

AMERICAN NATIONAL BANKSHARES INC

Form S-4

January 11, 2006

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As filed with the Securities and Exchange Commission on January 11, 2006

Registration No. 333-\_\_\_\_\_

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-4**  
**REGISTRATION STATEMENT**

*Under*

*THE SECURITIES ACT OF 1933*

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**AMERICAN NATIONAL BANKSHARES INC.**

(Exact name of registrant as specified in its charter)

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

**6021**  
(Primary Standard Industrial  
Classification Code Number)

**54-1284688**  
(I.R.S. Employer  
Identification No.)

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**628 Main Street**  
**Danville, Virginia 24541**

**(434) 792-5111**

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(Address, including zip code, and telephone number, including area  
code, of registrant's principal executive offices)

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**Charles H. Majors**

**President and Chief Executive Officer**

**American National Bankshares Inc.**

**628 Main Street**

**Danville, Virginia 24541**

**(434) 792-5111**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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*Copies of all correspondence to:*

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**LeClair Ryan, A Professional Corporation**

**Riverfront Plaza, East Tower**

**951 East Byrd Street**

**Richmond, Virginia 23219**

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**Eugene E. Derryberry, Esq.**

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**10 Franklin Road, S.E.**

**Roanoke, Virginia 24011**

**(540) 983-9300**

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (2)	Amount of registration fee
Common Stock, \$1.00 par value	803,100	N/A	\$13,082,894	\$1400

- (1) Represents the estimated maximum number of shares of common stock of American National Bankshares Inc. ( American ) to be issued pursuant to the Agreement and Plan of Reorganization, dated as of October 18, 2005, by and between American and Community First Financial Corporation ( Community First ).
- (2) Pursuant to Rule 457(f) under the Securities Act of 1933, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to (a) the sum of (i) the aggregate market value of the estimated maximum number of shares of Community First common stock to be received by American in the merger, based upon the average of the bid and asked prices of Community First common stock on the OTC Bulletin Board on January 4, 2006 (\$20.48), and (ii) the aggregate book value of the number of shares of Community First Series A preferred stock to be received by American in the merger, minus (b) an estimated amount of cash (\$18,440,961) to be paid by American.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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Dear Fellow Shareholders:

You are cordially invited to attend a special meeting of shareholders of Community First Financial Corporation to be held at \_\_\_\_\_, Virginia on \_\_\_\_\_, \_\_\_\_\_, 2006 at \_\_\_\_\_ a.m. At the special meeting, you will be asked to consider and vote upon a proposal to approve an agreement and plan of reorganization pursuant to which Community First will merge with American National Bankshares Inc., a bank holding company headquartered in Danville, Virginia.

**We are asking you to return three pieces of information:**

- 1. The enclosed proxy card, indicating your vote, and signed by you,**
- 2. Your election form and letter of transmittal, indicating your choice of cash or American common stock, as explained below, and**
- 3. Your Community First stock certificates.**

If the merger agreement is approved by Community First shareholders and the merger is subsequently completed, each outstanding share of Community First common stock will be converted into the right to receive (i) \$21.00 in cash or (ii) 0.9219 shares of American common stock. In addition each outstanding share of Community First Series A preferred stock will be converted into the right to receive (i) \$25.20 in cash or (ii) 1.1063 shares of American common stock. American's common stock trades on the Nasdaq National Market under the symbol AMNB. On \_\_\_\_\_, 2006, the closing price of American common stock was \$\_\_\_\_\_.

You have the opportunity to elect to receive cash, American common stock, or a combination of cash and American common stock for your shares of Community First common stock and Series A preferred stock, subject to allocation procedures set forth in the merger agreement. These allocation procedures are intended to ensure that 50% of the outstanding shares of Community First stock will be converted into the right to receive American common stock and 50% of the outstanding shares of Community First stock will be converted into the right to receive cash. Because of these procedures, the actual allocation of American common stock and/or cash you receive will depend on the elections of other Community First shareholders and may be different from what you elect.

The merger cannot be completed unless holders of more than two-thirds of the outstanding shares of Community First common stock and Series A preferred stock, voting separately as a class, vote to approve the merger agreement at the special meeting. If approved, we anticipate the merger will occur on or about \_\_\_\_\_, 2006. Your Board of Directors has unanimously approved the merger and believes it is in the best interests of Community First and you, our shareholders. **Accordingly, the Board unanimously recommends that you vote FOR approval of the merger agreement.**

This proxy statement/prospectus provides you with detailed information about the special meeting and the proposed merger. **We encourage you to read this entire document carefully, including the section discussing risk factors beginning on page \_\_\_\_.** You can also obtain more information about American and Community First in documents each has filed with the Securities and Exchange Commission.

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**Your vote is important.** Whether or not you plan to attend, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. If you do not return your card or vote in person, the effect will be a vote against approval of the merger agreement.

We look forward to seeing you at the meeting.

Sincerely yours,

**Frank C. Crist, Jr.**  
**Chairman of the Board**

**Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of the American common stock to be issued in the merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The shares of American common stock to be issued in the merger are not savings or deposit accounts or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

This proxy statement/prospectus is dated \_\_\_\_\_, 2006 and is first being mailed to shareholders on or about \_\_\_\_\_, 2006.

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**COMMUNITY FIRST FINANCIAL CORPORATION**

**1646 Graves Mill Road**

**Lynchburg, Virginia 24502**

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD**

\_\_\_\_\_, 2006

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A special meeting of shareholders of Community First Financial Corporation ( Community First ) will be held on \_\_\_\_\_, \_\_\_\_\_, 2006 at \_\_\_\_\_ a.m. at the \_\_\_\_\_, \_\_\_\_\_, Lynchburg, Virginia, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, dated as of October 18, 2005, by and between American National Bankshares Inc. ( American ) and Community First, and a related Plan of Merger (together, the merger agreement ), providing for the merger of Community First with and into American upon the terms and conditions therein and as described in the accompanying proxy statement/prospectus. A copy of the merger agreement is attached as Appendix I to the accompanying proxy statement/prospectus.
2. To consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement.
3. To transact such other business as may properly come before the special meeting or any adjournments or postponements of the meeting.

We have fixed \_\_\_\_\_, 2006, as the record date for the special meeting. Only holders of record of Community First common stock and Series A preferred stock at the close of business on that date are entitled to receive notice of and to vote at the special meeting or any adjournments or postponements of the meeting.

Each Community First shareholder has the right to dissent from the merger and seek an appraisal of the fair market value of his or her shares, provided the proper procedures of Articles 15 of Title 13.1 of the Virginia State Corporation Act are followed. A copy of Article 15 is attached as Appendix V to this proxy statement/prospectus.

By Order of the Board of Directors

Francis F. Falls  
Corporate Secretary

\_\_\_\_\_, 2006

**Our board of directors has determined that the merger agreement is in the best interests of Community First and its shareholders, and unanimously recommends that shareholders vote FOR approval of the merger agreement.**

**Your vote is very important. Whether or not you plan to attend the special meeting, please promptly complete, sign, date and return your proxy card in the enclosed envelope. Failure to vote your shares by mail or in person at the special meeting, will have the same effect as a vote against the merger agreement.**

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**ADDITIONAL INFORMATION**

Important business and financial information about American National Bankshares Inc. and Community First Financial Corporation is incorporated in this proxy statement/prospectus by reference to other documents that are not included or delivered with this proxy statement/prospectus. You may obtain copies of these documents without charge by requesting them in writing or by telephone from the companies as follows:

**American National Bankshares Inc.**

628 Main Street

Danville, Virginia 24541

Telephone: (434) 792-5111

Attention: Carolyn Compton, Assistant Corporate Secretary

**Community First Financial Corporation**

1646 Graves Mill Road

Lynchburg, Virginia 24502

Telephone: (434) 386-3609

Attention: Francis F. Falls, Corporate Secretary

**If you would like to request any documents, please do so by \_\_\_\_\_, 2006 in order to receive them before the special meeting.**

For additional information regarding where you can find information about the companies, see **Where You Can Find More Information** beginning on page \_\_\_\_.



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II	Opinion of Anderson & Strudwick, Inc.
III	Community First s Annual Report on Form 10-KSB for the year ended December 31, 2004
IV	Community First s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005
V	Virginia Stock Corporation Act Article 15- Appraisal Rights

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: What am I being asked to vote on?**

A: You are being asked to approve the merger agreement. The merger agreement provides for the acquisition by American of Community First. Approval of the merger agreement requires the affirmative vote of more than two-thirds of all the votes entitled to be cast by each class of shares of Community First.

**The Community First board unanimously approved and adopted the merger agreement, and unanimously recommends voting for the approval of the merger agreement.**

You also are being asked to approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement. The Community First board may choose to adjourn the special meeting if there are not enough votes to approve the merger. This proposal requires approval by a majority of the votes cast at the special meeting.

**The Community First board unanimously recommends voting for the approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.**

**Q: Why is Community First merging with American?**

A: Both the Community First board and the American board believe the merger is in the best interests of their respective companies and will provide significant benefits to you. The boards believe the merger will permit the combined operations of Community First and American to be better positioned as a stronger competitor in the ever changing and consolidating financial services industry. To review the background and reasons for the merger in greater detail, see Community First's Reasons for the Merger, page \_\_, and American's Reasons for the Merger, page \_\_.

**Q: What will I receive in the merger?**

A: As a result of the merger, you will have the opportunity to elect to receive cash or American common stock, or a combination of cash and American common stock, for your shares of Community First stock, subject to allocation procedures set forth in the merger agreement. Each outstanding share of Community First common stock will be converted into the right to receive (a) \$21.00 in cash or (b) 0.9219 shares of American common stock. Each outstanding share of Series A preferred stock will be converted into the right to receive (1) \$25.20 in cash or (2) 1.1063 shares of American common stock. These allocation procedures are intended to ensure that 50% of the outstanding shares of Community First common stock and Series A preferred stock will be converted into the right to receive American common stock and 50% of the outstanding shares of Community First common stock and Series A preferred stock will be converted into the right to receive cash. Because of these procedures, the actual allocation of American common stock and/or cash you receive will depend on the elections of other Community First shareholders and may be different from what you elect.

**Q: What are the tax consequences of the merger to me?**

A:

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You generally will not recognize any gain or loss on the conversion of shares of Community First common stock or Series A preferred stock solely into shares of American common stock. However, you generally will recognize gain if you receive cash either in exchange for your shares of Community First common stock or Series A preferred stock and in lieu of any fractional share of American common stock that you would otherwise be entitled to receive. To review the tax consequences in greater detail, see page \_\_\_\_.

**Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.**

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**Q: Will I receive dividends after the merger?**

A: American paid quarterly dividends in 2005 of \$0.20 per share in the first quarter and \$0.21 per share in each of the second, third and fourth quarters. American expects that it will continue to pay at least this amount in dividends in the future, but it may change that policy based on business conditions, American's financial condition and earnings or other factors. In 2005, Community First did not pay any dividends to the holders of its common stock. For 2004 and 2005, Community First paid dividends to the holders of the Series A preferred stock of \$0.50 per share, representing the five percent of par value dividend preference. For more dividend information on American and Community First, see page \_\_\_\_.

**Q: Why is my vote important?**

A: The Virginia Stock Corporation Act, the Community First articles of incorporation and the merger agreement require that the merger of Community First into American must be approved by more than two-thirds of all issued and outstanding shares of each class of stock. Approval of the merger agreement requires both the affirmative vote of the holders of more than two-thirds of all outstanding shares of Community First common stock and the affirmative vote of the holders of more than two-thirds of all outstanding shares of Community First Series A preferred stock. If you do not vote, you are treated as having voted your shares *against* the merger, so your voting is most important.

**Q: What should I do now?**

A: Just indicate on your proxy card how you want to vote, and sign and mail it in the enclosed envelope as soon as possible so that your shares will be represented at the special meeting. If you sign and send in your proxy but do not indicate how you want to vote, your proxy will be voted in favor of the merger and in favor of any adjournment. You also can vote in person at the meeting, but we urge you to vote by proxy prior to the meeting, in case you cannot attend the meeting. If you do not sign and send in your proxy, or you abstain, or if you do not vote in person, it will have the same effect as a vote against the merger.

The special meeting will take place at \_\_\_\_\_ a.m. on \_\_\_\_\_, \_\_\_\_\_, 2006. If you prefer, you may attend the meeting and vote your shares in person, rather than voting by proxy.

You also should send your Community First common stock and Series A preferred stock certificates and your properly completed election form and letter of transmittal to American, which will serve as the exchange agent, as soon as possible, but not later than 5:00 p.m., EST on \_\_\_\_\_, 2006. Please see page \_\_ for more detailed instructions.

**Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. If you hold your shares in street name you will need additional documents from your broker in order to vote your shares in person at the special meeting. Your broker will vote your shares of Community First common stock only if you provide instructions on how to vote, so you should follow the directions the broker provides to instruct your broker how to vote your shares. If you do not provide instructions to your broker, your shares will not be voted, and this will have the effect of voting against the merger.

**Q: Can I change my vote?**

A: If you have not voted through your broker, there are several ways that you can change your vote after you have submitted your proxy.

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You may complete and submit a new proxy card with a later date, which will revoke your earlier proxy automatically;

You may send a written notice to Community First's Corporate Secretary stating that you revoke your proxy; or

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You may attend the meeting and vote in person, following the procedures explained at the meeting to revoke your proxy and vote in person. Simply attending the meeting without voting, however, will not revoke your proxy or change your vote.

If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker to change your vote.

**Q: Should I send in my stock certificates now? How do I elect the form of payment I prefer?**

A: Yes. **You must send in your Community First common stock and Series A preferred stock certificates together with your properly completed election form and letter of transmittal that accompanies this proxy statement/prospectus to American, which will serve as the exchange agent, not later than 5:00 p.m., EST on \_\_\_\_\_, \_\_\_\_\_, 2006, the election deadline.** The election form will tell American what form of payment you prefer. If the exchange agent does not receive your stock certificates and properly completed election form by the election deadline, then you will be treated as a non-electing shareholder; and American will determine whether cash, stock or a combination of cash and stock will be distributed to you. Also, if you fail to respond, you will not receive American stock and associated dividends or any cash payments as a result of the exchange until you have surrendered your Community First common stock certificates to American.

**Q: When is the merger expected to be completed?**

A: We anticipate completing the merger in the first quarter of 2006, although it may be delayed.

**Q: Who can help answer my questions?**

A: If you want additional copies of this document, or if you want to ask any questions about the merger, you should contact:

T. Clay Davis

Vice President

Community First Financial Corporation

1646 Graves Mill Road

Lynchburg, Virginia 24502

Telephone: (434) 386-3609

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger more fully, and for a more complete description of the legal terms of the merger, you should read carefully this entire document and the documents to which we refer you. See *Where You Can Find More Information* on page \_\_\_\_.*

*Throughout this document, the merger between American and Community First is referred to as the *merger*, and the Agreement and Plan of Reorganization, dated as of October 18, 2005, by and between American and Community First, including a related Plan of Merger between the parties, is referred to collectively as the *merger agreement*.*

**The Merger (page \_\_)**

The merger agreement provides for the merger of Community First into American. The merger agreement also calls for Community First Bank to be merged into American National Bank and Trust Company (also *American National Bank*), a wholly owned banking subsidiary of American, after the merger of the two holding companies. The parties expect to complete the merger of the holding companies and the subsidiary banks in the first quarter of 2006, although either could be delayed. The merger agreement is attached to this proxy statement/prospectus as Appendix I. We encourage you to read the merger agreement, as it is the legal document that governs the merger.

**Parties to the Merger (page \_\_\_\_)**

**American National Bankshares Inc. ( *American* )**

628 Main Street

Danville, Virginia 24541

(434) 792-5111

American is a bank holding company headquartered in Danville, Virginia providing financial services through its subsidiary bank, American National Bank. At September 30, 2005, American had total consolidated assets of \$611.2 million, total consolidated deposits through its banking subsidiary of \$477.3 million and consolidated shareholders' equity of \$71.9 million.

**Community First Financial Corporation ( *Community First* )**

1646 Graves Mill Road

Lynchburg, Virginia 22911



(434) 970-1100

Community First is a bank holding company headquartered in Lynchburg, Virginia. Community First, through its subsidiary, Community First Bank, operates four banking offices serving the city of Lynchburg and Bedford, Nelson and Amherst Counties. At September 30, 2005, Community First had \$162.0 million in total consolidated assets, \$144.5 million in deposits through its banking subsidiary and \$14.3 million in consolidated shareholders' equity.

**Community First Shareholders Will Receive Whole Shares of American Common Stock and/or Cash for each Share of Community First Common Stock or Series A Preferred Stock Exchanged Pursuant to the Merger (page\_\_)**

If the merger of Community First with and into American is completed, each outstanding share of Community First common stock will be converted into the right to receive (a) \$21.00 in cash or (b) 0.9219 shares of American common stock, plus cash in lieu of any fractional share interest. Each outstanding share of Series A preferred stock will be converted into the right to receive (a) \$25.20 in cash or (b) 1.1063 shares of American common stock. Also, to the extent Community First stock options have not been exercised, upon consummation of the merger the options will be cancelled for a cash payment equal to \$21.00 less the exercise price of the option. You have the opportunity to elect to receive cash or American common stock, or a combination of cash and American common stock, for your shares of

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Community First common stock and/or Series A preferred stock, subject to allocation procedures set forth in the merger agreement. These allocation procedures are intended to ensure that 50% of the outstanding shares of Community First common stock and Series A preferred stock will be converted into the right to receive American common stock, and 50% of the outstanding shares of Community First common stock and Series A preferred stock will be converted into the right to receive cash, subject to a reduction for the amount of cash paid to holders of Community First stock options. See *The Merger- Interests of Certain Persons in the Merger* on page \_\_\_\_\_. Because of the allocation procedures, the actual allocation of American common stock and/or cash you receive will depend on the elections of other Community First shareholders and may be different from what you elect.

### **When and How to Choose the Method of Payment for Your Shares (page \_\_)**

Shares of Community First common stock and Series A preferred stock will be exchanged for either American common stock or cash as chosen by you, subject to the election and allocation procedures discussed herein and described in detail in the merger agreement. Accompanying this proxy statement/prospectus is an election form on which you may specify whether you wish to receive cash, American common stock or a combination of cash and stock in exchange for all shares of Community First common stock and Series A preferred stock held by you, or that you make no election as to whether you receive cash or American common stock in payment for your Community First shares. In order to make an effective election, you must send in your Community First stock certificates together with your properly completed election form and letter of transmittal to American, which will serve as the exchange agent, not later than 5:00 p.m., EST on \_\_\_\_\_, \_\_\_\_\_, 2006, the election deadline. **If the exchange agent does not receive your stock certificates and properly completed election form by the election deadline, then you will be treated as a non-electing shareholder and American will determine whether cash, stock or a combination of cash and stock will be distributed to you. Also, if you fail to respond you will not receive American stock and associated dividends or any cash payments as a result of the exchange until you have surrendered your Community First stock certificates to the exchange agent.**

Your choice will be honored to the extent possible, but because of the overall limitation on the amount of cash and shares of American common stock available, whether you receive the amount of cash, stock or a combination thereof that you request will depend in part on how many other Community First shareholders submit elections and how many choose to receive cash and how many choose to receive stock. Because American anticipates converting 50% of the outstanding shares of Community First common stock and Series A preferred stock into American common stock and 50% of the outstanding shares of Community First common stock and Series A preferred stock into cash, subject to a reduction for the amount of cash paid to holders of Community First stock options, you may not receive exactly the form of consideration that you elect and may receive a pro rata amount of cash and American common stock.

American will not issue fractional shares. Instead, you will be entitled to receive a cash payment (without interest) in lieu of any fractional share of American common stock in an amount determined by multiplying the fractional share interest to which such holders would otherwise be entitled by \$22.78.

### **The tax consequences of the Merger for Community First Shareholders will depend on the form of Merger Consideration received (page \_\_).**

You generally will not recognize any gain or loss on the conversion of shares of Community First common stock or Series A preferred stock solely into shares of American common stock. However, you generally will recognize gain if you receive cash either in exchange for your shares of Community First stock or in lieu of any fractional share of American common stock that you would otherwise be entitled to receive.

**Tax matters are complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult your own tax advisor for a full understanding of the tax consequences to you of the merger.**

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**American Dividend Policy Following the Merger (page \_\_)**

American increased its quarterly dividend in the second quarter of 2005 to \$0.21 per share. American expects that it will continue to pay at least this amount in dividends in the future, but it may change that policy based on business conditions, American's financial condition and earnings, and other factors.

**Community First Board Unanimously Recommends Shareholder Approval (page \_\_)**

The Community First board unanimously adopted the merger and the merger agreement. The board believes that the merger is fair to you and in your best interests. The Community First board unanimously recommends that you vote FOR approval of the merger agreement. The Community First board believes that, as a result of the merger, Community First shareholders will have less business and financial risk and greater liquidity in their shares.

**Exchange Ratio Fair to Shareholders, According to Financial Advisor (page \_\_)**

Community First engaged the firm of Anderson & Strudwick, Inc. to review the proposed merger and provide a fairness opinion. Anderson & Strudwick has given its opinion to the Community First board that, as of October 18, 2005 (the date the merger agreement was executed), the merger consideration was fair from a financial point of view to Community First shareholders. A copy of the fairness opinion, setting forth the information reviewed, assumptions made and matters considered, is attached to this proxy statement/prospectus as Appendix II. We encourage you to read carefully the entire opinion of Anderson & Strudwick. [The opinion of Anderson & Strudwick has not been updated prior to the date of this document and does not reflect any change in circumstances after October 18, 2005.] Community First has paid Anderson & Strudwick a cash fee of \$45,000, and has agreed to pay an additional cash fee based on the transaction value upon consummation of the merger.

**Appraisal Rights (page \_\_)**

Under Virginia law, holders of Community First common stock may exercise appraisal rights and, if the merger is consummated and all requirements of Virginia law are satisfied by holders seeking to exercise such rights, may receive payment equal to the fair value of their shares of Community First common stock, determined in the manner set forth in Virginia law. The procedures which must be followed in connection with the exercise of appraisal rights by dissenting shareholders are described herein under "The Merger Appraisal Rights" and in Article 15, Sections 13.1-729 through 13.1-741 of the Virginia Stock Corporation Act, a copy of which is attached as Appendix V to this document. A shareholder seeking to exercise appraisal rights must deliver to Community First, before the shareholder vote on the merger agreement at the special meeting, a written objection to the merger stating that he or she intends to demand payment for his or her shares through the exercise of his or her statutory appraisal rights and must not vote his or her shares in favor of the merger agreement. Failure to take any required step in connection with the exercise of such rights may result in termination or waiver thereof.

**Meeting to be Held \_\_\_\_\_, 2006 (page \_\_)**

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The special meeting of shareholders of Community First will be held on \_\_\_\_\_, 2006 at \_\_\_\_\_ a.m. at the \_\_\_\_\_, located at \_\_\_\_\_, Lynchburg, Virginia.

### **Community First Shareholder Vote Required (page \_\_)**

Approval of the merger agreement requires both the affirmative vote of the holders of more than two-thirds of the outstanding shares of Community First common stock and the affirmative vote of the holders of more than two-thirds of the outstanding shares of Community First Series A preferred stock. Your failure to vote will have the effect of a vote against approval of the merger agreement. The directors and executive officers of Community First, who collectively own about \_\_\_% of the common stock and \_\_\_% of the Series A preferred stock entitled to vote at the special meeting, have all agreed to vote their shares in favor of the merger.

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Brokers who hold shares of Community First common stock or Series A preferred stock as nominees will not have authority to vote those shares on the merger agreement or to adjourn the special meeting unless shareholders provide voting instructions.

The merger does not require the approval of American's shareholders.

**Record Date for Special Meeting is \_\_\_\_\_, 2006; One Vote Per Share (page \_\_)**

Community First shareholders are entitled to vote at the special meeting if they owned shares of Community First common stock or Series A preferred stock at the close of business on \_\_\_\_\_, 2006. On \_\_\_\_\_, 2006, there were \_\_\_\_\_ shares of Community First common stock outstanding and \_\_\_\_\_ shares of Community First Series A preferred stock outstanding. Community First shareholders will have one vote at the meeting for each share they owned on \_\_\_\_\_, 2006.

**Benefits to Management and Directors in the Merger (page \_\_)**

When considering the recommendation of the Community First board, you should be aware that some Community First directors and officers have interests in the merger that differ from, or are in addition to, the interests of other Community First shareholders.

*Indemnification and Insurance.* American has agreed to indemnify, for a period of three years after the merger, the officers and directors of Community First against certain liabilities arising before the effective date of the merger and to provide liability insurance for the current officers and directors of Community First for three years after the merger.

*Director Appointments.* One current director of Community First, selected by American, will be appointed to the American board of directors; and one director of Community First Bank, selected by American, will be appointed to the American National Bank board of directors. The same person could be appointed to both boards. In addition, directors of Community First and Community First Bank selected by American will be invited to join the Lynchburg Advisory Board of American National Bank.

*Potential Severance Payments Under Employment Agreements.* Community First has employment agreements with the following executive officers: John L. Wynne, former President and Chief Executive Officer; Francis F. Falls, President; T. Clay Davis, Vice President; J. Michael Thomas, Vice President; and Walter G. Mason II, Vice President. Under the terms of each employment agreement, if the officer terminates his employment for good reason (as defined in the agreement), including in connection with a change of control of Community First, he will be entitled to receive certain severance payments. The parties have agreed that in connection with the merger each officer will receive such payments, regardless of the arrangements, if any, American makes for the continuation of employment of such officer after the merger. The severance payments may be made in lump sum or in monthly installments. The approximate aggregate payments to each officer amount to the following: for Mr. Wynne, \$ \_\_\_\_\_; for Mr. Falls, \$ \_\_\_\_\_; for Mr. Davis, \$ \_\_\_\_\_; for Mr. Thomas, \$ \_\_\_\_\_; and for Mr. Mason, \$ \_\_\_\_\_.

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*Stock Options.* Community First has awarded certain employees, officers and directors stock options pursuant to its incentive stock plan. To the extent the options have not been exercised, upon consummation of the merger the options will be cancelled for a cash payment equal to \$21.00 less the exercise price of the option.

The Community First board was aware of these interests and considered them before approving and adopting the merger agreement.

### **Conditions that Must Be Satisfied for the Merger to Occur (page \_\_)**

The following conditions must be met for American and Community First to complete the merger:

shareholders of Community First must approve the merger agreement;

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all required federal and state regulatory approvals for the merger must be received;

American's registration statement filed with the Securities and Exchange Commission must be continually effective;

American and Community First must each receive an opinion from the other party's legal counsel with respect to certain matters relating to the merger, including a legal opinion from American's counsel confirming that the merger will be tax-free to American and Community First and to Community First shareholders to the extent they receive solely American common stock;

there must be no order, decree or injunction issued preventing completion of the merger;

the Nasdaq Stock Market must have approved for the listing on the Nasdaq National Market of the shares of American common stock to be issued in the merger;

the representations and warranties of American and Community First in the merger agreement must be true and correct, subject to certain exceptions; and

American and Community First must have complied in all material respects with their respective obligations contained in the merger agreement.

Unless prohibited by law, either Community First or American could elect to waive a condition that has not been satisfied and complete the merger anyway.

**American and Community First Must Obtain Regulatory Approvals to Complete the Merger (page \_\_\_)**

The parties cannot complete the merger unless they obtain the approval of the Virginia State Corporation Commission and the Board of Governors of the Federal Reserve System. On \_\_\_\_\_, 2006, American filed a notification of the merger with the Federal Reserve and an application with the Virginia State Corporation Commission. While the parties cannot predict whether or when they will obtain the required regulatory approvals, the parties see no reason why the approvals will not be obtained in a timely manner.

Following the merger, American intends to merge Community First Bank into American National Bank. While not required for the completion of the merger of the holding companies, the parties will need to obtain approvals from the Office of the Comptroller of Currency and the Virginia State Corporation Commission to merge the banks.

**Termination of the Merger Agreement (page \_\_\_)**

American and Community First can mutually agree to terminate the merger agreement at any time without completing the merger. Either company may also terminate the merger agreement in the following circumstances:



any condition that must be satisfied by the other party to complete the merger is not met; or

the merger is not completed by June 30, 2006.

In addition, American may terminate the merger agreement at any time before the special meeting if the board of directors of Community First withdraws or modifies its recommendation to the Community First shareholders that the merger agreement be approved in any way that is adverse to American, or Community First materially breaches its covenants requiring the calling and holding of a meeting of shareholders to consider the merger agreement and prohibiting the solicitation of other offers. American may terminate the merger agreement if Community First enters into an agreement with another party with respect to a business combination transaction or with respect to an acquisition directly from Community First of securities representing 10% or more of the voting power of Community First. American also may terminate the merger agreement if a third party commences a tender offer or exchange offer for 20% or more of the outstanding shares of Community First common stock, and the board

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of directors of Community First recommends that Community First shareholders tender their shares in the offer or otherwise fails to recommend that they reject the offer within a specified period.

Community First may terminate the merger agreement at any time before the special meeting to enter into an acquisition agreement or similar agreement with respect to an unsolicited superior proposal, as defined in the merger agreement, which has been received and considered by Community First in compliance with the applicable terms of the merger agreement, provided that Community First has notified American at least five business days in advance of any such termination and given American the opportunity during such period to make an offer at least as favorable as the superior proposal, as determined by the Community First board of directors. See *The Merger - Termination of the Merger Agreement* beginning on page \_\_\_.

In addition, Community First may terminate the merger agreement at any time during the five-day period following the determination date, as defined in the merger agreement, if (a) the average closing price of American common stock during the five consecutive trading days ending on the determination date is less than \$18.22 and (b) the number obtained by dividing such average closing price by \$22.78 is less than the number obtained by dividing the closing value of an agreed index consisting of nine regional bank holding companies with their value on the determination date and subtracting 0.15 from such quotient. If this occurs, American could voluntarily elect to increase the per share cash consideration and/or per share stock consideration of the merger such that either (a) or (b) above may be deemed to have not occurred, thereby nullifying Community First's termination right.

### **Termination Fees (page \_\_\_)**

Community First must pay American a termination fee of \$1.4 million if the merger agreement is terminated by American or Community First under certain specified circumstances. This termination and payment circumstances are more fully described below. See *The Merger - Termination Fees* beginning on page \_\_\_ and in Article 6 of the merger agreement.

### **Affiliate Agreement (page \_\_\_)**

The directors and executive officers of Community First have entered into an agreement with American pursuant to which each has agreed to vote all of his shares in favor of the merger agreement. As of \_\_\_\_\_, 2006, the directors and executive officers owned shares representing approximately \_\_\_% of the voting power of Community First common stock and \_\_\_% of the voting power of Community First Series A preferred stock entitled to vote at the special meeting.

### **Merger to Take Place in the First Quarter of 2006 (page \_\_\_)**

The merger of Community First into American will become effective at the date and time stated on the certificate of merger issued by the Virginia State Corporation Commission. We anticipate the merger will take place on or about \_\_\_\_\_, 2006, although it may be delayed.

**Community First is Prohibited from Soliciting Other Offers (page \_\_)**

Community First has agreed that, while the merger is pending, it will not initiate or, subject to some limited exceptions, engage in discussions with any third party regarding extraordinary transactions such as a merger, business combination or sale of a material amount of assets or capital stock.

**The Merger Will Be Accounted for Under the Purchase Method of Accounting (page \_\_)**

American will use the purchase method of accounting to account for the merger.

**Listing of American Common Stock**

If the merger is completed, the shares of common stock to be issued in the merger by American will be listed on the Nasdaq National Market.

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**Market Price Information (page \_\_)**

Shares of American common stock are traded on the Nasdaq National Market under the symbol AMNB . Community First common stock is traded on the OTC Bulletin Board under the symbol CYFC . On October 18, 2005, the last trading day preceding public announcement of the proposed merger, American common stock closed at \$21.49 per share and Community First common stock closed at \$15.00 per share. On \_\_\_\_\_, 2006, American common stock closed at \$\_\_\_\_ per share and Community First common stock closed at \$\_\_\_\_ per share.

American cannot assure you that its stock will continue to trade at or above the prices shown above. You should obtain current stock price quotations for American common stock from a newspaper, via the Internet or by calling your broker.

**Recent Financial Developments**

*American.* For the year ended December 31, 2005, net income for American was \$\_\_\_\_ million or \$\_\_\_\_ per share, assuming dilution, compared to \$8.0 million or \$1.42 per share, assuming dilution, for 2004. At December 31, 2005, American had total consolidated assets of \$\_\_\_\_ million, an increase of \_\_\_\_% over the \$619.1 million in total consolidated assets at December 31, 2004. Total loans at December 31, 2005 were \$\_\_\_\_ million, up \_\_\_\_% from the \$407.3 million in total loans at December 31, 2004. Total deposits at December 31, 2005 increased to \$\_\_\_\_ million, up from \$485.3 million at December 31, 2004.

*Community First.* For the year ended December 31, 2005, net income available to common stockholders for Community First was \$\_\_\_\_ million or \$\_\_\_\_ per share, assuming dilution, compared to \$711 thousand or \$.55 per share, assuming dilution, for 2004. At December 31, 2005, Community First had total consolidated assets of \$\_\_\_\_ million, which was an increase over the \$156.5 million in total consolidated assets at December 31, 2004. Total loans outstanding increased \_\_\_\_% to \$\_\_\_\_ million at December 31, 2005 from \$130.5 million at December 31, 2004. Total deposits at December 31, 2005 increased to \$\_\_\_\_ million, up from \$139.4 million at December 31, 2004.

**Comparative Per Share Data**

The following tables include per share data for American common stock and Community First common stock, including book values, cash dividends declared and net income, on the date and for the periods presented, (a) for American and Community First on a historical basis; (b) for American on an unaudited pro forma combined basis; and (c) on an unaudited equivalent per share of Community First common stock basis.

The pro forma combined and equivalent per share information combines the American information together with Community First information as though the merger had been consummated at the beginning of the periods presented. The pro forma data in the tables assume that the merger is accounted for using the purchase method of accounting. The pro forma data in the tables assume that the merger is accounted for using the purchase method of accounting. Under the purchase method of accounting, the assets and liabilities of the company not surviving a merger are, as of the completion date of the merger, recorded at their respective fair values and added to those of the surviving company. The pro forma data does not give effect to the reduction in operating expenses and the revenue enhancement opportunities that are anticipated subsequent to the merger. Therefore, while helpful in illustrating the financial characteristics of the merger under one set of circumstances, the pro forma data is not indicative of the results of future operations or other actual results that would have occurred had the merger been consummated at the beginning of the periods presented. You should read the information below in conjunction with American's and Community First's audited financial statements and unaudited interim financial statements, together with the related footnotes, that are included and/or incorporated by

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reference in this proxy statement/prospectus.

The number of shares issued in the calculations assumes that 50% of the weighted average of Community First common stock and Series A preferred stock outstanding during the applicable period, or in the case of book value calculations, the actual number of shares outstanding at September 30, 2005, are converted into American shares at the exchange ratio of 0.9219 for the Community First common stock and 1.1063 for the Community First Series A preferred stock.

The pro forma combined book value per share represents Community First's historical book value as adjusted for the fair value and number of shares issued in connection with the merger. The Community First pro

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forma equivalent amounts are calculated by multiplying the pro forma combined amounts by the common stock exchange ratio of 0.9219.

	<b>For the Twelve Months Ended December 31, 2004</b>			
	<b>American Historical</b>	<b>Community First Historical</b>	<b>Pro Forma Combined</b>	<b>Community First Pro Forma Equivalent</b>
Net income per share, basic	\$ 1.43	\$ 0.61	\$ 1.41	\$ 1.30
Net income per share, diluted	1.42	0.55	1.40	1.29
Dividends declared per common share (1)	0.79		0.79	0.73
Book value per common share	12.86	9.10	14.03	12.93
Tangible book value (3)	12.77	9.10	10.02	9.24

	<b>For the Nine Months Ended September 30, 2005</b>			
	<b>American Historical</b>	<b>Community First Historical</b>	<b>Pro Forma Combined</b>	<b>Community First Pro Forma Equivalent</b>
Net income per share, basic	\$ 1.34	\$ 0.41	\$ 1.25	\$ 1.15
Net income per share, diluted	1.33	0.38	1.25	1.15
Dividends declared per share (1)(2)	0.62		0.62	0.57
Book value per share	13.22	9.37	14.43	13.30
Tangible book value (3)	13.19	9.37	10.42	9.61

- (1) It is anticipated that the initial dividend rate of American after the merger will be equal to the current dividend rate of American. Accordingly, the pro forma combined dividends per share information represents the historical dividend rate of American.
- (2) American's cash dividend is paid on a quarterly basis, typically in March, June, September, and December of each year and, accordingly, the nine month data reflects only the dividends through September 30. Community First did not pay a dividend to holders of its common stock, and paid dividends of \$0.50 to the holders of Series A preferred stock during 2005.
- (3) Excludes the effect of intangible assets such as goodwill and core deposit intangibles.

**Selected Consolidated Financial Data**

We are providing the following information to help you analyze the financial aspects of the merger. We derived this information from audited financial statements for 2000 through 2004 and unaudited financial statements for the nine months ended September 30, 2005 and 2004 for each company. This information is only a summary, and you should read it in conjunction with the historical financial statements and the related notes to those statements included and/or incorporated by reference in this proxy statement/prospectus, including that information contained in the annual and quarterly reports and other documents that American and Community First have filed with the Securities and Exchange Commission. See "Where You Can Find More Information" on page \_\_\_\_\_. You should not rely on the nine month information as being indicative of results expected for the entire year.



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	Nine Months Ended September 30, (Unaudited)		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
(Dollars in thousands, except per share data)							
Net interest income	\$ 17,693	\$ 16,788	\$ 22,641	\$ 22,787	\$ 22,825	\$ 22,318	\$ 21,263
Net income	7,317	7,233	8,013	9,513	9,461	9,415	8,676
Net income, basic	1.34	1.29	1.43	1.67	1.63	1.58	1.42
Net income, diluted	1.33	1.28	1.42	1.65	1.62	1.58	1.42
Cash dividends per share	0.62	0.59	0.79	0.75	0.71	0.66	0.585
Total assets	611,215	623,429	619,065	644,302	605,859	572,887	541,389
Deposits	477,298	484,017	485,272	501,688	473,562	464,012	426,588
Shareholders equity	71,914	71,428	71,000	71,931	70,736	65,397	63,338

**COMMUNITY FIRST SELECTED HISTORICAL FINANCIAL DATA**

	Nine Months Ended September 30, (Unaudited)		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
(Dollars in thousands, except per share data)							
Net interest income	\$ 4,420	\$ 4,157	\$ 5,620	\$ 5,425	\$ 3,813	\$ 2,509	\$ 1,317
Net income	621	523	861	1,016	351	115	(466)
Net income available to common stockholders	471	373	711	1,016	351	115	(466)
Net income per share, basic	0.41	0.32	.61	.87	.30	.10	(.40)
Net income per share, diluted	0.38	0.31	.55	.66	.29	.10	(.40)
Cash dividends per common share							
Total assets	162,014	153,096	156,538	159,899	139,752	86,615	47,738
Deposits	144,521	136,144	139,440	143,267	122,498	74,392	38,633
Shareholders equity	14,270	13,538	13,848	13,176	11,815	8,839	8,724



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**RISK FACTORS RELATING TO THE MERGER**

*Upon completion of the merger, you will receive shares of American common stock and/or cash in exchange for your shares of Community First common stock. Before deciding whether or not to approve the transaction, you should be aware of and consider the following risks and uncertainties that are applicable to the merger in addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption *Cautionary Statement Concerning Forward-Looking Statements* beginning on page \_\_\_.*

**Risks Related to the Merger**

*The value of the stock consideration depends on American's stock price, so the value of any shares of American common stock you receive may represent less than its value (\$22.78) at the time of the merger agreement, which corresponded to a value at that time of \$21.00 for each share of Community First common stock.*

Although you will not know the value of the American common stock to be issued in the merger at the time you vote or at the time you make an election as to the form of consideration, you will be required to vote and to make your election to receive cash and/or shares of American common stock prior to the closing. If the closing price of American common stock on the effective date of the merger is less than \$22.78, the actual value of the stock consideration received will be less than \$21.00 per share of common stock exchanged in the merger, because of the stock exchange ratio of 0.9219 shares of American common stock for each Community First share. In addition, there will be a time period after the completion of the merger before Community First shareholders receive their consideration representing American common stock. Until the stock certificates are received, Community First shareholders will not be able to sell their American shares in the open market and thus will not be able to avoid losses resulting from any decline in the trading price of American common stock during this period.

*You may not receive the form of consideration that you elect in exchange for your shares of Community First common stock or Series A preferred stock, which may result in different tax consequences to you.*

The merger agreement requires that not more than 50% of the consideration paid to Community First shareholders be paid in cash. If the elections made by Community First shareholders would result in more than 50% of the merger consideration being payable by American in cash, those shareholders electing to receive cash will have their cash consideration reduced by a pro rata amount and will receive a portion of their consideration in the form of American common stock. Accordingly, there is a risk that you will not receive a portion of the merger consideration in the form that you elect, which could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected. See *The Merger Merger Consideration and Election and Allocation Procedures* on page \_\_\_ and *Material Federal Income Tax Consequences* on page \_\_\_.

*The fairness opinion obtained by Community First from Anderson & Strudwick, Inc. will not reflect changes in circumstances between the signing of the merger agreement and the merger.*

Community First has not obtained an updated opinion as of the date of this document from Anderson & Strudwick, Inc., its financial advisor. Changes in the operations and prospects of American, general market and economic conditions and other factors which may be beyond the control of American, and on which the fairness opinion was based, may alter the value of American or the prices of shares of American common stock by the time the merger is completed. The opinion does not speak as to the time the merger will be completed or as to any date other than

the date of such opinion. See The Merger Opinion of Community First's Financial Advisor on page \_\_\_\_.

*The merger agreement limits Community First's ability to pursue alternatives to the merger.*

The merger agreement contains no-shop provisions that, subject to limited exceptions, limit Community First's ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of the company. In addition, Community First must pay American a termination fee of \$1.4 million if the merger

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agreement is terminated and Community First, subject to certain restrictions, consummates another similar transaction. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Community First from considering or proposing the acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger.

*Combining American and Community First may be more difficult, costly or time-consuming than we expect.*

American and Community First have operated, and, until the completion of the merger, will continue to operate, independently. The integration process could result in the loss of key employees, the disruption of each company's ongoing business, inconsistencies in standards, controls, procedures and policies that adversely affect either company's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the merger. As with any merger of financial institutions, there also may be disruptions that cause American and Community First to lose customers or cause customers to withdraw their deposits from American, or other unintended consequences that could have a material adverse effect on American's results of operations or financial condition.

*Community First's directors and executive officers might have additional interests in the merger.*

In deciding how to vote on the proposal to approve the merger agreement, you should be aware that directors and executive officers might have interests in the merger that are different from, or in addition to, the interests of shareholders generally. See "The Merger" Interests of Certain Persons in the Merger. The board of directors was aware of these interests and considered them when it adopted the merger agreement.

## **Risks Related to American Following Completion of the Merger**

*Unless otherwise specified, references to we, our and us in this subsection mean American and its subsidiaries on a consolidated basis.*

*Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.*

Changes in the interest rate environment may reduce our profits. It is expected that we will continue to realize income from the differential or spread between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, loan volume and yields are affected by market interest rates on loans, and rising interest rates generally are associated with a lower volume of loan originations. We cannot assure you that we can minimize our interest rate risk. While an increase in the general level of interest rates may increase our net interest margin and loan yield, it may adversely affect the ability of certain borrowers with variable rate loans to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest spread, asset quality, loan origination volume and overall profitability.

*We face strong competition from financial services companies and other companies that offer banking services which could negatively affect our business.*

American conducts its banking operations primarily in Danville, Chatham, Collinsville, Gretna, Martinsville, Henry County, South Boston, and Lynchburg, Virginia, and in Yanceyville and Greensboro, North Carolina. Community First conducts its operations primarily in the City of Lynchburg and Amherst, Bedford, Campbell and Nelson Counties. Increased competition in the market may result in reduced loans and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. Many competitors offer the same banking services that we offer in our service area. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including without limitation, savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In particular, our competitors include several major financial companies whose greater resources may afford them a marketplace advantage by enabling

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them to maintain numerous banking locations and ATMs and conduct extensive promotional and advertising campaigns.

Additionally, banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the credit needs of larger customers. Areas of competition include interest rates for loans and deposits, efforts to obtain deposits, and range and quality of products and services provided, including new technology-driven products and services. Technological innovation continues to contribute to greater competition in domestic and international financial services markets as technological advances enable more companies to provide financial services. We also face competition from out-of-state financial intermediaries that have opened low-end production offices or that solicit deposits in our market areas. If we are unable to attract and retain banking customers, we may be unable to continue to grow our loan and deposit portfolios and our results of operations and financial condition may otherwise be adversely affected.

***Changes in economic conditions, in particular an economic slowdown in our market area, could materially and negatively affect our business.***

Our business is directly impacted by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond our control. A deterioration in economic conditions, whether caused by national or local concerns, in particular an economic slowdown in our market area, could result in the following consequences, any of which could hurt our business materially: loan delinquencies may increase; problem assets and foreclosures may increase; demand for our products and services may decrease; low cost or noninterest bearing deposits may decrease; and collateral for loans made by us, especially real estate, may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with our existing loans.

***A downturn in the real estate market could negatively affect our business.***

A downturn in the real estate market could negatively affect our business because a significant portion (approximately 79.9% as of September 30, 2005) of our loans are secured by real estate. Our ability to recover on defaulted loans by selling the real estate collateral would then be diminished and we would be more likely to suffer losses on defaulted loans.

Substantially all of our real property collateral is located in our market area. If there is a significant decline in real estate values, especially in our market area, the collateral for our loans would provide less security. Real estate values could be affected by, among other things, an economic slowdown and an increase in interest rates.

***We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.***

We currently depend heavily on the services of our president and chief executive officer, Charles H. Majors, and a number of other key management personnel. The loss of Mr. Majors' services or that of other key personnel could materially and adversely affect our results of operations and financial condition. Our success also depends in part on our ability to attract and retain additional qualified management personnel. Competition for such personnel is strong in the banking industry and we may not be successful in attracting or retaining the personnel we require.

*We are subject to extensive regulation which could adversely affect our business.*

Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Because our business is highly regulated, the laws, rules and regulations applicable to us are subject to regular change. There are currently proposed laws, rules and regulations that, if adopted, would impact our operations. There can be no assurance that these proposed laws, rules and regulations, or any other laws, rules or regulations, will not be adopted in the future, which could (i) make compliance much more difficult and expensive,

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(ii) restrict our ability to originate, broker or sell loans or accept certain deposits, (iii) further limit or restrict the amount of commissions, interest or other charges earned on loans originated or sold by us, or (iv) otherwise adversely affect our business or prospects for business.

*The primary source of our income from which we pay dividends is the receipt of dividends from our subsidiary bank.*

The availability of dividends from our subsidiary bank is limited by various statutes and regulations. It is possible, depending upon the financial condition of our subsidiary bank and other factors, that the Office of the Comptroller of the Currency could assert that payment of dividends or other payments is an unsafe or unsound practice. In the event our subsidiary bank was unable to pay dividends to us, we in turn would likely have to reduce or stop paying dividends on our common stock. Our failure to pay dividends on our common stock could have a material adverse effect on the market price of our common stock.

*A limited trading market exists for our common stock which could lead to price volatility.*

Our common stock is approved for quotation on the Nasdaq National Market, but the trading volume in our shares has generally been modest. The limited trading market for our common stock may cause fluctuations in the market value of our common stock to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market of our common stock. In addition, even if a more active market in our common stock develops, we cannot assure you that such a market will continue or that shareholders will be able to sell their shares.

*Our allowance for loan losses may not be adequate to cover actual losses.*

In accordance with accounting principles generally accepted in the United States, we maintain an allowance for loan losses to provide for loan defaults and non-performance and a reserve for unfunded loan commitments, which when combined, we refer to as the allowance for loan losses. Our allowance for loan losses may not be adequate to cover actual credit losses, and future provisions for credit losses could materially and adversely affect our operating results. Our allowance for loan losses is based on prior experience, as well as an evaluation of the risks in the current portfolio. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond our control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review our loans and allowance for loan losses. While we believe that our allowance for loan losses is adequate to cover current losses, we cannot assure you that we will not further increase the allowance for loan losses or that regulators will not require us to increase this allowance. Either of these occurrences could materially adversely affect our earnings.

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus supplement and any documents incorporated by reference may contain certain forward-looking statements by American and Community First within the meaning of the federal securities laws. These forward-looking statements include information about the financial condition, results of operations and businesses of American and Community First, including statements relating to the merger. This document also includes forward-looking statements about the consummation and anticipated timing of the merger and the tax-free nature of the merger. In addition, any of the words believes, expects, anticipates, estimates, plans, projects, predicts and similar expressions indicate forward-looking statements. These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

estimated cost savings from the merger may not be fully realized within the expected timeframe;

deposit attrition, customer loss or revenue loss following the merger may be greater than expected;

competitive pressure among depository and other financial institutions may increase significantly;



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costs or difficulties related to the integration of the businesses of American and Community First may be greater than expected;

changes in the interest rate environment may reduce interest margins;

general economic or business conditions, either nationally or in the market areas in which American does business, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit;

legislation or changes in regulatory requirements, including changes in accounting standards, may adversely affect the businesses in which American is engaged;

adverse changes may occur in the securities markets; and

competitors of American may have greater financial resources and develop products and technology that enable those competitors to compete more successfully than American.

Management of American and Community First each believes that the forward-looking statements about its respective company are reasonable; however, you should not place undue reliance on them. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of American following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond American's and Community First's ability to control or predict.

**THE SPECIAL MEETING**

**Date, Place and Time**

This proxy statement/prospectus is being furnished to you in connection with the solicitation of proxies by Community First's board of directors for use at the special meeting of shareholders. The special meeting will be held at the \_\_\_\_\_ located at \_\_\_\_\_, Lynchburg, Virginia on \_\_\_\_\_, March, 2006 at \_\_\_\_\_ a.m.

**Purpose of the Special Meeting**

The purpose of the special meeting is to consider and vote upon a proposal to approve the merger agreement, to consider and approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement, and to consider any other matters that may be properly submitted for a vote at the special meeting. The Community First board is unaware of any matters, other than as set forth above, that may be presented for action at the special meeting.

The merger agreement is attached to this proxy statement/prospectus as Appendix I.

**Record Date**

Only shareholders of record of Community First common stock and Series A preferred stock at the close of business on January, 2006, the record date, are entitled to notice of and to vote at the special meeting or any adjournment thereof. At the close of business on \_\_\_\_\_, 2006, there were \_\_\_\_\_ shares of Community First common stock issued and outstanding held by approximately \_\_\_\_\_ shareholders of record and \_\_\_\_\_ shares of Community First Series A preferred stock issued and outstanding held by approximately \_\_\_\_\_ shareholders of record.

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### Vote Required

Approval of the merger agreement requires both the affirmative vote of the holders of more than two-thirds of the outstanding shares of Community First common stock and the affirmative vote of the holders of more than two-thirds of the outstanding shares of Community First Series A preferred stock. The affirmative vote of a majority of the votes cast by holders of Community First common stock on the matter at the special meeting is required to approve the proposal to adjourn a special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement and any other matter properly submitted to shareholders for consideration at the special meeting. Each share of Community First common stock outstanding on \_\_\_\_\_, 2006 entitles the holder to cast one vote upon each matter properly submitted at the special meeting. Each share of Community First Series A preferred stock outstanding on \_\_\_\_\_, 2006 entitles the holder to cast one vote *only* with respect to the approval of the merger agreement.

A quorum, consisting of the holders of a majority of the issued and outstanding shares of Community First common stock and Series A preferred stock must be present in person or by proxy before any action may be taken at the special meeting. Abstentions and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum, but will not be counted in the voting on a proposal.

Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power under applicable securities law rules. Under these rules, the proposals to approve the merger agreement and to adjourn the special meeting are not items on which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions within 10 days of a special meeting. **Because the proposal to approve the merger agreement requires the affirmative vote of the holders of more than two-thirds of the votes entitled to be cast by the outstanding shares of Community First common stock and Series A preferred stock, abstentions and broker non-votes will have the same effect as a vote against the proposal to approve the merger agreement at the special meeting.** For the same reason, the failure of a shareholder to vote by proxy or in person at the special meeting will have the effect of a vote against this proposal. Because of the vote required for the proposal to adjourn a special meeting, abstentions and broker non-votes will have no effect on this proposal.

As of \_\_\_\_\_, 2006, directors and executive officers of Community First and their affiliates beneficially owned an aggregate of \_\_\_\_\_ shares of Community First common stock, or \_\_\_\_\_% of the shares of Community First common stock outstanding on that date and entitled to vote on the merger. They also beneficially owned an aggregate of [135,000] shares of Series A preferred stock, or 45.0%, of the shares of Series A preferred stock outstanding on that date and entitled to vote on the merger. **Each such person has agreed to vote his shares of Community First common stock in favor of the merger, and we expect each to do so.**

### Voting and Revocation of Proxies

A proxy card is enclosed with this proxy statement/prospectus. You are requested to complete, date and sign the proxy card and return it promptly in the enclosed envelope. All shares of Community First common stock and Series A preferred stock represented by properly executed proxies received before or at the special meeting will, unless the proxies are revoked, be voted in accordance with the instructions indicated on those proxies. If no instructions are indicated on a properly executed proxy card, the shares will be voted **FOR** the merger agreement and **FOR** any proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement.

You may revoke your proxy at any time before it is voted by:

giving written notice of revocation to the Corporate Secretary of Community First at 1646 Graves Mill Road, Lynchburg, Virginia 24502;

executing and delivering a substitute proxy; or

attending the special meeting and voting in person if you are a shareholder of record.

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Attendance at the special meeting will not in and of itself constitute revocation of a proxy.

If you hold your shares in street name, you will need additional information from your broker in order to vote your shares in person at the special meeting.

## **Solicitation of Proxies**

Community First will bear the costs of this solicitation of proxies, including the expenses of mailing this proxy statement/prospectus. Solicitations may be made by mail, telephone, facsimile or personally by directors, officers and employees of Community First on a part-time basis and for no additional compensation for performing such services. American and Community First will share equally the expenses of printing and mailing this proxy statement/prospectus.

## **Recommendation of the Community First Board of Directors**

The board of directors of Community First has unanimously approved the merger agreement and the transactions contemplated by the agreement. The Community First board believes that the proposed transaction is fair to and in the best interests of Community First and its shareholders. The Community First board unanimously recommends that its shareholders vote **FOR** approval of the merger agreement. The Community First board of directors also unanimously recommends that its shareholders vote **FOR** approval of any proposal to adjourn the special meeting if necessary to solicit additional proxies to vote in favor of the merger agreement.

## **THE MERGER**

### **(Proposal 1)**

*The following is a summary description of the material aspects of the merger agreement and the merger. This description does not purport to be complete and is qualified in its entirety by reference to the merger agreement and the fairness opinion of Community First's financial advisor, which are attached as appendices I and II, respectively, to this proxy statement-prospectus. We urge you to read those appendices in their entirety.*

## **Terms of the Merger**

Under the terms and conditions in the merger agreement, Community First will be merged with and into American. At the effective date of the merger: each share of common stock of Community First issued and outstanding immediately prior to the effective date will cease to be outstanding and will be converted into the right to receive:

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\$21.00 in cash or

0.9219 shares of American common stock; and

each share of Series A preferred stock of Community First issued and outstanding immediately prior to the effective date will cease to be outstanding and will be converted into the right to receive:

\$25.20 in cash or

1.1063 shares of American common stock.

You have the opportunity to elect to receive cash or American common stock, or a combination of cash and American common stock, for your shares of Community First common or Series A preferred stock, subject to allocation procedures set forth in the merger agreement. These allocation procedures are intended to ensure that American will pay for the outstanding stock of Community First with 50% cash and 50% stock, based on a value of the American common stock of \$22.78. In calculating these percentages, American will include the amount of cash it will pay to holders of Community First stock options who have not exercised their options. Therefore, more than

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50% of the outstanding common and Series A preferred stock, combined, will be exchanged for American common stock.

After the merger of Community First into American, Community First Bank will be merged into American National Bank, a wholly owned banking subsidiary of American. The parties expect the holding companies and the banks to merge on or about \_\_\_\_\_, 2006.

## **Background of the Merger**

The management of Community First has periodically explored and discussed with the Community First Board of Directors strategic options potentially available to Community First. These strategic discussions included the possibility of business combinations involving Community First and other financial institutions, particularly in view of the increasing competition and continuing consolidation in the financial services industry. From time to time over the past several years, representatives of Community First have had preliminary discussions with representatives of other financial institutions concerning the possibility of such a business combination transaction, but none of those preliminary discussions led to transactions which the management of Community First could recommend to the Community First Board of Directors.

In June of 2005, Community First requested that Anderson & Strudwick, Inc. ( A&S ) make a presentation to the Community First Board of Directors on various strategic alternatives. As part of that presentation, A&S conducted a financial and market overview of Community First, which included comparisons and analysis, aimed at determining the most viable option for Community First, including various alternatives to maximize shareholder value. Upon review and discussion of the information made available by A&S, the Community First Board of Directors engaged A&S and authorized A&S to proceed to identify potential affiliation partners.

With the help of the management of Community First, A&S created a memorandum containing financial and operational information about Community First that could be used to solicit interest in an affiliation transaction with Community First. A&S also worked with the management of Community First to generate a list of 25 potential affiliation partners. In mid July, A&S began to contact parties which had been identified to solicit indications of interest. From the original 25 potential parties, 12 indicated sufficient interest to sign a confidentiality agreement, and three of those ultimately indicated to A&S that they had an interest in pursuing a transaction with Community First.

On August 30, 2005, the Community First Board of Directors met to review and discuss the various indications of interest that had been submitted as a result of the process employed by A&S. At that meeting, A&S presented to the Community First Board of Directors an overview of the various indications of interest from each of the three final parties. The overview analyzed the various parties and their indications of interests in three general ways: pricing, past financial performance and non-financial issues such as structure, employee issues, and management. After receiving the presentation from A&S, the Community First Board of Directors resolved to allow the high bidder in the final three to conduct due diligence and to ask each of the other bidders to improve their offer if they desired to conduct due diligence.

On September 20, 2005, American (the high bidder in the first round) presented a revised and final offer for the acquisition by merger of Community First with 50% of the consideration stock and 50% cash. The proposal involved the elimination of Community First through merger. The Board voted to authorize management to enter into definitive negotiation with American for a definitive agreement.

Between September 20 and October 18, 2005, Community First and American and their respective advisors and representatives negotiated the terms of a definitive Agreement and Plan of Reorganization which management of Community First could recommend to the Community First

Board of Directors.

On October 18, 2005, Community First Board of Directors met to review and consider the definitive agreement. Prior to the meeting on October 18, 2005, a copy of the definitive agreement had been submitted to A&S for its consideration with respect to its fairness to Community First and its shareholders.



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At the October 18, 2005 meeting, counsel for Community First reviewed the terms and conditions of the definitive agreement with the board and A&S delivered to the board its written opinion that as of the date of its opinion and based upon and subject to the considerations described in its opinion and other matters as A&S considered relevant, the proposed transaction was fair from a financial point of view to the holders of Community First common stock. The Community First Board of Directors then unanimously approved the Agreement and Plan of Reorganization with American and resolved to recommend it to the Community First shareholders for approval. The American board of directors met on October 18, 2005, and also unanimously approved the definitive agreement. A joint press release announcing the execution of the Agreement and Plan of Reorganization was issued on October 19, 2005.

### **Community First's Reasons for the Merger**

In deciding whether to approve the Agreement and Plan of Reorganization and the transactions it and to recommend their approval to Community First shareholders, the Community First board reviewed and considered a number of factors, including the following:

information regarding the business, operations, earnings, financial condition, management and prospects of Community First and American;

the per share value of the merger consideration to Community First shareholders and the fact that up to 50% of that consideration will be in the form of cash;

the fact that the reorganization allows Community First shareholders who become shareholders of American to own shares in a larger, more diversified financial services institution;

the operating environment for Community First, including, but not limited to, the history of consolidation and increasing competition in the banking and financial services industries and the prospect for further changes in the industry in the future;

the ability to achieve economics of scale and increase financial resources which are necessary to remain competitive in the long term;

the opinion of Anderson & Strudwick rendered to the Community First board as to the fairness, from a financial point of view, of the merger consideration to holders of Community First common stock (see *Opinion of Community First's Financial Advisor* ).

In making its decision to approve and recommend the reorganization, the Community First board did not assign any relative or specific weights to the various factors considered by it, and individual directors may have given different weights to the various factors. The Community First board does not intend that the foregoing discussion of the information and factors it considered be exhaustive, but it believes that the discussion includes all factors material to the discussion.

**Based on the foregoing, the Community First board believes that the reorganization is in the best interests of Community First and its shareholders and recommends that Community First shareholders vote FOR approval of the Plan of Merger.**

### **American's Reasons for the Merger**

American entered into the merger agreement with Community First, because, among other things, American believes the merger is consistent with its expansion strategy to target entry into strong markets that logically extend American's existing footprint. The Lynchburg Metropolitan Statistical Area has excellent demographics in terms of growth and banking opportunity, and the region lies just north of American's existing franchise. American had previously opened a full service banking office in the Lynchburg area and was considering opening additional offices in that area. The American board of directors recognized that the opportunity to acquire Community First at a reasonable premium was a unique opportunity that merited careful consideration.

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### **Opinion of Community First's Financial Advisor**

Community First retained Anderson & Strudwick, Inc., referred to as A&S, on July 5, 2005 to assist it in exploring strategic alternatives including whether to pursue a possible transaction with another financial institution. As part of that engagement, Community First retained A&S to act as its sole financial advisor in connection with possible mergers and related matters. A&S also agreed, if requested by Community First, to render an opinion with respect to the fairness, from a financial point of view, to the holders of Community First common stock, of any merger consideration to be received by them if Community First agrees to a merger transaction. A&S is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with Community First and its business. As part of its investment banking business, A&S is routinely engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions. Community First selected A&S as its financial advisor based upon A&S's qualifications, experience and reputation.

On October 18, 2005, A&S delivered its oral and written opinion that the merger consideration to be received by Community First shareholders under the reorganization agreement was fair to the shareholders of Community First, from a financial point of view, as of the date of the opinion. A&S also delivered to the Board of Community First a written opinion dated \_\_\_\_\_, 2006 confirming its oral and written opinions of October 18, 2005. Neither Community First nor its board of directors imposed any limitations on A&S with respect to the investigations made or the procedures followed in rendering these opinions.

A&S's written opinions to Community First's board of directors, dated October 18, 2005 and \_\_\_\_\_, 2006, which set forth the assumptions made, matters considered and extent of review by A&S, are attached as Appendix II and are incorporated by reference into this proxy statement/prospectus. They should be read carefully and in their entirety in conjunction with this proxy statement/prospectus. The following summary of the opinions of A&S is qualified in its entirety by reference to the full text of the opinions. A&S's opinions are addressed to the Community First board of directors and do not constitute a recommendation to any shareholder of Community First as to how the shareholder should vote at the shareholder meeting.

In rendering its opinions, A&S reviewed, among other things:

the reorganization agreement;

the historical financial performance, current financial position and general prospects of Community First and certain internal financial analyses and forecasts prepared by management of Community First;

the historical financial performance, current financial position and general prospects of American and certain internal financial analyses and forecasts prepared by management of American;

interim reports to shareholders and Quarterly Reports on Form 10-QSB of Community First and other communications from Community First to its shareholders;