

AMERICAN RIVER BANKSHARES
Form 424B4
December 08, 2009
PROSPECTUS

3,520,000 Shares

American River Bankshares

Common Stock

We are offering 3,520,000 shares of our common stock, no par value per share. Our common stock is traded on the NASDAQ Global Select Market under the symbol "AMRB." On December 7, 2009, the last reported sale price of our common stock on the NASDAQ Global Select Market was \$6.30 per share.

These shares of common stock are not savings accounts, deposits, or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Investing in our common stock involves risks. See "RISK FACTORS" beginning on page 6 to read about factors you should consider before buying our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 6.2500	\$ 22,000,000
Underwriting discounts and commissions	\$ 0.3125	\$ 1,100,000
Proceeds to American River Bankshares (before expenses)	\$ 5.9375	\$ 20,900,000

The underwriters also may purchase up to an additional 528,000 shares of our common stock within 30 days of the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the common stock in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about December 10, 2009.

Howe Barnes Hoefler & Arnett

The date of this prospectus is December 7, 2009.

Wunderlich Securities

American River Bankshares

TABLE OF CONTENTS

	Page
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	ii
<u>ABOUT THIS PROSPECTUS</u>	iii
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	iii
<u>PROSPECTUS SUMMARY</u>	1
<u>SUMMARY OF SELECTED CONSOLIDATED FINANCIAL INFORMATION</u>	5
<u>RISK FACTORS</u>	6
<u>USE OF PROCEEDS</u>	13
<u>CAPITALIZATION</u>	14
<u>PRICE RANGE OF COMMON STOCK</u>	14
<u>DIVIDEND POLICY</u>	15
<u>DESCRIPTION OF CAPITAL STOCK</u>	15
<u>UNDERWRITING</u>	17
<u>LEGAL MATTERS</u>	18
<u>EXPERTS</u>	19

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference include “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may contain words related to future projections including, but not limited to, words such as “believe,” “expect,” “anticipate,” “intend,” “may,” “will,” “should,” “could,” “would,” and variations of those words and similar words that are subject to risks, uncertainties and other factors that could cause actual results to differ significantly from those projected. Factors that could cause or contribute to such differences include, but are not limited to, the following:

- the duration of financial and economic volatility and decline and actions taken by the United States Congress and governmental agencies, including the United States Department of the Treasury, to deal with challenges to the U.S. financial system;
- the risks presented by a continued economic recession, which could adversely affect credit quality, collateral values, including real estate collateral, investment values, liquidity and loan originations and loan portfolio delinquency rates;
- variances in the actual versus projected growth in assets and return on assets;
- potential continued or increasing loan and lease losses;
- potential increasing levels of expenses associated with resolving non-performing assets as well as regulatory changes;
- changes in the interest rate environment including interest rates charged on loans, earned on securities investments and paid on deposits and other borrowed funds;
- competitive effects;
- potential declines in fee and other noninterest income earned associated with economic factors as well as regulatory changes;
- general economic conditions nationally, regionally, and within our operating markets could be less favorable than expected or could have a more direct and pronounced effect on us than expected and adversely affect our ability to continue internal growth at historical rates and maintain the quality of our earning assets;
- changes in the regulatory environment including government intervention in the U.S. financial system;
- changes in business conditions and inflation;
- changes in securities markets, public debt markets, and other capital markets;
- potential data processing and other operational systems failures or fraud;
- potential continued decline in real estate values in our operating markets;
- the effects of uncontrollable events such as terrorism, the threat of terrorism or the impact of the current military conflicts in Afghanistan and Iraq and the conduct of the war on terrorism by the United States and its allies, worsening financial and economic conditions, natural disasters, and disruption of power supplies and communications;
- changes in accounting standards, tax laws or regulations and interpretations of such standards, laws or regulations;
- projected business increases following any future strategic expansion could be lower than expected;
- the goodwill we have recorded in connection with acquisitions could become impaired, which may have an adverse impact on our earnings;

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- the reputation of the financial services industry could experience further deterioration, which could adversely affect our ability to access markets for funding and to acquire and retain customers; and
- the efficiencies we may expect to receive from any investments in personnel and infrastructure may not be realized.

The factors set forth under “RISK FACTORS” in this prospectus and other cautionary statements and information set forth in this prospectus should be carefully considered and understood as being applicable to all related forward-looking statements contained in this prospectus, when evaluating our business prospects.

Forward-looking statements are not guarantees of performance. By their nature, they involve risks, uncertainties and assumptions. The future results and shareholder values may differ significantly from those expressed in these forward-looking statements. You are cautioned not to put undue reliance on any forward-looking statement. Any such statement speaks only as of the date of this prospectus, and in the case of any documents that may be incorporated by reference, as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statements, to report any new information, future event or other circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, except as required by law. However, your attention is directed to any further disclosures made on related subjects in reports filed with the Securities and Exchange Commission (the “SEC”) on Forms 10-K, 10-Q and 8-K. Any investor in our stock should consider all risks and uncertainties disclosed in our filings with the SEC, described below under the heading “WHERE YOU CAN FIND MORE INFORMATION,” all of which are accessible on the SEC’s website at www.sec.gov.

ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the documents incorporated by reference is accurate only as of their respective dates. American River Bankshares' business, financial condition, results of operations and prospects may have changed since such dates.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to "American River Bankshares," "we," "us," "our," or similar references, mean American River Bankshares and its banking subsidiary on a consolidated basis. References to "American River Bank" or the "Bank" mean our wholly-owned banking subsidiary, including all three of its divisions.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov and on the SEC Filings page of our website at www.amrb.com. Information on our website is not part of this prospectus. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street N.E., Washington, D.C. 20549. You can also obtain copies of the documents upon the payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

This prospectus omits some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits included in the registration statement for further information about us and the securities we are offering. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete documents to evaluate these statements.

The SEC allows us to "incorporate by reference" information we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus. Information contained in this prospectus supersedes information incorporated by reference that we have filed with the SEC prior to the date of this prospectus.

We incorporate by reference the following documents listed below, except to the extent that any information contained in such filings is deemed "furnished" in accordance with SEC rules:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC on March 6, 2009, including portions incorporated by reference therein to our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 1, 2009;
- Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, as filed with the SEC on May 13, 2009, our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2009, as filed with the SEC on August 13, 2009, and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009, as filed with the SEC on November 6, 2009; and
- Our Current Reports on Form 8-K filed with the SEC on January 2, 2009, January 13, 2009, January 23, 2009, February 25, 2009, March 4, 2009, March 19, 2009, March 20, 2009, April 3, 2009, April 16, 2009, May 4, 2009, May 7, 2009, May 15, 2009, May 27, 2009, June 18, 2009, July 2, 2009, July 17, 2009, July 23, 2009, July 28, 2009, July 29, 2009, August 13, 2009, October 6, 2009, October 15, 2009, October 22, 2009 (2), October 26, 2009, and October 29, 2009.

Upon request we will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference in the prospectus contained in the registration statement, but not delivered with the prospectus. You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing to or calling us at the address or telephone number listed below. You can also read and download the above-referenced reports through our website address www.amrb.com by clicking on the *SEC Filings* link located at that address. Once you have selected the *SEC Filings* link you will have the option to access the reports that we filed by selecting the appropriate link.

American River Bankshares
3100 Zinfandel Drive, Suite 450
Rancho Cordova, California 95670
(916) 851-0123
Attention: David T. Taber

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus and may not contain all the information that you need to consider in making your investment decision. You should carefully read this entire prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before deciding whether to invest in the common stock. You should pay special attention to the "RISK FACTORS" section of this prospectus to determine whether an investment in the common stock is appropriate for you.

About American River Bankshares

American River Bankshares is a bank holding company headquartered in Sacramento, California that was incorporated under the laws of the State of California in 1995. Through our wholly owned community bank subsidiary established in August 1983 – American River Bank – we provide a wide range of products and services to small and mid-sized community-based businesses and individuals in communities located in Sacramento, Placer, Yolo, El Dorado, Sonoma and Amador counties in Northern California. The Bank provides these products and services through its three divisions: American River Bank, North Coast Bank and Bank of Amador. The divisions were established subsequent to our acquisition of North Coast Bank and Bank of Amador. Although we operate under one bank charter, the three divisions serve three distinct geographical regions, having separate identities, and facilitate local decision-making. This approach enables the Bank to preserve the local name recognition and reputation of the acquired banks while maintaining the efficiencies of a single bank. As of September 30, 2009, we had total assets of \$566.1 million, total net loans and leases of \$387.3 million, total deposits of \$464.9 million, and total shareholders' equity of \$63.9 million.

The Bank, which specializes in fostering strong business relationships with its customers, accepts checking and savings deposits, offers money market deposit accounts as well as certificates of deposit and makes secured and unsecured commercial and industrial, secured real estate, and other individual and business-related installment and revolving loans and offers other customary retail and commercial banking services. The Bank also provides lease financing for most types of business equipment, ranging from computer software to heavy earth-moving equipment.

As a bank holding company, we are subject to the supervision of the Federal Reserve Board. As a California chartered bank, the Bank is subject to primary supervision by the California Department of Financial Institutions (the "California DFI") and by the Federal Deposit Insurance Corporation (the "FDIC"), as its primary Federal regulator.

Our principal office is located at 3100 Zinfandel Drive, Suite 450, Rancho Cordova, California 95670 and our telephone number is (916) 851-0123. Our common stock is traded on the NASDAQ Global Select Market under the symbol "AMRB."

Our Business Strategy

Our business strategy is to provide comprehensive banking and related services tailored to small to mid-sized community-based businesses as well as banking services for individuals, primarily business owners and their key employees. We emphasize the diversity of our product lines and high levels of personal service and, through our technology, we offer convenient high quality access typically associated with larger financial institutions, while maintaining local decision-making authority and market knowledge, typical of a local community bank. We intend to continue to pursue our business strategy through the following initiatives:

- **Focus on our existing market footprint**

Our operating markets of Sacramento, Placer, Yolo, El Dorado, Sonoma, and Amador counties provide significant and diverse growth opportunities ranging from low cost core deposit growth in some markets to significant growth in high quality lending in other markets. We have created strong individual local market branding and identification through the operation of our five Sacramento and Placer county branches as American River Bank, our three Sonoma County branches as North Coast Bank, a division of American River Bank, and our three Amador County branches as Bank of Amador, a division of American River Bank. To enhance local decision-making, we have retained regional presidents for both North Coast Bank and Bank of Amador with direct reporting responsibilities to the Bank's chief executive officer.

- **Deposit driven balance sheet**

We view our deposit base as the driver of our growth and key to our profitability. We believe our business model provides a strong low cost funding strategy with significant growth opportunities. At September 30, 2009, approximately 75% of our money market and checking accounts consisted of business-related deposits. Our funding practices have resulted in a very strong and consistent net interest margin that over the first nine months of 2009 was 4.96%. Using the latest national peer group available as

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of June 30, 2009, our net interest margin was 145 basis points higher than the peer group, placing us in the top 4th percentile. In addition, over the first nine months of 2009, our interest expense to average earning assets equaled 1.06%. This compares to 2.10% for our national peer group as of June 30, 2009, which placed us in the lowest 5th percentile further demonstrating our low cost deposit base.

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We incentivize our employees to encourage clients to bring in depository accounts to the Bank. Our core deposit base is largely sourced from our market areas, which is used to fund asset growth. We continue to seek to increase our market share in the communities in our operating markets by providing high quality customer service and employing business development strategies targeted to increasing our deposits. As of September 30, 2009, noninterest bearing deposits and other core deposits (total deposits less certificates of deposits over \$100,000) represented 25.5% and 78.2% of total deposits, respectively. We do not rely on brokered certificates of deposits as a significant strategy for deposit growth—as of September 30, 2009, we had \$15.1 million, or just 3.2% of our total deposits in brokered certificates of deposits. Demonstrating our commitment to using our deposit based funding strategy, our total loan to deposit ratio has not exceeded 94.4% as of the years ended 2000 through 2008 and the nine-month period ended September 30, 2009. The average loan to deposit ratio during the same time period was 81.5% and at September 30, 2009, the ratio was 83.3%. An important part of this strategy is to generate noninterest bearing deposits, which have averaged 30.0% of total deposits during this same period.

- **Maintain our emphasis on business banking**

We are focused on serving the needs of community-based businesses, faith-based organizations, building trades, professional service providers and the personal banking needs of business owners and their key employees.

Community-based businesses. Community-based small to mid-sized businesses within our market area represent the largest segments of our loan relationships and core deposit base. Our experience shows that we have significant success in dealing directly with the business owner and their key employees. In this way, our employees establish a very collaborative relationship directly with business decision makers.

Faith-based organizations. We believe that churches, schools and other faith-based not-for-profit organizations represent underserved businesses and provide us with significant opportunities. Our focus in this niche market enables us to attract and retain high quality loan and deposit relationships while also increasing our visibility and providing strong community recognition.

Professional service providers. Professional service providers, including fiduciaries, doctors, dentists, accounting firms and legal firms, represent one of our primary business segments. We have been particularly successful growing our business with professional fiduciaries, which provide a significant source of low cost funding and fee income revenue sources.

Business owners. We view personal banking for business owners and their key employees as a natural addition to the business banking services that we provide. Our employees provide high net worth individuals with the same level of service and access that we do for our business banking customers which enhances the business relationship as well as providing additional sources of community-based lending and deposit gathering.

- **Maintain a strong balance sheet and improve asset quality**

In addition to a renewed focus on our underwriting, servicing and problem loan identification and resolution, we believe that the strength of our balance sheet has enabled us to remain profitable during the economic downturn afflicting our market area. As of September 30, 2009, our non-performing loans and leases totaled 4.56% of total loans and leases and our ratio of the allowance for loan and lease losses to total loans and leases was 1.92%. Our liquidity position at September 30, 2009 included \$70.4 million in cash and cash equivalents and unpledged securities, as well as \$77.9 million in available borrowing capacity. As of September 30, 2009, the Bank's regulatory capital ratios were in excess of the levels required for "well-capitalized" status, and our consolidated tier 1 leverage ratio, tier 1 risk-based capital, and total risk-based capital ratios were 8.5%, 11.1%, and 12.3%, respectively. We have no trust preferred securities or preferred stock outstanding. The proceeds from this offering will further strengthen our balance sheet and improve our capital ratios.

We will continue our proactive approach to managing our non-performing loans. Loan sales, underlying asset sales and aggressive loan-by-loan resolution are all methods we will consider in order to achieve the maximum benefit to us. In addition, we continue to monitor and adjust our credit and problem loan identification standards and are actively managing to improve the diversification of our loan portfolio.

- **Retain and recruit highly competent personnel**

We have developed and maintained a strong corporate culture that has allowed us to recruit and retain some of the best bankers in our market area. We foster and reward personal accountability, passion and high ethical standards. We are committed to developing our people, promoting from within, and retaining our key personnel. Our compensation and staff development programs are aligned with our strategies to grow our loans and core deposits while maintaining our focus on asset quality. Our incentive systems are designed to support a strong balance sheet while maintaining appropriate incentive based compensation payments. The individuals who comprise our executive management team have an average of twenty-six years of industry experience, and overall our employees have an average tenure with us of eight years.

- **Take advantage of growth opportunities in our market**

We believe that FDIC-assisted transactions may provide us with an opportunity to grow on a basis that is accretive to earnings. We also believe that, with our increased capital from this offering and approach to credit management, we will be well positioned to take advantage of acquisitions or other business opportunities in our market areas. In markets where we wish to expand, we will consider opening *de novo* offices. We have successfully acquired and integrated North Coast Bank and Bank of Amador, acquired our Roseville branch through an FDIC-assisted transaction, acquired our Point West branch in a negotiated transaction and opened our Capitol Mall branch as a *de novo* office. We intend to continue to be selective in our acquisitions and opening of *de novo* offices, focusing on markets we know and understand, while maintaining our operating efficiencies. We currently have no specific plans relating to a possible acquisition or the opening of *de novo* offices.

Recent Developments

On July 27, 2009, we announced that our Board of Directors had temporarily suspended the payment of cash dividends, until such time that it was prudent to reestablish the payment of cash dividends. Regulatory approval will be required before the payment of cash dividends may be reestablished. Please refer to the section of this prospectus entitled "DIVIDEND POLICY."

On November 19, 2009, in connection with our regularly scheduled and recently concluded FDIC examination, the Bank received a form of memorandum of understanding from the FDIC and the California DFI, which they request be signed by the Board of Directors within the next 30 days. The memorandum covers actions to be taken by the Board of Directors and management to enhance BSA compliance; reduce the Bank's level of classified assets and further strengthen and improve the Bank's asset quality including, among other things: enhancing existing appraisal policies, allowance and problem loan identification policies and procedures, including identification of impaired loans and leases and identification of troubled debt restructured loans; requesting regulatory approval prior to paying any cash dividends; and maintaining the Bank's Tier 1 Leverage capital ratio at not less than 8% and a Total Risk-Based capital ratio of not less than 11%. As of September 30, 2009, the foregoing capital ratios for the Bank were 8.5% and 12.4%, respectively. We believe that we are currently in compliance in all material respects with the actions described in the memorandum. Consequently, we do not expect these actions to significantly change our business strategy in any material respect.

Risk Factors

An investment in our common stock involves certain risks. You should carefully consider the risks described under "RISK FACTORS" beginning on page 6 of this prospectus, as well as other information included in or incorporated by reference into this prospectus, including our consolidated financial statements and the notes thereto, before making an investment decision.

The Offering

The following summary of the offering contains basic information about the offering and the common stock and is not intended to be a complete discussion of the offering or the common stock. For a more complete understanding of the common stock, please refer to the section of this prospectus entitled "DESCRIPTION OF CAPITAL STOCK."

Issuer	American River Bankshares, a California corporation.
Common stock we are offering	3,520,000 shares of common stock, no par value.
Common stock outstanding after this offering	9,317,533 shares of common stock. (1)(2)

Over-allotment option

We have granted the underwriters an option to purchase up to an additional 528,000 shares of common stock within 30 days of the date of this prospectus in order to cover over-allotments, if any.

Use of proceeds

We intend to use the net proceeds from this offering to enhance our ability to support internal organic growth, to maintain prudent and required regulatory capital levels, and for general corporate purposes which may include pursuing an FDIC-assisted acquisition.

Market and trading symbol for the common stock Our common stock is listed and traded on the NASDAQ Global Select Market under the symbol "AMRB."

- (1) The number of shares of common stock outstanding immediately after the closing of this offering is based on 5,797,533 shares of common stock outstanding as of December 7, 2009.
- (2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus excludes shares issuable pursuant to the exercise of the underwriters' over-allotment option, and 381,021 shares of common stock issuable pursuant to outstanding options under our stock option plan.

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SUMMARY OF SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information for the years ended December 31, 2008, 2007, 2006, 2005, and 2004 is derived from our audited consolidated financial statements. The summary financial data at and for the nine months ended September 30, 2009 and 2008 is derived from our unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 and is incorporated by reference in this prospectus. These unaudited interim consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our consolidated financial condition and results of operations as of the dates and for the periods indicated. Historical results are not necessarily indicative of future results, and the results for the nine months ended September 30, 2009 are not necessarily indicative of our expected results for the full year ending December 31, 2009. You should read the summary selected consolidated financial information presented below in conjunction with our consolidated financial statements and the notes to those consolidated financial statements and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference in this prospectus. All per share data has been retroactively restated to reflect stock dividends and stock splits.

	At or For the Nine Months Ended September 30, (unaudited)		At or For The Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004 (1)
(dollars in thousands, except per share data)							
Operations Data:							
Net interest income	\$ 18,285	\$ 19,479	\$ 25,925	\$ 26,402	\$ 27,066	\$ 26,462	\$ 19,418
Provision for loan and lease losses	6,030	908	1,743	450	320	322	895
Noninterest income	1,756	1,670	2,168	2,599	2,443	2,329	2,395
Noninterest expenses	12,108	10,965	14,201	14,833	14,388	13,493	11,713
Income before income taxes	1,903						