

Andersons, Inc.
Form 4
August 13, 2015

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
McKinstry Neill C

(Last) (First) (Middle)

P O BOX 119

(Street)

MAUMEE, OH 43537

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Andersons, Inc. [ANDE]

3. Date of Earliest Transaction (Month/Day/Year)
07/22/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)

President, Ethanol Group

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
COMMON STOCK	07/22/2015		J ⁽¹⁾	0.046 A	\$ 36.3 50,630.9052	D	
COMMON STOCK	07/22/2015		J ⁽²⁾	5.3852 A	\$ 36.24 50,636.2904	D	
PERFORMANCE SHARE UNIT (2016)					2,475 ⁽³⁾	D	
PERFORMANCE SHARE UNIT (2017)					2,950 ⁽⁴⁾	D	
					6,272 ⁽⁴⁾	D	

PERFORMANCE
SHARE UNIT
(2018)

COMMON
STOCK

2,377.62

I

Held by
Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction (Instr. 3)
--	--	--------------------------------------	--	--------------------------------	---	--	---	--	---

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
McKinstry Neill C P O BOX 119 MAUMEE, OH 43537			President, Ethanol Group	

Signatures

Neill McKinstry, by Mary Schroeder, Limited Power of Attorney
Date: 08/13/2015

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Acquisition pursuant to Rule 16b-3(c)

Edgar Filing: Andersons, Inc. - Form 4

(2) Reinvestment of dividend

Stock performance unit granted pursuant to The Andersons, Inc. plan. Units vest 100% in 27 months contingent on cumulative EPS from 10/01/2013 to 12/31/2015. Number of underlying shares are determined by the twenty-seven months cumulative fully diluted EPS for the performance period.

(4) Stock performance unit granted pursuant to The Andersons, Inc. Plan. Units vest 100% in 3 years contingent on cumulative EPS. Number of underlying shares are determined by the three-year cumulative fully diluted EPS for the performance period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. v style="text-align:right;font-size:9pt;">—

524,641

—

6%

55 East 52nd Street

New York, New York 10022 (2)

For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial (1) owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days.

Other than percent of class, this information is based solely upon information as of December 31, 2015 contained (2) in a Schedule 13G/A filed by BlackRock, Inc. with the Securities and Exchange Commission on January 25, 2016 relating to the beneficial ownership of the Company's common stock by BlackRock, Inc. and entities affiliated with BlackRock, Inc.

Edgar Filing: Andersons, Inc. - Form 4

The following table sets forth, as of April 1, 2016, the Annual Meeting record date, the beneficial ownership of the Company's common stock by all directors and nominees for director, all executive officers of the Company named in the Summary Compensation Table on page 22 of this proxy statement, and all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned (#) (1)	Percent of Class (%)
Fred A. Blair	17,082 (2)	*
Frank C. Crist, Jr., D.D.S.	107,919 (2)	1.25
Ben J. Davenport, Jr.	49,494	*
R. Helm Dobbins	19,087 (3)	*
Jeffrey V. Haley	45,082 (2) (3)	*
Michael P. Haley	5,925 (2)	*
Charles S. Harris	5,187	*
F. D. Hornaday, III	25,727 (2)	*
John H. Love	19,053	*
Franklin W. Maddux, M.D. FACP	14,215 (2)	*
Charles H. Majors	62,140 (2)	*
Claude B. Owen, Jr.	25,895 (2)	*
Ronda M. Penn	1,065	*
Dan M. Pleasant	6,661	*
Joel R. Shepherd	63,234 (2)	*
H. Gregg Strader	10,297 (3)	*
William W. Traynham	21,492 (3)	*
All directors and executive officers as a group (17)	499,555 (4)	5.80

*Represents less than 1% ownership.

For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial (1) owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days.

Includes shares held by affiliated companies, close relatives, minor children, and shares held jointly with spouses (2) or as custodians or trustees, as follows: Mr. Blair, 261 shares; Dr. Crist, 997 shares; Mr. Jeffrey Haley, 863 shares; Mr. Michael Haley, 1,590 shares; Mr. Hornaday, 2,072 shares; Dr. Maddux, 300 shares; Mr. Majors, 4,454 shares; Mr. Owen, 4,200 shares; and Mr. Shepherd, 100 shares.

Includes shares of restricted stock awarded: Mr. Dobbins, 11,700 shares; Mr. Jeffrey Haley, 21,711 shares; Mr. (3) Strader, 6,232 shares; and Mr. Traynham, 13,492 shares; all executive officers as a group, 53,135 shares. The shares are subject to a vesting schedule, forfeiture risk and other restrictions. These shares can be voted at the Annual Meeting.

(4) None of the individuals named in the table have pledged their shares as collateral.

Explanation of Responses:

COMPENSATION COMMITTEE REPORT

The Human Resources and Compensation Committee of the Board of Directors has reviewed and discussed with the Board and management the Company's Compensation Discussion and Analysis. Based upon this review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's definitive proxy statement on Schedule 14A for the Annual Meeting, portions of which are incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission.

Respectfully submitted,

Michael P. Haley, Chairman

Ben J. Davenport, Jr.

John H. Love

Dan M. Pleasant

COMPENSATION DISCUSSION AND ANALYSIS

The Company's Executive Compensation Philosophy

The purpose of the Company's compensation philosophy is to treat employees fairly and to pay compensation at a level commensurate with the market, given individual and Company factors and performance. The Company's compensation programs, levels, practices, and policies are consistent with the Company's values, culture and mission. The Company supports a pay-for-performance culture, creation of an environment where employees can succeed, and values, long-standing, productive employee service.

The Human Resources and Compensation Committee of the Board of Directors is responsible for establishing and approving the compensation of the executive officers of the Company, except for the compensation of the Chief Executive Officer, which is approved by the independent members of the Board of Directors. The Committee considers a variety of factors and criteria in arriving at its decisions and recommendations for compensation. The Committee's objective is to attract and retain a superb leadership team with market-competitive compensation and to align the team member's interests with those of the Company, its customers and its shareholders. Accordingly, a significant portion of the Company's executive officers' compensation is directly and materially linked to operating performance. In particular, cash bonuses and incentive payments are heavily dependent on meeting or exceeding Company performance goals as well as objective and subjective criteria related to the executive officer's area of responsibility.

Each director who served on the Committee during 2015 qualifies as a "non-employee director" as such term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934 and is an "independent director" as such term is defined in NASDAQ Marketplace Rule 5605(a)(2).

The Committee considers the results of the shareholder advisory say-on-pay vote in its deliberations regarding compensation of the named executive officers. At the Company's 2015 Annual Meeting, 86.4% of shareholders who voted at the meeting voted for the approval of the compensation levels and programs provided to the named executive officers.

Role of Compensation Consultant

During 2014, the Committee retained the services of Pearl Meyer & Partners, LLC (“PM&P”), an independent executive compensation consulting firm, to provide consulting services in connection with developing the Company’s compensation philosophy and providing a competitive compensation review with respect to executive management, a larger group than the named executive officers. Management was not involved in the decision to use an outside consultant or the selection of PM&P.

The compensation review encompassed (i) the development of a custom peer group consisting of community banks of comparable size in Virginia and contiguous states, publicly traded, with assets between \$600 million and \$4 billion; (ii) an assessment of the Company’s executive compensation as compared to market (similar executives in the peer group); (iii) a high level assessment of the Company’s performance relative to peers; and (iv) establishing a basis for discussing potential pay or other compensation changes in future periods.

The customer peer group of comparable community banks consisted of the following institutions:

Institution Name	Ticker	City	State
BNC Bancorp	BNCN	High Point	NC
First Bancorp	FBNC	Southern Pines	NC
First Community Bancshares, Inc.	FCBC	Bluefield	VA
Stock Yards Bancorp, Inc.	SYBT	Louisville	KY
NewBridge Bancorp	NBBC	Greensboro	NC
Bank of Kentucky Financial Corporation	BKYF	Crestview Hills	KY
Farmers Capital Bank Corporation	FFKT	Frankfort	KY
Summit Financial Group, Inc.	SMMF	Moorefield	WV
C&F Financial Corporation	CFFI	West Point	VA
Middleburg Financial Corporation	MBRG	Middleburg	VA
National Bankshares, Inc.	NKSH	Blacksburg	VA
Premier Financial Bancorp, Inc.	PFBI	Huntington	WV
Community Bankers Trust Corporation	ESXB	Richmond	VA
Shore Bancshares, Inc.	SHBI	Easton	MD
Peoples Bancorp of North Carolina, Inc.	PEBK	Newton	NC
Eastern Virginia Bankshares, Inc.	EVBS	Tappahannock	VA
Monarch Financial Holdings, Inc.	MNRK	Chesapeake	VA
Old Point Financial Corporation	OPOF	Hampton	VA
Valley Financial Corporation	VYFC	Roanoke	VA

The PM&P review determined that overall cash compensation approximated the market median, but total compensation was below market because of a lack of long-term incentives and supplemental retirement benefits. Based on such information, the Board of Directors and the Committee determined to establish, for 2015, for members of executive management a formalized incentive program and the opportunity to participate in a nonqualified deferred compensation plan.

During 2014, PM&P reported directly to the Committee and did not provide any other services to the Company. The Committee has analyzed whether the work of PM&P has raised any conflicts of interest, taking into consideration the following factors, among others: (i) the provision of other services to the Company by PM&P (none); (ii) the amount of fees from the Company paid to PM&P as a percentage of PM&P’s total revenues; (iii) PM&P’s policies and procedures that are designed to prevent

conflicts of interest; (iv) any business or personal relationship of PM&P or the individual compensation advisors employed by PM&P with an executive officer of the Company; (v) any business or personal relationship of the individual compensation advisors with any member of the Committee; and (vi) any stock of the Company owned by PM&P or the individual compensation advisors employed by PM&P. The Committee has determined, based on its analysis of the above factors, among others, that the work of PM&P and the individual compensation advisors employed by PM&P as compensation consultants or advisors to the Company has not created any conflicts of interest.

During 2015, the Company did not engage PM&P for any services.

Salary

The base salary of each executive officer named in the Summary Compensation Table (the "named executive officers") is designed to be competitive with that of the Company's peer banks and bank holding companies. In establishing the base salaries for the named executive officers in 2015, the Committee and Board relied upon an evaluation of each officer's level of responsibility and performance and on comparative information, including the Virginia Bankers Association's Salary Survey of Virginia Banks and the SNL Bank Compensation Review. The Committee and the independent members of the Board of Directors also took into account the information described above that was provided by PM&P, including the peer group data. In establishing the base salary for the executive officers other than the Chief Executive Officer, the Committee also received and took into account the individual compensation recommendations of the Chief Executive Officer. In executive session, the independent directors collectively evaluated the performance of the Chief Executive Officer, especially as his performance inured to the benefit of the shareholders. The Chairman of the Committee met with the Chief Executive Officer to review the results of the evaluation after the Committee discussion. The 2015 salary of the Chief Executive Officer was ultimately reviewed, discussed, and approved by the independent members of the Board of Directors in executive session, upon recommendation of the Committee.

Performance Compensation Program

For 2015, and based on the information described above that was provided by PM&P, the Board of Directors and the Committee established an incentive program for executive officers. Pursuant to the terms of the program, the Company's executive officers had the opportunity to earn incentive payments for 2015 performance, with the targeted payout for the Chief Executive Officer set at an amount up to \$150,000 and the targeted payout for the other named executive officers set at an amount equal to 30% of their respective base salaries. For the Chief Executive Officer, the targeted incentive payment was entirely based on achievement of growth goals in core earnings per share ("EPS"). For the other named executive officers, 50% of the targeted incentive payment was based on achievement of certain position specific objective goals and the other 50% was based on the achievement of certain growth goals in core EPS. Incentive payments will be made in a combination of cash and restricted stock grants.

The financial target was growth in core net income (defined as net income, per generally accepted accounting principles, less the impact of fair value and merger related adjustments) on an earnings per share basis. For the Chief Executive Officer, the targeted growth was an increase in core EPS of 7.1%, which would result in a \$150,000 incentive payment. The minimum threshold was a 3% increase in core EPS, which would result in a \$30,000 payment. The maximum threshold was a 10% increase in core EPS, which would result in a \$225,000 payment. For 2015, the Company achieved sufficient core EPS growth to result in the maximum incentive payments. For 2016, the incentive program methodology will remain the same.

For the named executive officers, other than the Chief Executive Officer, the targeted growth was an increase in core EPS of 7.1%, which would result in a 100% incentive payment. The minimum threshold was a 3% increase in core EPS, which would result in a 20% payment. The maximum threshold was a 10% increase in core EPS, which would result in a 150% payment. For 2015, the Company achieved sufficient core EPS growth to result in the maximum incentive payments to the named executive officers. For 2016, the incentive program methodology will remain the same.

In addition, beginning in 2015, all of the Company's named executive officers participate in a voluntary, nonqualified deferred compensation plan pursuant to which the officers are able to defer any portion of their annual incentive payments. In addition, the Company may make discretionary contributions to the deferred compensation plan. The plan is administered through the Virginia Bankers Association.

In the opinion of the Committee and the Board of Directors, the Company's compensation practices do not encourage excessive or inappropriate risk taking and are not reasonably likely to have a material adverse effect on the Company, but rather will have a positive effect on the Company.

Stock Compensation Plans

The Company maintains the 2008 Stock Incentive Plan ("2008 Plan"), which is designed to attract and retain qualified key personnel, provide employees with a proprietary interest in the Company as an incentive to contribute to the success of the Company, and reward employees for outstanding performance and the attainment of goals. The 2008 Plan was adopted by the Board of Directors of the Company on February 19, 2008 and approved by the shareholders on April 22, 2008 at the Company's 2008 Annual Meeting. The 2008 Plan provides for the granting of restricted stock awards and incentive and non-statutory options to employees and directors on a periodic basis, at the discretion of the Board or a Board designated committee. The 2008 Plan authorizes the issuance of up to 500,000 shares of common stock. The 2008 Plan replaced the Company's earlier stock option plan that expired in December 2006.

The 2008 Plan is administered by a Committee of the Board of Directors of the Company comprised of the independent directors. Under the 2008 Plan, the Committee determines which employees will be granted restricted stock awards and options, whether such options will be incentive or non-statutory options, the number of shares subject to each option, whether such options may be exercised by delivering other shares of common stock, and when such options become exercisable. In general, the per share exercise price of an incentive stock option must be at least equal to the fair market value of a share of common stock on the date the option is granted. Restricted stock is granted under terms and conditions established by the Committee.

Stock options become vested and exercisable in the manner specified by the Committee. Each stock option or portion thereof shall be exercisable at any time on or after it vests and is exercisable until ten years after its date of grant. No stock options have been backdated or repriced. As of December 31, 2015, options for 67,871 shares are exercisable under the 2008 Plan, options for 60,555 shares are exercisable under options assumed in the MidCarolina Financial Corporation ("MidCarolina") merger and options for 7,316 shares are exercisable under options assumed in the MainStreet BankShares, Inc. ("MainStreet") merger. The MidCarolina and MainStreet option shares will be issued from the 2008 Plan. There were no stock options awarded in 2015.

The Company from time-to-time grants shares of restricted stock to key employees and non-employee directors. The Company believes the awards help align the interests of these employees and directors with the interests of the shareholders of the Company by providing economic value directly

related to increases in the value of the Company's stock. The value of the stock awarded is based on the fair market value of the Company's common stock at the time of the grant, which is the closing price of the stock on the NASDAQ Global Select Market on the grant day. The Company recognizes expense, equal to the total value of such awards, proportionately over the vesting period of the stock grants.

The grants of restricted stock do not have performance conditions that must be satisfied in order for the shares to be earned and vest 36 months after the award date. On January 20, 2015, the Company awarded an aggregate of 12,649 shares of restricted stock to the named executive officers and 11 other senior officers of the Bank.

Nonvested restricted stock for the year ended December 31, 2015 is summarized in the following table.

Restricted Stock	Shares	Weighted Average Grant Date Value
Nonvested at January 1, 2015	41,562	\$21.39
Granted	19,155	\$21.81
Vested	(15,536)	\$19.51
Forfeited	(3,618)	\$22.89
Nonvested at December 31, 2015	41,563	\$22.15

As of December 31, 2015, there was \$340,000 of total unrecognized compensation cost related to nonvested restricted stock granted under the 2008 Plan. This cost is expected to be recognized over the next 12 to 30 months.

Retirement Plan

Through December 31, 2009, the Company's retirement plan was a non-contributory defined benefit pension plan that covered all full-time employees of the Company who were 21 years of age or older and who had at least one year of service. Advanced funding of the plan was accomplished by using the actuarial cost method known as the "collective aggregate cost method".

The plan was closed to new participants at December 31, 2009. On that date, the Company converted the plan to a cash balance plan. Participant balances at that date reflected the net present value of the plan's then existing obligation to the participants. Beginning January 1, 2010, participants earn income each year based on the ten year U.S. Treasury note yield established at December 31 of the prior year, subject to certain adjustments.

401(k) Employee Savings Plan

The Company sponsors a 401(k) Employee Savings Plan in which all full-time employees (age 21 and older) are eligible to participate. The Company matches 100% of employee contributions on the first 3% of earned compensation and 50% of employee contributions of the second 3% of earned compensation. Perquisites received by executive officers are not included as earned compensation under this plan. The Company's contributions are not subject to a vesting schedule.

Perquisites

Due to the geographic size of the Company's market area, in 2015 the Company provided the Chief Executive Officer with an automobile, and reimbursed him for the cost of fuel and maintenance for

the vehicles other than the estimated amount of personal use of the vehicles. In 2016, such arrangement will continue for the Chief Executive Officer. There is no tax gross-up provided by the Company for any employee perquisites.

Other Benefit Plans

Executive officers participate in the Company's benefit plans on the same terms as other employees. These plans include medical, dental, life, and disability insurance. The Company provides life insurance coverage equal to four times the employee's salary for all eligible employees. Coverage in excess of \$50,000 is subject to taxation paid by the employee based on Internal Revenue Service guidelines.

Executive Employment Agreements and Change in Control Arrangements

The Company recognizes that, as a publicly held financial services company, it is imperative that it maintain stability and continuity in its executive management positions. The Company also understands that the possibility of a change in control of the Company exists. In order to protect the interests of the shareholders and the Company, to promote continuity in the event of a change in control and to minimize uncertainty among executive management, the Company and its executive officers have entered into employment agreements that contain severance arrangements in connection with a change in control of the Company. All named executive officers currently have operative employment agreements except Mr. Gilliam whose agreement terminated on March 31, 2016 due to his retirement.

On March 2, 2015, the Company entered into separate employment agreements with all of the named executive officers. Each agreement has an initial three year term that extends through December 31, 2017. Mr. Jeffrey Haley's agreement renews automatically on a daily basis beginning January 1, 2016, so that the term of employment always has at least two years to run. On January 1, 2017, the four other named executive officers' agreements begin to renew automatically on a daily basis so that the terms of employment always has at least one year to run. Each agreement will automatically terminate on the first day of the month immediately following the month in which the officer turns 70.

The Company may give each of the named executive officers, other than Mr. Jeffrey Haley, notice of nonrenewal of such officer's agreement at any time on or after January 1, 2017, and the agreement will terminate one year thereafter, but not before completion of the initial three year term. In the case of Mr. Jeffrey Haley, notice of nonrenewal may be given on or after January 1, 2016 due to the two year evergreen provision and it will terminate two years later.

The agreements provide that each officer's base salary will be reviewed annually, and that the officers will be entitled to participate in such short-term and/or long-term cash and equity incentive plans as the Company may determine.

If the Company terminates the officer's employment for any reason other than for "Cause" or if the officer terminates his employment for "Good Reason" (each as defined in the agreement), the Company will, subject to the officer's execution and non-revocation of a general release of claims, make a lump sum payment in an amount equal to the product of (x) the officer's "Final Monthly Compensation" (defined in the agreement as the sum of the officer's base salary in effect at the date of termination and the annual bonus paid or payable for the most recently completed year, divided by twelve) times (y) the number of months remaining between the date of termination and the expiration of the current employment term. The Company will also make a lump sum payment in an amount equal to the product of (x) the amount of the monthly group insurance premiums contributed by the Company for the officer's health, dental and vision insurance coverage (exclusive of the amounts paid by the officer for

such coverage) (the “COBRA Premium”) times (y) the number of months remaining between the date of termination and the expiration of the current employment term. Upon termination of employment, each officer will be subject to certain noncompetition and nonsolicitation restrictions for one year.

The employment agreements include a double-trigger severance structure in the event of a change in control. If a change in control of the Company occurs and the officer’s employment is terminated without Cause or for Good Reason within 24 months following the change in control, the following severance benefits will be paid: (i) the amount of any incentive or bonus compensation earned which has not been paid; (ii) a pro-rated bonus based on the prior year’s cash bonus amount; (iii) a lump sum payment equal to 2.99 times Mr. Jeffrey Haley’s “Final Compensation” and 2.0 times each of the other named executive officers’ “Final Compensation” (defined in the agreements as the base salary in effect at the date of termination plus the highest annual cash bonus paid or payable for the two most recently completed years); and (iv) a lump sum payment equal to the monthly COBRA Premium times 36 months in the case of Mr. Jeffrey Haley and times 24 months in the case of each of the other named executive officers.

Pursuant to the 2008 Plan, the Stock Grant and Option Committee may provide Change in Control acceleration parameters under which all, or a portion, of the restricted stock will vest upon the occurrence of a Change in Control.

Each agreement provides that the severance payments and benefits to which the officer may be entitled in connection with a change in control will be reduced to the amount that does not trigger the golden parachute excise tax under Section 4999 of the Internal Revenue Code of 1986. No reduction, however, will be made and the officer will be responsible for all excise and other taxes if his after-tax position with no cutback exceeds his after-tax position with a cutback by at least 5%.

Potential Payments upon Termination or Change in Control

If a change in control had occurred on December 31, 2015, and the named executive officers were terminated on that same date, the compensation and benefits that would be payable to each of the named executive officers under the terms of their employment agreements are identified in the following table. This hypothetical scenario would require payment of salary and bonus and coverage under the Company’s healthcare plan through December 31, 2017. Stock awards represent the market value of restricted shares of stock that have not vested as of December 31, 2015.

Name	Salary (\$)	Bonus (\$)	COBRA Premium (\$)	Stock Awards (\$)
Jeffrey V. Haley	1,166,100	175,000	16,200	160,000
H. Gregg Strader	500,000	60,000	10,800	30,000
William W. Traynham	460,000	51,500	10,800	112,500
R. Helm Dobbins	400,000	45,000	10,800	20,000
Dabney T.P. Gilliam, Jr. (1)	380,000	43,000	10,800	20,000

(1) Mr. Gilliam retired from the Company on March 31, 2016.

Tax and Accounting Considerations

The Company’s practice is to expense salary, bonus and incentive compensation, and benefit costs as they are incurred for tax and accounting purposes. Salary, bonus and incentive compensation, and

some benefit payments are taxable to the recipient as ordinary income. The tax and accounting treatment of the various elements of compensation is not a major factor in the Company's decision making with respect to executive compensation. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy requiring all compensation to be deductible. The Company did not have any nondeductible compensation in 2015.

Security Ownership Guidelines and Hedging of Securities

Stock ownership guidance is in effect for executive officers of the Company. The Chief Executive Officer is expected to maintain stock ownership equal to at least three times his current base salary. The Executive Vice Presidents are expected to maintain stock ownership equal to at least two times their current base salary. No formal deadline has been set for compliance with the above guidelines. However, the executive officers are increasing their equity ownership in the Company as quickly as practical.

The Committee has adopted a policy which requires that any grants of restricted stock to executive officers be held by the grantee until fully vested, so long as she or he has achieved the overall ownership guidelines set by the Company. The Company does not have any policies regarding executive officers' hedging the economic risk of ownership of the Company's common stock.

Compensation Recovery Policy

Upon recommendation of the Human Resources and Compensation Committee, in June 2013, the Board of Directors approved a Compensation Recovery Policy. This policy allows the Company to recoup from an officer any portion of incentive-based compensation (cash, incentive/bonus awards and all forms of equity based compensation) as the Board deems appropriate if it is determined that such officer (either a current or former officer of the Company or the Bank) engaged in fraud, willful misconduct or violation of Company or Bank policy that caused or otherwise contributed to the need for a material restatement of the Company's financial results. Recommendations to recover any portion of incentive-based compensation will be presented to the Board by the Committee after review of all relevant facts and circumstances.

COMPENSATION TABLES

Summary Compensation Table

The following table reflects total compensation paid to or earned by the named executive officers for the periods indicated below. During 2015, the Company had no executive officers other than those named in the table. The named executive officers are the highest paid employees of the Company and the Bank.

In accordance with SEC rules, the amounts in the columns for stock awards reflect the grant date fair market value of the stock awards. Assumptions made in the calculation of these amounts are contained in Note 13 to the Company's audited financial statements for the year ended December 31, 2015, included in the Company's 2015 Annual Report on Form 10-K.

Name and Principal Position of the Company and the Bank	Year	Salary (\$)	Bonus (\$) (1)	Stock Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$) (3)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$) (4)	All Other Compensation (\$) (5)	Total (\$)
Jeffrey V. Haley President and Chief Executive Officer	2015	390,000	—	53,345	75,000	730	82,381	601,456
	2014	338,923	100,000	56,677	—	28,546	29,849	553,995
	2013	300,000	50,000	40,008	—	(8,704)	35,851	417,155
H. Gregg Strader (6) Executive Vice President and Chief Banking Officer	2015	250,000	—	25,012	30,000	—	37,852	342,864
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
William W. Traynham Executive Vice President and Chief Financial Officer	2015	230,000	—	37,510	29,000	—	43,956	340,466
	2014	211,232	22,500	43,345	—	—	23,454	300,531
	2013	192,500	15,000	30,009	—	—	22,363	259,872
R. Helm Dobbins (6) Executive Vice President and Chief Credit Officer	2015	200,000	—	28,341	25,000	4,122	34,672	292,135
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
Dabney T.P. Gilliam, Jr. (6) (7) Executive Vice President and Chief Administrative Officer	2015	190,000	—	28,341	23,000	3,533	34,873	279,747
	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—

Explanation of Responses:

(1) The Human Resources and Compensation Committee assessed the performance of the executive officer and the Company and awarded discretionary bonus payments commensurate with the officer's performance.

22

Amounts shown represent the aggregate full grant date fair value of each award calculated in accordance with FASB ASC Topic 718. The assumptions made in the calculation of these amounts are contained in Note 13 to the Company's audited financial statements for the year ended December 31, 2015, included in the Company's 2015 Annual Report on Form 10-K.

Represents cash award for individual and Company performance under the incentive program based upon achievement of specific goals approved by the Board. Achievement of specific goals and amounts of cash awards are determined by the Human Resources and Compensation Committee and submitted to the Board for approval.

Because the pension plan was converted to a cash balance plan and frozen effective December 31, 2009, the assumptions used to determine the present value of accumulated benefit for each participant were changed so that the present value of accumulated benefit shown as of the end of that year was equal to the opening balance under the cash balance plan. This is the same amount that would have been payable under the prior plan had the participant terminated employment and elected a lump sum payment. There were no benefit increases for any participant attributable to the cash balance plan conversion.

Details of other compensation for each of the executive officers appear in the All Other Compensation table shown below.

Messrs. Strader, Dobbins and Gilliam were appointed executive officers of the Company on January 1, 2015.

Mr. Gilliam retired from the Company on March 31, 2016.

Other Compensation Table

Name	Year	Allocation to Nonqualified Deferred Compensation Plan (\$ (1))	Company Contribution to 401(k) Plan (\$)	Company Contribution to Profit Sharing Plan (\$ (2))	Other Benefits (\$ (3))	Total (\$)
Jeffrey V. Haley	2015	58,500	11,925	—	11,956	82,381
	2014	—	11,700	8,473	9,676	29,849
	2013	—	11,475	9,000	15,376	35,851
H. Gregg Strader	2015	25,000	9,069	—	3,783	37,852
	2014	—	—	—	—	—
	2013	—	—	—	—	—
William W. Traynham	2015	23,000	7,528	—	13,428	43,956
	2014	—	7,184	5,281	10,989	23,454
	2013	—	7,256	5,775	9,332	22,363
R. Helm Dobbins	2015	20,000	8,198	—	6,474	34,672
	2014	—	—	—	—	—
	2013	—	—	—	—	—

Edgar Filing: Andersons, Inc. - Form 4

Dabney T.P. Gilliam, Jr.	2015	19,000	9,640	—	6,233	34,873
	2014	—	—	—	—	—
	2013	—	—	—	—	—

-
- (1) Amounts represent Company allocations to the executive officers' nonqualified deferred compensation plan.
- (2) Includes a profit sharing distribution of 2.5% and 3.0% of their earned income in 2014 and 2013, respectively.
- (3) Other benefits include company paid insurance premiums for all named executive officers. In 2013, it also includes the use of an automobile with tax gross-ups for commuting expense for the Chief Executive Officer.

Grants of Plan-Based Awards in 2015

The following table provides information on the restricted stock awards granted to the named executive officers during the year ended December 31, 2015. The amounts in the column for the grant date fair value of the stock awards reflect the grant date fair market value of the stock awards. Assumptions made in the calculation of these amounts are contained in Note 13 to the Company's audited financial statements for the year ended December 31, 2015, included in the Company's 2015 Annual Report on Form 10-K. There were no stock options granted in 2015.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock (#) (1)	Grant Date Fair Value of Stock and Option Awards (\$)
Jeffrey V. Haley	1/20/2015	2,313	50,000
H. Gregg Strader	1/20/2015	1,388	30,000
William W. Traynham	1/20/2015	1,041	22,500
R. Helm Dobbins	1/20/2015	926	20,000
Dabney T.P. Gilliam, Jr.	1/20/2015	926	20,000

(1) Restricted stock granted under the 2008 Stock Incentive Plan. The restricted stock awards vest 36 months after the date of issue. Restricted stock has no express performance criteria other than continued employment (with limited exceptions for termination of employment due to death, disability, retirement, reduction-in-force and change in control).

Outstanding Equity Awards at Fiscal Year-End

The following table reflects the outstanding stock awards as of December 31, 2015 for the named executive officers. All restricted stock awards were granted at fair market value at the grant date and vest after 36 months. There were no stock options outstanding as of December 31, 2015.

Name	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested (\$)
	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$)		
Jeffrey V. Haley	7,287	160,000	—	—
H. Gregg Strader	2,205	50,000	—	—
William W. Traynham	5,118	112,500	—	—
R. Helm Dobbins	3,861	85,000	—	—
Dabney T.P. Gilliam, Jr.	3,861	85,000	—	—

Option Exercises and Stock Vested

The following table reflects stock options exercised and shares acquired upon the vesting of restricted stock awards in 2015 by the named executive officers and the value realized on exercise and vesting.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (2))
Jeffrey V. Haley (3)	3,000	16,110	2,932	69,254
H. Gregg Strader	—	—	—	—
William W. Traynham (4)	2,000	14,920	2,443	57,704
R. Helm Dobbins	—	—	1,710	40,390
Dabney T.P. Gilliam, Jr.	—	—	1,710	40,390

(1) The value realized on exercise is the difference between the option exercise price and the closing price of the Company's common stock on the date of exercise multiplied by the number of options exercised.

(2) The value realized on vesting is based on the closing price of the Company's common stock on the date of vesting multiplied by the number of shares acquired.

Mr. Jeffrey Haley exercised options on February 25, 2015 for 3,000 shares originally granted on December 16, (3) 2008 with an exercise price of \$17.00. The closing price of the Company's common stock at the date of exercise was \$22.37.

Mr. Traynham exercised options on August 6, 2015 for 2,000 shares originally granted on April 21, 2009 with an (4) exercise price of \$16.00. The closing price of the Company's common stock at the date of exercise was \$23.46.

Pension Benefits

The following table reflects the actuarial present value of the named executive officers' accumulated benefits under the Company's former pension plan and the number of years of service earned and credited under the plan as of December 31, 2009, which was the final year of the plan.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)
Jeffrey V. Haley	Pension	13	230,174
H. Gregg Strader (1)	Pension	—	—
William W. Traynham (1)	Pension	—	—
R. Helm Dobbins	Pension	7	184,849
Dabney T.P. Gilliam, Jr.	Pension	9	175,376

(1) Mr. Strader joined the Company in 2013 and Mr. Traynham in 2009. The pension plan was closed to new participants before the officers became eligible for any credited service or accumulated benefit under the plan.

There were no payments made from the pension plan to any of the named executive officers during 2015.

Explanation of Responses:

Nonqualified Deferred Compensation

The named executive officers are entitled to participate in the American National Bank & Trust Company Deferred Compensation Plan. Pursuant to the Deferred Compensation Plan, eligible employees can defer up to 100% of base salary or annual bonus or both, on an annual basis. Deferral elections are made by eligible executives in December of each year for amounts to be earned in the following year. The plan is administered through the Virginia Bankers Association.

The Company has the option to make a discretionary contribution to the account of each named executive officer on an annual basis. There was no Company discretionary contribution in calendar year 2015. The Company made discretionary contributions of \$145,500 in the aggregate to the plan accounts of the named executive officers in early 2016, related to the Company's operational performance and financial results for 2015.

Amounts deferred under the plan are payable beginning on the first day of the calendar quarter following a distributable event. A distributable event includes termination of employment or normal retirement. Distributions can be received either as a lump-sum payment or in monthly or annual installments over a period of not more than 20 years.

The following table provides certain information on nonqualified deferred compensation contributions by the Company and the named executive officers, as well as earnings or losses on such compensation, with respect to the named executive officers during 2015. The amounts included in the "Executive Contributions" column represent voluntary deferrals of bonus amounts that are included in the "Bonus" column of the Summary Compensation Table on page 22.

Name	Executive Contributions in 2015 (\$)	Registrant Contributions in 2015 (\$)(1)	Aggregate Earnings/ (Losses) in 2015 (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance as of December 31, 2015 (\$)
Jeffrey V. Haley	—	58,500	—	—	58,500
H. Gregg Strader	—	25,000	—	—	25,000
William W. Traynham	14,500	23,000	(467)	—	37,033
R. Helm Dobbins	—	20,000	(345)	—	19,655
Dabney T.P. Gilliam, Jr.	—	19,000	—	—	19,000

The amounts in this column reflect the Company's contributions to the nonqualified deferred compensation plan.

(1) The compensation was earned in 2015, credited to the participant's account on January 22, 2016 and is included in the "All Other Compensation" column of the Summary Compensation Table on page 22.

Director Compensation

The Company's Corporate Governance Guidelines include the recommendation that each director receive at least a portion of his or her compensation in restricted stock until such director owns shares of the Company's common stock with a relative market value equal to at least two times the average annual compensation for all directors. All directors currently meet or exceed such ownership guidelines, except for Mrs. Penn, who became a director in 2015 and who is complying with the recommendation and receiving all of her compensation in restricted stock.

During 2015, directors of the Company were eligible to receive their monthly retainer in the form of either (i) \$1,250 in cash, (ii) shares of restricted stock with a market value of \$1,562.50, or (iii) a combination of \$450 in cash and shares of restricted stock with a market value of \$1,000. These amounts or shares were paid or distributed quarterly. The attendance fee for each committee meeting or Bank board meeting was \$600 in cash or restricted stock with a market value of \$750, also paid or distributed quarterly. In addition, the chairmen of the five standing board committees of the Company received annual retainers. The chairman of the Audit Committee received \$2,000 in cash or shares of restricted stock with a market value of \$2,500. The chairmen of the Capital Management Committee, Corporate Governance and Nominating Committee, Human Resources and Compensation Committee and Risk and Compliance Committee received \$1,200 in cash or shares of restricted stock with a market value of \$1,500.

In 2016, directors of the Company are eligible to receive their quarterly retainer in the form of either (i) \$5,000 in cash, (ii) shares of restricted stock with a market value of \$6,250, or (iii) a combination of \$1,800 in cash and shares of restricted stock with a market value of \$4,000. These amounts or shares are paid quarterly. The attendance fee for each committee meeting or Bank board meeting is \$725 in cash or restricted stock with a market value of \$900, also paid quarterly. In addition, the chairmen of the five standing board committees of the Company will receive annual retainers. The chairmen of the Audit Committee, Capital Management Committee, Corporate Governance and Nominating Committee, Human Resources and Compensation Committee and Risk and Compliance Committee will receive \$2,400 in cash or shares of restricted stock with a market value of \$3,000.

During 2012, the Board approved an unfunded, nonqualified deferred compensation plan within the meaning of Section 409A of the Internal Revenue Code. This plan grants the outside directors the option to defer cash or restricted stock compensation. Amounts deferred are credited to a bookkeeping reserve account maintained by the Company. Such reserve accounts will rise and fall with the value of the underlying restricted stock held and any dividends will be reinvested in Company stock. Amounts credited to the participant's account will be payable in lump sum in Company stock on the first business day following the 30th day after the director's separation of service. Three of the current outside directors have elected this option.

Board policy requires the directors to retain ownership of any shares received for service on the Board as long as they are on the Board of Directors. All dividends paid on the shares are reinvested. The purpose of the stock for fees payment option is to encourage greater equity ownership in the Company and, thereby, further align the interests of each director with the interests of the shareholders at large. The Board of Directors sets the retainer and attendance fee based upon recommendation from the Corporate Governance and Nominating Committee. In making its recommendation, the Committee reviews the director compensation of peer banks. There is no tax gross-up provided by the Company for any director compensation. Non-employee directors living outside the Danville area are reimbursed for meeting-related travel and lodging expenses. Non-employee directors were excluded from the Company's retirement plan and, therefore, do not qualify for pension benefits. Directors who are employees of the Company do not receive any director compensation.

In 2015, Mr. Majors, in his role as Chairman of the Company and the Bank, received director fees of \$37,500 per quarter. Mr. Majors is expected to devote a significant amount of his time to Board governance, risk oversight, advisory and administrative matters, as well as maintain an active engagement with potential merger and acquisitions opportunities. The Board expects that Mr. Majors will devote approximately 50% of a full time equivalent work week to the Company's business. He does not receive any employee compensation, restricted stock, or the other fees customarily paid to the directors. In 2016, Mr. Majors will continue to receive director fees of \$37,500 per quarter.

The following table reflects the director compensation earned or paid during 2015.

Name	Fees Earned or Paid in				Stock Awards	Total
	Cash	(1)	(2)	(3)		
	(\$)	(\$)				(\$)
Fred A. Blair	—				33,000	33,000
Frank C. Crist, Jr., D.D.S.	—				31,500	31,500
Ben J. Davenport, Jr.	—				26,250	26,250
Jeffrey V. Haley	—				—	—
Michael P. Haley	—				34,500	34,500
Charles S. Harris	10,800				18,750	29,550
F.D. Hornaday, III	—				30,750	30,750
Lester A. Hudson, Jr., Ph.D. (5)	—				10,000	10,000
John H. Love	15,600				12,000	27,600
Franklin W. Maddux, M.D.	—				32,500	32,500
Charles H. Majors	150,000				—	150,000
Claude B. Owen, Jr.	—				35,250	35,250
Ronda M. Penn	—				12,313	12,313
Dan M. Pleasant	—				31,500	31,500
Joel R. Shepherd	—				27,000	27,000
Robert A. Ward (6)	—				29,250	29,250
Total	176,400				364,563	540,963

Restricted stock was awarded with a market value of \$1,562.50 for the monthly retainer, and \$750 per committee meeting or Bank board meeting, issued quarterly based on the closing price of the Company's common stock on the first market day of the third month of the quarter. In addition, restricted stock was awarded with a market value of (1) \$2,000 for the annual retainer for the chairman of the Audit Committee, and \$1,500 for the annual retainer for the chairmen of the Capital Management Committee, Corporate Governance and Nominating Committee, Human Resources and Compensation Committee and Risk and Compliance Committee, issued annually based on the closing price of the Company's common stock on the first market day of the sixth month of the year.

Restricted stock awarded in 2015: Mr. Blair, 1,416 shares; Dr. Crist, 1,355 shares; Mr. Davenport, 1,131 shares; (2) Mr. Harris, 807 shares; Mr. Hornaday, 1,321 shares; Mr. Love, 518 shares; Dr. Maddux, 1,404 shares; Mr. Owen, 1,515 shares; Mrs. Penn, 504 shares; and Mr. Ward, 1,257 shares.

Messrs. Michael Haley, Hudson, Pleasant and Shepherd have elected to defer stock awards under a nonqualified (3) deferred compensation plan. Shares reserved in 2015: Mr. Michael Haley, 1,483 shares; Dr. Hudson, 447 shares; Mr. Pleasant, 1,354 shares; and Mr. Shepherd, 1,155.

In accordance with SEC rules, the amounts in the column for stock awards reflect the grant date fair market value (4) of the stock awards. Assumptions made in the calculation of these amounts are contained in Note 13 to the Company's audited financial statements for the year ended December 31, 2015, included in the Company's 2015 Annual Report on Form 10-K.

Dr. Hudson retired from the Board of Directors effective at the 2014 Annual Meeting. He served as Director (5) Emeritus from May 20, 2014 through May 19, 2015 and received \$10,000 in compensation (447 shares (all shares deferred) from January 1, 2015 through May 19, 2015 for this service.

Mr. Ward retired from the Board of Directors effective at the 2015 Annual Meeting. He served as Director (6) Emeritus from May 19, 2015 through May 17, 2016 and received \$29,250 in total compensation (1,257 shares) from January 1, 2015 through December 31, 2015 for his service as a director and as Director Emeritus.

Deferred Compensation for Current Chairman and Former Chief Executive Officer

The Bank entered into a deferred compensation agreement with Charles H. Majors, the Company's current Chairman and former Chief Executive Officer, initially as of February 22, 1993, and most recently amended and restated as of December 31, 2008. The agreement, which was entered into in connection with Mr. Major's employment with the Bank, requires an annual payment of \$50,000 for a period of ten years to Mr. Majors or his designated beneficiary, commencing within three months of his termination of employment or death, whichever occurs first. The amount of the payment is fixed and the funds for payment are not established in an account that allows for additional contributions or earnings growth. Mr. Majors is an unsecured creditor for the payments under this agreement. Payments under this agreement are independent of, and in addition to, those under any other plan, program, or agreement between Mr. Majors and the Company or the Bank. Mr. Majors received his first payment on July 1, 2015.

RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Bank makes loans to, accepts deposits from, and provides other banking services to, certain directors and executive officers of the Company, their associates, and members of their immediate families. Loans are made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable loans with persons not affiliated with the Bank, and do not involve more than the normal risk of collectability or present other unfavorable features. Such loans are processed through the Bank's normal credit approval procedures, but ultimate approval authority rests with the Board of Directors of the Bank. Rates paid on deposits and fees charged for other banking services and other terms of these transactions, are also the same as those prevailing at the time for comparable transactions with persons not affiliated with the Bank. The Bank expects to continue to enter into transactions in the ordinary course of business on similar terms with the directors, officers, principal shareholders, their associates, and members of their immediate families. Loans outstanding to such persons at December 31, 2015 and 2014 totaled \$16,338,000 and \$15,532,000, respectively. None of such loans have been on non-accrual status, 90 days or more past due, or restructured at any time. From time to time the Company may also enter into other types of business transactions or arrangements for services with the Company's directors, officers, principal shareholders or their associates. These types of transactions or services might include, among others, purchases of equipment or provision of legal services. The Company will only enter into such arrangements if it is determined that the prices or rates offered are comparable to those available to the Company from unaffiliated third parties. Management approves such transactions on a case by case basis. The Company does not have written policies or procedures with respect to such approvals. As of December 31, 2015, the Company has no such reportable transactions.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in its oversight of (1) the integrity of the Company's financial statements and its financial reporting and disclosure practices, (2) the appointment, compensation, retention and oversight of the independent accountants engaged to prepare or issue an audit report on the financial statements of the Company, (3) the soundness of the Company's systems of internal controls regarding finance and accounting compliance, and (4) the independence and performance of the Company's internal audit staff. The Committee strives to provide an open avenue of

communication between the Board of Directors, management, the internal auditor, and the independent accountants.

All of the members of this Committee are considered independent within the meaning of SEC regulations, the listing standards of NASDAQ, and the Company's Corporate Governance Guidelines. Additionally, each member is considered an "independent director," as that term is defined by NASDAQ Marketplace Rule 5605(a)(2).

Mr. Michael Haley and Mrs. Penn, members of the Committee, are qualified as audit committee financial experts within the meaning of SEC regulations and the Board has determined that each has accounting and related financial management expertise within the meaning of the listing standards of NASDAQ.

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2015. The Committee has discussed with Yount, Hyde and Barbour, P.C., the Company's independent registered public accounting firm during fiscal year 2015, the matters required to be discussed by the auditing standards of the Public Company Oversight Board, including Auditing Standard No. 16, Communications with Audit Committees, regarding the conduct of the audit. The Audit Committee has also received written disclosure regarding the firm's independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and be filed with the SEC.

The Audit Committee pre-approves all audits, audit-related, and tax services on an annual basis, and, in addition, authorizes individual engagements that exceed pre-established thresholds. Any additional engagement that falls below the pre-established thresholds must be reported by management at the Audit Committee meeting immediately following the initiation of such an engagement.

A copy of the Audit Committee charter is available on the Company's website, www.amnb.com. For access to the charter, select the "Investors" icon, then select "Governance Documents."

Respectfully submitted,

Fred A. Blair
Michael P. Haley
Ronda M. Penn
Franklin W. Maddux, M.D., Chairman

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors of the Company annually considers the selection of the Company's independent public accountants. On March 14, 2016, the Audit Committee appointed Yount, Hyde and Barbour, P.C. to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016. Yount, Hyde and Barbour, P.C. has served as the Company's independent public accountants since May 2002.

Fees to Independent Registered Public Accounting Firm for Fiscal Years 2015 and 2014

Yount, Hyde and Barbour, P.C. audited the consolidated financial statements included in the Company's Annual Reports on Form 10-K for the years ended December 31, 2015 and 2014; reviewed the Company's quarterly reports on Form 10-Q during the years ended December 31, 2015 and 2014; and audited management's assessment of internal control over financial reporting as of December 31, 2015 and 2014. The following table presents aggregate fees paid or to be paid by the Company and the Bank for professional services rendered by Yount, Hyde and Barbour, P.C. for the years ended December 31, 2015 and 2014.

	2015	2014
Audit Fees	\$208,300	\$164,375
Audit-related Fees	5,000	1,120
Tax Fees	38,450	12,850
Total	\$251,750	\$178,345

Tax fees are for the preparation of the annual consolidated federal and state income tax returns.

PROPOSAL THREE – RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Yount, Hyde and Barbour, P.C. as the Company's independent registered public accounting firm for 2016. The services that Yount, Hyde and Barbour, P.C. will perform will consist primarily of the examination and audit of the Company's consolidated financial statements, tax reporting assistance, and other audit and accounting matters. Representatives of Yount, Hyde and Barbour, P.C. are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The selection of Yount, Hyde & Barbour, P.C. as the Company's independent registered public accounting firm is not required to be submitted to a vote of the shareholders for ratification. The Company is doing so because it believes that it is a matter of good corporate practice. If the shareholders fail to vote on an advisory basis in favor of the selection of Yount, Hyde & Barbour, P.C., the Audit Committee will reconsider whether to retain Yount, Hyde & Barbour, P.C., and may retain that firm or another firm without re-submitting the matter to the shareholders. Even if the shareholders ratify the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that a change would be in the Company's best interests.

The ratification of the appointment of Yount, Hyde and Barbour, P.C. requires that the votes cast "for" exceed the number of votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

The Board of Directors recommends that you vote FOR the ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016. Proxies solicited by the Board will be voted in favor thereof unless a shareholder has indicated otherwise on the proxy.

PROPOSAL FOUR – ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with SEC regulations, the Company is providing shareholders with an advisory (non-binding) vote on the compensation programs for the named executive officers (sometimes referred to as “say on pay”). Accordingly, shareholders may vote on the following resolution at the Annual Meeting:

“Resolved, that the shareholders approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in the Compensation Discussion and Analysis section, the accompanying compensation tables, and the related narrative disclosure in this proxy statement.”

This vote is nonbinding. The Board and the Human Resources and Compensation Committee, which is comprised of independent directors, expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results. As described under the “Compensation Discussion and Analysis” section of this proxy statement, the Company’s compensation programs are designed to treat employees fairly and to pay compensation at a level commensurate with the market, given individual and Company factors and performance. A core objective is to attract and retain a superb leadership team with market-competitive compensation and to align the team member’s interests with those of the Company, its customers and its shareholders. Accordingly, a significant portion of the Company’s executive officers’ compensation is directly and materially linked to operating performance. The Company believes that its compensation program, with its balance of short-term and long-term incentives and share ownership guidelines, rewards sustained performance that is aligned with long-term shareholder interests. Shareholders are encouraged to read the Compensation Discussion and Analysis section and related disclosures.

The Board of Directors unanimously recommends that shareholders vote FOR the approval, on an advisory basis, of the compensation of the Company’s named executive officers as disclosed in the Compensation Discussion and Analysis section, the accompanying compensation tables, and the related narrative disclosure in this proxy statement.

CODE OF CONDUCT

The Board of Directors has adopted a Code of Conduct, which applies to all directors and employees of the Company and the Bank. A portion of the Code of Conduct has special provisions for senior financial officers of the Company and the Bank, which apply to the Company’s Principal Executive Officer and Principal Financial Officer, as well as, the Bank’s Chief Accounting Officer or person performing similar functions for the Company and/or the Bank. The Code of Conduct for senior financial officers meets the requirements of a “code of ethics” as defined by Item 406 of the SEC’s Regulation S-K. The Code of Conduct is available on the Company’s website, www.amnb.com. Select the “Investors” icon, and then select “Governance Documents.” The Code of Conduct is reviewed and reaffirmed on an annual basis by the Board, executive officers, and all other employees.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, the Company’s directors and executive officers are required to report their beneficial ownership of Company common stock and any changes in that ownership to the SEC. Specific dates for such reporting have been established by the SEC, and the Company is required to report in this proxy statement any failure to file by the established dates during 2015. To the Company’s

knowledge, based solely on a review of the copies of such reports furnished to the Company, insiders of the Company complied with all filing requirements during 2015.

SEPARATE COPIES FOR BENEFICIAL OWNERS

Pursuant to SEC rules, institutions that hold shares in “street name” for two or more beneficial owners with the same address are permitted to deliver a single proxy statement and annual report to that address. Any such beneficial owner may request a separate copy of the proxy statement or annual report by writing the Company at Investor Relations, P.O. Box 191, Danville, Virginia 24543 or by telephoning 1-434-773-2220.

SHAREHOLDER COMMUNICATIONS AND PROPOSALS

Shareholders interested in communicating directly with the Corporate Governance and Nominating Committee, which is charged with handling all such communication to non-management members of the Board of Directors of the Company, may send correspondence to the Corporate Governance and Nominating Committee, P.O. Box 191, Danville, Virginia 24543.

The Corporate Governance and Nominating Committee has approved a process for handling correspondence received by the Company and addressed to non-management members of the Board. Under the process, the Assistant Secretary of the Company will forward all mail specifically addressed to a member of the Board of Directors. If correspondence is specifically addressed only to a committee, the Assistant Secretary of the Company will forward the mail to the Chairman of said committee. If any mail is received that is addressed only to “Board of Directors,” or “Non-Management Member of the Board of Directors,” said mail will be forwarded by the Assistant Secretary of the Company to the Chairman of the Board. Correspondence relating to accounting, internal controls or auditing matters are brought to the attention of the Chairman of the Audit Committee.

To be considered for inclusion in the Company’s proxy statement relating to the 2017 Annual Meeting, shareholder proposals, including recommendations for director nominees, must be received by the Company at its principal office in Danville, Virginia, no later than December 8, 2016.

In addition to any other applicable requirements, for business to be properly brought before next year’s Annual Meeting by a shareholder, if the proposal is not to be included in the Company’s proxy statement, the Company’s bylaws provide that the shareholder must give notice in writing to the Secretary of the Company no later than February 7, 2017. As to each such matter, the notice must contain (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name, record address of, and number of shares beneficially owned by the shareholder proposing such business, and (iii) any material interest of the shareholder in such business.

REFERENCES TO OUR WEBSITE ADDRESS

References to the Company’s website address throughout this proxy statement and the accompanying materials are for informational purposes only, or to fulfill specific disclosure requirements of the SEC rules or that of NASDAQ. These references are not intended to, and do not, incorporate the contents of the Company’s website by reference into this proxy statement or the accompanying materials.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING OF SHAREHOLDERS TO BE HELD ON MAY 17, 2016

A complete set of proxy materials relating to the Company's Annual Meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting of Shareholders, the proxy statement, including the proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2015, may be viewed on the Company's website at www.amnb.com.

The Company is providing shareholders with a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, including financial statements (but not including exhibits), free of charge, with this proxy statement. Shareholders may obtain copies of exhibits to the Form 10-K by making a written request to William W. Traynham, Chief Financial Officer, American National Bankshares Inc., Post Office Box 191, Danville, Virginia, 24543. Shareholders may also download copies of the Form 10-K and exhibits from the SEC website at <http://www.sec.gov>.

INCORPORATION BY REFERENCE

The Audit Committee Report shall not be deemed to be filed with the SEC, nor deemed incorporated by reference into any of the Company's prior or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporate such information by reference.

OTHER BUSINESS

As of the date of this proxy statement, the Board of Directors knows of no other matters to be presented at the Annual Meeting other than those referred to herein. However, if any other matters should properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment on such matters.

By Order of the Board of Directors,
Charles H. Majors
Chairman

April 7, 2016

PROXY

This Proxy Is Solicited On Behalf Of The Board Of Directors
American National Bankshares Inc.
628 Main Street
Danville, Virginia 24541
ANNUAL MEETING OF SHAREHOLDERS
May 17, 2016, 9:00 A.M.

The undersigned hereby appoints Charles S. Harris, Dan M. Pleasant and Joel R. Shepherd, any of whom may act, as my attorney(s), with full power of substitution, to vote all the Common Stock of the Company, standing in my name on its books at the close of business on April 1, 2016, at the Annual Meeting of Shareholders to be held May 17, 2016, or any adjournment thereof, with all the powers the undersigned would possess if personally present, as instructed below.

The Board of Directors recommends a vote FOR all the nominees listed in Proposals 1 and 2 and a vote FOR Proposals 3 and 4.

1. ELECTION OF DIRECTORS OF CLASS II TO SERVE UNTIL THE 2019 ANNUAL MEETING

_____ FOR all nominees listed _____ WITHHOLD AUTHORITY FROM
below (except as marked a vote for all nominees
to the contrary below) listed below

- FRED A. BLAIR
- FRANK C. CRIST, JR.
- JEFFREY V. HALEY
- JOHN H. LOVE
- RONDA M. PENN

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE ABOVE LIST.)

2. ELECTION OF DIRECTOR OF CLASS III TO SERVE UNTIL THE 2017 ANNUAL MEETING

_____ FOR nominee listed _____ WITHHOLD AUTHORITY FROM
below a vote for nominee
listed below

CLAUDE B. OWEN, JR.

3. TO RATIFY THE SELECTION OF YOUNT, HYDE & BARBOUR P.C., INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AS AUDITORS OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2016

_____ FOR _____ AGAINST _____ ABSTAIN

4. ADVISORY VOTE ON EXECUTIVE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THE PROXY STATEMENT

_____ FOR _____ AGAINST _____ ABSTAIN

Explanation of Responses:

5. Any other business which may properly be brought before the meeting or any adjournment thereof.

The Common Stock represented by this Proxy will be voted as specified; however, as to any matter where no choice is specified, the Proxy will be voted FOR all the nominees listed in Proposals 1 and 2 and FOR Proposals 3 and 4.

ALL SHAREHOLDERS LISTED ON THIS PROXY SHOULD SIGN.

If any other business is presented at said meeting, this Proxy shall be voted in accordance with the recommendations of management. This Proxy may be revoked at any time before it is voted. The undersigned may attend the Annual Meeting, revoke this Proxy and vote in person.

Date: _____, 2016

Signature of Shareholder(s)

When signing as attorney, executor, administrator, trustee or guardian, please give full title. If more than one trustee, all should sign. Please sign exactly as name appears on this Proxy.

A complete set of proxy materials relating to the Company's Annual Meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting of Shareholders, the Proxy Statement, including the Proxy Card, and the Annual Report on Form 10-K for the year ended December 31, 2015, may be viewed on the Company's website at www.amnb.com.