

AMERICAN NATIONAL BANKSHARES INC
Form S-4/A
February 16, 2006

As filed with the Securities and Exchange Commission on February 16, 2006

Registration No. 333-130968

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-4
REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

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

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

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)

Copies of all correspondence to:

George P. Whitley, Esq.
LeClair Ryan, A Professional Corporation
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219
(804) 783-2003

Eugene E. Derryberry, Esq.
Gentry Locke Rakes & Moore , LLP
10 Franklin Road, S.E.
Roanoke, Virginia 24011
(540) 983-9300

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. "

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. "

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.

Dear Fellow Shareholders:

You are cordially invited to attend a special meeting of shareholders of Community First Financial Corporation to be held at Oakwood Country Club, 3409 Rivermont Avenue, Lynchburg, Virginia on March 27, 2006 at 10:00 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.

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 February 15, 2006, the closing price of American common stock was \$23.511.

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.

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 above; and
3. Your Community First stock certificates.

The election form and letter of transmittal are being sent to you in a separate mailing that you should receive several days after the receipt of this package. You should return your Community First stock certificate with the properly completed election form.

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 April 1, 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 13.** 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 February __, 2006 and is first being mailed to shareholders on or about February __, 2006.

COMMUNITY FIRST FINANCIAL CORPORATION

1646 Graves Mill Road

Lynchburg, Virginia 24502

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD

March 27, 2006

A special meeting of shareholders of Community First Financial Corporation (Community First) will be held on Monday, March 27, 2006 at 10:00 a.m. at the Oakwood Country Club, 3409 Rivermont Avenue, 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 February 6, 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

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February __, 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.

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 March 20, 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 64.

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APPENDICES

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- I Agreement and Plan of Reorganization (including exhibits)
- 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

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 *The Merger Background of the Merger*, page 19, *The Merger Community First's Reasons for the Merger*, page 20, and *The Merger American's Reasons for the Merger*, page 21.

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. For more information on the election and allocation procedures, see *The Merger Merger Consideration and Election and Allocation Procedures*, page 29.

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

A: 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 40.

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.

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 53.

Q: Why is my vote important?

A: The Virginia Stock Corporation Act 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 10:00 a.m. on Monday, March 27, 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 March 27, 2006. Please see *The Merger Procedures for Exchanging Community First Stock Certificates*, page 32 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.

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

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

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 to American, which will serve as the exchange agent, not later than 5:00 p.m., EST on Monday, March 27, 2006, the election deadline. The election form and letter of transmittal are being mailed separately several days after the mailing of this proxy statement/prospectus. 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 on April 1, 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

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 64.*

*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 19).

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*), the 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 on April 1, 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 (pages 55-56).

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. American reported the following unaudited results for the year ended December 31, 2005: total consolidated assets of \$623.5 million, total consolidated deposits through its banking subsidiary of \$491.7 million and consolidated shareholders' equity of \$73.4 million. See *Recent Financial Developments* on page 10.

Community First Financial Corporation (*Community First*)

1646 Graves Mill Road

Lynchburg, Virginia 24502

(434) 970-1100

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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. Community First reported the following unaudited results for the year ended December 31, 2005: \$162.5 million in total consolidated assets, \$139.0 million in deposits through its banking subsidiary and \$14.5 million in consolidated shareholders' equity. See "Recent Financial Developments" on page 10.

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 19).

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 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 39 for more information on the treatment of the Community First stock options. 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 29).

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. Shortly after the mailing of this proxy statement/prospectus, we will send you in a separate mailing 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 you may make a no election whether to 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 Monday, March 27, 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 40).

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.

American dividend policy following the merger (page 53).

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 19).

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 21).

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. Anderson & Strudwick updated its fairness opinion and a copy of the updated opinion, dated February 10, 2006, is also attached as part of Appendix II. Community First has paid Anderson & Strudwick a cash fee of \$45,000, and has agreed to pay an additional cash fee equal to 1.5% of the value of the aggregate consideration determined as of effective time of the merger. The \$45,000 payment already made by Community First will be credited in full against the amount due Anderson & Strudwick upon consummation of the merger.

Appraisal rights (page 42).

Under Virginia law, holders of Community First common stock and Series A preferred 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 and Series A preferred 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 March 27, 2006 (page 17).

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The special meeting of shareholders of Community First will be held on March 27, 2006 at 10:00 a.m. at the Oakwood Country Club, located at 3409 Rivermont Avenue, Lynchburg, Virginia.

Community First shareholder vote required (page 17).

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 43.0% of the common stock and 45.0% 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.

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 February 6, 2006; one vote per share (page 17).

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 February 6, 2006. On February 6, 2006, there were 1,162,326 shares of Community First common stock outstanding and 300,000 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 February 6, 2006.

Benefits to management and directors in the merger (page 39).

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 time 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: 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 a lump sum or in monthly installments. The approximate aggregate payments to each officer amount to the following: for Mr. Falls, \$333,800; for Mr. Davis, \$224,600; for Mr. Thomas, \$321,700; and for Mr. Mason, \$278,100.

John L. Wynne, the former President and Chief Executive Officer of Community First and Community First Bank, voluntarily resigned as an officer of Community First and Community First Bank on September 20, 2005 pursuant to the terms and conditions of an agreement between Community First and Mr. Wynne that superseded his employment agreement. Under this agreement, Community First agreed to continue to employ Mr. Wynne to assist Community First on various assignments and projects on an as-needed basis at a salary of \$10,000 per month. By its terms, this agreement will terminate upon consummation of the merger. The merger agreement provides that Mr. Wynne is entitled to receive

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a severance payment on the same basis as the officers listed above. The payment to Mr. Wynne will be approximately \$372,100.

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 33).

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

shareholders of Community First must approve the merger agreement;

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 34).

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 January 19, 2006, American filed a notification with the Federal Reserve and an application with the Virginia State Corporation Commission for approval of the merger. 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.

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On January 31, 2006, American filed a merger application with the Office of the Comptroller of the Currency for approval 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 approval from the Office of the Comptroller of Currency to merge the banks.

Termination of the merger agreement (page 36).

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 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 on page 36.

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 38).

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. The termination and payment circumstances are more fully described elsewhere in this document. See *The Merger* Termination Fees on page 38 and in Article 6 of the merger agreement.

Affiliate agreement (page 39).

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 February 6, 2006, the directors and executive officers owned shares representing approximately 43.0% of the voting power of Community First common stock and 45.0% of the voting power of Community First Series A preferred stock entitled to vote at the special meeting.

Merger to occur on or about April 1, 2006 (page 29).

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 April 1, 2006, although it may be delayed.

Community First is prohibited from soliciting other offers (page 35).

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 39).

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.

Market price information (page 53).

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 February 15, 2006, American common stock closed at \$23.511 per share and Community First common stock closed at \$20.75 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 and Community First reported the following unaudited financial results for 2005.

American. For the year ended December 31, 2005, net income for American was \$10.0 million or \$1.81 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 \$623.5 million, an increase of 0.7% over the \$619.1 million in total consolidated assets at December 31, 2004. Total loans at December 31, 2005 were \$417.1 million, up 2.4% from the \$407.3 million in total loans at December 31, 2004. Total deposits at December 31, 2005 increased to \$491.7 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 \$737 thousand or \$0.59 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 \$162.5 million, an increase of 3.8% over the \$156.5 million in total consolidated assets at December 31, 2004. Total loans outstanding increased 6.4% to \$138.9 million at December 31, 2005, up from \$130.5 million at December 31, 2004. Total deposits at December 31, 2005 were \$139.0 million, down slightly 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. 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. Financial statements of the surviving company issued after consummation of the merger reflect such values and are not restated retroactively to reflect the historical financial position or results of operations of the company not surviving. 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 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 forma equivalent amounts are calculated by multiplying the pro forma combined amounts by the common stock exchange ratio of 0.9219.

	For the Twelve Months Ended December 31, 2004			
	American Historical	Community First Historical	Pro Forma Combined	Community First Pro Forma Equivalent
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 (2)	12.77	9.10	10.02	9.24

	For the Nine Months Ended September 30, 2005 (Unaudited)			
	American Historical	Community First Historical	Pro Forma Combined	Community First Pro Forma Equivalent
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)(3)	0.62		0.62	0.57
Book value per share	13.22	9.72	14.43	13.30
Tangible book value (2)	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) Excludes the effect of intangible assets such as goodwill and core deposit intangibles.
- (3) 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.

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 64. You should not rely on the nine month information as being indicative of results expected for the entire year.

AMERICAN 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	\$ 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 per share, basic	1.34	1.29	1.43	1.67	1.63	1.58	1.42
Net income per share, 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	0.61	0.87	0.30	0.10	(0.40)
Net income per share, diluted	0.38	0.31	0.55	0.66	0.29	0.10	(0.40)
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

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 16.

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 time 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 29 and **Material Federal Income Tax Consequences** on page 40.

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 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" on page 39. 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 them to maintain numerous banking locations and ATMs and conduct extensive promotional and advertising campaigns.

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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, (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 and any documents incorporated by reference herein 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;

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;

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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 Oakwood Country Club located at 3409 Rivermont Avenue, Lynchburg, Virginia on Monday, March 27, 2006 at 10:00 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 February 6, 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 February 6, 2006, there were 1,162,326 shares of Community First common stock issued and outstanding held by approximately 987 shareholders of record and 300,000 shares of Community First Series A preferred stock issued and outstanding held by approximately 22 shareholders of record.

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 February 6, 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 February 6, 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 February 6, 2006, directors and executive officers of Community First and their affiliates beneficially owned an aggregate of 574,566 shares of Community First common stock, or 43.0% 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 director and executive officer has agreed to vote his shares of Community First 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.

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 time of the merger: each share of common stock of Community First issued and outstanding immediately prior to the effective time will cease to be outstanding and will be converted into the right to receive:

\$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 time 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 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, the wholly owned banking subsidiary of American. The parties expect the holding companies and the banks to merge on or about April 1, 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.

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 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 of 2005, 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 Vboard 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 Bank through merger. The Community First board voted to authorize management to enter into 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.

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

At the October 18, 2005 meeting, counsel for Community First reviewed the terms and conditions of the definitive merger 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 and Series A preferred stock. The Community First board of directors then unanimously approved the merger agreement 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 merger agreement. A joint press release of American and Community First announcing the execution of the merger agreement was issued on October 19, 2005.

Community First s Reasons for the Merger

In deciding whether to approve the merger agreement and the transactions contemplated by it, and to recommend its 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 and Series A preferred 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 merger is in the best interests of Community First and its shareholders and recommends that Community First shareholders vote FOR approval of the merger agreement.

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.

Opinion of Community First's Financial Advisor

Community First retained Anderson & Strudwick, Inc. 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 and Series A preferred 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 merger 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 February 10, 2006, confirming its oral and written opinion 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 February 10, 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 merger 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;

interim reports to shareholders and Quarterly Reports on Form 10-Q of American and other communications from American to its shareholders; and

other financial information concerning the businesses and operations of Community First and American furnished to A&S by Community First and American for purposes of A&S's analysis;

A&S also held discussions with members of senior management of Community First and American regarding:

past and current business operations;

regulatory relationships;

financial condition; and

future prospects of the respective companies;

A&S also:

reviewed the market prices, valuation multiples, publicly reported financial conditions and results of operations for American and compared them with those of certain publicly traded companies that A&S deemed to be comparable;

reviewed the market prices, valuation multiples, publicly reported financial condition and results of operations for Community First and compared them with those of certain publicly traded companies that A&S deemed to be comparable;

compared the proposed financial terms of the merger with the financial terms of certain other transactions that A&S deemed to be comparable; and

performed other studies and analyses that it considered appropriate.

In conducting its review and arriving at its opinions, A&S relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to A&S or that was discussed with or reviewed by or for A&S, or that was publicly available. A&S did not attempt or assume any responsibility to verify such information independently. A&S relied upon the management of Community First as to the reasonableness and achievability of the financial and operating forecasts and projections and assumptions and bases therefor provided to A&S. A&S assumed, without independent verification, that the aggregate allowances for loan and lease losses for American and Community First are adequate to cover those losses. A&S did not make or obtain any evaluations or appraisals of any assets or liabilities of American or Community First, and did not examine any books and records or review individual credit files.

The projections furnished to A&S and used by it in certain of its analyses were prepared by Community First's senior management. Community First does not publicly disclose internal management projections of the type provided to A&S in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinions, A&S assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

A&S further assumed that the merger will be accounted for as a purchase transaction under generally accepted accounting principles. A&S's opinions are not an expression of an opinion as to the prices at which shares of Community First common stock or shares of American common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, A&S made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of A&S, Community First and American. Any estimates contained in the analyses performed by A&S are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

The following is a summary of the material analyses presented by A&S to the Community First board of directors in connection with its opinion dated October 18, 2005. In connection with its updated opinion dated February 10, 2006, A&S performed procedures to update certain of its analyses and review the assumptions on which such analyses were based and the factors considered in connection therewith. In updating its opinion, A&S did not utilize any methods of analysis in addition to those described in this proxy statement/prospectus. The summary is not a complete description of the analyses underlying the A&S opinion or the presentation made by A&S to the Community First board of directors, but summarizes the material analyses performed and presented in connection with its opinion, dated October 18, 2005.

The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, A&S did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, A&S believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinions. The tables alone do not constitute a complete description of the financial analyses.

Transaction Summary

A&S calculated the merger consideration to be paid as a multiple of Community First's book value per share, tangible book value per share and latest twelve months' earnings per share. A&S also calculated the merger consideration to be paid as a Core Deposit Premium. Core Deposit Premium equals the difference between the aggregate merger consideration and Community First's tangible equity divided by total domestic, non-brokered deposits less time deposit accounts greater than \$100,000. Additionally, A&S has adjusted throughout its analyses the financial data to exclude any non-recurring income and expenses and any extraordinary items. The merger consideration was based on a purchase price of \$21.00 per share with 50% in cash and 50% in American common stock at a fixed exchange ratio of .9219 American shares for each Community First share. These computations were based on Community First's stated and tangible book value per share of \$9.37 as of September 30, 2005, its latest twelve months' earnings per share of \$0.62 as of September 30, 2005, and its core deposits of \$104 million as of September 30, 2005. Based on those assumptions and American's closing price of \$21.49 on October 18, 2005, this analysis indicated Community First shareholders electing to receive or otherwise allocated American common stock would receive stock and cash worth \$20.41 for each share of Community First common stock held. This amount would represent 217.8% of book value and tangible book value per share, 32.9 times latest twelve months earnings per share, and a Core Deposit Premium of 16.1%.

A&S also analyzed the per share transaction value as a premium to the closing price of Community First common stock prior to the announcement of the merger. The analyses performed indicated the per share transaction value as a premium to the closing price of Community First common stock on October 18, 2005 was 36.1%.

Selected Transaction Analysis

A&S reviewed certain financial data related to a set of comparable regional bank transactions announced since December 31, 2001 with deal values between \$20 million and \$53 million (21 transactions).

A&S compared multiples of price to various factors for the American Community First merger to the same multiples for comparable group s mergers at the time those mergers and the American Community First merger were announced. The results were as follows:

Comparable Transactions

	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>American - Community First Merger</u>
Price / Stated Book Value	135.3%	300.1%	201.3%	217.8%
Price / Tangible Book Value	135.3	300.1	205.8	217.8
Price / Latest Twelve Months Earnings Per Share	12.9x	39.3x	22.3x	32.9x
Core Deposit Premium	7.1	33.3	16.7	16.1
Premium to Market Price	4.1	80.5	39.1	36.1

A&S also analyzed the financial data for the period ended September 30, 2005 for Community First and reporting periods prior to the announcement of each transaction for each seller in the Selected Transactions Analysis. The results were as follows:

Comparable Sellers

	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Community First</u>
Equity / Assets	5.99%	17.29%	8.99%	8.81%
Non-Performing Assets / Assets	0.00	2.06	0.31	0.62
Return on Average Assets (Year-to-Date Annualized)	(0.33)	1.30	0.60	0.39
Return on Average Equity (Year-to-Date Annualized)	(3.49)	14.08	6.96	4.44
Efficiency Ratio (Last Twelve Months)	48	99	71	73

No company or transaction used as a comparison in the above analysis is identical to American, Community First or the merger. Accordingly, an analysis of these results is not purely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the value of the companies to which they are being compared.

Discounted Cash Flow Analysis

Using discounted dividends analysis, A&S estimated the present value of the future stream of dividends that Community First could produce over the next five years, under various circumstances, assuming Community First performed in accordance with management s earnings forecast for 2006 and 15% annual earnings growth thereafter. A&S then estimated the terminal values for Community First stock at the end of the period by applying multiples ranging from 18.0x to 20.0x projected earnings in year five. The dividend streams and terminal values were then discounted to present values using different discount rates (ranging from 12.0% to 15.0%) chosen to reflect different assumptions regarding the

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required rates of return to holders or prospective buyers of Community First common stock. This discounted dividend analysis indicated reference ranges of between \$13.04 and \$16.39 per share of Community First common stock. These values are well below the consideration offered by American to Community First in the merger of \$21.00 per share on October 18, 2005.

Relative Stock Price Performance

A&S also analyzed the price performance of American common stock from October 18, 2004 to October 18, 2005 and compared that performance to the performance of the SNL Mid Atlantic Bank Index (Bank Index) over the same period. This analysis indicated the following cumulative changes in price over the period:

American	(8.01)%
SNL Mid Atlantic Bank Index	(5.53)%

Selected Peer Group Analysis

A&S compared the financial performance and market performance of American to those of a group of comparable holding companies. The comparisons were based on:

various financial measures including:

earnings performance

operating efficiency

capital

asset quality

various measures of market performance including:

price to book value

price to earnings

dividend yield

To perform this analysis, A&S used the financial information as of and for the quarter ended June 30, 2005 and market price information as of September 30, 2005. A&S included 21 publicly traded companies in the peer group from Virginia, West Virginia, Maryland, North Carolina and South Carolina. Total assets of each member of the peer group ranged from \$475 million to \$733 million. A&S has adjusted throughout its analysis the financial data to exclude certain non-recurring income and expenses and any extraordinary items.

A&S's analysis showed the following concerning American's financial performance:

Selected Peer Group

	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>American</u>
Return on Average Equity (GAAP)	5.27%	18.68%	11.38%	14.05%
Return on Average Assets (GAAP)	0.57	1.81	0.975	1.61

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Net Interest Margin	3.18	6.46	3.86	3.96
Efficiency Ratio	52	80	64	49
Equity / Assets	5.73	12.36	7.65	11.56
Loans / Deposits	51	116	97	87
Non-Performing Assets / Assets	0.00	1.69	0.18	1.36
Loan Loss Reserve / Non-Performing Assets	91	995	300	100
Loan Loss Reserve / Total Loans	0.85	2.74	1.06	2.00

A&S's analysis showed the following concerning American's market performance:

Selected Peer Group

	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>American</u>
Price / Stated Book Value Per Share	133%	279%	175%	179%
Price / Tangible Book Value Per Share	138	280	192	180
Price / LTM Earnings Per Share	9.6x	49.6x	16.8x	16.1x
Dividend Yield	0.0%	3.0%	1.0%	3.8%

A&S also compared the financial performance of Community First to those of a group of comparable banks. The comparisons were based on:

various financial measures including:

earnings performance

operating efficiency

capital

asset quality

various measures of market performance including:

price to book value

price to earnings

dividend yield

To perform this analysis, A&S used the financial information as of and for the quarter ended June 30, 2005 and market price information as of September 30, 2005. The 21 companies in the peer group included publicly traded banks in Virginia, Maryland, North Carolina and South Carolina with assets between \$135 million and \$191 million. A&S has adjusted throughout its analysis the financial data to exclude certain non-recurring income and expenses and any extraordinary items.

A&S's analysis showed the following concerning Community First's financial performance:

Selected Peer Group

	Community			
	Low	High	Median	First
Return on Average Equity (GAAP)	3.72%	12.50%	8.60%	5.95%
Return on Average Assets (GAAP)	0.39	1.15	0.84	0.53
Net Interest Margin	3.56	4.83	4.10	4.12
Efficiency Ratio	58	82	69	76
Equity / Assets	7.55	13.82	9.24	8.63
Loans / Deposits	62	104	91	94
Non-Performing Assets / Assets	0.00	1.82	0.09	0.65
Loan Loss Reserve / Non-Performing Assets	68	777	276	126
Loan Loss Reserve / Total Loans	0.75	1.90	1.10	0.98

A&S's analysis showed the following concerning Community First's market performance:

Selected Peer Group

	Community			
	Low	High	Median	First
Price / Stated Book Value Per Share	124%	338%	155%	155%
Price / Tangible Book Value Per Share	141	338	155	155
Price / LTM Earnings Per Share	14.5x	41.8x	21.0x	22.1x
Dividend Yield	0.0%	2.7%	0.0%	0.0%

Contribution Analysis

A&S analyzed the relative contribution of each of Community First and American to the pro forma balance sheet and income statement items of the combined entity, including assets, gross loans, deposits, equity and 2005 year-to-date earnings through June 30, 2005. This analysis excluded any purchase accounting adjustments. The pro forma ownership analysis assumed the aggregate deal value was in the form of 100% American stock and was based on American's closing price of \$21.49 on October 18, 2005. The results of A&S's analysis are set forth in the following table:

Relative Contribution

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<u>Category</u>	Community	
	<u>American</u>	<u>First</u>
Assets	78.9%	21.1%
Gross Loans	75.1	24.9
Deposits	76.5	23.5
Equity	83.4	16.6
2005 year to date earnings (GAAP)	90.3	9.7
Market Capitalization	84.1	15.9
Estimated Pro Forma Ownership	79.5	20.5

Financial Impact Analysis

A&S performed pro forma merger analyses that combined projected income statement and balance sheet information. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This analysis indicated that the merger is expected to be neutral to American's estimated 2006 GAAP earnings per share, and accretive to American's estimated 2007 GAAP earnings per share. This analysis was based on managements' earnings estimates for American and Community First and estimated cost savings equal to 40.0% of Community First's projected non-interest expenses. American's and Community First's 2006 and 2007 earnings projections were provided by each company's respective management. For all of the above analyses, the actual results achieved by the combined company following the merger will vary from the projected results and the variations may be material.

Other Analyses

A&S reviewed the relative financial and market performance of American and Community First based on a variety of relevant industry peer groups and indices. A&S also reviewed earnings estimates, historical stock performance, stock liquidity and research coverage for American.

The Community First board of directors has retained A&S as an independent contractor to act as financial adviser to Community First regarding the merger. As part of its investment banking business, A&S is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. As specialists in the securities of banking companies, A&S has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, A&S may, from time to time, purchase securities from, and sell securities to, Community First and American. As a market maker in securities, A&S may from time to time have a long or short position in, and buy or sell, debt or equity securities of Community First and American for A&S's own account and for the accounts of its customers.

Community First and A&S have entered into an agreement relating to the services to be provided by A&S in connection with the merger. Community First paid A&S a cash fee of \$45,000. In addition, Community First has agreed to pay A&S at the time of closing a cash fee equal to 1.5% of the total consideration received by Community First shareholders in the merger. The \$45,000 payment already made by Community First will be credited in full against the amount due A&S upon consummation of the merger. Pursuant to the A&S engagement agreement, Community First also agreed to reimburse A&S for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify it against certain liabilities, including liabilities under the federal securities laws. The full text of the opinions of Anderson & Strudwick, Inc., which set forth the assumptions made, matters considered and limitations on the review undertaken, is attached as Appendix II to this proxy statement/prospectus and is incorporated herein by reference. Community First's board of directors urges the holders of Community First common stock to read both opinions.

Effective Time

Provided the merger has been approved by the shareholders of Community First, all required governmental and other consents are obtained and the other conditions to the merger are satisfied or waived, the merger will be consummated and made effective on the date and at the time indicated on the certificate of merger issued by the Virginia State Corporation Commission pursuant to the Virginia Stock Corporation Act. See Representations and Warranties; Conditions to the Merger on page 33.

It is anticipated that the merger will occur on or about April 1, 2006, although it may be delayed.

Merger Consideration and Election and Allocation Procedures

Upon consummation of the merger, each outstanding share of Community First common stock and Series A preferred stock will be converted into the right to receive either cash or shares of American common stock as

described below, at the election of each Community First shareholder and subject to the election, allocation and pro ration procedures set forth in the merger agreement and described below. See Merger Consideration, Election Procedures and Allocation Procedures below. No fractional shares of American common stock will be issued in connection with the merger. Instead, American will make a cash payment to each Community First shareholder who would otherwise receive a fractional share, based on a price of \$22.78 per share.

The form of the consideration ultimately received by you will depend upon the election, allocation and pro ration procedures described below and the choices of other Community First shareholders. Accordingly, no guarantee can be given that your choice will be honored.

In addition, because the tax consequences to you will be dependent on the form of consideration received, you are urged to read carefully the information set forth below under Material Federal Income Tax Consequences beginning on page 40.

Merger Consideration. The merger agreement provides that each share of common stock of Community First issued and outstanding immediately prior to the effective time will cease to be outstanding and will be converted into the right to receive either:

\$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 time will cease to be outstanding and will be converted into the right to receive either:

\$25.20 in cash or

1.1063 shares of American common stock.

As described under Elections below, you have the opportunity to elect the form of consideration to be received for all shares of Community First stock held by you, subject to allocation and pro ration 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 paid to holders of Community First stock options.

The market price of American common stock is subject to change at all times based on the future financial condition and operating results of American, future market conditions and other factors. The market price of the American common stock at the effective time of the merger or at the time that Community First shareholders who receive American common stock in the merger actually receive stock certificates evidencing those shares may be higher or lower than recent prices. For further information concerning the historical prices of American common stock, see Market for Common Stock and Dividends on page 53. You are urged to obtain current market prices for American common stock in connection with voting your shares on the merger agreement at the special meeting and making your election decision.

Elections. An election form and letter of transmittal, which are being sent to you in a separate mailing, permit you:

to elect to receive shares of American common stock in exchange for shares of Community First stock held by you, plus cash in lieu of any fractional share interest,

to elect to receive cash in exchange for shares of Community First stock held by you, or

to indicate that you make no election with respect to the consideration to be received by you in exchange for your shares of Community First stock.

The Community First shares in these three categories are referred to below as stock election shares, cash election shares and no-election shares.

In order to make an effective election, 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 to American, which will serve as the exchange agent, not later than 5:00 p.m., EST on March 27, 2006, the election deadline. If you either (a) do not submit a properly completed election form by the election deadline or (b) revoke your election form prior to the election deadline and do not resubmit a properly completed election form by the election deadline, the shares of Community First stock held by you will be designated no-election shares.

Election Procedures. All elections must be made on the election form. To make an effective election with respect to your shares of Community First stock, you must, in accordance with the election form:

properly complete and return the election form to American, the exchange agent designated by American to receive these materials, and

deliver with the election form your Community First common stock and Series A preferred stock certificates and any other required documents prior to the election deadline.

If you have a particular preference as to the form of consideration to be received for your shares of Community First stock, you must make an election, because shares as to which an election has been made will be given priority in allocating the selected consideration over shares for which no election was made. Neither the Community First board nor its financial advisor makes any recommendation as to whether shareholders should elect to receive the cash consideration or the stock consideration in the merger. You must make your own decision with respect to your election, bearing in mind the tax consequences of the election you choose. See Material Federal Income Tax Consequences beginning on page 40.

Even if you have no preference, we suggest that you return your election form together with your Community First common stock and Series A preferred stock certificates by the election deadline indicating that you have no preference, so that you may receive the merger consideration allocable to you promptly following completion of the exchange procedures after the merger is consummated. See Procedures for Exchanging Community First Stock Certificates beginning on page 32.

Allocation Procedures. Your ability to receive all cash or all shares of American common stock in exchange for your shares of Community First stock in the merger is 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 an American common stock value 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 50% of the outstanding common and Series A preferred stock, combined, will be exchanged for American common stock.

It is unlikely that the Community First shareholders will make elections in the exact proportions provided for in the merger agreement. As a result, the merger agreement describes procedures to be followed if Community First shareholders in the aggregate elect to receive more or less of the American common stock than American has agreed to issue. These procedures are summarized below.

Pursuant to the merger agreement, the aggregate cash consideration in the merger must amount to half of the merger consideration paid. The merger consideration to be paid includes the cash and American common stock, valued at \$22.78 per share, paid to holders of Community First

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common stock and Series A preferred stock, as well as the cash paid to holders of Community First stock options not exercised to cancel the stock options.

If the cash elections total more than the aggregate cash consideration, all no-election shares will be converted to stock election shares and a sufficient number of shares from among the holders of cash election shares will be converted on a pro rata basis into stock election shares, so that the total cash paid equals as closely as practicable, but is less than, the aggregate cash consideration. This pro ration will reflect the proportion that the number of cash election shares of each holder of cash election shares bears to the total number of cash election shares.

If the cash elections total less than the aggregate cash consideration, a sufficient number of shares will be converted into cash election shares, first from among the holders of no-election shares and then, if necessary, from among the holders of stock election shares on a pro rata basis, so that the total cash paid equals as closely as practicable, but is less than, the aggregate cash consideration. This proportion will reflect the proportion that the number of stock election shares of each holder of stock election shares bears to the total number of stock election shares.

The above-described allocation will be made by American's exchange agent within five business days after the completion of the merger.

Procedures for Exchanging Community First Stock Certificates

Shortly after the mailing of this proxy statement/prospectus, American will send you in a separate mailing an election form and letter of transmittal for use in effecting your election and for the surrender of your Community First common stock and Series A preferred stock certificates in exchange for the merger consideration ultimately allocated to you. The election form and letter of transmittal and other related documents contain instructions describing the appropriate steps you must take in order to make an effective election and to properly surrender your Community First common stock and Series A preferred stock for exchange and cancellation to the exchange agent. **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 Monday, March 27, 2006.**

The exchange agent will complete the allocation within five business days after the effective time of the merger, which we anticipate will be on or about April 1, 2006. Shareholders who have surrendered their Community First common stock and Series A preferred stock certificates together with a properly completed election form and letter of transmittal will receive the merger consideration allocated to them as soon as practicable thereafter.

Please be aware that you will not receive the merger consideration you are entitled to until you return your properly completed election form and letter of transmittal and your Community First common stock and Series A preferred stock certificates to the exchange agent. No interest will be paid or accrued on any cash constituting merger consideration (including cash in lieu of fractional shares) during this time. In addition, you will not receive any dividends on American common stock you are to receive or other distributions with respect to American's common stock declared after the completion of the merger, until you have surrendered your Community First stock certificates. Only then will you be entitled to receive all previously withheld dividends and distributions, but without interest.

Accordingly, it is important for you to act promptly. Please carefully read and accurately complete the election form and letter of transmittal and deliver it together with your Community First common stock and Series A preferred stock certificates to American prior to the election deadline.

No stock certificates representing fractional shares of American common stock will be issued upon the surrender for exchange of Community First stock certificates. In lieu of the issuance of any such fractional share, American will pay to each former shareholder of Community First who otherwise would be entitled to receive a fractional share of American common stock an amount in cash determined by multiplying the fraction of a share of American common stock that the holder would otherwise be entitled to receive pursuant to the merger agreement by \$22.78.

After completion of the merger, no transfers of Community First common stock or Series A preferred stock issued and outstanding immediately prior to the completion of the merger will be allowed. Community First stock certificates that are presented for transfer after the completion of the merger will be canceled and exchanged for the appropriate merger consideration.

American will only issue an American stock certificate in a name other than the name in which a surrendered Community First stock certificate is registered if you present the exchange agent with all documents required to show and effect the unrecorded transfer of ownership of the shares of Community First common stock or Series A preferred stock formerly represented by the Community First stock certificate, and show that you paid any applicable stock transfer taxes.

If your Community First stock certificate has been lost, stolen or destroyed, you may be required to deliver an affidavit and a lost certificate bond as a condition to receiving any American stock certificate to which you may be entitled.

Representations and Warranties; Conditions to the Merger

The merger agreement contains representations and warranties by American and Community First, including representations and warranties with respect to their individual organizations, authorizations to enter into the merger agreement, capitalization, financial statements and pending and threatened litigation. These representations and warranties, except as otherwise provided in the merger agreement, will not survive the effective time of the merger.

The obligations of American and Community First to consummate the merger are subject to the following conditions, among others:

approval of the merger agreement by the shareholders of Community First;

receipt of all necessary regulatory approvals not conditioned or restricted in a manner that, in the reasonable opinion of the boards of directors of American or Community First, would so materially adversely impact the economic or business benefits of the merger so as to render inadvisable the consummation of the merger;

the continuing effectiveness of American's registration statement filed with the Securities and Exchange Commission;

receipt by American and Community First of a legal 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;

no order, decree or injunction issued preventing completion of the merger; and

approval from the Nasdaq Stock Market for the listing on the Nasdaq National Market of the shares of American common stock to be issued in the merger.

Also, each company's obligation to effect the merger, unless waived, is subject to:

performance in all material respects by the other company of its obligations under the merger agreement;

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the representations and warranties of American and Community First in the merger agreement being true and correct, subject to exceptions (which include matters that, individually or in the aggregate, do not materially adversely affect the merger and the other transactions contemplated by the merger agreement); and

the receipt of certain certificates from the other company.

Regulatory Approvals

The merger of Community First into American cannot occur without the approval of the Board of Governors of the Federal Reserve System and the Virginia State Corporation Commission. On January 19, 2006, American filed a notification with the Federal Reserve and an application with the Virginia State Corporation Commission for approval of the merger. The notification and application were each accepted, but approval has not been obtained.

The merger of Community First Bank into American National Bank, which the parties intend to effect shortly after the merger of Community First and American, cannot occur until it is approved by the Office of the Comptroller of the Currency. On January 31, 2006, American filed a notification with the Comptroller of the Currency for approval of the merger. The notification has been accepted, but approval has not yet been obtained.

While we cannot predict whether or when we will obtain all required regulatory approvals, we see no reason why the approvals will not be obtained in a timely manner. However, there can be no assurance that the necessary approvals will be obtained, or that any approval will not be conditioned in a manner that makes consummation of the merger, in the judgment of the board of directors of American or Community First, inadvisable or unduly burdensome.

Business Pending the Merger

Until the effective time of the merger, Community First has agreed to conduct its and its subsidiary's operations only in the ordinary and usual course, and to use reasonable best efforts to preserve intact their business organizations and assets and maintain their rights, franchises and authorizations and their existing relations with customers, suppliers, employees and business associates.

Unless Community First obtains the prior consent of American, until the effective time of the merger, Community First may not:

take any action, engage in any transactions or enter into any agreements that would adversely affect or delay in any material respect the ability of American or Community First to obtain the necessary approvals, consents or waivers required to effect the merger or to perform its covenants and agreements on a timely basis;

issue any capital stock, except upon exercise of options issued pursuant to its existing stock option plan;

enter into or amend any written employment or severance agreement or similar arrangement with any of its directors, officers or employees, or grant any salary or wage increase or increase any employee compensation, except for normal individual increases to employees and employee bonuses made in the ordinary course of business consistent with past practice;

enter into or amend (except as required by law), any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare arrangement, or any related trust agreement, relating to any of its directors, officers or employees, including any action that accelerates the vesting or exercise of any benefits payable thereunder, except in the ordinary course of Community First's business or as otherwise permitted or required by the merger agreement;

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incur any obligation or liability (whether absolute or contingent, excluding suits against Community First), make any pledge, encumber any of its assets, or dispose of any of its assets in any other manner, except in the ordinary course of business and for adequate value, or as otherwise permitted in the merger agreement;

make, declare, pay or set aside for payment any dividend (other than as permitted in the merger agreement) on or in respect of, or declare or make any distribution on any shares of stock or, in any way, adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of Community First's own stock, except in the ordinary course of business to satisfy obligations under dividend reinvestment or employee benefit plans;

acquire all or any portion of the assets, business, deposits or properties of any other entity except in the ordinary course of business;

make changes in accounting principles, practices or methods, other than as may be required by generally accepted accounting principles or relevant regulatory accounting requirements;

take any action that would prevent the merger from qualifying as a tax-free reorganization within the meaning of the Internal Revenue Code;

make any capital expenditures other than in the ordinary course of business and consistent with past practice in excess of \$5,000 individually or \$25,000 in the aggregate;

change its lending, investment, asset/liability management or other material banking policies in any material respect, except as may be required by law;

file any application to establish, relocate or terminate the operations of any banking office of Community First Bank;

alter, amend or repeal its articles of incorporation or bylaws; or

take any action that would cause any of its representations and warranties in the merger agreement to become untrue.

Pending consummation of the merger, American has agreed that it will operate its business in the ordinary course and use its best efforts to preserve its respective properties, business and customer and employee relationships. In addition, American has agreed that it will not take any action, engage in any transactions or enter into any agreements that would adversely affect or delay in any material respect the ability of American or Community First to obtain the necessary approvals, consents or waivers required to effect the merger or to perform its covenants and agreements on a timely basis. Finally, American has agreed that it will not take any action that would prevent the merger from qualifying as a tax-free reorganization within the meaning of the Internal Revenue Code.

No Solicitation

Community First has agreed not to solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations regarding any merger, reorganization, consolidation, share exchange, joint venture, business combination or similar transaction involving Community First, or any purchase of all or any material portion of the assets of Community First (referred to as an acquisition transaction).

Notwithstanding the non-solicitation provision described above, the Community First board may furnish information to, or enter into discussions or negotiations with, any person or entity that makes an unsolicited, written bona fide proposal regarding a transaction described above if, but only to the extent that:

the Community First board concludes in good faith, after consultation with and based upon the written advice of outside counsel, that it is required to furnish such information or enter into such discussions or negotiations in order to comply with its fiduciary duties to shareholders under applicable law;

prior to taking such action, Community First receives from such person or entity an executed confidentiality agreement; and

the Community First board concludes in good faith, after consultation with its financial and legal advisors, taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal that the proposed transaction (a) is more favorable to its shareholders, from a financial point of view, than the merger with American and (b) is fully financed or reasonably capable of being fully financed and otherwise reasonably capable of being completed on the terms proposed (a superior proposal).

Community First is required to notify American of the receipt of any such proposal or inquiry, and to provide it with the identity of the party making the proposal or inquiry and the terms and conditions of the proposal or inquiry.

Waiver and Amendment

At any time on or before the effective time of the merger, any term or condition of the merger may be waived by the party that is entitled to the benefits thereof, without shareholder approval, to the extent permitted under applicable law. The merger agreement may be amended at any time before the merger by agreement of the parties whether before or after the later of the date of the Community First special meeting, except statutory requirements and requisite approvals of the shareholders of Community First and regulatory authorities. Any material change in the merger agreement would require a resolicitation of Community First's shareholders. Such a change would include, but not be limited to, a change in the tax consequences to Community First's shareholders.

Termination of the Merger Agreement

The merger agreement may be terminated:

by mutual consent of the parties;

by either American or Community First if any condition that must be satisfied for such company to complete the merger is not met, including the conditions that (a) the other company's representations and warranties are true and correct as of the effective time of the merger, subject to exceptions, and (b) the other company has performed in all material respects all obligations required to be performed by it under the merger agreement prior to the effective time of the merger;

by either American or Community First if the merger is not completed by June 30, 2006, except that the right to terminate is not available to a company whose failure to perform an obligation under the merger agreement has been the cause of, or has resulted in, the failure of the merger to occur on or before such date;

by American, prior to the special meeting, if (a) Community First breaches the covenants described under "No Solicitation" on page 35, (b) the Community First board of directors has failed to recommend that the shareholders of Community First approve the merger agreement or has withdrawn, modified or changed such recommendation in a manner which is adverse to American, or (c) Community First breaches its covenants requiring the calling and holding of a meeting of shareholders to consider the merger agreement;

by American, if Community First, without having received American's prior written consent, enters into an agreement with any person to (a) acquire, merge or consolidate, or enter into any similar transaction, with Community First, (b) purchase, lease or otherwise acquire all or substantially all of the assets of Community First, or (c) purchase or otherwise acquire directly from Community First securities representing 10% or more of the voting power of Community First;

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by American if a third party commences a tender offer or exchange offer for 20% or more of the outstanding Community First common stock and the board of directors of Community First fails to recommend that Community First shareholders reject the offer within a specified period; and

by Community First prior to the special meeting in order to enter into an acquisition agreement or similar agreement with respect to an unsolicited superior proposal, as defined in the merger agreement and under No Solicitation on page 35, 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 to Community First at least as favorable as the superior proposal, as determined by the Community First board of directors.

The merger agreement gives Community First the right to terminate the merger agreement upon notice if the price of American common stock significantly decreases. If termination notice is given, American has the right, but is not required, to increase the stock consideration to an amount that, based on the current value of the American common stock, provides a value in such stock equal to \$18.22 per share.

This provision gives Community First the right to seek to terminate the merger agreement if:

the average closing price per share of American common stock on the Nasdaq National Market for the five consecutive trading days ending on the last trading day before the tenth calendar day before the date designated by American to complete the merger, is less than \$18.22; and

(a) the amount determined by dividing (1) the average closing price per share of American common stock during the five-trading day period described in the preceding bullet point by (2) \$22.78, is less than (b) 0.15 less than the amount determined by dividing (1) the weighted average (weighted in accordance with the factors set forth in the merger agreement) of the closing sales prices of the nine bank holding companies designated in the merger agreement on the tenth calendar day before the date that American designates to complete the merger, by (2) the weighted average of the closing prices of the nine bank holding companies on October 18, 2005.

The determination of whether the conditions set forth in the preceding bullet point have been satisfied will be made on the tenth calendar day before the date that American designates to complete the merger. If, before that date, any of the nine specified bank holding companies publicly announce that it is to be acquired or that it is to acquire another company in a transaction with a value exceeding 25% of the acquirer's market capitalization, the affected bank holding company will be eliminated from the calculation.

If Community First were to seek to exercise its right to terminate the merger agreement, it would be required to notify American during the five-day period that begins on the date the value determination is made as provided above. American would then have five days to notify Community First of its election to increase the merger consideration so that Community First shareholders would receive for each share of Community First common stock a number of shares of American common stock with a value, based on the average closing price of American common stock over the five-trading day period, at least equal to \$18.22. **American would have no obligation to elect to increase the exchange ratio.** If American were to exercise its right to increase the merger consideration, Community First would be required to proceed with the merger using the increased exchange ratio and in accordance with all other terms of the merger agreement.

These conditions reflect the parties' agreement that Community First shareholders will assume certain risks of decline in the market value of American common stock. If, as of the date for making this determination, the value of American common stock were to have declined such that the value of the consideration to be received for each share of Community First common stock were less than \$18.22, but were not to have declined by more than 15% more than the average stock price of the nine specified bank holding companies, then Community First's shareholders would continue to assume the risk of decline in the value of American common stock.

If the Community First board of directors elects to seek to terminate the merger agreement and the merger under the circumstances described above, American may avoid termination by increasing the exchange ratio. In deciding whether to increase the exchange ratio, the principal factors American would consider include the projected effect of the merger on American's pro forma earnings and book value per share and whether American's assessment of Community First's earning potential as part of American justifies the issuance of a greater number of shares of

American common stock. Community First may, at any time before the expiration of its five-day election

period, elect to withdraw its election to terminate and to proceed with the merger without adjustment to the exchange ratio. In making this determination, the principal factors the Community First board would consider include whether the merger remains in the best interest of Community First and its shareholders despite the decline in the American common stock price and whether the consideration to be received by Community First shareholders remains fair from a financial point of view. Before making any decision to terminate the merger agreement or to proceed with the merger without adjustment of the exchange ratio, the Community First Board would consult with its financial and other advisors and would consider all financial and other information it deemed relevant to its decision, including considerations relating to the necessity or desirability of soliciting the Community First shareholders again under the circumstances. If Community First elected not to exercise its right to seek to terminate the merger agreement and the merger, the exchange ratio would remain 0.9219 shares of American common stock for each share of Community First common stock, and the dollar value of the consideration which the Community First shareholders would receive for each share of Community First common stock would be the value of 0.9219 shares of American common stock as of the time the merger becomes effective.

You should be aware that the market value of a share of American common stock will fluctuate and that neither American nor Community First can give you any assurance as to what the price of American common stock will be when the merger becomes effective or when certificates for those shares are delivered following surrender and exchange of your certificates for shares of Community First stock. We urge you to obtain information on the market value of American common stock that is more recent than that provided in this proxy statement/prospectus. See *Market for Common Stock and Dividends* on page 53.

In the event of termination, the merger agreement will become null and void, except that certain provisions thereof relating to expenses and confidentiality of information exchanged between the parties will survive any such termination.

Termination Fees

The merger agreement provides that Community First must pay American a \$1.4 million termination fee under the circumstances and in the manner described below:

if the merger agreement is terminated by American for any of the reasons described in the fourth (other than clause (b)), fifth or sixth bullet points in the first paragraph under *Termination of the Merger Agreement* on page 36 or by Community First for the reasons described in the last bullet point in such section, Community First must pay the termination fee to American concurrently with the termination of the merger agreement; or

if (x) the merger agreement is terminated by American as a result of a material breach by Community First of a representation, warranty or performance requirement contained in the merger agreement, by American if the Community First board fails to recommend that Community First stockholders approve the merger (or changes such recommendation prior to the special meeting) or by either American or Community First because the merger has not been consummated by June 30, 2006 (other than due to a breach by the terminating party), and in the case of any termination referenced above, a proposal for an acquisition transaction (as defined under *No Solicitation* on page 35) shall have been publicly announced or otherwise communicated or made known to the senior management or the board of directors of Community First (or any person shall have publicly announced, communicated or made known an intention, whether or not conditional, to propose an acquisition transaction) at any time after the date of the merger agreement and prior to the date of termination of the merger agreement, and (y) within 18 months after such termination, Community First consummates a transaction which is the subject of an acquisition transaction, Community First shall pay the termination fee to American on the date such transaction is consummated.

Any termination fee that becomes payable pursuant to the merger agreement will be paid by wire transfer of immediately available funds to an account designated by the receiving party.

If Community First fails to timely pay the termination fee to American, Community First will be obligated to pay the costs and expenses incurred by American to collect such payment, together with interest.

Affiliate Agreement

In connection with the execution and delivery of the merger agreement, the directors and executive officers of Community First entered into an affiliate agreement with American under which these individuals agreed to vote all of their shares in favor of the merger agreement. As of February 6, 2006, these individuals owned shares of Community First common stock representing approximately 43.0% of the outstanding common shares and 45.0% of the outstanding Series A preferred stock of Community First entitled to vote on the merger.

The affiliate agreement prohibits, subject to limited exceptions, the directors and executive officers of Community First from selling, transferring, pledging, encumbering or otherwise disposing of any shares of Community First stock. The affiliate agreement terminates upon the earlier to occur of the completion of the merger and the termination of the merger agreement in accordance with its terms.

Accounting Treatment

The merger will be accounted for under the purchase method of accounting under generally accepted accounting principles. Under the purchase method of accounting, the assets and liabilities of Community First will be recorded, as of completion of the merger, at their respective fair market values and added to those of American. Financial statements and reported results of operations of American issued after completion of the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Community First.

Interests of Certain Persons in the Merger

As discussed below, certain members of Community First's management, as well as certain members of the Community First board of directors, have interests in the merger in addition to their interests as shareholders of Community First. In each case, the Community First board was aware of these potential interests, and considered them, among other matters, in approving the merger agreement and the transactions contemplated thereby.

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

Director Appointments. American will select and appoint one of Community First's current directors to the board of American. In addition, American will select and appoint one of Community First's current directors to the board of American National Bank. The same person may be appointed to both boards. Finally, directors of Community First or Community First Bank selected by American will serve on a Lynchburg Advisory Board of American National Bank.

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Potential Severance Payments Under Employment Agreements. Community First has employment agreements with the following executive officers: 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 a lump sum or in monthly installments. The approximate aggregate payments to each officer amount to the following: for Mr. Falls, \$333,800; for Mr. Davis, \$224,600; for Mr. Thomas, \$321,700; and for Mr. Mason, \$278,100.

John L. Wynne, the former President and Chief Executive Officer of Community First and Community First Bank, voluntarily resigned as an officer of Community First and Community First Bank on September 20, 2005

pursuant to the terms and conditions of an agreement between Community First and Mr. Wynne that superseded his employment agreement. Under this agreement, Community First agreed to continue to employ Mr. Wynne to assist Community First on various assignments and projects on an as-needed basis at a salary of \$10,000 per month. By its terms, this agreement will terminate upon consummation of the merger. The merger agreement provides that Mr. Wynne is entitled to receive a severance payment on the same basis as the officers listed above. The payment to Mr. Wynne will be approximately \$372,100.

Stock Options. Certain directors, officers and employees of Community First hold stock options under Community First's stock option plan to acquire an aggregate of 233,956 shares of Community First common stock at exercise prices ranging from \$8.33 to \$9.17 per share. Options for each share, to the extent not exercised before the merger, will be cancelled in exchange for a cash payment equal to the difference between the per share exercise price and \$21.00.

Employee and Benefit Plans. As soon as administratively practicable following the merger, employees of Community First who continue on as employees of American will be entitled to participate in the American pension, health and welfare benefit and similar plans on the same terms and conditions as employees of American. These employees will receive credit for their years of service to Community First for participation and vesting purposes only.

Material Federal Income Tax Consequences

The following is a general discussion of certain federal income tax consequences of the merger to Community First shareholders under the Internal Revenue Code of 1986. The discussion does not deal with all aspects of federal taxation that may be relevant to particular Community First shareholders. Certain tax consequences of the merger may vary depending upon the particular circumstances of each Community First shareholder and other factors.

Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. You are urged to consult with your tax advisor to determine the particular tax consequences of the merger to you.

This summary is based on current law as in effect on the date of this proxy statement/prospectus and the advice of LeClair Ryan, A Professional Corporation, legal counsel to American. This law is subject to change and any such change may be made with retroactive effect. No assurance can be given that, after any such change, this summary would not be different. The advice in this summary is also based on, among other things, certain customary assumptions and representations by American and Community First relating to certain facts and circumstances of, and the intentions of the parties to, the merger. Neither American nor Community First has requested a ruling from the Internal Revenue Service in connection with the merger.

The Merger. The merger, when consummated in accordance with the terms of the merger agreement, will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

The federal income tax consequences of the merger to a Community First shareholder generally will depend on whether the shareholder receives cash, American common stock or a combination of those in exchange for his or her shares of Community First common stock or Series A preferred stock.

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If you receive solely American common stock in exchange for all of your shares of Community First stock pursuant to the merger, you will not recognize gain or loss on the exchange. However, if you receive cash in lieu of a fractional share interest in American common stock, you will be treated as having received a fractional share of American common stock in the merger and having immediately exchanged that fractional share for cash in a taxable redemption by American. Your tax basis in American common stock actually received pursuant to the merger will equal your tax basis in the shares of Community First stock being exchanged, reduced by any amount allocable to a fractional share interest of American common stock for which cash is received. The holding period of American common stock received will include the holding period of the shares of Community First stock being exchanged.

If you receive solely cash in exchange for all of your shares of Community First stock pursuant to the merger, you generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash received and your aggregate tax basis for those shares of Community First stock, which gain or loss will be long-term capital gain or loss if the shares of Community First stock were held for more than one year. If, however, you are treated under the Internal Revenue Code as the constructive owner of Community First stock that is exchanged for American common stock in the merger or you own American common stock actually or constructively after the merger, some or all of any gain realized by you may not qualify for treatment as capital gain but instead may, to the extent of Community First's accumulated earnings and profits, be treated as receipt of a dividend taxable at ordinary income rates. Under the constructive ownership rules of the Internal Revenue Code, a shareholder may be treated as owning stock that is actually owned by another person or entity. You should consult your tax advisor about the possibility that all or a portion of any cash received in exchange for your shares of Community First stock will be treated as a dividend.

If you receive both American common stock and cash consideration in exchange for all of your shares of Community First stock, you generally will recognize gain, but not loss, to the extent of the lesser of (a) the excess, if any, of (i) the sum of the aggregate fair market value of the American common stock received (including any fractional share of American common stock deemed to be received and exchanged for cash) and the amount of cash received (excluding any cash received in lieu of a fractional share of American common stock) over (ii) your aggregate tax basis in the shares of Community First stock exchanged in the merger; and (b) the amount of cash you receive.

Any gain recognized with respect to a block of Community First shares will generally be long-term capital gain if the shares of Community First stock exchanged were held for more than one year. However, if the receipt of cash in exchange for that block of Community First shares is treated as equivalent to the distribution of a dividend under the Internal Revenue Code, the gain will be treated as a dividend to the extent of your ratable share of the undistributed accumulated earnings and profits of Community First. Although the federal tax rate for long term capital gains and for dividends is now the same, long term capital gains are calculated after deducting your basis in the stock, while dividends are calculated on the entire amount included. You should consult your tax advisor about the possibility that all or a portion of any cash received in exchange for your Community First stock will be treated as a dividend.

Your aggregate tax basis in American common stock received pursuant to the merger, if any, will equal your aggregate tax basis in the shares of Community First stock being exchanged, reduced by any amount allocable to a fractional share interest of American common stock for which cash is received and by the amount of any cash consideration received, and increased by the amount of taxable gain, if any, recognized by you in the merger (including any portion of such gain that is treated as a dividend).

Cash in Lieu of Fractional Shares. No fractional shares of American common stock will be issued in the merger. If you receive cash in lieu of a fractional share, you will be treated as having received such fractional share pursuant to the merger and then as having exchanged such fractional share for cash in a redemption by American. You generally will recognize capital gain or loss on a deemed redemption of the fractional share in an amount determined by the excess of the amount of cash received and your tax basis in the fractional share. Any capital gain or loss will be long-term capital gain or loss if the Community First stock exchanged was held for more than one year.

Closing Opinion. It is a condition precedent to the obligations of American and Community First to effect the merger that they receive an opinion from LeClair Ryan, dated as of the effective time of the merger, that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Such opinion will be based upon facts existing at the effective time of the merger, and in rendering such opinion, counsel will require and rely upon facts, representations and assumptions that will be provided by American, Community First and others.

American and Community First have not and will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger, and as a result there can be no assurance that the Internal Revenue Service will not disagree with or challenge any of the conclusions described in this proxy-prospectus.

Backup Withholding. Non-corporate holders of Community First stock may be subject to information reporting and backup withholding imposed at a rate of 28% on any cash payments they receive. Community First shareholders will not be subject to backup withholding, however, if they:

furnish a correct taxpayer identification number and certify that they are not subject to backup withholding on the substitute Form W-9 or successor form included in the election form/letter of transmittal they will receive; or

are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Community First shareholder's United States federal income tax liability, provided they furnish the required information to the Internal Revenue Service.

Reporting Requirements. Community First shareholders who receive American common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with their United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

Appraisal Rights

The following discussion is only a summary and does not purport to be a complete statement of the law pertaining to appraisal rights under the Virginia Stock Corporation Act (referred to as the Virginia SCA). The text of Article 15 of the Virginia SCA is reprinted in its entirety as Appendix V to this proxy statement/prospectus. This summary is qualified in its entirety by a reference to Article 15 of the Virginia SCA. Under the Virginia SCA, eligible holders who follow the procedures set forth in Article 15 of the Virginia SCA will be entitled to receive payment of the fair value of such shares. Any eligible holder who wishes to exercise appraisal rights should review the following discussion and Appendix V carefully, because failure to comply in a timely and proper manner with the procedures specified may result in the loss of appraisal rights under the Virginia SCA.

An eligible holder wishing to exercise appraisal rights must deliver to Community First prior to or at the shareholders' meeting (but in any event before the vote is taken), a written notice of intent to demand payment for the eligible holder's shares. An eligible holder delivering a notice of intent must not vote his or her shares of common stock in favor of the merger or he or she will lose his or her appraisal rights. All notices of intent should be sent or delivered to:

Community First Financial Corporation

1646 Graves Mill Road

Lynchburg, Virginia 24502

Attention: Francis F. Falls, Corporate Secretary

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Within 10 days after the effective time of the merger, if the shareholders approve the merger agreement, Community shall deliver an appraisal notice in writing to all dissenting holders. The appraisal notice shall:

state where the dissenting holder's payment demands shall be sent and where and when stock certificates shall be deposited;

set a date by which the surviving corporation must receive the payment demand; and

include such other information as required by the Virginia SCA.

A holder demanding appraisal to whom a notice is sent must demand payment within the time specified in the notice, deposit his or her stock certificates in accordance with the terms of the dissenter's notice and make certain certifications required by the Virginia SCA. If the holder fails to take such actions, he or she will lose his or her appraisal rights.

Within 30 days of Community First's receipt of a demand for payment from a dissenting holder, Community First must pay the dissenting holder Community First's estimate of the fair value of the dissenting holder's shares plus interest. With any payment, Community First must provide its most recent year-end and interim financial statements, an explanation of how Community First calculated the fair value of the shares and interest, a statement of the holder's right to continue to demand fair value for his or her shares and a copy of Article 15 of the Virginia SCA. Community First's payment obligation may be enforced by a holder demanding appraisal on an expedited basis in a Virginia circuit court, if necessary.

A holder demanding appraisal who is not satisfied with the amount paid or offered by Community First must notify Community First of his or her own estimate of the fair value of his or her shares and the amount of interest due (less any amount already received from Community First). This notice must be given in writing within 30 days of the date that Community First made or offered to make payment for the holder's shares.

If a dissenting holder's demand for payment remains unsettled, Community First is obligated to commence a proceeding to determine the fair value of the shares and accrued interest within 60 days of the receipt of the dissenting holder's payment demand. If Community First fails to commence such proceeding in accordance with the Virginia SCA, it must pay the dissenting holder the amount demanded by the dissenting holder. The appraisal proceeding must be brought in a Virginia circuit court.

Dissenting holders considering seeking appraisal should be aware that the fair value of their shares of common stock, as determined under Article 15 of the Virginia SCA, could be more than, the same as, or less than, the merger consideration that would be paid to them pursuant to the merger agreement. The costs and expenses of the appraisal proceeding will be determined by the court and assessed against Community First unless the court determines that the dissenting holder did not act in good faith in demanding payment of the fair value of their shares, in which case, costs and expenses may be assessed against the dissenting holder. Dissenting holders will only be entitled to receive payment in accordance with Article 15 of the Virginia SCA and will not be entitled to vote their shares of common stock or exercise any other rights of a shareholder. A dissenting holder may withdraw his or her demand only with the consent of Community First.

If any eligible holder who demands appraisal of his or her shares under Article 15 fails to perfect, or effectively withdraws or loses, his or her right to appraisal, as provided in the Virginia SCA, the shares of Community First stock of such holder will be converted into the right to receive the merger consideration in accordance with the merger agreement.

Certain Differences in Rights of Shareholders

Both American and Community First are corporations subject to the provisions of the Virginia SCA. The rights of Community First shareholders are presently governed by Community First's articles of incorporation and bylaws, as well as the Virginia SCA. Upon consummation of the merger and certain Community First shareholders becoming shareholders of American, such shareholders' rights will be governed by the articles of incorporation and bylaws of American and the Virginia SCA.

There are no material differences between the rights of a Community First shareholder under Community First's articles of incorporation and bylaws, on the one hand, and the rights of an American shareholder under the articles of incorporation and bylaws of American, on the other hand, except as disclosed in the section "Comparative Rights of Shareholders" on page 58.

Restrictions on Resales of Shares by Affiliates

The shares of American common stock to be issued in connection with the merger will be registered under the Securities Act of 1933 and will be freely transferable under the Securities Act, except for shares issued to any

person who is deemed to be an affiliate of Community First at the time of the special meeting. An affiliate of Community First, as defined by the rules under the Securities Act, is a person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, Community First. Affiliates of Community First generally include a director, executive officer or 10% shareholder of Community First.

Each affiliate of Community First has agreed that he or she will not transfer any shares of stock received in the merger except in compliance with the Securities Act. This proxy statement/prospectus does not cover any resale of American common stock received in the merger by any person who may be deemed to be an affiliate of Community First.

Expenses of the Merger

In general, whether or not the merger is consummated, Community First and American will pay their own expenses incident to preparing, entering into and carrying out the merger agreement, and preparing and filing this proxy statement/prospectus. American and Community First will, however, share equally the expenses of printing this proxy statement/prospectus.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information and explanatory notes are presented to show the impact of the merger on the companies' historical financial positions and results of operations in accordance with Statement of Financial Accounting Standard No. 141, Business Combinations and Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets. Under these statements, the assets and liabilities of the company not surviving the merger are, as of the effective time of the merger, recorded at their respective fair values and added to those of the surviving company. The unaudited pro forma condensed combined financial information combines the historical financial information of American and Community First as of and for the nine months ended September 30, 2005, and for the year ended December 31, 2004. The unaudited pro forma condensed combined balance sheet as of September 30, 2005, assumes the merger was consummated on that date. The unaudited pro forma condensed combined statements of income give effect to the merger as if the merger had been consummated at the beginning of each period presented.

The unaudited pro forma condensed combined financial information is based on, derived from, and should be read in conjunction with the historical consolidated financial statements and the related notes of American and Community First which are included in this proxy statement/prospectus or incorporated in this document by reference.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred, or financial position that would have existed, if the merger had been consummated during the period or as of the date for which the pro forma data are presented, nor is it necessarily indicative of future operating results or financial position of the combined company.

American National Bankshares Inc. and Community First Financial Corporation

Pro Forma Combined Condensed Balance Sheet

As of September 30, 2005

(Unaudited)

The following unaudited pro forma combined condensed balance sheet combines the consolidated historical balance sheets of American and Community First assuming the companies had been combined as of September 30, 2005.

(In thousands)	American	Community First	Pro Forma Adjustments	Pro Forma Combined
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and due from banks	\$ 17,457	\$ 7,998	\$ 5,059	\$ 30,514
Interest-bearing deposits in other banks	6,407	245		6,652
Federal funds sold		650		650
Securities available for sale and restricted equity securities	146,922	8,318	(600)	154,640
Securities held to maturity	19,050			19,050
Total securities	<u>165,972</u>	<u>8,318</u>	<u>(600)</u>	<u>173,690</u>
Loans held for sale	1,379			1,379
Loans, net of unearned income	409,219	137,515	(1,309)	545,425
Less allowance for loan losses	(8,515)	(1,405)	410	(9,510)
Net loans	<u>400,704</u>	<u>136,110</u>	<u>(899)</u>	<u>535,915</u>
Bank premises and equipment, net	7,660	4,099	987	12,746
Goodwill and core deposit intangibles	171		24,616	24,787
Accrued interest receivable and other assets	11,465	4,594		16,059
Total assets	<u>\$ 611,215</u>	<u>\$ 162,014</u>	<u>\$ 29,163</u>	<u>\$ 802,392</u>
LIABILITIES				
Noninterest bearing demand deposits	\$ 90,880	\$ 19,637		\$ 110,517
Interest bearing deposits	386,418	124,884	260	511,562
Total deposits	<u>477,298</u>	<u>144,521</u>	<u>260</u>	<u>622,079</u>
Repurchase agreements	41,873			41,873
Borrowings	17,275	2,500	22,000	41,775
Preferred cash dividend payable		150		150
Accrued interest payable and other liabilities	2,855	573	3,873	7,301
Total liabilities	<u>539,301</u>	<u>147,744</u>	<u>26,133</u>	<u>713,178</u>
Shareholders equity				
Preferred stock		2,971	(2,971)	

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Common stock, American; \$1 par	5,438		744	6,182
Common stock, Community First; No par		9,650	(9,650)	
Capital in excess of par value	9,463		16,688	26,151
Retained earnings	57,661	1,739	(1,739)	57,661
Accumulated other comprehensive income (loss), net	(648)	(90)	(42)	(780)
	<u>71,914</u>	<u>14,270</u>	<u>3,030</u>	<u>89,214</u>
Total liabilities and shareholders equity	<u>\$ 611,215</u>	<u>\$ 162,014</u>	<u>\$ 29,163</u>	<u>\$ 802,392</u>

See accompanying notes to pro forma financial information.

American National Bankshares Inc. and Community First Financial Corporation

Pro Forma Combined Condensed Statement of Income

Nine Months Ended September 30, 2005

(Unaudited)

The following unaudited pro forma combined condensed statement of income combines the consolidated historical statements of income of American and Community First assuming the companies had been combined as of January 1, 2005.

(In thousands, except share data)	American	Community First	Pro Forma Adjustments	Pro Forma Combined
Interest Income	\$ 23,897	\$ 7,202	\$ 560	\$ 31,659
Interest Expense	6,204	2,782	604	9,590
Net interest income	17,693	4,420	(44)	22,069
Provision for loan losses	720	296		1,016
Net interest income after provision for loan losses	16,973	4,124	(44)	21,053
Noninterest Income	5,936	534		6,470
Noninterest Expense	12,633	3,771	161	16,565
Income before income tax provision	10,276	887	(205)	10,958
Income tax provision	2,959	266	(70)	3,155
Net income	\$ 7,317	\$ 621	\$ (135)	\$ 7,803
Preferred stock dividend		150	(150)	
Net Income available to common shareholders	\$ 7,317	\$ 471	\$ 15	\$ 7,803
Per Share Data				
Net income, basic	\$ 1.34	\$ 0.41	\$ (0.50)	\$ 1.25
Net income, diluted	\$ 1.33	\$ 0.38	\$ (0.46)	\$ 1.25
Cash dividends - common stock	\$ 0.62			\$.62
Average common shares outstanding				
Basic	5,474,514	1,162,326	(418,336)	6,218,504
Diluted	5,518,928	1,248,288	(504,298)	6,262,918

See accompanying notes to pro forma financial information.

American National Bankshares Inc. and Community First Financial Corporation

Pro Forma Combined Condensed Statement of Income

Year Ended December 31, 2004

(Unaudited)

The following unaudited pro forma combined condensed statement of income combines the consolidated historical statements of income of American and Community First assuming the companies had been combined as of January 1, 2004.

(In thousands, except share data)	American	Community First	Pro Forma Adjustments	Pro Forma Combined
Interest Income	\$ 30,120	\$ 8,756	\$ 683	\$ 39,559
Interest Expense	7,479	3,136	406	11,021
Net interest income	22,641	5,620	277	28,538
Provision for loan losses	3,095	485		3,580
Net interest income after provision for loan losses	19,546	5,135	277	24,958
Noninterest Income	6,510	580		7,090
Noninterest Expense	15,011	4,401	214	19,626
Income before income tax provision	11,045	1,314	63	12,422
Income tax provision	3,032	453	21	3,506
Net Income	\$ 8,013	\$ 861	\$ 42	\$ 8,916
Preferred Stock dividend	\$	\$ 150	\$ (150)	\$
Net Income available to common shareholders	\$ 8,013	\$ 711	\$ 192	\$ 8,916
Per Share Data				
Net income, basic	\$ 1.43	\$ 0.61	\$ (0.63)	\$ 1.41
Net income, diluted	\$ 1.42	\$ 0.55	\$ (0.57)	\$ 1.40
Cash dividends	\$ 0.79	\$	\$	\$ 0.79
Average common shares outstanding				
Basic	5,591,839	1,162,334	(418,344)	6,335,829
Diluted	5,642,056	1,563,408	(819,418)	6,386,046

See accompanying notes to pro forma financial information.

Notes to American and Community First Unaudited Pro Forma Condensed Combined Financial Information

Nine Months Ended September 30, 2005

Year Ended December 31, 2004

(Unaudited)

The merger will be accounted for in accordance with Statement of Financial Accounting Standard No. 141, Business Combinations and Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, and accordingly, the assets and liabilities of Community First will be recorded at their respective fair values on the date the merger is completed. The shares of American common stock issued to effect the merger in the pro forma analysis are recorded at \$23.43 per share, which represents the closing price of the stock on September 30, 2005, and will be adjusted upon closing of the merger.

The pro forma financial information includes estimated adjustments to record certain assets and liabilities of Community First at their respective fair values. The pro forma adjustments included herein are subject to updates as additional information becomes available and as additional analyses are performed.

American expects to realize revenue enhancements and cost savings following the merger, which are not reflected in this pro forma financial information. No assurance can be given with respect to the realization or ultimate level of such revenue enhancements or cost savings.

The final allocation of the purchase price and per share price for American will be determined after the merger is completed and after completion of thorough analyses to determine the fair values of Community First's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Any change in the fair value of the net assets of Community First will change the amount of the purchase price allocable to goodwill. Additionally, changes to Community First's shareholders' equity, including net income from October 1, 2005, through the date the merger is completed, will change the amount of goodwill recorded. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

The pro forma financial information for the merger is included only as of and for the nine months ended September 30, 2005, and for the year ended December 31, 2004. The unaudited pro forma information presented in the pro forma financial statements is not necessarily indicative of the results of operations or the combined financial position that would have resulted had the merger been completed at the beginning of the applicable periods presented, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

The pro forma financial information reflects: (1) the addition of 743,990 shares of American common stock with an aggregate par value of \$743,990; (2) an increase in paid-in capital of \$16.688 million for the excess of the fair value of the shares over the par value; (3) \$2.934 million fair value of Community First stock options; and (4) goodwill and core deposit intangible of \$23.164 million and \$1.452 million, respectively.

There are options outstanding to purchase a total of 233,956 shares of Community First common stock. To the extent the option holders do not exercise their options prior to closing, the options will be cashed out at \$21.00 per share less the respective exercise prices. The pro forma financial statements were prepared assuming that no stock options will be exercised prior to the completion of the merger.

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Additionally, the pro forma financial information reflects an estimated net adjustment of \$172,000 to record the net assets of Community First at their respective fair values and an estimated \$3.506 million to reflect the amounts allocated to liabilities assumed in the purchase business combination. The liabilities assumed in the merger consist principally of personnel related benefits for executives of Community First, costs to cancel contracts that will provide no future benefit to the combined company, and professional fees expected to be incurred.

The pro forma statements of income are not necessarily indicative of what the historical results of the combined company would have been had American and Community First been actually combined during the periods presented.

The computation of the purchase price, the allocation of the purchase price to the net assets of Community First based on fair values estimated at September 30, 2005, the basis for determining the amount of deposit base premium allocated to the purchase price and the resulting amount of goodwill are on the following page.

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(In thousands, except per share data)

Exchange ratio common stock	0.9219		
American closing price per share at September 30, 2005	\$ 23.43		
Proforma purchase price per Community First common share	\$ 21.60		
Community First common stock outstanding (# shares)	1,162		
Less Community First common stock currently held by American	(48)		
	1,114		
Estimated % of common shares to receive stock consideration	54.75%		
Estimated # of common shares to receive stock consideration	610		
Estimated purchase price at \$21.60 per share common stock	\$ 13,174	\$ 13,174	
Exchange ratio preferred stock	1.1063		
American closing price per share at September 30, 2005	\$ 23.43		
Proforma purchase price per Community First preferred share	\$ 25.92		
Community First preferred stock outstanding (# shares)	300		
Estimated % of preferred shares to receive stock consideration	54.75%		
Estimated # of preferred shares to receive stock consideration	164		
Estimated purchase price preferred stock	\$ 4,257	4,257	
Total estimated stock consideration			\$ 17,432
Economic value of outstanding Community First stock options:			
Cash Price of \$21.00 Wtd. Avg. Exercise Price of \$8.46	\$ 12.54		
Number of stock options outstanding	234	\$ 2,934	2,934
Estimated # of Community First common shares to be paid in cash	504		
Price per share for Community First common shareholders electing to receive cash	\$ 21.00		
Estimated cash purchase price Community First common stock	\$ 10,586	10,586	
Estimated # of Community First preferred shares to be paid in cash	\$ 136		
Price per share for Community First preferred shareholders electing to receive cash	\$ 25.20		
Estimated cash purchase price Community First preferred stock	\$ 3,421	3,421	
Total estimated cash consideration			16,941
Grand total estimated purchase price			\$ 34,373
Net assets acquired			
Community First shareholders equity		14,270	
Community First goodwill and other intangible assets			14,270
Excess of purchase price over carrying value of net assets acquired			\$ 20,103
Adjustments to reflect estimated net assets acquired at fair value			
Loans excess of book value over estimated fair value	\$ (899)		
Premises and equipment excess of estimated fair value over net book value	987		
Deposits excess of estimated fair value over book value	(260)		
	\$ (172)	172	
Estimated amounts allocated to liabilities assumed			
Personnel related	\$ 1,868		
Contract cancellations	600		
Professional fees	1,038		

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	3,506	3,506	3,678
Adjustment for Community First stock held by American			400
Deferred income taxes			
Estimated core deposit intangible		\$ 1,452	
Premises and equipment		987	
Loans adjustments to fair value		(899)	
Deposits adjustments to fair value		(260)	
		<u> </u>	
Total		\$ 1,280	
		<u> </u>	
Income tax rate		34.00%	435
Deduct			
Estimated core deposit intangible			
Community First total deposits less time deposits		\$ 48,384	
Premium rate		3.00%	(1,452)
		<u> </u>	<u> </u>
Estimated goodwill			\$ 23,164
			<u> </u>

Pro Forma Adjustments Related to Assets

Cash. Cash was adjusted to reflect the influx of funds from borrowing of \$22 million, less the cash outlay of \$16.941 million for the purchase of Community stock per the merger agreement.

Securities Available for Sale. Securities available for sale were reduced \$600,000 to adjust for Community First common stock owned by American.

Loans. Loans were adjusted \$1.309 million to reflect the decrease resulting from valuing Community First's loan portfolio at fair market value at September 30, 2005, and were also adjusted \$410,000 to eliminate the allowance for loan losses on impaired loans. Both adjustments will be revised as of the merger date. The net adjustment for loans is \$899,000.

Premises and Equipment. Premises and equipment were adjusted \$987,000 to reflect the estimated current fair market value of the real property of Community First as of September 30, 2005, and will be revised as of the merger date.

Core Deposit Intangibles and Goodwill. \$1.452 million of the purchase price was allocated to core deposit intangibles to reflect the value of the base of core deposits acquired in the proposed transaction. This amount was estimated based upon comparison of similar transactions and will be adjusted based upon the completion of a core deposit study subsequent to the effective time of the merger. The excess of the purchase price over identified tangible and intangible net assets acquired of \$23.164 million has been allocated to goodwill.

Pro Forma Adjustments Related to Liabilities

Deposits. Deposits were increased by \$260,000 to reflect the estimated fair market value of Community First's interest bearing deposit balances at September 30, 2005, and will be revised as of the merger date.

Other Liabilities. Other liabilities were increased by \$3.506 million for estimated amounts allocated to liabilities assumed in the business combination. The liabilities assumed in the merger consist of personnel related benefits for executives of Community First, costs to cancel contracts that will provide no future benefit to the combined company, and professional fees expected to be incurred. In addition, other liabilities were increased by \$367,000 to adjust deferred taxes for the unrealized gain on Community First common stock owned by American and to record deferred tax liabilities incurred in the purchase transaction.

Borrowings. Borrowings were increased by \$22 million to reflect additional debt expected to be incurred to fund the cash needs.

Pro Forma Adjustments Related to Shareholders' Equity

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The separate equity accounts for Community First were deleted. Common stock was increased for the par value of \$1.00 times the 743,990 shares to be issued by American in the combination. Capital surplus was increased for the excess of the fair market value of American's common stock (indicated value of \$23.43 per share) times the number of shares, or \$22.43 times 743,990 shares. Other comprehensive income was decreased by \$132,000 to adjust for the unrealized gain, net of taxes, on Community First common stock owned by American.

Pro Forma Adjustments Related to Income Statement for the nine months ended September 30, 2005

Interest Income. Interest income is increased \$123,000 to reflect the additional interest income on the cash from borrowed funds. Interest is calculated based on an annual rate of 3.25%. An additional \$437,000 was added to interest income to reflect the accretion of the loan discount, calculated on an amortization period of 27 months.

Interest Expense. Interest expense is decreased \$167,000 related to the amortization of the fair market adjustment of the deposit portfolio. The premium related to the deposits is amortized over the estimated average portfolio lives of 14 months. Interest expense is increased \$771,000 to reflect the additional interest expense incurred on the borrowings of \$22 million at an annual interest rate of 4.67%.

MARKET FOR COMMON STOCK AND DIVIDENDS

American common stock is traded on the Nasdaq National Market under the symbol AMNB. Community First common stock trades on the OTC Bulletin Board, under the symbol CYFC. Community First Series A preferred stock is privately held and not traded on an established market.

As of the record date for the special meeting, there were 1,162,326 shares of Community First common stock outstanding, which were held by approximately 987 holders of record, and 300,000 shares of Community First Series A preferred stock, which were held by approximately 22 holders of record. Such numbers of shareholders do not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

The following table sets forth during the periods indicated the high and low sales prices of American common stock and Community First common stock as reported on the Nasdaq National Market and the OTC Bulletin Board, respectively, and the dividends declared per share of American common stock and Community First common stock, respectively. Prior to 2005, shares of Community First common stock did not trade on the OTC Bulletin Board. The sales prices for Community First common stock shown in the table below may not be representative of all transactions during the indicated periods or the actual fair market value of the common stock at the time of such transaction due to the infrequency of trades and the limited market for the common stock.

	American			Community First		
	Common Stock			Common Stock		
	Sales Price		Dividends	Sales Price		Dividends
	High	Low	Declared Per Share	High	Low	Declared Per Share
2006						
First Quarter (through February 15)	\$ 23.60	\$ 22.11	\$	\$ 20.75	\$ 20.20	\$ 0
2005						
First Quarter	\$ 24.30	\$ 23.25	\$ 0.20	\$ 22.00	\$ 13.00	\$ 0
Second Quarter	24.81	22.08	0.21	17.00	12.00	0
Third Quarter	23.50	22.25	0.21	15.00	12.00	0
Fourth Quarter	23.95	21.20	0.21	20.75	14.50	0
2004						
First Quarter	\$ 26.75	\$ 23.25	\$ 0.19	\$ 12.50	\$ 10.50	\$ 0
Second Quarter	25.26	21.01	0.20	13.00	10.50	0
Third Quarter	24.31	21.55	0.20	13.00	13.00	0
Fourth Quarter	25.33	24.06	0.20	15.00	13.00	0

The Community First Series A preferred stock is infrequently traded. Based on information made available to Community First, the most recent sale was for 2,000 shares on December 30, 2004 at \$11.00 per share.

The terms of the Community First Series A preferred stock provide that Community First will, to the extent there are funds legally available therefor, pay a dividend annually equal to five percent of the par value of the stock, \$0.50. No dividends have been paid in 2006.

The following table shows the closing price per share of American common stock, Community First common stock and Series A preferred stock on (a) October 18, 2005, the last trading day preceding public announcement of the merger agreement, and (b) February 15, 2006, the last full trading day for which closing prices were available at the time of the printing of this document. The historical prices are, for American common stock, as reported on the Nasdaq National Market, for Community First common stock, as reported on the OTC Bulletin Board, and for Community First Series A preferred stock, based on a conversion rate of one share of Series A

preferred stock to 1.2 shares of Community First common stock. The following table also includes the equivalent price per share of Community First common stock on those dates. The equivalent per share price reflects the value of the American common stock that would be received by Community First shareholders in the merger based on an assumed exchange ratio of 0.9219 shares of American common stock for each share of Community First common stock, and 1.1063 shares of American Common stock for each share of Community First Series A preferred stock, which is the per share stock consideration in the merger.

Common Stock

<u>Date</u>	<u>American Common Stock</u>	<u>Community First Common Stock</u>	<u>Equivalent Market Value Per Share of Community First</u>
October 18, 2005	\$ 21.49	\$ 15.00	\$ 19.81
February 15, 2006	\$ 23.511	\$ 20.75	\$ 21.67

Series A Preferred Stock

<u>Date</u>	<u>American Common Stock</u>	<u>Community First Series A Preferred Stock</u>	<u>Equivalent Market Value Per Share of Community First</u>
October 18, 2005	\$ 21.49	\$ 18.75	\$ 23.77
February 15, 2006	\$ 23.511	\$ 18.75	\$ 26.01

You are advised to obtain current market quotations for American common stock and Community First common stock and Series A preferred stock. The market price of American common stock at the effective time of the merger or at the time shareholders of Community First who receive American common stock in the merger receive certificates evidencing such shares after the merger is consummated may be higher or lower than the market price at the time the merger agreement was executed, at the date of mailing of this document or at the time of the special meeting.

American and Community First are legal entities separate and distinct from their subsidiaries, and their revenues depend primarily on the payment of dividends from their subsidiary banks. American's and Community First's subsidiary banks are subject to certain legal restrictions on the amount of dividends they are permitted to pay to American and Community First. For example, a Virginia chartered bank, such as Community First Bank, is prohibited from paying a dividend that would impair its paid-in capital. In addition, the Virginia State Corporation Commission may limit the payment by any Virginia chartered bank if it determines that the limitation is in the public interest and is necessary to ensure the bank's financial soundness. Similar restrictions apply to national banks like American National Bank.

Under current federal law, insured depository institutions such as American's and Community First's bank subsidiaries are prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized. Based on their subsidiary bank's current financial condition, American and Community First do not expect that this provision will have any impact on its ability to obtain dividends from its insured depository institution subsidiaries.

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As a result of these legal restrictions, there can be no assurance that dividends would be paid in the future by American s and Community First s bank subsidiaries. The final determination of the timing, amount and payment of dividends on each of American common stock and Community First common stock is at the discretion of their respective boards of directors and will depend upon the earnings of the bank holding company and its subsidiaries, principally its subsidiary banks, the financial condition of the bank holding company and other factors, including general economic conditions and applicable governmental regulations and policies. The holders of Community First preferred stock are entitled, under the Community First articles of incorporation, to receive a

dividend equal to five percent of the par value of the stock, subject to a declaration by the board and funds legally available therefor. Also, holders of Community First Series A preferred stock are entitled to receive their non-cumulative dividend equal to five percent of the par value of the stock before Community First may declare a dividend for the holders of its common stock.

INFORMATION ABOUT AMERICAN NATIONAL BANKSHARES INC.

General

American is a one-bank holding company organized under the laws of the Commonwealth of Virginia in 1984 to acquire all of the outstanding capital stock of American National Bank and Trust Company, a national banking association chartered in 1909 under the laws of the United States.

American National Bank has been operating as a commercial bank headquartered in Danville, Virginia since its organization in 1909. It has fifteen full service banking offices located in Danville, Chatham, Collinsville, Gretna, Martinsville, Henry County, South Boston, and Lynchburg, Virginia, and Yanceyville, North Carolina. Commercial loan services are also provided through a loan production office located in Greensboro, North Carolina. American National Bank operates numerous automated teller machines at various locations in the trade area. It provides a full array of financial products and services, including commercial, mortgage, and consumer banking; trust and investment services; and insurance.

Competition and Markets

American's primary service area is generally defined as Danville, City of Lynchburg, Chatham, Collinsville, Gretna, Martinsville, Henry County, South Boston, and Lynchburg, Virginia, and Yanceyville and Greensboro, North Carolina. Vigorous competition exists in this service area. American competes not only with other commercial banks but also with diversified financial institutions, credit unions, money market and mutual fund providers, mortgage lenders, insurance companies, and finance companies. American National Bank has the largest deposit market share in both the City of Danville and in Pittsylvania County.

American's market area, primarily known collectively as Southside Virginia, is under economic pressure. The region has traditionally been the home to textile, furniture and other manufacturing, and has served as a hub for tobacco production and distribution. While diversification has occurred in manufacturing in recent years, a textile firm and a tire manufacturing plant in Danville, as well as several large furniture manufacturers in the Henry County/City of Martinsville area, employ a significant workforce. Danville's second largest employer, Dan River Inc., a textile manufacturer, filed for Chapter 11 bankruptcy protection in 2004, and emerged from bankruptcy in early 2005. Increased global competition has negatively impacted the textile and furniture industries in the area with several plants closing due to competitive pressures or due to the relocation of some operations to foreign countries. Unemployment as a percent of the workforce remains greater than that of most other regions of Virginia. The area is also known as a center of commerce for the tobacco industry, and the major tobacco companies continue to operate leaf collection and processing facilities in the region. To offset the negative impact of the declining textile, furniture and tobacco industries, the region has been proactive in its economic development activities, which have produced job growth in the education, government and service sectors. Research and development activities are conducted at the new Institute for Advanced Learning and Research, launched through collaboration between two Virginia universities, one community college, and other local entities.

Incorporation of Certain Information by Reference

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Additional business and financial information relating to American is included in American's Annual Report on Form 10-K for the year ended December 31, 2004 and its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, which are incorporated herein by reference.

INFORMATION ABOUT COMMUNITY FIRST FINANCIAL CORPORATION

General

Community First Financial Corporation is a one-bank holding company organized under the laws of the Commonwealth of Virginia in 2002, and is the parent company of Community First Bank. Community First Bank commenced operations in 1999 as a Virginia chartered commercial bank.

Community First Bank is a community oriented financial institution that provides varied banking services to small and medium-sized businesses, professionals and individuals located in its market area, which consists of the Greater Lynchburg area. Community First Bank operates four full-service offices located at 1646 Graves Mill Road, 2301 Langhorne Road, 20479 Timberlake Road, Lynchburg, Virginia and 150 Front Street, Lovingston, Nelson County, Virginia.

The bank offers a full range of deposit services including checking accounts, NOW accounts, savings accounts and other time deposits of various types. The transaction accounts and time certificates are tailored to the bank's market area at rates competitive with those offered in the area. In addition, Community First Bank offers certain retirement account services, such as Individual Retirement Accounts (IRAs).

Community First Bank also offers a full range of short-to-medium term commercial and personal loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements) and purchase of equipment and machinery. Consumer loans include secured and unsecured loans for financing automobiles, home improvements, education and personal investments. Additionally, the bank originates fixed and floating-rate mortgage loans and real estate construction and acquisition loans.

Community First Bank's market area consists of Amherst, Bedford, Campbell and Nelson Counties and the City of Lynchburg. The bank's primary service area is Bedford County and the city of Lynchburg. The market area had a population base of an estimated 231,300 people in 2004.

Competition

Community First Bank competes as a financial intermediary with other commercial banks, savings and loan associations, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds and other financial institutions operating in the greater Lynchburg market area and elsewhere. Many of the bank's non-bank competitors are not subject to the same extensive federal regulations that govern federally insured banks and state regulations governing state chartered banks. As a result, such non-bank competitors may have certain advantages over the bank in providing certain services.

Community First Bank's market area is a highly competitive, heavily branched banking market. Competition in the market area for loans to small businesses and professionals, the bank's target market, is intense. Most of the bank's competitors have substantially greater resources and lending limits than Community First Bank and offer certain services, such as extensive and established branch networks, that the bank is not currently providing. Moreover, larger institutions operating in the market area have access to borrowed funds at lower cost than are presently available to the bank. Deposit competition among institutions in the market area also is strong. Competition for depositors' funds comes from U.S.

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Government securities, private issuers of debt obligations and suppliers of other investment alternatives for depositors, among other sources. As a result, Community First Bank has paid, and may in the future pay, above-market rates to attract deposits.

Additional Information and Incorporation of Certain Information by Reference

Additional business and financial information relating to Community First is included in Community First's Annual Report on Form 10-KSB for the year ended December 31, 2004 and its Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005, copies of which are attached to this proxy statement/prospectus as Appendices III and IV and incorporated herein by reference. The audited financial statements of Community First for the years ended on December 31, 2004 and 2003 are included in Community First's Annual Report on Form 10-KSB for the year ended December 31, 2004. See "Where You Can Find More Information" on page 64.

Security Ownership of Management

The following table sets forth information as of February 6, 2006, regarding the number of shares of Community First common stock and Series A preferred stock beneficially owned by each director, each executive officer and all current directors and executive officers of Community First as a group. Beneficial ownership includes shares, if any, held in the name of the spouse, minor children or other relatives of the individual living in such person's home, as well as shares, if any, held in the name of another person under an arrangement whereby the director or executive officer can vest title in himself at once or at some future time.

<u>Name</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock (1)</u>	<u>Percent of Class</u>	<u>Amount and Nature of Beneficial Ownership of Preferred Stock</u>	<u>Percent of Class</u>
R. Thomas Beach	125,400 (2)	10.7%	20,000	6.7%
A.C. Coleman, Jr.	42,240 (3)	3.6%	20,000	6.7%
Frank C. Crist, Jr.	68,700 (4)	5.9%	20,000	6.7%
T. Scott Garrett	20,880	1.8%	5,000	1.7%
Thomas S. Mignogna	20,400 (5)	1.7%	5,000	1.7%
Larry H. Redmond	24,480	2.1%	5,000	1.7%
Daniel P. Thornton	16,200	1.4%	32,500	10.8%
John L. Wynne(6)	147,863 (7)	12.3%	22,500	7.5%
All current executive officers and directors as a group (11 persons)	574,566	43.0%	135,000 (8)	45.0%

- (1) Includes shares, which may be deemed beneficially owned by virtue of family relationships, joint ownership, voting power or investment power. Includes currently exercisable options to purchase 36,000 shares (Mr. Wynne), and 12,000 shares (each of the other directors), at \$8.33 per share.
- (2) Includes shares owned by spouse, an affiliate company, and as custodian for a minor child.
- (3) Includes shares owned by family limited partnership.
- (4) Includes shares owned by family limited partnership and by spouse as custodian for a minor child.
- (5) Includes shares owned jointly with spouse and by spouse as custodian for minor children.
- (6) Mr. Wynne resigned as President and Chief Executive Officer of Community First and Community First Bank on September 20, 2005.
- (7) Includes shares owned by affiliate company, as beneficiary of trust and as custodian for minor children.
- (8) Each share of the Series A preferred stock may be converted at any time by the holder thereof into 1.2 shares of Community First common stock. If all the current executive officers and directors of Community First converted their shares of Series A preferred stock, they would own an additional 162,000 shares of Community First common stock. This would represent an aggregate ownership interest of 49.2%, when combined with their beneficial ownership of Community First common stock as of February 6, 2006.

Security Ownership of Certain Beneficial Owners

As of February 6, 2006, no person, other than Messrs. Beach, Crist and Wynne, whose share ownership is listed on that chart above, owned in excess of five percent of the outstanding common stock of Community First.

DESCRIPTION OF AMERICAN CAPITAL STOCK

The following summary description of the material features of the capital stock of American is qualified in its entirety by reference to the applicable provisions of Virginia law and by American's articles of incorporation and bylaws.

Authorized and Outstanding Capital Stock

The authorized capital stock of American consists of 10,000,000 shares of common stock, par value \$1.00 per share, and 200,000 shares of preferred stock, par value \$5.00 per share. As of the close of business on December 31, 2005, there were 5,441,758 shares of common stock issued and outstanding held by approximately 1,309 holders of record. No shares of preferred stock have been issued and there are no current plans to issue any preferred stock.

Common Stock

The holders of American common stock possess all voting power and are entitled to one vote per share on all matters voted on by the company's shareholders, including elections of directors. The articles of incorporation of American do not provide for cumulative voting for the election of directors. The holders of American common stock are entitled to such dividends as may be declared from time to time by the company's board of directors from funds available therefor. Upon liquidation, holders of American common stock will be entitled to receive pro rata all assets of American available for distribution to such holders, after payment to holders of preferred stock, if any preferred stock is outstanding and any such payment is required. The holders of common stock have no preemptive or other subscription rights, and there are no conversion rights, redemption or sinking fund provisions with respect to American common stock.

Preferred Stock

The board of directors of American is empowered to authorize the issuance, in one or more series, of shares of preferred stock at such times, for such purposes and for such consideration as it may deem advisable without shareholder approval. The American board is also authorized to fix the designations, voting, conversion, preference and other relative rights, qualifications and limitations of any such series of preferred stock.

The American board of directors, without shareholder approval, may authorize the issuance of one or more series of preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of American common stock and, under certain circumstances, discourage an attempt by others to gain control of American.

The creation and issuance of any series of preferred stock, and the relative rights, designations and preferences of such series, if and when established, will depend upon, among other things, the future capital needs of American, then existing market conditions and other factors that, in the judgment of the American board, might warrant the issuance of preferred stock.

Transfer Agent

The transfer agent and registrar for American common stock is American.

COMPARATIVE RIGHTS OF SHAREHOLDERS

American and Community First are Virginia corporations subject to the provisions of the Virginia SCA. In addition, the rights of Community First and American shareholders are governed by their respective articles of incorporation and bylaws. Upon consummation of the merger, certain Community First shareholders will become shareholders of American, and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of American and by the Virginia SCA.

The following is a summary of the material differences in the rights of shareholders of Community First and American. **This summary is qualified in its entirety by reference to the articles of incorporation and bylaws of American and Community First and to the provisions of the Virginia SCA.**

Authorized Capital Stock

American. American is authorized to issue 10,000,000 shares of common stock, par value \$1.00 per share, of which 5,441,758 shares were issued and outstanding as of December 31, 2005, and 200,000 shares of preferred stock, par value \$5.00 per share, of which no shares were issued and outstanding as of December 31, 2005. American's articles of incorporation authorize the American board, without shareholder approval, to fix the preferences, limitations and relative rights of the preferred stock and to establish series of such preferred stock and determine the variations between each series. If any shares of preferred stock were issued, the rights of holders of American common stock would be subject to the rights and preferences conferred to holders of such preferred stock. There are no preemptive rights to purchase additional shares of capital stock of American. See "Description of American Capital Stock" on page 58 for additional information.

Community First. Community First is authorized to issue 10,000,000 shares of common stock, without par value of which 1,162,326 shares were issued and outstanding as of February 6, 2006, and 1,000,000 shares of preferred stock, par value \$10.00 per share. Community First has authorized 325,000 shares of preferred stock to be issued as Series A preferred stock, of which 300,000 shares were outstanding as of February 6, 2006. Each share is convertible after two years into one share common stock at the holders' option, and after three years, convertible at Community First's option into 1.2 shares of common stock. The stock is entitled to a preference up to \$10.00 per share, in the event Community First were to liquidate. Similar to American, Community First's articles of incorporation authorize the Community First board, without shareholder approval, to fix the preferences, limitations and relative rights of the preferred stock and to establish series of such preferred stock and determine the variations between each series. Similar to the shareholders of American, shareholders of Community First do not have preemptive rights.

Dividend Rights

The holders of American and Community First common stock are entitled to share ratably in dividends when and as declared by their respective board of directors out of legally available funds therefor. The holders of Community First Series A preferred stock are entitled to an annual dividend of five percent of the par value of the shares before any dividend may be paid to the holders of the Community First common stock. The preference is non-cumulative and subject to the board of directors declaration of a dividend from funds legally available therefor. American's and Community First's articles of incorporation permit their boards to issue additional preferred stock with terms set by their boards, which terms may include the right to receive dividends ahead of the holders of their common stock. No shares of American preferred stock are outstanding. For a description of certain restrictions on the payment of dividends by banks and bank holding companies, see "Market for Common Stock and Dividends" on page 53.

Voting Rights

The holders of both American and Community First common stock have one vote for each share held on any matter presented for consideration at a shareholder meeting. The holders of Community First Series A preferred stock are not entitled to vote except in circumstances where the Virginia SCA requires they be able to vote. For example, the Virginia SCA requires class of stock vote to approve a merger or an amendment to the articles of incorporation if the amendment would modify the rights of that class. Neither the holders of American nor Community First common stock are entitled to cumulative voting in the election of directors.

Directors and Classes of Directors

American. The American board is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Currently, the American board consists of twelve directors. The number of directors may be increased by the board, but not by more than two during any twelve month period.

American's articles of incorporation and bylaws do not include a provision relating to the removal of directors. Accordingly, removal of a director of American is governed by the Virginia SCA, which provides that shareholders may remove a director with or without cause if the number of votes cast to remove him constitutes a majority of the outstanding shares of American common stock.

Community First. The Community First board also is divided into three classes as nearly equal in number as possible, with directors serving staggered three-year terms. Currently, the Community First board consists of eight directors. Community First's articles of incorporation similarly do not address removal of directors and the process is governed by the Virginia SCA.

Anti-takeover Provisions

Certain provisions of the Virginia SCA, and of the articles of incorporation and bylaws of American and Community First, may discourage an attempt to acquire control of American or Community First, respectively, that a majority of either company's shareholders determined was in their best interests. These provisions also may render the removal of one or all directors more difficult or deter or delay corporate changes of control that the American board or Community First board did not approve.

Classified Board of Directors. The provisions of American's and Community First's articles providing for classification of the board of directors into three separate classes may have certain anti-takeover effects.

Authorized Preferred Stock. The articles of incorporation of American and Community First authorize the issuance of preferred stock. The American or Community First boards may, subject to applicable Virginia law and federal banking regulations, authorize the issuance of additional preferred stock at such times, for such purposes and for such consideration as either board may deem advisable without further shareholder approval. The issuance of preferred stock under certain circumstances may have the effect of discouraging an attempt by a third party to acquire control of American or Community First by, for example, authorizing the issuance of a series of preferred stock with rights and preferences designed to impede the proposed transaction.

Supermajority Voting Provisions. The Virginia SCA provides that, unless a corporation's articles of incorporation provide for a higher or lower vote, certain significant corporate actions must be approved by the affirmative vote of the holders of more than two-thirds of the votes entitled to be cast on the matter. Corporate actions requiring a two-thirds vote include:

adoption of plans of merger or exchange;

sales of all or substantially all of a corporation's assets other than in the ordinary course of business; and

adoption of plans of dissolution.

The Virginia SCA provides that a corporation's articles may either increase the vote required to approve those actions or may decrease the required vote to not less than a majority of the votes entitled to be cast.

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The articles of incorporation of American provide that the actions set out above must be approved by a vote of eighty percent of all votes entitled to be cast on such transactions by each voting group entitled to vote on the transaction when the other party to the transaction owns more than twenty-five percent of the voting stock of American, unless certain conditions are met. If the transaction does not involve the holder of more than twenty-five percent of the outstanding voting stock, the Virginia SCA applies and more than two-thirds of the votes eligible to vote must vote in favor to approve the transaction.

The articles of incorporation of Community First do not modify the Virginia SCA provisions, and therefore the transaction would need to be approved by the affirmative vote of more than two-thirds of the shares entitled to vote.

Virginia Anti-takeover Statutes. Virginia has two anti-takeover statutes in force, the Affiliated Transaction Statute and the Control Share Acquisitions Statute.

Affiliated Transactions. The Virginia SCA contains provisions governing affiliated transactions. These include various transactions such as mergers, share exchanges, sales, leases, or other dispositions of material assets, issuances of securities, dissolutions, and similar transactions with an interested shareholder. An interested shareholder is generally the beneficial owner of more than 10% of any class of a corporation's outstanding voting shares. During the three years following the date a shareholder becomes an interested shareholder, any affiliated transaction with the interested shareholder must be approved by both a majority of the disinterested directors (those directors who were directors before the interested shareholder became an interested shareholder or who were recommended for election by a majority of disinterested directors) and by the affirmative vote of the holders of two-thirds of the corporation's voting shares other than shares beneficially owned by the interested shareholder. These requirements do not apply to affiliated transactions if, among other things, a majority of the disinterested directors approve the interested shareholder's acquisition of voting shares making such a person an interested shareholder before such acquisition. Beginning three years after the shareholder becomes an interested shareholder, the corporation may engage in an affiliated transaction with the interested shareholder if:

the transaction is approved by the holders of two-thirds of the corporation's voting shares, other than shares beneficially owned by the interested shareholder;

the affiliated transaction has been approved by a majority of the disinterested directors; or

subject to certain additional requirements, in the affiliated transaction the holders of each class or series of voting shares will receive consideration meeting specified fair price and other requirements designed to ensure that all shareholders receive fair and equivalent consideration, regardless of when they tendered their shares.

Control Share Acquisitions Statute. Under the Virginia SCA's control share acquisitions law, voting rights of shares of stock of a Virginia corporation acquired by an acquiring person or other entity at ownership levels of 20%, 33 1/3%, and 50% of the outstanding shares may, under certain circumstances, be denied. The voting rights may be denied:

unless conferred by a special shareholder vote of a majority of the outstanding shares entitled to vote for directors, other than shares held by the acquiring person and officers and directors of the corporation; or

among other exceptions, such acquisition of shares is made pursuant to a merger agreement with the corporation or the corporation's articles of incorporation or bylaws permit the acquisition of such shares before the acquiring person's acquisition thereof.

If authorized in the corporation's articles of incorporation or bylaws, the statute also permits the corporation to redeem the acquired shares at the average per share price paid for them if the voting rights are not approved or if the acquiring person does not file a control share acquisition statement with the corporation within 60 days of the last acquisition of such shares. If voting rights are approved for control shares comprising more than 50% of the corporation's outstanding stock, objecting shareholders may have the right to have their shares repurchased by the corporation for fair value.

The provisions of the Affiliated Transactions Statute and the Control Share Acquisitions Statute are only applicable to public corporations that have more than 300 shareholders. Corporations may provide in their articles of incorporation or bylaws to opt-out of the Control Share Acquisitions Statute. Community First has opted-out of the Control Share Acquisition Statute, but American has not.

Amendments to Articles of Incorporation and Bylaws

American. The Virginia SCA generally requires that in order for an amendment to the articles of incorporation to be adopted it must be approved by each voting group entitled to vote on the proposed amendment

by more than two-thirds of all the votes entitled to be cast by that voting group, unless the Virginia SCA otherwise requires a greater vote or the articles of incorporation provide for a greater or lesser vote, or a vote by separate voting groups so long as the vote provided for is not less than a majority of all the votes cast on the amendment by each voting group entitled to vote. American's articles of incorporation provide that the articles may be amended by the vote of the majority of the votes entitled to be voted in each class. Under the Virginia SCA, unless other provision is made in the articles of incorporation or bylaws, a majority of the directors or a majority of the shareholders present and entitled to vote may adopt, amend or repeal the bylaws. American's articles of incorporation do not contain such a provision but its bylaws have a provision that states that the bylaws may be amended, altered or repealed by American's board at any meeting and that American's shareholders have the power to rescind, alter, amend or repeal any bylaws which, if so expressed by the shareholders, may not be rescinded, altered, amended or repealed by American's board.

Community First. The articles of incorporation of Community First are silent on the voting requirements to amend its articles and under the Virginia SCA more than two-thirds of each class of stock entitled to vote will be required to amend. The Community First bylaws are silent on the voting requirements for their amendment. Under the Virginia SCA, a majority of the directors or the shareholders have the power to amend, alter or rescind any bylaws.

Consideration of Business Combinations

American. Neither American's articles of incorporation nor its bylaws specify any factors to which the American board of directors must give consideration in evaluating a transaction involving a potential change in control of American.

Community First. Community First's articles of incorporation and bylaws do not specify any factors to which the Community First board of directors must give consideration in evaluating a transaction involving a potential change in control of Community First.

Rights of Dissent and Appraisal

American. The Virginia SCA provides that appraisal rights are not available to holders of common or preferred stock of a Virginia corporation in a merger when the stock is either listed on a national securities exchange the Nasdaq National Market or is held by at least 2,000 record shareholders. Despite this exception, appraisal rights will be available to holders of a common stock of a Virginia corporation in a merger if:

the articles of incorporation provide otherwise (American's articles of incorporation do not authorize such special appraisal rights);

in the case of a merger or share exchange, shareholders are required by the terms of the merger to accept anything for the shares other than cash, shares of the surviving or acquiring corporation, or shares of another corporation that are either listed on a national securities exchange or held by record by more than 2,000 shareholders, or a combination of cash or such shares; or

the merger is an affiliated transaction, as described under Anti-takeover Provisions above, and it has not been approved by a majority of the disinterested directors.

Community First. Neither the common stock nor the Series A preferred stock is traded on a national securities market or the Nadsaq National Market, nor is either class held by more than 2,000 shareholders. Therefore, holders of Community First would be entitled to appraisal rights. See The Merger-Appraisal Rights.

Director and Officer Exculpation

The Virginia SCA provides that in any proceeding brought by or in the right of a corporation or brought by or on behalf of shareholders of the corporation, the damages assessed against an officer or director arising out of a single transaction, occurrence or course of conduct may not exceed the lesser of (a) the monetary amount, including the elimination of liability, specified in the articles of incorporation or, if approved by the shareholders, in the

bylaws as a limitation on or elimination of the liability of the officer or director, or (b) the greater of (1) \$100,000 or (2) the amount of cash compensation received by the officer or director from the corporation during the twelve months immediately preceding the act or omission for which liability was imposed. The liability of an officer or director is not limited under the Virginia SCA or a corporation's articles of incorporation and bylaws if the officer or director engaged in willful misconduct or a knowing violation of the criminal law or of any federal or state securities law.

The articles of incorporation of American and Community First provide that to the full extent that the Virginia SCA permits the limitation or elimination of the liability of directors or officers, a director or officer of American or Community First is not liable to American or Community First or their respective shareholders for monetary damages.

Indemnification

The articles of incorporation of American provide that to the full extent permitted by the Virginia SCA and any other applicable law, American is required to indemnify a director or officer of American who is or was a party to any proceeding by reason of the fact that he or she is or was such a director or officer or is or was serving at the request of or on behalf of American as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. There is a similar provision in the articles of incorporation of Community First.

Each of the American and Community First boards of directors is empowered, by majority vote of a quorum of disinterested directors, to contract in advance to indemnify any director or officer as set forth above.

ADJOURNMENT OF THE SPECIAL MEETING

(Proposal 2)

In the event that there are not sufficient votes to constitute a quorum or approve the merger agreement at the time of the special meeting, the merger agreement can not be approved unless the meeting is adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by Community First at the time of the special meeting to be voted for an adjournment, if necessary, Community First is submitting the question of adjournment to its shareholders as a separate matter for their consideration. The board of directors of Community First unanimously recommends that shareholders vote FOR the adjournment proposal. If it is necessary to adjourn the special meeting, no notice of such adjourned meeting is required to be given to shareholders, other than an announcement at the special meeting of the place, date and time to which the special meeting is adjourned.

LEGAL MATTERS

The validity of the shares of American common stock to be issued in connection with the merger will be passed upon for American by LeClair Ryan, A Professional Corporation, Richmond, Virginia. LeClair Ryan also will deliver an opinion to American and Community First concerning certain federal income tax consequences of the merger. See *The Merger - Material Federal Income Tax Consequences* on page 40.

Certain matters relating to the merger will be passed upon for Community First by Gentry Locke Rakes & Moore, Roanoke, Virginia.

EXPERTS

The consolidated financial statements of American and its subsidiaries as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004, incorporated in this proxy statement/prospectus by reference to American's Annual Report on Form 10-K for the year ended December 31, 2004, have been so incorporated in reliance upon the report of Yount, Hyde & Barbour, P.C., independent certified public accountants, incorporated by reference herein, and upon the authority of such firm as experts in auditing and accounting.

The consolidated financial statements of Community First and subsidiaries incorporated in this proxy statement/prospectus by reference have been audited by Larowe & Company, PLC, independent certified public accountants, to the extent and for the periods set forth in their report incorporated herein by reference, and are incorporated herein in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing.

PROPOSALS FOR 2006 ANNUAL MEETING

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, the deadline for the submission of proposals by shareholders for inclusion in the proxy statement and form of proxy to be used by Community First in connection with the next annual meeting of shareholders of Community First, which will be held only if the merger is not consummated before the time of such meeting, was no later than December 31, 2005.

OTHER MATTERS

The Community First board does not intend to bring any matter before the special meeting other than as specifically set forth in the notice of a special meeting of shareholders, nor does it know of any matter to be brought before the special meeting by others. If, however, any other matters properly come before the special meeting, it is the intention of the proxy holders to vote such proxy in accordance with their best judgment.

WHERE YOU CAN FIND MORE INFORMATION

American and Community First file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, proxy statements or other information that American and Community First file with the Securities and Exchange Commission at the SEC's public reference room in Washington, D.C., which is located at the following address: Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC filings made by American and Community First are also available to the public from commercial document retrieval services and at the SEC's Internet website at <http://www.sec.gov>.

American has filed a registration statement on Form S-4 to register with the SEC the shares of American common stock to be issued in the merger. This document is a part of the registration statement and constitutes a prospectus of American and a proxy statement of Community First for the special meeting. As allowed by SEC rules, this document does not contain all the information that you can find in the registration statement or the exhibits to the registration statement.

The SEC allows American and Community First to incorporate by reference information into this proxy statement/prospectus, which means that the companies can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be a part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents set forth below that American and Community First have previously filed with the SEC. These documents contain important business information about American and Community First.

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American s SEC Filings (File No. 0-12820)

Annual Report on Form 10-K

Quarterly Reports on Form 10-Q

Current Reports on Form 8-K

Proxy Statement

Period

Year ended December 31, 2004

Quarters ended March 31, June 30 and September 30, 2005

Filed on January 19, 2005, February 7, 2005, February 17, 2005, March 17, 2005, April 25, 2005, April 26, 2005, May 18, 2005, July 25, 2005, August 18, 2005, October 20, 2005, November 1, 2005, November 15, 2005, December 22, 2005, January 11, 2006 and January 26, 2006

Dated March 21, 2005, relating to American s annual meeting of shareholders held on April 26, 2005

Community First s SEC Filings (File No. 0-49909)

Annual Report on Form 10-KSB

Quarterly Reports on Form 10-QSB

Current Reports on Form 8-K

Proxy Statement

Period

Year ended December 31, 2004

Quarters ended March 31, June 30 and September 30, 2005

Filed on January 24, 2005, May 24, 2005, September 22, 2005, September 26, 2005 and October 19, 2005

Dated April 8, 2005, relating to Community First s annual meeting of shareholders held on May 9, 2005

American and Community First also incorporate by reference additional documents that either may file with the SEC between the date of this document and the date of the special meeting. These include annual, quarterly and current reports, as well as proxy statements.

American has supplied all information contained or incorporated by reference in this document relating to American and Community First has supplied all such information relating to Community First.

Documents contained in or incorporated by reference in this document by American and Community First are available through the SEC as set forth above or from American and Community First without charge. You may obtain such documents by requesting them in writing or by telephone from American or Community First as follows:

American National Bankshares, Inc.

628 Main Street
Danville, Virginia 24541
Telephone: (434) 792-5111
Attention: Corporate Secretary

Community First Financial Corporation

1646 Graves Mill Road
Lynchburg, Virginia 24502
Telephone: (434) 386-3609
Attention: Corporate Secretary

If you would like to request documents from American or Community First, please do so by March 20, 2006 in order to receive timely delivery of the documents before the special meeting.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus. American and Community First have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. American is not making an offer to sell or soliciting an offer to buy any securities other than the American common stock to be issued by American in the merger, and neither American nor Community First is making an offer of such securities in any state where the offer is not permitted. This proxy statement/prospectus is dated February __, 2006. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement/prospectus to you nor the issuance of American common stock in the merger creates any implication to the contrary.

AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION

BY AND BETWEEN

AMERICAN NATIONAL BANKSHARES INC.

AND

COMMUNITY FIRST FINANCIAL CORPORATION

October 18, 2005

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AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the Agreement) is made and entered into as of October 18, 2005, by and between American National Bankshares Inc., a Virginia corporation (American), and Community First Financial Corporation, a Virginia corporation (Community First).

WITNESSETH:

The parties desire that Community First shall be merged with and into American (the Merger) pursuant to a plan of merger (the Plan of Merger) substantially in the form attached as Exhibit A hereto, and the parties desire to provide for certain undertakings, conditions, representations, warranties and covenants in connection with the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1

The Merger and Related Matters

1.1 The Merger

Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.2 hereof), Community First will be merged with and into American pursuant to the Plan of Merger. The separate corporate existence of Community First thereupon shall cease, and American will be the surviving corporation. From and after the Effective Time, the Merger shall have the effect set forth in Section 13.1-721 of the Virginia Stock Corporation Act (the VSCA).

1.2 Effective Time

The Merger will become effective on the date and at the time shown on the Certificate of Merger issued by the Virginia State Corporation Commission (the Effective Time). Subject to the satisfaction or waiver of the conditions set forth in Article 5, the parties shall use their reasonable best efforts to cause the Effective Time to occur on or before March 31, 2006, or on such other date as the parties may agree in writing. All documents required by this Agreement to be delivered at or prior to the Effective Time will be exchanged by the parties at the closing of the Merger (the Merger Closing), which shall be held on or before the Effective Time. At or after the Merger Closing, American and Community First shall execute and deliver Articles of Merger containing the Plan of Merger to the Virginia State Corporation Commission.

1.3 Conversion of Community First Capital Stock

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At the Effective Time, by virtue of the Merger and without any action on the part of a holder of shares of Community First common stock, without par value (Community First Common Stock), and the Series A Preferred Stock, \$10.00 par value per share (the Series A Preferred Stock) (the shares of Community First Common Stock and Series A Preferred Stock shall be referred to collectively as Community First Capital Stock), but subject to the provisions of Section 6.1(h) hereof:

(a) Each share of common stock of American, par value \$1.00 per share (American Common Stock), that is issued and outstanding immediately before the Effective Time shall remain issued and outstanding and shall remain unchanged by the Merger.

(b) Each share of Community First Common Stock issued and outstanding immediately before the Effective Time (other than the Dissenting Shares as defined in Section 1.9 hereof) shall be converted into, at the election of the holder thereof and in accordance with the election and allocation procedures set forth in Article 2, the right to receive the following, without interest:

(i) 0.9219 shares of American Common Stock (the Per Share Common Stock Consideration); or

(ii) a cash amount equal to \$21.00 per share (the Per Share Common Cash Consideration).

(c) Each share of Series A Preferred Stock issued and outstanding immediately before the Effective Time (other than the Dissenting Shares as defined in Section 1.9 hereof) shall be converted into, at the election of the holder thereof and in accordance with the election and allocation procedures set forth in Article 2, the right to receive the following, without interest:

(i) 1.1063 shares of American Common Stock (the Per Share Series A Stock Consideration); or

(ii) a cash amount equal to \$25.20 per share (the Per Share Series A Cash Consideration).

(d) Notwithstanding anything in this Agreement to the contrary, the aggregate amount of cash to be issued to shareholders of Community First in the Merger shall not exceed the Aggregate Cash Consideration, as defined the following paragraph.

(e) For purposes of this Agreement:

(i) the Aggregate Cash Consideration is the sum of: (1) the product of the number of shares of Community First Common Stock outstanding immediately prior to the Effective Time *times* 0.50 *times* the Per Share Common Cash Consideration amount; (2) the product of the number of shares of Series A Preferred Stock outstanding immediately prior to the Effective Time *times* 0.50 *times* the Per Share Series A Cash Consideration amount; and (3) the aggregate amount of cash paid in connection with the cancellation of the Community First stock options outstanding at the Effective Time as provided in Section 1.5 (defined therein as the Stock Option Cash Consideration) *times* 0.50; and

(ii) the Merger Consideration means: (1) the number of whole shares of American Common Stock, *plus* cash in lieu of any fractional share interest, and the amount of cash into which shares of Community First Capital Stock shall be converted pursuant to this Agreement; and (2) the Stock Option Cash Consideration.

1.4 Board of Directors of American and American National Bank; Lynchburg Advisory Board

(a) As soon as reasonably practicable after the Effective Time, American and its wholly-owned national banking subsidiary, American National Bank and Trust Company (American National),

will increase the size of their respective Boards of Directors by one member, and such vacancy will be filled by individuals from among Community First's current directors as selected by American and shall serve in such capacity until such time as his or her successor shall be duly elected and qualified. At its next annual meeting of shareholders, American will nominate the Community First representative previously appointed to the American Board of Directors for election to the class of directors whose term expires in either 2008 or 2009.

(b) At the consummation of the Merger, American shall establish the American National Bank/Lynchburg Advisory Board of Directors (the Lynchburg Advisory Board). The Lynchburg Advisory Board shall initially be comprised of directors chosen by American from the current members of the Boards of Directors of Community First and Community First Bank, the wholly-owned Virginia chartered banking subsidiary of Community First Community First Bank. Membership on the Lynchburg Advisory Board shall be conditional upon execution of an agreement providing that such person will not engage in activities competitive with American for twelve months following the Effective Time or, if longer, the period that he or she is a member of the Lynchburg Advisory Board.

(c) On or after the Effective Time, Community First Bank will merge with and into American National.

1.5 Community First Stock Options

At the Effective Time, each stock option to purchase shares of Community First Common Stock granted pursuant to the Long Term Incentive Plan of Community First then outstanding (and which by its terms does not lapse on or before the Effective Time), whether or not then exercisable, shall be cancelled in exchange for a cash payment equal to the difference between the per share exercise price and \$21.00 (the Stock Option Cash Consideration).

1.6 Articles of Incorporation and Bylaws

The articles of incorporation and bylaws of American at the Effective Time shall be the articles of incorporation and bylaws of American after the Effective Time until thereafter amended in accordance with applicable law.

1.7 Tax Consequences

It is intended that the Merger shall constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986 (the Code), and that this Agreement shall constitute a plan of reorganization for purposes of the Code.

1.8 Anti-Dilution

In the event American changes the number of shares of American Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend or other similar recapitalization, and the record date thereof (in the case of a stock dividend) or the effective date thereof (in the case of a stock split or similar recapitalization for which a record date is not established) shall be prior to the Effective Time, the Merger Consideration shall be proportionately adjusted.

1.9 Dissenting Shares

Shareholders of Community First shall have the right to demand and receive payment of the fair value of their shares of Community First Capital Stock pursuant to the provisions of Section 13.1-729 et seq. of the VSCA (the "Dissenting Shares").

1.10 Definitions

Any term defined anywhere in this Agreement shall have the meaning ascribed to it for all purposes of this Agreement (unless expressly noted to the contrary). In addition:

(a) the term "Knowledge" means the knowledge, after due inquiry, of any one or more of Messrs. Wynne, Falls, Davis, Thomas and Mason, and their respective successors in office, if any, as of the Effective Time.

(b) "Material Adverse Effect" means, with respect to American or Community First any effect that (i) is material and adverse to the financial position, results of operations or business of American and its subsidiaries taken as a whole or Community First and its subsidiaries taken as a whole, as the case may be, or (ii) would materially impair the ability of any of American and its subsidiaries or Community First and its subsidiaries to perform their respective obligations under this Agreement or otherwise materially impede the consummation of the Merger; provided that Material Adverse Effect shall not be deemed to include the impact of (A) changes in banking and similar laws of general applicability or interpretations thereof by any Governmental Authority (as defined in Section 4.11), (B) changes in generally accepted accounting principles ("GAAP") or regulatory accounting requirements applicable to banks and their holding companies generally, (C) changes in general economic conditions affecting banks and their holding companies generally, (D) any modifications or changes to valuation policies and practices, or expenses incurred, in connection with the Merger or restructuring charges taken in connection with the Merger, in each case in accordance with GAAP, and (E) with respect to Community First, the effects of any action or omission taken with the prior consent of American or as otherwise contemplated by the Agreement.

(c) the term "Previously Disclosed" by a party shall mean information set forth in a section of its Disclosure Schedule (as defined in Section 3.1) corresponding to the section of this Agreement where such term is used.

(d) the term "Nasdaq" means The Nasdaq Stock Market, Inc.'s National Market or such other securities market or exchange on which American Common Stock may be listed.

ARTICLE 2

Delivery of Merger Consideration

2.1 Election Procedures

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(a) American (or such other company as American and Community First may agree to designate), will act as the exchange agent (the Exchange Agent) for purposes of conducting the election and exchange procedures described in this Article 2. Provided that Community First has delivered, or caused to be delivered, to the Exchange Agent all information that is necessary for the Exchange Agent to perform its obligations as specified herein, the Exchange Agent shall provide to Community First contemporaneously with the mailing of the Proxy Statement (as defined in Section 4.4) but in no event more than ten days after such mailing, an election form and accompanying letter of transmittal in such form as American and Community First shall agree (the Election Form) advising each holder of record

of Community First Capital Stock of the election choices hereunder and providing instructions for surrendering to the Exchange Agent such holder's certificate(s) of Community First Capital Stock in exchange for the consideration set forth in Sections 1.3(b) and (c) hereof deliverable in respect of Community First Common Stock and Series A Preferred Stock respectively. The Election Form shall specify that delivery shall be effected, and risk of loss and title to the certificates theretofore representing shares of Community First Capital Stock shall pass, only upon proper delivery of the certificates to the Exchange Agent.

(b) Each Election Form shall permit the holder (or in the case of nominee record holders, the beneficial owner through proper instructions and documentation) to make the following elections:

(i) to elect to receive American Common Stock with respect to some or all of such holder's Community First Capital Stock (the "Stock Election Shares");

(ii) to elect to receive cash with respect to some or all of such holder's Community First Capital Stock (the "Cash Election Shares"); or

(iii) to indicate that such holder makes no such election with respect to such holder's shares of Community First Capital Stock (the "No-Election Shares").

(c) Nominee record holders who hold Community First Capital Stock on behalf of multiple beneficial owners shall indicate how many of the shares held by them are Stock Election Shares, Cash Election Shares, and No-Election Shares. If a shareholder either (i) does not submit a properly completed Election Form in a timely fashion or (ii) revokes an Election Form prior to the Election Deadline and does not resubmit a properly completed Election Form prior to the Election Deadline, the shares of Community First Capital Stock held by such shareholder shall be designated No-Election Shares.

(d) The term "Election Deadline" shall mean 5:00 p.m., Eastern Time, on the 30th day following but not including the date of mailing of the Election Form or such other date as American and Community First shall agree upon.

(e) Any election to receive American Common Stock or cash or a combination thereof shall have been properly made only if the Exchange Agent shall have actually received by the Election Deadline a properly completed Election Form accompanied by the certificate(s) representing shares of Community First Capital Stock to which such Election Form relates or by an appropriate and customary guarantee of delivery of such certificates, as set forth in the Election Form, from a member of any registered national securities exchange or a commercial bank or trust company in the United States provided, that such certificates are in fact delivered to the Exchange Agent by the time required in such guarantee of delivery. Failure to deliver shares of Community First Capital Stock covered by such a guarantee of delivery within the time set forth on such guarantee shall be deemed to invalidate any otherwise properly made Election. Any election may be revoked or changed by the person submitting such Election Form to the Exchange Agent by written notice to the Exchange Agent only if such written notice is actually received by the Exchange Agent at or prior to the Election Deadline. The Exchange Agent shall have reasonable discretion to determine when any election, modification or revocation is received, whether any such election, modification or revocation has been properly made and to disregard immaterial defects in any Election Form; and any good faith decisions of the Exchange Agent regarding such matters shall be binding and conclusive. Neither American nor the Exchange Agent shall be under any obligation to notify any person of any defect in an Election Form.

(f) As soon as reasonably practicable, but no later than ten business days after the Effective Time, the Exchange Agent shall mail to each holder of record of Community First Capital Stock at the

Effective Time who did not complete an Election Form a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the certificates theretofore representing shares of Community First Capital Stock shall pass, only upon proper delivery of the certificates to the Exchange Agent) with instructions for use in surrendering stock certificates theretofore representing shares of Community First Capital Stock in exchange for the Merger Consideration.

2.2 Allocation of Shares

(a) Within five business days after the Merger Closing, the Exchange Agent, as directed by American, shall effect the allocation among holders of Community First Capital Stock of rights to receive American Common Stock or cash in the Merger in accordance with the Election Forms as follows.

(b) If the number of Cash Election Shares *times* the Per Share Common Cash Consideration with respect to Community First Common Stock and the Per Share Series A Cash Consideration with respect to the Series A Preferred Stock, when combined with the Stock Option Cash Consideration, is *greater* than the Aggregate Cash Consideration, then:

(i) all Stock Election Shares and all No-Election Shares shall be converted into the right to receive American Common Stock;

(ii) the Exchange Agent shall convert on a pro rata basis as described below in Section 2.2(e) a sufficient number of Cash Election Shares (Reallocated Stock Shares) such that the number of remaining Cash Election Shares *times* the Per Share Common Cash Consideration and the Per Share Series A Cash Consideration, as appropriate, when combined with the Stock Option Cash Consideration, equals the Aggregate Cash Consideration, and all Reallocated Stock shares shall be converted into the right to receive American Common Stock; and

(iii) the Cash Election Shares that are not Reallocated Stock Shares shall be converted into the right to receive cash.

(c) If the number of Cash Election Shares *times* the Per Share Common Cash Consideration with respect to Community First Common Stock and the Per Share Series A Cash Consideration with respect to the Series A Preferred Stock, when combined with the Stock Option Cash Consideration, is *less* than the Aggregate Cash Consideration, then:

(i) all Cash Election Shares shall be converted into the right to receive cash;

(ii) No-Election Shares shall then be deemed to be Cash Election Shares to the extent necessary to have the total number of Cash Election Shares *times* the Per Share Common Cash Consideration and the Per Share Series A Cash Consideration, as appropriate, when combined with the Stock Option Cash Consideration, equal the Aggregate Cash Consideration. If less than all of the No-Election Shares need to be treated as Cash Election Shares, the Exchange Agent shall select which No-Election Shares shall be treated as Cash Election Shares in such manner as the Exchange Agent shall determine, and all remaining No-Election Shares shall thereafter be treated as Stock Election Shares;

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(iii) If all of the No-Election Shares are treated as Cash Election Shares under the preceding subsection and the total number of Cash Election Shares *times* the Per Share Common Cash Consideration and the Per Share Series A Cash Consideration, as appropriate, when combined with the Stock Option Cash Consideration, is less than the Aggregate Cash Consideration, the Exchange Agent shall convert on a pro rata basis as described below in Section 2.2(d)

a sufficient number of Stock Election Shares into Cash Election Shares (Reallocated Cash Shares) such that the sum of the number of Cash Election Shares *plus* the number of Reallocated Cash Shares *times* the Per Share Common Cash Consideration and the Per Share Series A Cash Consideration, as appropriate, when combined with the Stock Option Cash Consideration, equals the Aggregate Cash Consideration, and all Reallocated Cash Shares will be converted into the right to receive cash; and

(iv) The Stock Election Shares that are not Reallocated Cash Shares shall be converted into the right to receive American Common Stock.

(d) In the event the Exchange Agent is required pursuant to Section 2.2(b) to convert some Cash Election Shares into Reallocated Stock Shares, each holder of Cash Election Shares shall be allocated a pro rata portion of the total Reallocated Stock Shares. In the event that the Exchange Agent is required pursuant to Section 2.2(c) to convert some Stock Election Shares into Reallocated Cash Shares, each holder of Stock Election Shares shall be allocated a pro rata portion of the total Reallocated Cash Shares.

2.3 Exchange Procedures

(a) After completion of the allocation referred to paragraphs (b) and (c) of Section 2.2, each holder of an outstanding certificate representing shares of Community First Capital Stock prior to the Effective Time (a Community First Certificate) who has surrendered such Community First Certificate to the Exchange Agent will, upon acceptance thereof by the Exchange Agent, be entitled to a certificate or certificates representing the number of whole shares of American Common Stock and/or the amount of cash into which the aggregate number of shares of Community First Capital Stock previously represented by such Community First Certificate(s) surrendered shall have been converted pursuant to this Agreement and, if such holder's shares of Community First Capital Stock have been converted into American Common Stock, any other distribution theretofore paid with respect to American Common Stock issuable in the Merger, in each case without interest. The Exchange Agent shall accept such Community First Certificates upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. Each Community First Certificate that is not surrendered to the Exchange Agent in accordance with the procedures provided for herein shall, except as otherwise herein provided, until duly surrendered to the Exchange Agent be deemed to evidence ownership of the number of shares of American Common Stock or the right to receive the amount of cash into which such Community First Capital Stock shall have been converted. No dividends that have been declared by American will be remitted to any person entitled to receive shares of American Common Stock under Section 2.2 until such person surrenders the Community First Certificate(s) representing Community First Capital Stock, at which time such dividends shall be remitted to such person, without interest.

(b) The Exchange Agent and American, as the case may be, shall not be obligated to deliver cash and/or a certificate or certificates representing shares of American Common Stock to which a holder of Community First Capital Stock would otherwise be entitled as a result of the Merger until such holder surrenders the Community First Certificate(s) representing the shares of Community First Capital Stock for exchange as provided in this Section 2.3, or, in default thereof, an appropriate affidavit of loss and indemnity agreement or bond in such amount as may be reasonably required in each case by American.

(c) Notwithstanding anything in this Agreement to the contrary, Community First Certificates surrendered for exchange by a Community First Affiliate (as defined in Section 4.14) shall not be exchanged for certificates representing shares of American Common Stock to which such

Community First Affiliate may be entitled pursuant to the terms of this Agreement until American has received a written agreement from such person as specified in Section 5.2(d).

2.4 No Fractional Securities

No certificates or scrip representing fractional shares of American Common Stock shall be issued upon the surrender for exchange of Community First Certificates, and such fractional shares shall not entitle the owner thereof to vote or to any other rights of a holder of American Common Stock. A holder of shares of Community First Capital Stock converted in the Merger who would otherwise have been entitled to a fractional share of American Common Stock shall be entitled to receive a cash payment (without interest) in lieu of such fractional share in an amount determined by multiplying (i) the fractional share interest to which such holder would otherwise be entitled by (ii) the Per Share Common Cash Consideration or the Per Share Series A Cash Consideration, as appropriate.

ARTICLE 3

Representations and Warranties

3.1 Disclosure Schedules

Before entering into this Agreement, Community First delivered to American a schedule, and American delivered to Community First a schedule (respectively, each schedule a Disclosure Schedule), setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more of its representations or warranties contained in Article 3; provided, that the mere inclusion of an item in a Disclosure Schedule as an exception to a representation or warranty will not be deemed an admission by a party that such item is material or was required to be disclosed therein.

3.2 Standard

For all purposes of this Agreement, no representation or warranty of Community First contained in Section 3.3 (other than the representations and warranties contained in Section 3.3(d), which shall be true in all material respects) or American contained in Section 3.4 (other than the representations and warranties contained in Section 3.4(d), which shall be true in all material respects) will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, event or circumstance unless such fact, circumstance or event, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 3.3 or Section 3.4, has had or is reasonably likely to have a Material Adverse Effect with respect to Community First or American, as the case may be.

3.3 Representations and Warranties of Community First

Subject to Section 3.1 and 3.2, Community First hereby represents and warrants to American as follows:

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(a) *Organization, Standing and Power.* Community First is a Virginia corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. Community First has the corporate power and authority to carry on its business in Virginia as now conducted and to own and operate its assets, properties and business; and it has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated hereby. Community First is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Community First Bank, a wholly

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owned subsidiary of Community First, is a Virginia chartered bank duly organized, validly existing and in good standing under the laws of Virginia, is in compliance in all material respects with all rules and regulations promulgated by any relevant regulatory authority, and it has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business.

(b) *Subsidiaries.* Community First does not own, directly or indirectly, five percent or more of the outstanding capital stock or other voting securities of any corporation, bank or other organization actively engaged in business except as set forth in Section 3.3(b) in its Disclosure Schedule (each individually a Community First Subsidiary and collectively the Community First Subsidiaries). Each Community First Subsidiary (i) is a duly organized corporation, validly existing and in good standing under applicable laws, (ii) has full corporate power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on Community First on a consolidated basis. The outstanding shares of capital stock of each Community First Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by Community First free and clear of all liens, claims and encumbrances or preemptive rights of any person. No rights are authorized, issued or outstanding with respect to the capital stock of any Community First Subsidiary and there are no agreements, understandings or commitments relating to the right of Community First to vote or to dispose of said shares.

(c) *Authorized and Effective Agreement.*

(i) Subject only to receipt of the requisite stockholder approval of this Agreement and the Plan of Merger, this Agreement and the Plan of Merger and the transactions contemplated hereby and thereby have been authorized by all necessary corporate action on the part of Community First on or before the date hereof. This Agreement and the Plan of Merger are valid and legally binding obligations of Community First, enforceable in accordance with their respective terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).