINGS PER COMMON SHARE

Net income per common share for basic and diluted earnings per share is based upon the weighted average number of common shares outstanding during each period. For the three and nine months ended September 30, 2002, the weighted average common shares outstanding was 5,262,952 and 5,270,267, respectively. For the three and nine months ended September 30, 2001, the weighted average common shares outstanding was 5,303,860.

5. FEDERAL INCOME TAXES

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Current taxes are provided based on estimates of the projected effective annual tax rate. Deferred taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

6. RELATED PARTY TRANSACTIONS

Effective December 31, 1998, the Company entered into a service agreement with FLAC to provide personnel, facilities, and services to FLAC. The services to be performed pursuant to the service agreement were underwriting, claim processing, accounting, processing and servicing of policies, and other services necessary to facilitate FLAC's business. The agreement was in effect until either party provided ninety days written notice of termination. Under the agreement, FLAC paid monthly fees based on life premiums delivered by FLAC. The percentages were 25% of first year life premiums; 40% of second year life premiums; 30% of third year life premiums, 20% of fourth year life premiums and 10% of life premiums in years five and thereafter. FLAC retained general insurance expenses related to its sales agency, such as agent training and licensing, agency meeting expenses, and agent's health insurance.

Effective January 1, 2002, FLAC entered into a new service agreement with the Company. Under the terms of the agreement, the Company provides personnel, facilities, and services incident to the operations of FLAC. Services performed pursuant to the agreement are underwriting, claim processing, accounting, policy processing and other services necessary for FLAC to operate. The agreement is effective until either party provides ninety days written notice of termination. FLAC pays fees equal to the Company's cost of providing such services, including an appropriate allocation of the Company's overhead expenses, in accordance with accounting principles generally accepted in the United States of America. FLAC still bears all direct selling costs which include agent recruiting, training and licensing; agent commissions; any benefits or awards directly for or to agents or management including the cost of any life or health insurance; and any taxes (federal, state or county) directly related to the business of FLAC. Additionally, FLAC is responsible for any reinsurance premiums; legal expenses related to settlement of claims; state examination fees; directors fees and directors liability insurance; interest on indebtedness; costs related to mergers or acquisitions and costs related to fulfilling obligations of the life insurance and annuity contracts written by the agents of FLAC.

Pursuant to the terms of the above agreements, FLAC had incurred expenses of \$1,017,328 and \$515,800 for the nine months ended September 30, 2002 and 2001, respectively. For the three months ended September 30, 2002 and 2001, FLAC incurred expenses of \$390,574 and \$169,286, respectively.

Effective September 30, 2002 the Company acquired 525,000 shares of its common stock held by First Alliance Corporation ("FAC"), an insurance company based in Lexington, Kentucky, for an aggregate purchase price of \$1,002,750. In conjunction with the agreement to repurchase the stock, the Company also acquired 72,500 shares of its common stock held by six individuals associated with FAC for an aggregate purchase price of \$138,475. In a related agreement, the Company and FAC agreed to terminate an Administration Agreement between the parties through which the Company received administrative, reporting and underwriting services from FAC. Termination of the Administration Agreement occurred by the Company making a lump-sum payment of \$212,000 to FAC on September 30, 2002. This amount represents the present value of fees earned by FAC under the Administration Agreement which would otherwise have been payable over time. These agreements effectively sever FAC's financial interest in the Company.

7. COMPREHENSIVE INCOME

The components of comprehensive income along with the related tax effects for the three months and the nine months ended September 30, 2002 and 2001 are as follows:

	Three months ended		Ni
	September 30, 2002	September 30, 2001	September 2002
	-----	-----	-----
Unrealized gain on available-for-sale securities:			
Unrealized holding gain during the period	\$ 201,504	\$ 222,886	\$ 325
Tax expense	(70,526)	(78,010)	(113)
	-----	-----	-----
Other comprehensive income	\$ 130,978	\$ 144,876	\$ 211
	=====	=====	=====
Net loss	\$ (242,296)	\$ (191,223)	\$ (463)
Other comprehensive income net of tax effect:			
Unrealized investment gain	130,978	144,876	211
	-----	-----	-----
Comprehensive loss	\$ (111,318)	\$ (46,347)	\$ (251)
	=====	=====	=====
Net loss per common share-basic and diluted	\$ (0.02)	\$ (0.01)	\$ (
	=====	=====	=====

8. SEGMENT INFORMATION

The operations of the Company and its subsidiaries have been classified into two operating segments as follows: life and annuity insurance operations and corporate operations. Segment information as of September 30, 2002 and December 31, 2001 and for the three months and the nine months ended September 30, 2002 and 2001 is as follows:

	Three months ended		Nine m
	September 30, 2002	September 30, 2001	September 30, 2002
	-----	-----	-----
Revenues			
Life and annuity insurance operations	\$ 949,254	\$ 665,416	\$ 2,743,663
Corporate operations	174,750	150,605	406,386
	-----	-----	-----
Total	\$ 1,124,004	\$ 816,021	\$ 3,150,049
	=====	=====	=====

Loss before income taxes:

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Life and annuity insurance operations	\$ 43,099	\$ 121,938	\$ 250,010
Corporate operations	(179,003)	(276,264)	(449,663)
	-----	-----	-----
Total	\$ (135,904)	\$ (154,326)	\$ (199,653)
	=====	=====	=====
Depreciation and amortization expense:			
Life and annuity insurance operations	\$ 182,638	\$ 141,070	\$ 399,708
Corporate operations	33,778	30,090	99,673
	-----	-----	-----
Total	\$ 216,416	\$ 171,160	\$ 499,381
	=====	=====	=====

Segment asset information as of September 30, 2002 and December 31, 2001:

	2002	2001
	-----	-----
Assets:		
Life and annuity insurance operations	\$ 11,095,132	\$ 8,795,709
Corporate operations	6,829,956	8,444,254
	-----	-----
Total	\$ 17,925,088	\$ 17,239,963
	=====	=====

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The Company makes forward-looking statements from time to time and desires to take advantage of the "safe harbor" which is afforded such statements under the Private Securities Litigation Reform Act of 1995 when they are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements.

The statements contained in this report, which are not historical facts, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Any projections of financial performances or statements concerning expectations as to future developments should not be construed in any manner as a guarantee that such results or developments will, in fact, occur. There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly different from that set forth in such forward-looking statement. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the Company referred to above are also subject to risks and uncertainties.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Financial Condition

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Significant changes in the condensed consolidated balance sheets from December 31, 2001 to September 30, 2002 are highlighted below.

Total assets increased from \$17,239,963 at December 31, 2001 to \$17,925,088 at September 30, 2002. The Company's available-for-sale fixed maturities had a fair value of \$9,930,240 and \$8,605,901 at September 30, 2002 and December 31, 2001, respectively. The increase of \$1,324,339 is due to the sale or maturation of short-term investments which were reinvested into available for sale securities. This investment portfolio is reported at market value with unrealized gains and losses, net of applicable deferred taxes, reflected as a separate component in Shareholders' Equity.

Notes receivable increased to \$30,555 at September 30, 2002 from \$0 at December 31, 2001. This increase is due to the issuance of a note to an employee of the Company.

Short-term investments decreased from \$2,286,095 at December 31, 2001 to \$867,354 at September 30, 2002. Several of the short-term investments held by the Company were either sold or matured during the nine months ended September 30, 2002, and the proceeds were converted to available-for-sale securities. This resulted in a \$1,418,741 or 62% decrease in short-term investments.

Cash and cash equivalents decreased \$91,367 from \$463,363 at December 31, 2001 to \$371,996 at September 30, 2002. The decrease in cash is primarily the result of \$1,141,225 being used to repurchase common stock for treasury, offset by \$1,001,476 received on deposit for annuity contracts. Refer to the statement of cash flows for more sources and uses of cash.

Accounts receivable increased 144% from \$104,447 at December 31, 2001 to \$254,647 at September 30, 2002. The increase is due primarily to a \$92,725 increase in amounts due from agents and a \$50,311 increase in due premiums. These amounts are expected to be fully recoverable.

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Accounts receivable from affiliate decreased from \$124,881 at December 31, 2001 to \$0 at September 30, 2002 due to the termination of the Administration Agreement between FACC and First Alliance Corporation ("FAC"). FACC paid the present value of the future payments to FAC which was offset by the balance that FAC owed FACC.

Deferred policy acquisition costs, net of amortization, increased 42% from \$1,928,820 at December 31, 2001 to \$2,748,295 at September 30, 2002 resulting from the capitalization of acquisition expenses related to the increasing sales of life insurance. These acquisition expenses include commissions and other fees incurred in the first policy year.

Other assets increased 120% from \$26,072 at December 31, 2001 to \$57,447 at June 30, 2002. The increase is primarily due to an increase in escrow deposits of \$31,375 and prepaid expenses of \$6,188.

Liabilities increased to \$8,028,296 at September 30, 2002 from \$5,950,041 at December 31, 2001. A significant portion of this increase is due to life insurance related policy liabilities. Policy reserves established due to the sale of life insurance increased \$585,790 or 38% from 2001 to 2002. These reserves are actuarially determined based on such factors as insured age, life expectancy, mortality and interest assumptions. Liabilities for policy claims are recorded based on reported death.

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There was a 75% increase in the amount of \$1,067,413 for annuity contract liabilities from December 31, 2001 to September 30, 2002. According to the design of FLAC's primary life insurance product, first year premium payments are allocated 100% to life insurance and renewal payments are split 50% to life and 50% to annuity. In the first nine months of 2002, annuity contract liabilities increased as additional policies reached the second policy year.

Policyholder premium deposits increased 51% to \$250,151 at September 30, 2002 from \$166,182 at December 31, 2001 due to \$105,880 in new deposits, \$8,056 in interest credited, and \$29,966 in withdrawals.

Deposits on pending policy applications decreased from \$172,616 at December 31, 2001 to \$78,326 at September 30, 2002 because of the increased efficiency of the underwriting department in acceptance or denial of policies.

There was an increase of \$75,744 in commissions, salaries, wages and benefits payable from the December 31, 2002 balance of \$84,038 to the September 30, 2002 balance of \$159,782. The increase is attributable to an increase in the number of employees and the timing factors associated with payroll dates.

Federal income taxes payable have increased 71% from \$534,406 at December 31, 2001 to \$911,429 at September 30, 2002. Federal income taxes payable are due to deferred taxes established based on timing differences between income recognized for financial statements and taxable income for the Internal Revenue Service. These deferred taxes are based on the operations of FLAC and on unrealized gains of fixed maturities.

Results of Operations

Revenues for the nine months ended September 30, 2002 totaled \$3,150,049 as compared to \$2,325,620 for the same period of 2001. The increase is primarily due to a 44% increase in net premium income of \$757,801 resulting from the growth in the policyholder base. A decrease in net investment income of \$97,110 was primarily a result of significantly lower investment yields. Rental income increased \$154,581 when compared to September 30, 2001 due to the Company having rental income only during the third quarter in 2001.

Revenues for the three months ended September 30, 2002 totaled \$1,124,004 as compared to \$816,021 for the same period of 2001. The increase is primarily due to a 45% increase in net premium income of \$263,300 resulting from the growth in the policyholder base. Rental income increased \$13,493 due to the Company's lease agreements with its tenants not beginning until August of 2001.

Benefits and expenses for the nine months ended September 30, 2002 totaled \$3,349,702 as compared to \$2,435,926 for the same period of 2001. The total increase in benefits and expenses is \$913,776 or 38%. Other operating costs accounted for \$173,528 of the total increase due to increases in depreciation, interest expense, building expenses, travel, medical exam fees, and data processing. As a result of the growth in the policyholder base, the increase in policy reserves was \$183,206 greater than the same period in 2001. Salaries and wages increased \$321,237 as a result of an increase in the number of employees. Commissions increased \$377,343 due to the increase in premium income and increased sales of the Final Expense product. FLAC began marketing the Final Expense product during the fourth quarter of 2001. Commission rates paid on first year premiums received on the Final Expense product are typically higher than those paid on the other products being marketed by FLAC. Administration fees increased \$185,220 when compared to the same period in 2001 due the termination of the management agreement with FAC.

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Benefits and expenses for the three months ended September 30, 2002 totaled \$1,259,908 as compared to \$970,347 for the same period of 2001. The total increase in benefits and expenses is \$289,561 or 30%. Salaries and wages increased \$61,764 as a result of an increase in the number of employees. Commissions increased \$155,179 due to the increase in premium income and increased sales of the Final Expense product. FLAC began marketing the Final Expense product during the fourth quarter of 2001. Commission rates paid on first year premiums received on the Final Expense product are typically higher than those paid on the other products being marketed by FLAC. Administration fees increased \$188,059 due to the termination of the management agreement with FAC.

Liquidity and Capital Resources

During the quarters ended September 30, 2002 and 2001, the Company maintained liquid assets sufficient to meet operating demands, while continuing to utilize excess liquidity for fixed maturity investments. Net cash (used in) provided by operating activities during the periods ended September 30, 2002 and 2001 totaled (\$314,563) and \$58,325, respectively.

FLAC's insurance operations generally receive adequate cash flows from premium collections and investment income to meet their obligations. Insurance policy liabilities are primarily long-term and generally are paid from future cash flows. Cash collected from deposits on annuity contracts and policyholder premium deposits are recorded as cash flows from financing activities. A significant portion of the Company's invested assets are readily marketable and highly liquid.

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ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial Officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

Changes in Internal Controls.

The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial Officer.

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Part II.

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits. The following exhibit was filed with this report

Exhibit No.	Description of Exhibit
-------------	------------------------

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99.1

CEO Certification pursuant to 18 USC 1350,
dated November 13, 2002

b) A Form 8-K dated September 19, 2002 was filed relating to Item 5 - Other Events. The form disclosed the termination of the Administration Agreement between First American Capital Corporation and First Alliance Corporation and the purchase of First American Capital Corporation common stock owned by First Alliance Corporation and six individuals associated with First Alliance Corporation.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST AMERICAN CAPITAL CORPORATION

Date: 11/27/02

By: /s/ Rickie D. Meyer

Rickie D. Meyer,
President and Chief Executive Officer/
Assistant Treasurer and Chief Financial Officer

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CERTIFICATIONS

I, Rickie D. Meyer, certify, that:

1. I have reviewed this quarterly report on Form 10-QSB of First American Capital Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-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

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those entities, particularly during the period in which this quarterly 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 quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
- (a) all significant deficiencies in the design or operation of the 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. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date November 27, 2002

/s/ Rickie D. Meyer

Rickie D. Meyer,
President and Chief Executive Officer

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CERTIFICATIONS

I, Rickie D. Meyer, certify, that:

1. I have reviewed this quarterly report on Form 10-QSB of First American Capital Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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- (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 quarterly 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 quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
- (a) all significant deficiencies in the design or operation of the 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. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date November 27, 2002

/s/ Rickie D. Meyer

Rickie D. Meyer,
Assistant Treasurer and Chief Financial Officer

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EXHIBIT 99.1
CERTIFICATION PURSUANT
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of First American Capital Corporation (the "Company") on Form 10-QSB for the period ending September 30, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Rickie D. Meyer, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period

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covered by the Report.

Date November 13, 2002

/s/ Rickie D. Meyer

Rickie D. Meyer,
President and Chief Executive Officer/
Assistant Treasurer and Chief Financial Officer