

GERMAN AMERICAN BANCORP, INC.

Form S-4/A

November 15, 2010

As filed with the Securities and Exchange Commission on November 15, 2010

Registration No. 333-170068

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

**Amendment No. 1 to the
FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

GERMAN AMERICAN BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Indiana
(State or Other Jurisdiction of
Incorporation or Organization)

6022
(Primary Standard Industrial
Classification Code Number)

35-1547518
(IRS Employer
Identification Number)

**711 Main Street, Box 810
Jasper, Indiana 47547-0810
(812) 482-1314**

(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

Mark A. Schroeder
Chairman and Chief Executive Officer
German American Bancorp, Inc.
711 Main Street, Box 810
Jasper, Indiana 47547-0810
Tel: (812) 482-1314 Fax: (812) 482-0745

(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent For Service)

With copies to:

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St. Louis, Missouri 63101
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

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

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

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

Indicate by check mark whether the registrant is (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction: Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

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Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾⁽⁴⁾
Common Shares, no par value	1,700,000 shares	N/A	\$ 27,612,500	\$ 1,968.78

- Represents the maximum number of common shares of German American Bancorp, Inc. (NASDAQ: GABC) estimated to be issuable upon the completion of the merger of American Community Bancorp, Inc. (OTCBB: ACBP) with and into German American as of October 15, 2010, based on the product of multiplying (A) 2,350,000 shares of American Community, representing the rounded estimated sum of (i) the number of such shares then outstanding plus (ii) the number of such shares then reserved for issuance upon the exercise of (x) outstanding stock options to purchase American Common shares and estimated future issuances pursuant to other compensatory arrangements, and (y) outstanding warrants to purchase American Common shares, less (iii) 199,939 of such outstanding shares already owned by German American, by (B) the fixed exchange ratio of 0.725 shares. Pursuant to Rule 416 under the Securities Act, this registration statement also covers any additional securities that may be offered or issued in connection with any stock split, stock dividend or similar transaction. Pursuant to Rule 457(c) and 457(f) under the Securities Act of 1933, as amended, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to (A) the aggregate value as of October 15, 2010 of the estimated maximum number of shares of American Community Bancorp, Inc., to be received by the Registrant in the merger (2,350,000 shares), valued at \$13.75, the closing price on the Over-the-Counter Bulletin Board of the shares of American Community Bancorp, Inc., on that date, less (B) the \$2.00 stated amount of cash to be paid for or in respect of such shares as part of the merger proposal. Calculated in accordance with Section 6(b) of the Securities Act and SEC Fee Advisory #4 for Fiscal Year 2010 (3)(as continued by Fee Rate Advisory #2 for Fiscal Year 2011) at a rate equal to 0.0000713 multiplied by the proposed maximum aggregate offering price.
- (4) Previously paid.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant files a further amendment which specifically states that this registration statement is to become effective in accordance with Section 8(a) of the Securities Act or until the registration statement becomes effective on the date the Commission, acting under Section 8(a), determines.

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**PRELIMINARY PROXY STATEMENT/PROSPECTUS
DATED NOVEMBER 15, 2010, SUBJECT TO COMPLETION**

Information contained herein is subject to completion or amendment. A registration statement relating to the common shares of German American Bancorp, Inc. to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Dear Shareholder of American Community Bancorp, Inc.:

American Community Bancorp, Inc. (which we refer to as American Community) proposes to merge with and into German American Bancorp, Inc. (which we refer to as German American). At the effective time of the proposed merger, each outstanding share of American Community s common stock (other than shares then held of record by German American or by shareholders who perfect and do not withdraw their dissenters rights under Indiana law) would be converted into the right to receive:

0.725 shares of German American common stock (or cash in lieu of fractional share interests), plus a cash payment of \$2.00 (unless earlier paid by American Community with respect to its shares under a special pre-merger 2010 cash dividend of that same amount that it has contingently declared for payment on December 30, 2010 to holders of record on December 15, 2010).

Had this proposed merger become effective on November 12, 2010, you would have received shares German American valued (on the basis of the NASDAQ Official Closing Price of German American s shares on that day) at \$12.85 per American Community share, plus a cash payment of \$2.00 (either as part of the proposed special dividend or as merger consideration), for total equivalent merger consideration of \$14.85 per American Community share. See SUMMARY Per Share Data, on pages 13 and 14, for the method of calculation of this equivalent merger consideration as of any given date. The total equivalent merger consideration will vary in market value, through the date of completion of the merger and thereafter, with the changes in the market value of German American s shares reported by NASDAQ.

American Community will hold a special meeting of its shareholders to vote on the merger proposal at Evansville Country Club, 3810 Stringtown Road, Evansville, Indiana 47711 on December 22, 2010, at 8 a.m., local time. **Your vote is important, because your failure to vote will have the same effect as your voting against the merger proposal.** Regardless of whether you plan to attend the special meeting, please take the time to vote your shares in accordance with the instructions contained in the attached proxy statement/prospectus.

American Community s board of directors recommends that you vote FOR the merger.

This proxy statement/prospectus describes the special meeting, the merger proposal, the special contingent pre-merger cash dividend, the German American shares to be issued in the merger, and other related matters. Please carefully read this entire document, including RISK FACTORS beginning on page 15, for a discussion of the risks relating to the merger proposal and the German American common shares. You also can obtain information about German American from documents that it has filed with the Securities and Exchange Commission. See WHERE YOU CAN FIND MORE INFORMATION.

Neither the Securities and Exchange Commission nor any state securities commission or regulatory body 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.

The securities are not savings accounts, deposits or obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this Proxy Statement/Prospectus is November [17], 2010

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AVAILABLE INFORMATION

As permitted by the rules of the U.S. Securities and Exchange Commission, this document incorporates certain important business and financial information about German American from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

German American Bancorp, Inc.
711 Main Street, Box 810
Jasper, Indiana 47546-0810
Attention: Terri A. Eckerle
Shareholder Relations
(812) 482-1314

In order to ensure timely delivery of these documents, you should make your request by December 15, 2010, to receive them before the special meeting.

You can also obtain documents incorporated by reference in this document through the SEC's website at www.sec.gov. See WHERE YOU CAN FIND MORE INFORMATION beginning on page 106.

The common shares of German American are traded on the NASDAQ Global Select Market under the symbol GABC, and the common shares of American Community are quoted by brokers and dealers on the Over-the-Counter Bulletin Board under the symbol ACBP.

All information in this proxy statement/prospectus concerning German American and its subsidiaries has been furnished by German American, and all information in this proxy statement/prospectus concerning American Community has been furnished by American Community.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus to vote on the proposals to American Community's shareholders in connection with the merger. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus.

This proxy statement/prospectus is dated November [17], 2010. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than such date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of German American shares as contemplated by the merger agreement shall create any implication to the contrary.

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AMERICAN COMMUNITY BANCORP, INC.

Notice of Special Meeting of Shareholders to be held December 22, 2010

A special meeting of shareholders of American Community Bancorp, Inc., an Indiana corporation (American Community), will be held at 8 a.m., local time, on December 22, 2010, at Evansville Country Club, located at 3810 Stringtown Road, Evansville, Indiana 47711. Any adjournments or postponements of the special meeting will be held at the same location unless otherwise announced at the conclusion of the adjourned or postponed meeting session.

At the special meeting, you will be asked:

1. to consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, dated as of October 4, 2010, as amended (which we refer to as the merger agreement), which has been entered into by and among American Community, German American Bancorp, Inc. (which we refer to as German American), Bank of Evansville, and German American Bancorp (including the related plan of merger in the form that is attached to the merger agreement), and thereby to approve the transactions contemplated by the merger agreement, including the merger of American Community into German American;
2. to approve one or more adjournments of the special meeting (upon the motion of any shareholder of record entitled to vote thereon duly made and seconded) if necessary to permit further solicitation of proxies in favor of the merger agreement and the proposed merger; and
3. to transact such other business as may be properly presented at the special meeting and any adjournments or postponements of the special meeting.

The accompanying proxy statement/prospectus describes the merger agreement and the proposed merger in detail, and includes a copy of the merger agreement (which includes the plan of merger) as an exhibit. We urge you to read these materials carefully. The proxy statement/prospectus (and such exhibit) forms a part of this notice.

The board of directors of American Community recommends that American Community shareholders vote FOR the proposal to approve the merger agreement and FOR the proposal to approve adjournments.

The board of directors of American Community has fixed the close of business on November 12, 2010 as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Under Indiana law, if the merger is completed, American Community shareholders of record who do not vote to approve the merger agreement will be entitled to exercise dissenters' rights and obtain payment in cash of the fair value of their shares of American Community common stock by following the procedures set forth in detail in the applicable Indiana statutory provisions, which are included as Annex C to the accompanying proxy statement/prospectus.

To ensure your representation at the special meeting, please follow the voting procedures described in the accompanying proxy statement/prospectus. This will not prevent you from voting in person. Your proxy may be revoked at any time before it is voted.

By Order of the Board of Directors

Marc D. Fine, Secretary

Evansville, Indiana
November [17], 2010

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QUESTIONS AND ANSWERS

The following questions and answers are intended to address some commonly-asked questions regarding the proposed merger and the special meeting. These questions and answers may not address all the questions that may be important to you as one of American Community's shareholders. Please refer to the more detailed information contained elsewhere in this proxy statement/prospectus, the annexes to this proxy statement/prospectus, and the documents referred to or incorporated by reference in this proxy statement/prospectus.

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote in favor of approving a merger agreement (including a plan of merger) between American Community Bancorp, Inc. (which we refer to as American Community) and German American Bancorp, Inc. (which we refer to as German American), and approving the transactions contemplated by the merger agreement, including the merger of American Community with and into German American. We refer to this proposal as the merger agreement proposal. As a result of the merger contemplated by the merger agreement proposal, American Community will cease to exist and American Community's bank subsidiary, Bank of Evansville, will merge into German American's bank subsidiary.

You are also being asked to approve one or more adjournments of the special meeting that will be convened to consider approving the merger agreement proposal (upon the motion of any shareholder of record entitled to vote thereon duly made and seconded) if necessary to permit further solicitation of proxies in favor of the merger agreement proposal, which we refer to as the adjournment proposal.

Q: What will I be entitled to receive in the merger?

A: If the merger is completed, and you continue through the effective time of the merger to hold your American Community shares (and do not exercise your statutory dissenters rights), you will be entitled to receive for (or in respect of) your American Community shares both:

Newly-issued common shares of German American at the exchange ratio of 0.725 shares of German American common stock for each American Community share (plus cash in lieu of any fractional share interest); and
A cash payment (payable either in the form of a special cash dividend that has been contingently declared for payment by American Community on December 30, 2010 to shareholders of record on December 15, 2010 or in the form of additional consideration payable by German American in 2011 as part of the merger) of \$2.00 per American Community share.

Q: Am I entitled to dissenters rights (sometimes also called appraisal rights)?

A: Yes. Indiana law provides you with dissenters rights in the merger. This means that, if you exactly comply with certain legal requirements specified by law, you will be entitled to receive payment in cash of the fair value (as determined by a court in accordance with Indiana law) of your shares, excluding any appreciation in value that results from the merger. To exercise your dissenters rights you must deliver written notice of your intent to demand payment for your shares to American Community at or before the special meeting of our shareholders and you must not vote in

favor of the merger. Notices should be addressed to Corporate Secretary, American Community Bancorp, Inc., 4424 Vogel Road, Evansville, Indiana 47715. Your failure to follow exactly the procedures specified under Indiana law will result in the loss of your dissenters' rights. A copy of the dissenters' rights provisions of Indiana law is provided as Annex C to this document. See **RIGHTS OF DISSENTING SHAREHOLDERS** on page 100.

Q: Why do American Community and German American want to merge?

A: American Community believes that the proposed merger will provide American Community shareholders with substantial benefits, and German American believes that the merger will further its strategic growth plans. As a larger company, German American can provide the capital and resources that American Community needs to compete more effectively and to offer a broader array of products and services to better serve its banking customers. To review the reasons for the merger in more detail, see **THE MERGER - Reasons for the Merger - German American** on page 41 and **THE MERGER - Reasons for the Merger - American Community** on page 39.

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Q: What vote is required to adopt the two proposals at the special meeting?

A: Holders of a majority of the issued and outstanding shares of American Community common stock (determined on the record of our shareholders as of November 12, 2010, the record date for the meeting) must vote in favor of the proposal to approve the merger agreement. Abstentions and broker non-votes will have the same effect as shares voted against the merger agreement proposal.

Approval of the adjournment proposal will require the affirmative vote of a majority of the voting power of the shares of American Community that are present in person or represented by proxy at the special meeting and entitled to vote on the adjournment proposal. Abstentions will have the same effect as shares voted against the adjournment proposal, and broker non-votes will not affect whether the adjournment proposal is approved.

Q: Have any American Community shareholders already committed to vote in favor of the merger proposal?

A: As of the record date, German American beneficially owned 199,939 shares (9.2% of our shares then issued and outstanding), and had obtained the agreement of another shareholder of American Community (holding as of the record date an additional 166,083, shares, or an additional 7.7 percent of our shares then issued and outstanding) to vote in favor of the merger proposal.

Q: How many shares do American Community's directors and executive officers control?

A: American Community's directors and executive officers (in the aggregate) had the sole or shared right to vote approximately 866,532 of the outstanding American Community shares, or approximately 39.8% of American Community's shares then outstanding, as of the record date for the special meeting. See OTHER IMPORTANT INFORMATION REGARDING AMERICAN COMMUNITY Director and Executive Officer Beneficial Ownership on page 91.

Q: When and where is the American Community special meeting?

A: The special meeting of American Community shareholders is scheduled to take place at Evansville Country Club, located at 3810 Stringtown Road, Evansville, Indiana 47711, at 8 a.m., local time, on December 22, 2010.

Q: Who is entitled to vote at the American Community special meeting?

A: Holders of shares of American Community common stock at the close of business on November 12, 2010, which is the record date, are entitled to vote on the proposal to approve the merger agreement. As of the record date, 2,177,850 shares of American Community common stock were outstanding and entitled to vote.

Q: If I plan to attend the American Community special meeting in person, should I still grant my proxy?

A: Yes. Whether or not you plan to attend the American Community special meeting, you should grant your proxy as described in this proxy statement/prospectus. **The failure of an American Community shareholder to vote in person or by proxy will have the same effect as a vote AGAINST approval of the merger agreement.**

Q: What is the recommendation of the American Community board of directors?

A: The American Community board of directors has determined that the merger agreement (including the plan of merger attached as Appendix A to that agreement) and the merger contemplated by the merger agreement (and plan of merger) are advisable, fair to, and in the best interests of, American Community and its shareholders. Therefore, the American Community board of directors recommends that you vote FOR the proposal to approve the merger agreement proposal, and also that you vote FOR the adjournment proposal.

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Q: What do I need to do now to vote my shares of American Community?

After you have carefully read and considered the information contained in this proxy statement/ prospectus, please vote by completing, signing, dating and returning the proxy card or voting form that accompanies this proxy statement/prospectus in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented and voted at the special meeting.

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

A: No. Your broker will not be able to vote your shares of American Community common stock on the proposal to adopt the merger agreement unless you provide instructions on how to vote. Please instruct your broker how to vote your shares, following the directions that your broker provides. If you do not provide instructions to your broker on the proposal to adopt the merger agreement, your shares will not be voted, and this will have the effect of voting against the adoption of the merger agreement. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: May I change or revoke my vote after submitting a proxy?

A: Yes.

If you have not voted through your broker, you can change your vote by:

providing written notice of revocation to the Corporate Secretary of American Community, which must be filed with the Corporate Secretary by the time the special meeting begins;

submitting a new proxy card (any earlier proxies will be revoked automatically); or
attending the special meeting and voting in person. Any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke your proxy.

If you have instructed a broker to vote your shares, you must follow your broker's directions to change your vote.

Q: What are the material U.S. federal income tax consequences of the merger to me?

A: German American and American Community expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes:

American Community shareholders generally will recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration (whether received as a dividend from American Community in 2010 or as cash from German American in 2011) and will recognize gain or loss with respect to any cash received in lieu of fractional shares of German American common stock; and

American Community shareholders will not recognize gain (or loss) as a result of receiving shares of German American common stock in the merger.

To review the tax consequences of the merger to American Community shareholders in greater detail, please see the section MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 103.

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Q: When is the merger expected to be completed?

A: We will try to complete the merger as soon as possible. Before that happens, the merger agreement (including the plan of merger) must be approved by American Community's shareholders and we must obtain the necessary regulatory approvals. Assuming shareholders vote at least a majority of the issued and outstanding shares of American Community in favor of the merger agreement at the scheduled shareholders meeting (without the need for any adjournment) and we obtain the other necessary approvals in a timely fashion, we hope to close the merger on December 30, 2010. Upon closing of the merger as hoped on December 30, 2010, American Community would (assuming all regulatory approvals to do so are then in hand) pay the proposed special cash dividend on the closing date to its shareholders (by sending such check by overnight express service or next day United States Postal Service deliveries for December 31 delivery), and German American would file the necessary documents with the appropriate offices of the State of Indiana to cause the mergers to become effective. Those documents would specify an effective time of the merger of 12:01 a.m. Evansville (Indiana) time on January 1, 2011. If the merger closes later than December 30, 2010 (which might happen for reasons such as delays in obtaining required approvals or in satisfying other closing conditions), then no special 2010 cash dividend would be paid and, instead, the \$2.00 cash payment (assuming the merger is completed in 2011) would be a cash payment to which American Community shareholders would be entitled to receive from German American as part of the merger during 2011.

Q: Is completion of the merger subject to any conditions besides shareholder approval?

A: Yes. The transaction must receive the required regulatory approvals, and there are other customary closing conditions that must be satisfied (or waived, if applicable). To review the conditions of the merger in more detail, see THE MERGER AGREEMENT Conditions to Completion of the Merger on page 56.

Q: Should I send in my stock certificates now?

A: No. You **SHOULD NOT** send in any stock certificates now. If the merger is approved and completed, a stock exchange form and transmittal materials, with instructions for their completion, will be provided to all shareholders of American Community under separate cover and only then should the stock certificates be sent.

Q: Who can answer my other questions?

A: If you have more questions about the merger, or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, you should contact Mike Sutton of American Community, at (812) 962-2265.

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SUMMARY

The following summary, together with the section of the proxy statement/prospectus entitled Questions and Answers, highlight selected information contained in this proxy statement/prospectus. It may not contain all of the information that might be important in your consideration of the merger agreement and the proposed merger. We encourage you to read carefully this proxy statement/prospectus and the documents we have incorporated by reference into this proxy statement/prospectus in their entirety before voting. See Where You Can Find More Information.

In this proxy statement/prospectus, the term American Community refers to American Community Bancorp, Inc., the term German American refers to German American Bancorp, Inc., the terms we or us or our refer to American Community and German American, the term merger agreement refers to that certain Agreement and Plan of Reorganization, dated as of October 4, 2010, as amended by a certain First Amendment thereto dated October 27, 2010, and as it may be amended from time to time, among German American, American Community, and their banking subsidiaries, a copy of which is attached as Annex A to the proxy statement/prospectus, the term merger refers to the merger of American Community with and into German American pursuant to the merger agreement, and the term shares refers to the shares of common stock of German American or American Community (as applicable in context). Where appropriate, we have set forth a section and page reference directing you to a more complete description of the topics described in this summary.

Information about the Companies

German American Bancorp, Inc. (page 20)

711 Main Street, Box 810
Jasper, Indiana 47547-0810
(812) 482-1314

German American, an Indiana corporation, is a financial services holding company based in Jasper, Indiana. German American (through its bank subsidiary) operates 30 retail banking offices (including two branches in the Evansville, Indiana metropolitan area that German American acquired on May 7, 2010, from another bank) in twelve contiguous Southern Indiana counties. German American indirectly owns a trust, brokerage, and financial planning subsidiary (German American Financial Advisors & Trust Company) that operates from German American's banking offices and a full line property and casualty insurance agency (German American Insurance, Inc.) with seven insurance agency offices throughout German American's market area. As of September 30, 2010, German American had total deposits of approximately \$1.083 billion, total assets of approximately \$1.356 billion and shareholders' equity of approximately \$123 million.

American Community Bancorp, Inc. (page 21)

4424 Vogel Road
Evansville, Indiana 47715
(812) 962-2265

American Community, an Indiana corporation, is a bank holding company headquartered in Evansville, Indiana. Its wholly owned subsidiary, Bank of Evansville, provides a full range of commercial and consumer banking services in the Evansville, Indiana, area, from three banking offices located on the east, west and north sides of the city. At

September 30, 2010, American Community reported total assets of approximately \$326 million, total loans of approximately \$243 million, and total deposits of approximately \$282 million.

The Merger and the Merger Agreement (pages 11 and 51)

American Community's merger into German American is governed by the merger agreement, and the related plan of merger that is Appendix A to the merger agreement. The merger agreement provides that, if all of the conditions are satisfied or waived, American Community will be merged with and into German American with German American surviving the merger and American Community ceasing to exist. We encourage you to read the merger agreement, which is included as Annex A to this proxy statement/ prospectus.

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What American Community Shareholders Will Receive as a Result of the Merger (page 49)

If the merger is completed, each of your shares of American Community that you own of record immediately before the effective time of the merger will be converted (pursuant to the terms of the merger and effective as of its effective time) into the right to receive (a) 0.725 shares of German American (cash will be paid in lieu of fractional share interests) plus (b) a cash payment of \$2.00 (unless earlier paid by American Community with respect to its shares under a special pre-merger 2010 cash dividend of that same amount that American Community has contingently declared).

The Contingent 2010 Pre-Merger Cash Dividend and its Relationship to the Merger Proposal (pages 49 and page 52)

The Board of Directors of Bank of Evansville has contingently declared a dividend payable to American Community (its sole shareholder), and the Board of Directors of American Community has contingently declared a dividend payable to its shareholders (including German American, in respect of the American Community shares owned by German American) of \$2.00 per share. The record date for each of these dividends is December 15, 2010, and the payment date for each of these dividends is December 30, 2010, preceding the hoped-for January 1, 2011 effective time of the merger. Each of these dividends has been declared contingent upon, and subject to, the closing of the merger being completed on December 30, 2010, and to the receipt of all regulatory approvals for such proposed dividends; the payment of such dividends is therefore not assured.

If the payment of such dividends is made on December 30, 2010, then the amount of such dividend (\$2.00 per American Community share) will reduce the cash amount (\$2.00 per former American Community share) that otherwise would be payable under the merger agreement, and German American would therefore not owe any cash amount (other than cash payable in respect of any fractional share interests) to former American Community shareholders under the merger agreement.

On the other hand, if the payment of such dividends does not occur on December 30, 2010, because a condition to the payment of such dividend is not satisfied, then such dividends will not be paid at any later time, and instead will be cancelled. In that event, and assuming that the merger of American Community into German American later becomes effective, shareholders of American Community as of the effective time of that merger will be entitled by the merger agreement to receive the equivalent cash amount (\$2.00 per American Community share) as part of the consideration payable by German American under the merger agreement.

Board of Directors of German American (and its Bank Subsidiary) Following Completion of the Merger (pages 58 and 106)

As required by the merger agreement, German American intends to add two of the current members of the board of directors of American Community to its board of directors (and to the board of directors of its bank subsidiary) promptly following the effective time of the merger. German American has not yet selected the members of American Community's board of directors who will be asked to join German American's board of directors. Except for the addition of these two additional directors, the board of directors of German American and of its banking subsidiary will be the same as the boards of directors of such companies immediately prior to the effective time of the merger. Information about the current German American directors and executive officers can be found in German American's annual report on Form 10-K for its year ended December 31, 2009, its proxy statement for its 2010 annual meeting

and its other SEC reports that are incorporated in this proxy statement/prospectus by reference. See WHERE YOU CAN FIND MORE INFORMATION.

Anticipated Accounting Treatment (Page 49)

The merger will be accounted for under the acquisition method of accounting. Under the acquisition method, the purchase price will be allocated to identifiable assets and assumed liabilities based on their fair values. Any excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful lives. Goodwill and intangible assets determined to have indefinite lives will not be

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amortized, but will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management of German American determines that the value of goodwill or intangible assets has become impaired, an impairment charge will be recorded in the fiscal quarter in which such determination is made. Also, costs related to the merger will be expensed during the period in which they are incurred.

Opinion of American Community's Financial Advisor (page 41)

In connection with the merger, the American Community board of directors received an oral opinion, confirmed by a written opinion dated October 4, 2010, from American Community's financial advisor, Stifel, Nicolaus & Company, Incorporated, which we refer to as Stifel, to the effect that, as of the date of the opinion and based on and subject to the various considerations described in the opinion, the consideration to be paid to holders of American Community's shares in the proposed merger was fair, from a financial point of view, to those holders. The full text of Stifel's written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Stifel in rendering its opinion, is attached to this document as Annex B. We encourage you to read the entire opinion carefully. The opinion of Stifel is directed to the American Community board of directors and does not constitute a recommendation to any American Community shareholder as to how to vote at the American Community special meeting or any other matter relating to the proposed merger.

Recommendation of American Community Board of Directors (page 39)

The American Community board of directors has approved and adopted the merger agreement and the proposed merger. The American Community board believes that the merger agreement, including the merger contemplated by the merger agreement (considered in conjunction with the special 2010 cash dividend that the board intends to contingently declare pursuant to the terms and conditions of the merger agreement) is advisable and fair to, and in the best interests of, American Community and its shareholders, and therefore recommends that American Community shareholders vote FOR the proposal to adopt the merger agreement and the related plan of merger. In its reaching this decision, American Community's board of directors considered many factors, which are described in the section captioned THE MERGER Reasons for the Merger American Community beginning on page 39.

Regulatory Approvals (page 48)

Under the terms of the merger agreement, the merger cannot be completed until German American and American Community and their bank subsidiaries have received the necessary regulatory approvals for the merger of American Community and German American and the merger of the bank subsidiaries. Filings have been made with all regulatory authorities who are believed by German American and American Community to have authority to grant such approvals, and such filings are under consideration by such authorities but have not yet been approved as of the date of this proxy statement/prospectus.

Conditions to the Merger (page 56)

The completion of the merger is subject to the fulfillment of a number of conditions, including:

approval of the merger agreement at the special meeting by a majority of American Community's issued and outstanding shares;

approval of the transaction by the appropriate regulatory authorities; and

the representations and warranties made by the parties in the merger agreement must be true in all material respects as of the closing date of the merger, except for such changes as have not had, and can not reasonably be expected to

have, any effect that is material and adverse to the financial position, results of operations or business of the relevant party, taken as a whole.

Termination (page 57)

The merger agreement may be terminated by mutual consent of German American and American Community at any time prior to the filing of the articles of merger with the Indiana Secretary of

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State on the date of closing of the merger. Additionally, subject to conditions and circumstances described in the merger agreement, either German American or American Community may terminate the merger agreement prior to the filing of the articles of merger if, among other things, any of the following occur:

the closing of the merger has not occurred by March 31, 2011;
American Community's shareholders do not adopt the merger agreement at the special meeting by the requisite vote;
there is a material breach by the other party of any representation or warranty contained in the merger agreement (other than those breaches that together with other breaches arising after the date of the merger agreement, do not have a material adverse effect on such other party as defined by the merger agreement, which breach cannot be cured, or has not been cured within 30 days after the giving of written notice to the other party of such breach);
there is a breach by the other party in any material respect of any of its covenants or agreements contained in the merger agreement, which breach cannot be cured, or has not been cured within 30 days after the giving of written notice to the other party of such breach; or
in the event of certain adverse regulatory determinations.

In addition, German American may terminate the merger agreement if the number of outstanding American Community shares held by persons exercising dissenters' rights under Indiana law exceeds a specified amount.

Termination Fee (page 58)

If shareholders of American Community fail to approve the merger agreement at the special meeting under certain circumstances involving the making of a competing acquisition proposal for American Community after the date of the merger agreement and prior to the special meeting which is publicly disclosed to the shareholders of American Community prior to the special meeting, and within twelve months following the termination of the merger agreement either American Community or Bank of Evansville enters into an agreement to be acquired by a party other than German American, then American Community would owe German American a termination fee of \$1,500,000.

Interests of Officers and Directors in the Merger That are Different From Yours (page 47)

In considering the recommendation of the board of directors of American Community to adopt the merger agreement, you should be aware that executive officers and directors of American Community have employment and other compensation agreements or plans that give them interests in the merger that may be different from, or in addition to, their interests as American Community shareholders. These interests and agreements include:

employment agreements that provide for severance payments and other benefits following a change in control and a termination of employment by the employer for reasons other than cause, disability, retirement or death or by the employee for good reason;
replacement employment agreements that German American entered into with each of Michael S. Sutton, American Community's chief executive officer, and John Schenk, American Community's chief financial officer (in each case, subject to and effective only if the merger with German American is completed), pursuant to which the executives agreed to non-competition agreements and certain other restrictions and agreements in consideration for their becoming entitled to receive future severance payments and health insurance benefits;
the accelerated vesting of all outstanding unvested stock options held by American Community directors and executive officers and the agreement by German American to pay cash in connection with the completion of the merger in cancellation of such options to such directors and executive officers, in amounts designed to give those executives the benefit of the indicated value of the merger transaction (in excess of the applicable exercise price) without their having to pay cash to exercise their options;

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the accelerated vesting of all outstanding unvested restricted shares of American Community held by American Community executive officers;

the agreement by German American to pay cash in connection with the completion of the merger in cancellation of all unexercised warrants to purchase American Community shares, principally held by persons who are directors of American Community, which cancellation payments will be in amounts designed to give those warrant holders the benefit of the indicated value of the merger transaction (in excess of the applicable exercise price) without their having to pay cash to exercise their warrants;

the fact that two of the current directors of American Community will be appointed as directors of German American and of its bank subsidiary when the merger is completed;

the fact that five current American Community directors (who might or might not include the two to be appointed to the German American board) will be invited to a paid regional advisory board of German American when the merger is completed; and

rights of American Community officers and directors to indemnification and directors and officers liability insurance.

Certain Differences in Shareholder Rights (page 94)

When the merger is completed, American Community shareholders, whose rights are governed by Indiana law and American Community's articles of incorporation and bylaws, will become German American shareholders and their rights will be governed by Indiana law, and by German American's articles of incorporation and bylaws. Certain differences in the rights of American Community shareholders in respect of their shares will result.

Dissenters Rights (page 99)

Subject to their having exactly complied with the applicable statutory provisions, shareholders of American Community are entitled under certain circumstances to exercise dissenters rights provided by Indiana law. Shareholders who have validly exercised dissenters rights are entitled to receive cash in the amount of the court-determined fair value of their American Community shares immediately prior to the effective time of the merger, rather than the consideration to which they would have otherwise been entitled under the merger agreement, if the merger is completed. A copy of the chapter of the Indiana Business Corporation Law pertaining to dissenters rights is attached as Annex C to this proxy statement/prospectus. You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights.

Prohibition on American Community's Solicitation of Other Offers and Having Discussions with Potential Acquirors (page 54)

The merger agreement prohibits American Community from soliciting offers for any other party that might also be interested in acquiring American Community, and from discussing a potential proposal with (including providing information to) any interested third party that might (despite the lack of any solicitation by American Community) reach out to it with regard to such an alternative proposal to the merger with German American.

Change in Recommendation (page 54)

The merger agreement contains provisions that require American Community's board of directors to submit the merger agreement to consideration by American Community's shareholders at the special meeting with a favorable recommendation of its board of directors. The merger agreement, however, provides that any or all of the members of the board may be excused from the requirement of the merger agreement to recommend the German American merger proposal if their fiduciary duties to shareholders may require that they change their recommendation in a manner that

would be adverse to the interests of German American.

Termination of the Merger Agreement; Specific Performance (page 57)

American Community and German American may jointly agree to terminate the merger agreement at any time prior to the filing of the articles of merger with the Indiana Secretary of State with respect to the merger,

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even after approval by our shareholders of the merger agreement and the merger. In addition, the merger agreement may be terminated at any time prior to the filing of the articles of merger, whether before or after shareholder approval has been obtained, under circumstances as described under The Merger Agreement Termination of the Merger Agreement. Generally, and in the absence of a Willful and Material Breach as defined by the merger agreement, and except for the termination fee that may be payable by American Community to German American in certain circumstances involving our selling control to another party, each of German American and American Community would bear their own expenses in connection with the merger proposal and in connection with any such termination and would not have any liability to the other in that connection for damages. However, either party is authorized by the merger agreement to seek a court's order compelling the other party to perform its obligations under the merger agreement in respect of the transactions contemplated by the merger agreement, including the merger.

Dividends and Distributions; Contingent 2010 Pre-Merger Cash Dividend (pages 49 and 52)

Under the terms of the merger agreement, prior to the closing of the merger, American Community is prohibited from declaring or paying any cash dividend or other distribution to American Community shareholders, except for the contingent 2010 pre-merger cash dividend that American Community has declared, payable December 30, 2010 to shareholder of record on December 15, 2010 contingent upon (a) regulatory approvals to do so and, (b) the closing of the merger happening on December 30, 2010.

Material U.S. Federal Income Tax Consequences of the Merger (page 103)

German American and American Community expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes, as a result of the merger:

American Community shareholders will recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration (whether received as a dividend from American Community in 2010 or as cash from German American in 2011) and will recognize gain or loss with respect to any cash received in lieu of fractional shares of German American common stock; and

American Community shareholders will not recognize gain (or loss) as a result of their receiving shares of German American common stock in the merger.

See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES for a summary of the material U.S. federal income tax consequences of the merger and of the material U.S. federal income tax consequences to non-U.S. holders of receiving German American shares pursuant to the merger.

Because individual circumstances may differ, each shareholder should consult the shareholder's tax advisor regarding the applicability of the rules discussed in this proxy statement/prospectus to the shareholder and the particular tax effects to the shareholder of the merger and the holding or disposing of German American shares in light of such shareholder's particular circumstances, the application of state, local and foreign tax laws, and, if applicable, the tax consequences of (a) the transactions described in this proxy statement/prospectus relating to equity compensation and benefit plans, and (b) the receipt of the 2010 pre-merger cash dividend from American Community.

Special Meeting

Date, Time and Place (page 61)

The special meeting of American Community shareholders is scheduled to be held at Evansville Country Club, located at 3810 Stringtown Road in Evansville, Indiana 47711, at 8 a.m., local time, on December 22, 2010. At the American Community special meeting, you will be asked to vote on a proposal to approve the merger agreement.

Record Date (page 61)

Only American Community shareholders of record as of the close of business on November 12, 2010, are entitled to notice of, and to vote at, the American Community special meeting and any adjournments or

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postponements of the American Community special meeting. As of the close of business on the record date, there were 2,177,850 shares of American Community outstanding and entitled to vote at the meeting, held by 172 holders of record.

Attending In Person (page 62)

All American Community shareholders of record as of the record date for the special meeting may attend the special meeting. **WHETHER OR NOT YOU INTEND TO ATTEND THE SPECIAL MEETING, IT IS VERY IMPORTANT THAT YOUR SHARES BE REPRESENTED.** Accordingly, please sign, date, and return the enclosed proxy card, which will indicate your vote upon the matters to be considered. If you do attend the special meeting and desire to vote in person, you may do so by withdrawing your proxy at that time.

How to Vote (page 62)

American Community shareholders may vote their shares at the special meeting:

In Person: by attending the special meeting and voting their shares in person; or

By Mail: by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed post-prepaid envelope.

American Community's board of directors is asking for your proxy. Giving the American Community board of directors your proxy means you authorize it to vote your shares at the special meeting in the manner you direct. You may vote for or against the merger proposal, abstain from voting or withhold your vote with respect to the proposal. All shares represented by a valid proxy received prior to the special meeting will be voted, and where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If no choice is indicated on the proxy, the shares will be voted **FOR** the adoption of the merger agreement (and related plan of merger) and the approval of the merger, **FOR** the adjournment proposal and as the proxy holders may determine in their discretion with respect to any other matters that may properly come before the special meeting.

The form of proxy accompanying this proxy statement/prospectus confers discretionary authority upon the named proxy holders with respect to amendments or variations to the matters identified in the accompanying Notice of Special Meeting and with respect to any other matters that may properly come before the special meeting. As of the date of this proxy statement/prospectus, the American Community board of directors knows of no such amendment or variation or of any matters expected to come before the special meeting that are not referred to in the accompanying Notice of Special Meeting.

Shareholders who hold their shares in street name, meaning the name of a broker, bank or trust company, or other nominee who is the record holder, must either direct the record holder of their shares to vote their shares or obtain a proxy or voting instruction from the record holder to vote their shares at the special meeting.

Changing or Revoking a Proxy (page 63)

Any proxy may be revoked by the person giving it at any time before it is voted. A proxy may be revoked by (i) filing with American Community's Secretary (4424 Vogel Road, Evansville, Indiana 47715) a written notice of revocation bearing a date later than the date of such proxy, (ii) submitting a subsequent proxy relating to the same shares, or (iii)

attending the special meeting and voting in person. Simply attending the special meeting will not constitute revocation of your proxy. If your shares are held in the name of a broker, bank or trust company, or other nominee who is the record holder, you must follow the instruction of your broker, bank or trust company, or other nominee to revoke a previously given proxy.

Quorum (page 61)

The presence, in person or by proxy, of shareholders holding at least a majority of the issued and outstanding shares of American Community entitled to vote on the record date will constitute a quorum for the special meeting.

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Required Votes (page 61)

Holders of a majority of the issued and outstanding shares of American Community (determined on the record of its shareholders as of November 12, 2010, the record date for the meeting) must vote in favor of the proposal to approve the merger agreement. Approval of the adjournment proposal will require the affirmative vote of a majority of the voting power of the shares of American Community that are present in person or represented by proxy at the special meeting and entitled to vote on the adjournment proposal.

As of the record date, there were 2,177,850 shares of American Community outstanding. Approval of the merger agreement (and related plan of merger) requires the affirmative vote of holders of at least 1,088,926 of these shares, representing a majority of the issued and outstanding shares of American Community common stock as of the record date.

As of the record date, the directors and executive officers of American Community (and their affiliates), as a group, were entitled to vote (or to direct the vote) (either solely or with others) of 866,532 shares of American Community common stock, representing approximately 39.82% of the outstanding American Community shares as of the record date. Jack A. Strassweg, a shareholder of American Community (who is not presently among the directors or executive officers of American Community and who beneficially owns approximately 7.7% of the outstanding shares of American Community on the record date) has agreed with German American to vote his shares in favor of the merger proposal at the special meeting. In addition, German American owned of record as of the record date approximately 9.2% of the outstanding shares of American Community, and expects to vote those shares in favor of the merger agreement at the special meeting. No approval of the merger or merger agreement by German American's shareholders is required.

Treatment and Effect of Abstentions and Broker Non-Votes (page 62)

A broker non-vote occurs when a broker or its nominee, that holds shares for a customer who is the beneficial owner of the shares, does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. If you are a beneficial owner of shares of American Community held by a broker or its nominee, you must instruct your nominee how to vote. Your nominee cannot vote your shares on your behalf without your instructions.

Broker non-votes and the shares of American Community as to which a shareholder abstains will be treated as being present at the special meeting for purpose of determining whether a quorum of shares is present at the special meeting. Because approval of the merger and the adoption of the merger agreement and plan of merger requires the affirmative vote of a majority of the shares of American Community issued and outstanding as of the record date, abstentions and broker non-votes will have the same effect as a vote AGAINST the adoption of the merger agreement and plan of merger and the approval of the merger.

Cost of Solicitation of Proxies (page 63)

The cost of soliciting proxies related to the special meeting will be borne by American Community. Some banks and trust companies and brokers have customers who beneficially own American Community shares listed of record in the names of nominees. American Community intends to request banks, trust companies and brokers to solicit such customers and will reimburse them for their reasonable out-of-pocket expenses for such solicitations. If any additional solicitation of the holders of American Community's outstanding shares is deemed necessary, American Community (through its directors and officers) anticipates making such solicitation directly. The solicitation of proxies by mail

may be supplemented by telephone, electronic and personal solicitation by officers, directors and other employees of American Community, but no additional compensation will be paid to such individuals.

Risk Factors (page 15)

In evaluating the merger, the merger agreement and the shares of German American to be received in connection with the merger, you should carefully read this prospectus and especially consider the factors discussed in the section entitled Risk Factors.

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The following table shows net income per share, net income per share-diluted, cash dividends per share and book value per share for each of German American and American Community as of and for certain periods ended September 30, 2010 and December 31, 2009, and similar information reflecting the pro forma combined net income per share, net income per share-diluted, cash dividends per share, and book value per share of German American as of such dates and for such periods giving effect to the completion of the merger on the basis of certain assumptions (which we refer to as pro forma information).

The information listed as American Community equivalent pro forma was obtained by multiplying the pro forma combined amounts for German American by an exchange ratio of 0.725. We present this information to reflect the fact that American Community shareholders will receive 0.725 shares of German American common stock for each American Community share that is exchanged in the merger. The equivalent pro forma amounts do not reflect the cash payment of \$2.00 per American Community share that will be received by American Community shareholders (if the merger is completed) in addition to the German American shares.

The pro forma information, while helpful in illustrating the financial impact of a purchase upon a purchasing company such as German American under one set of assumptions, does not attempt to predict or suggest future results.

The information in the following table is based on the historical financial statements of German American that German American has presented in its Securities and Exchange Commission filings (which German American has incorporated into this document by reference, see WHERE YOU CAN FIND ADDITIONAL INFORMATION) and on the historical financial statements of American Community that are included elsewhere in this proxy statement/prospectus (see INDEX TO AMERICAN COMMUNITY S FINANCIAL STATEMENTS). See also SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF GERMAN AMERICAN and SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF AMERICAN COMMUNITY and UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS .

	Nine Months	
	Ended	Year Ended
	September	December 31,
	30,	2009
	2010	
<u>German American Historical</u>		
Net Income Per Share	\$ 0.92	\$ 1.10
Net Income Per Share Diluted	\$ 0.92	\$ 1.10
Cash Dividends Per share	\$ 0.42	\$ 0.56
Book Value Per Share	\$ 11.06	\$ 10.25
<u>American Community Historical</u>		
Net Income Per Share	\$ 0.41	\$ 0.57
Net Income Per Share Diluted	\$ 0.41	\$ 0.56
Cash Dividends Per share		\$
Book Value Per Share	\$ 11.11	\$ 10.72
<u>German American Pro Forma Combined</u>		
Net Income Per Share	\$ 0.90	\$ 1.09
Net Income Per Share Diluted	\$ 0.90	\$ 1.09

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Cash Dividends Per share	\$ 0.42	\$ 0.56
Book Value Per Share	\$ 11.89	\$ 11.18

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	Nine Months	
	Ended September 30, 2010	Year Ended December 31, 2009
<u>American Community Equivalent Pro Forma</u>		
Net Income Per Share	\$ 0.65	\$ 0.79
Net Income Per Share Diluted	\$ 0.65	\$ 0.79
Cash Dividends Per share	\$ 0.30	\$ 0.41
Book Value Per Share	\$ 8.62	\$ 8.11

The following table shows the NASDAQ Official Closing Price per German American share and the equivalent market value of the merger consideration (German American shares plus cash) per American Community share, giving effect to the merger on October 4, 2010, which is the last day on which German American shares traded preceding the public announcement of the proposed merger, and on November 12, 2010, the most recent practicable date prior to the mailing of this proxy statement/prospectus.

	Market Price of German American Shares*	Market Price of American Community Shares**	Equivalent Per American Community Share***
October 4, 2010	\$ 16.70	\$ 10.00	\$ 14.11
November 12, 2010	\$ 17.73	\$ 14.50	\$ 14.85

* Represents NASDAQ Official Closing Price (GABC) as of indicated date

Represents last trade reported by the Over-the-Counter Bulletin Board (ACBP) of American Community shares on **November 8, 2010, the last trading day on which trades were reported in American Community shares on or before the indicated date (there were no reported trades in such shares between November 9 and November 12, 2010).

Calculated by (a) multiplying price of German American shares as of indicated date by the exchange ratio (0.725) and (b) adding to that result the \$2.00 cash amount that is payable by American Community or by German American in connection with the merger proposal (pursuant to the contingent pre-merger cash dividend or as merger consideration)

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption **Cautionary Note Regarding Forward-Looking Statements**, you should carefully consider the following risk factors in deciding whether to vote in favor of the merger agreement proposal. We have grouped these Risk Factors into two sections **Risks Related to the Merger** (which are set forth only in this proxy statement/prospectus and are set forth in full text below), and **Risks Related to German American** (which are other risks related to German American and its shares that are not specifically related to the merger proposal with American Community and which are incorporated into this proxy statement/prospectus by reference to reports filed by German American with the SEC but not reproduced in full text here). We encourage you to review all these Risk Factors before determining how to vote on the merger proposal.

Risks Related to the Merger

Because the Market Price of German American's Shares May Fluctuate, American Community Shareholders Cannot be Sure of the Market Value of the Stock Consideration They May Receive.

The exchange ratio of 0.725 shares of German American for each share of American Community is fixed (subject to customary anti-dilution adjustments). Consequently, changes in the price of German American's shares prior to completion of the merger will affect the market value of the shares of German American that American Community shareholders would receive upon completion of the merger. The market value of the portion of the merger consideration payable in German American's shares will vary from the date of the announcement of the merger agreement, the date that this proxy statement/prospectus was mailed, the date of the special meeting, the date the merger is completed, the date the merger becomes effective, and thereafter. Accordingly, at the time of the special meeting, you will not know or be able to determine the market value of the German American common shares you may receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the respective businesses, operations and prospects, and regulatory considerations of American Community and German American. Many of these factors are beyond American Community's and German American's control.

American Community Shareholders Will Have a Reduced Ownership and Voting Interest in the Combined Company After the Merger and Will Exercise Less Influence Over Management.

American Community shareholders currently have the right to vote in the election of the board of directors of American Community and on other matters affecting American Community. Upon the completion of the merger, each American Community shareholder will become a shareholder of German American with a percentage ownership of German American that is smaller than the shareholder's percentage ownership of American Community. It is currently expected that the former shareholders of American Community as a group will receive shares in the merger constituting approximately 11.4% of the outstanding shares of German American immediately after the merger. Because of this, American Community shareholders may have less influence on the management and policies of German American than they now have on the management and policies of American Community.

German American May Fail to Realize the Anticipated Benefits of the Merger.

The success of the merger will depend on, among other things, German American's ability to realize anticipated cost savings and to combine the businesses of its bank subsidiary with that of Bank of Evansville in a manner that permits growth opportunities and does not materially disrupt the existing customer relationships of Bank of Evansville nor

result in decreased revenues due to any loss of customers. If German American is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

German American and American Community have operated and, until the completion of the merger, will continue to operate, independently. Upon closing of the merger, German American will commence the process of integrating the operations of the two banks. It is possible that the integration process could result in the

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disruption of German American's or American Community's ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of German American or American Community to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

In addition, although management of German American anticipates cost savings to result from the transaction, such cost savings may not be fully realized or realized within the expected timeframe. Furthermore, while management of German American plans to generate increases in the net interest income derived from Bank of Evansville's operations following the merger through changed deposit-pricing strategies, market factors could dictate that German American delay or alter those strategies, thereby preventing German American from realizing any or all of the opportunity for increases in Bank of Evansville's net interest income.

Regulatory Approvals May Not Be Received, May Take Longer than Expected or May Impose Conditions that Are Not Presently Anticipated or Cannot Be Met.

Before the transactions contemplated in the merger agreement, including the merger, may be completed, various approvals must be obtained from the bank regulatory authorities. These authorities may impose conditions on the completion of the merger or require changes to the terms of the merger agreement. Although the parties do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated in the merger agreement or imposing additional costs on or limiting German American's revenues, any of which might have a material adverse effect on German American following the merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

The Merger Agreement May Be Terminated in Accordance with Its Terms and the Merger May Not Be Completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger.

Those conditions include: approval of the merger agreement by American Community shareholders, regulatory approvals, absence of orders prohibiting the completion of the merger, effectiveness of the registration statement of which this proxy statement/prospectus is a part, approval of the shares of German American to be issued to American Community shareholders for listing on the NASDAQ Global Select Market, the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements, and the receipt by both parties of a tax opinion from German American's tax counsel. There can be no assurance that the conditions to closing of the merger will be fulfilled or that the merger will be completed.

Termination of the Merger Agreement Could Negatively Impact American Community.

If the merger agreement is terminated, there may be various consequences, including:

American Community's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger; and

the market price of American Community shares might decline to the extent that the current market price reflects a market assumption that the merger will be completed.

If the merger agreement is terminated and American Community's board of directors seeks another merger or business combination, American Community shareholders cannot be certain that American Community will be able to find a party willing to offer equivalent or more attractive consideration than the consideration German American has agreed to provide in the merger.

If the merger agreement is terminated under certain circumstances, American Community may be required to pay a termination fee of \$1.5 million to German American. See THE MERGER AGREEMENT Termination; Termination Fee beginning on page 57.

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The Unaudited Pro Forma Condensed Combined Financial Information Included in this Proxy Statement/Prospectus Is Preliminary and the Actual Financial Condition and Results of Operations After the Merger May Differ Materially.

The unaudited pro forma condensed combined financial information in this proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what German American's actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma condensed combined financial information reflects adjustments, which are based upon preliminary estimates, to record the American Community identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of American Community as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement/prospectus. For more information, see UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS.

The Merger's Financial Effect Upon German American's Future Financial Condition and Results of Operations Could Differ from the Present Expectations of German American's Management.

The relative proportions of the consideration actually paid by German American in the merger (that is, the amount of cash paid as compared to the number of German American shares issued) may vary from the relative proportions anticipated by German American's management, due to such matters as (a) the potential for exercises of dilutive options or warrants to purchase American Community shares prior to the completion of the merger and (b) the potential for shareholders of American Community to exercise statutory dissenters rights. These variances could result in possible material changes (including possible material adverse changes) in German American's actual future financial condition and future results of operations compared to those presently anticipated by it.

Further, the final valuations of the acquired assets and the assumed liabilities for accounting purposes under the acquisition methods of accounting (as discussed under UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS) may differ materially from the preliminary valuations assumed by management and reflected by the unaudited pro forma condensed combined financial statements included in this proxy statement/prospectus, and such valuation differences may result in material changes (including possible material adverse changes) in German American's actual future financial condition and results of operations compared to those anticipated by management, due to differences in valuations of items such as (but not limited to):

the shares of German American to be issued in the merger (since the market value of German American's shares based on NASDAQ market data may vary at the time of completion of the merger from historical levels of market values of German American's shares), and/or American Community's loans, core deposit customer relationships, and other identifiable assets acquired by (or of American Community's liabilities assumed by) German American in the merger, all of which may vary on account of multiple factors at the time of closing compared to the preliminary valuation estimates of German American's management.

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Risks Relating to German American

You should also consider the other risk factors that may affect German American and its common shares that are not specifically related to the proposed merger with American Community. These other risk factors are set forth by German American from time to time under the caption "Risk Factors" in German American's filings with the SEC, including German American's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and its subsequent Quarterly Reports on Form 10-Q filed during 2010. For information about how you may obtain these reports or view them for free, and for additional information about German American, please see the sources described in "Where You Can Find More Information."

These risks are not the only risks that German American faces. Additional risks not presently known to German American, or that German American currently views as immaterial, may also impair German American's business. If any of the risks described in German American's SEC filings or any additional risks actually occur, German American's business, financial condition, results of operations and cash flows could be materially and adversely affected. In that case, the value of its securities could decline substantially and you could lose all or part of your investment.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain forward-looking statements, including forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) the financial condition, results of operations and business of German American and American Community; (ii) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (iii) statements about the parties' respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iv) other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

changes in general economic conditions in the areas in which German American and American Community operate and the risk that continuing national economic slowdown could adversely affect credit quality and loan originations; German American's business may not be combined with American Community's business as successfully as planned, or such combination may take longer to accomplish than expected;

the growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;

operating costs, customer losses and business disruption following the merger, including adverse effects of relationships with employees, may be greater than expected;

governmental approvals of the merger may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the merger;

adverse governmental or regulatory policies may be enacted;

the interest rate environment may change, causing margins to compress and adversely affecting net interest income; and

competition from other financial services companies in our markets.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in German American's reports filed with the SEC.

All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to either German American or American Community or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Neither German American or American Community undertakes any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

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INFORMATION ABOUT GERMAN AMERICAN AND AMERICAN COMMUNITY

German American

Overview

German American is a financial services holding company based in Jasper, Indiana. German American was incorporated under Indiana law in 1982. It is registered as a bank holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended.

German American's primary activity consists of owning and supervising German American Bancorp, which is a commercial bank organized under Indiana law, and that bank's subsidiaries. German American's bank subsidiary was chartered in 2006 as a result of a consolidation of six affiliated Indiana state banks that were then separately incorporated and owned by German American. The bank subsidiary traces its roots to The German American Bank, which was (until the 2006 consolidation transaction) a state-chartered bank that was incorporated in 1910 and headquartered in Jasper, Indiana.

German American (through its bank subsidiary) operates 30 retail banking offices (including two branches in the Evansville, Indiana metropolitan area that German American acquired on May 7, 2010, from another bank) in the twelve contiguous Southern Indiana counties of Daviess, Dubois, Gibson, Knox, Lawrence, Martin, Monroe, Perry, Pike, Spencer, Vanderburgh and Warrick. German American indirectly owns a trust, brokerage, and financial planning subsidiary (German American Financial Advisors & Trust Company) that operates from German American's banking offices and a full line property and casualty insurance agency (German American Insurance, Inc.) with seven insurance agency offices throughout German American's market area.

Throughout this proxy statement/prospectus, when we use the term "German American," we will usually be referring to the business and affairs (financial and otherwise) of German American Bancorp, Inc., and its consolidated subsidiaries as a whole. Occasionally, we will use the terms "parent company" or "holding company" in reference to German American when we mean to refer only to German American Bancorp, Inc., or to the term "bank subsidiary" when we mean to refer only to German American's bank subsidiary.

German American's lines of business include retail and commercial banking, mortgage banking, comprehensive financial planning, full service brokerage and trust administration, and a full range of personal and corporate insurance products. Financial and other information by segment is included in Note 15 "Segment Information" of the Notes to the Consolidated Financial Statements included in Item 8 of German American's Annual Report on Form 10-K for the year ended December 31, 2009, that is incorporated into this proxy statement/prospectus by reference. As of September 30, 2010, German American had total deposits of approximately \$1.083 billion, total assets of approximately \$1.356 billion and shareholders' equity of approximately \$123 million.

German American's principal executive offices are located at 711 Main Street, Jasper 47546-0810, and its telephone number at that address is (812) 482-1314. German American maintains an Internet website at www.germanamerican.com. The foregoing website address is intended to be an inactive textual reference only. The information on this website is not a part of this proxy statement/prospectus.

TABLE OF CONTENTSMarket and Dividend Information

Shares of German American are traded on NASDAQ's Global Select Market under the symbol GABC. The quarterly high and low closing prices for the Company's common stock as reported by NASDAQ and quarterly cash dividends declared and paid for the periods indicated are set forth in the table below.

	High	Low	Dividend
For the years ended:			
2010			
First Quarter	\$ 16.18	\$ 14.18	\$ 0.14
Second Quarter	17.03	14.68	0.14
Third Quarter	17.31	15.01	0.14
Fourth Quarter (through November 12)	18.52	16.68	0.14
2009			
First Quarter	\$ 12.50	\$ 10.40	\$ 0.14
Second Quarter	16.04	11.33	0.14
Third Quarter	18.33	14.25	0.14
Fourth Quarter	17.31	14.24	0.14
2008			
First Quarter	\$ 13.29	\$ 11.31	\$ 0.14
Second Quarter	13.23	11.39	0.14
Third Quarter	13.60	11.00	0.14
Fourth Quarter	12.90	10.65	0.14

German American's shares were held of record by approximately 3,534 shareholders at September 30, 2010.

Cash dividends paid to German American's shareholders are primarily funded from dividends received by the parent company from its bank subsidiary. The declaration and payment of future dividends will depend upon the earnings and financial condition of German American and its subsidiaries, general economic conditions, compliance with regulatory requirements affecting the ability of the bank subsidiary and German American to declare dividends, and other factors.

Further Information

Further information about German American and its shares is included elsewhere in this proxy statement/prospectus (see, e.g., SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF GERMAN AMERICAN) and in German American's reports that are incorporated into this proxy statement/prospectus statement by reference. See AVAILABLE INFORMATION (before the Table of Contents) for how you may view or obtain copies of these reports. This includes the most-recently filed information relating to German American's executive compensation, benefit plans, voting securities (including the principal holders of those securities), certain relationships and related transactions, and other matters, which is included in German American's Annual Report on Form 10-K for the year ended December 31, 2009, and is incorporated into this proxy statement/prospectus by reference. Shareholders of American Community desiring copies of that Annual Report on Form 10-K and other documents may contact German American at its address or telephone number indicated under WHERE YOU CAN FIND MORE INFORMATION.

American Community

Overview

American Community, through its wholly owned subsidiary, Bank of Evansville, provides a full range of commercial and consumer banking services in the Evansville, Indiana, area, from three banking offices located on the east, west and north sides of the city. At September 30, 2010, American Community reported total assets of approximately \$326 million, total loans of approximately \$243 million, and total deposits of approximately \$282 million.

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American Community's principal executive offices are located at 4424 Vogel Road, Evansville, Indiana 47715, and its telephone number at that address is (812) 962-2265. American Community maintains an Internet website at www.bankevansville.com. The foregoing website address is intended to be an inactive textual reference only. The information on this website is not a part of this proxy statement/prospectus.

Market and Dividend Information

Shares of American Community are neither traded on an exchange nor listed on the NASDAQ Stock Market. Brokers and dealers from time to time enter bid and asked quotations for shares of American Community on the Over-the-Counter Bulletin Board (OTCBB). Quotations, if any, and transaction information for the shares of American Community can be viewed on the Internet at www.otcbb.com by entering the symbol ACBP or on other Internet quotation services by entering the symbol ACBP.OB. As of November 12, 2010, there were approximately 172 holders of record of American Community's shares. These numbers do not reflect the number of persons or entities who may hold their shares in nominee or street name through brokerage or other accounts.

The merger agreement prohibits American Community from paying cash dividends on American Community shares pending consummation of the merger, other than the special 2010 pre-merger cash dividend that the board of American Community has contingently declared that is contingently payable on December 30, 2010 to shareholders of record on December 15, 2010. See THE MERGER AGREEMENT American Community Restrictions.

The table below sets forth, for the calendar quarters indicated, the high and low reported closing prices for shares of American Community as provided by OTCBB. No cash dividends were declared or paid on American Community's shares in any such quarter.

Quarter ended	High Closing Price	Low Closing Price
March 31, 2008	\$ 13.55	\$ 10.89
June 30, 2008	\$ 13.65	\$ 10.89
September 30, 2008	\$ 11.07	\$ 8.93
December 31, 2008	\$ 11.79	\$ 7.85
March 31, 2009	\$ 10.66	\$ 7.30
June 30, 2009	\$ 11.79	\$ 8.48
September 30, 2009	\$ 9.62	\$ 8.25
December 31, 2009	\$ 9.76	\$ 7.38
March 31, 2010	\$ 10.48	\$ 7.43
June 30, 2010	\$ 9.77	\$ 8.19
September 30, 2010	\$ 10.00	\$ 8.00
December 31, 2010 (through November 12)	\$ 14.50	\$ 9.25

On November 12, 2010, the most recent practicable date prior to the finalization of this proxy statement prospectus, shares of American Community did not trade on the OTCBB. The last trading day on which American Community shares traded on the OTCBB prior to November 12, 2010, was November 8, 2010, when the closing price of American Community's shares was \$14.50. On October 4, 2010, the last full trading day prior to the public announcement of the entry into the agreement with German American, the closing price of American Community's shares was \$10.00.

Further Information

Further information about American Community and its shares is included elsewhere in this proxy statement/prospectus under **SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF AMERICAN COMMUNITY, OTHER IMPORTANT INFORMATION REGARDING AMERICAN COMMUNITY and INDEX TO AMERICAN COMMUNITY S FINANCIAL STATEMENTS.** See also **AVAILABLE INFORMATION and WHERE YOU CAN FIND MORE INFORMATION.**

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TABLE OF CONTENTS**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF GERMAN AMERICAN**

The following table sets forth certain of German American's consolidated financial data as of and for each of the periods indicated. The selected historical financial data as of December 31, 2009 and 2008 and for each of the three fiscal years ended December 31, 2009, 2008, and 2007 is derived from German American's audited consolidated statements, which are incorporated by reference into this proxy statement/prospectus. The financial information for the fiscal years ended December 31, 2006 and 2005, and as of December 31, 2007, 2006 and 2005, is derived from German American's audited historical consolidated financial statements, which are not included or incorporated by reference into this proxy statement/prospectus.

The consolidated financial information as of and for the nine month periods ended September 30, 2010 and September 30, 2009, is derived from German American's unaudited consolidated financial statements, which are incorporated by reference into this proxy statement/prospectus. In German American's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods presented. Interim results for the nine months ended September 30, 2010 are not necessarily indicative of, and are not projections for, the results to be expected for the full fiscal year ending December 31, 2010.

The selected historical financial data below should be read in conjunction with the consolidated financial statements and their accompanying notes, and German American's related discussions entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, that are included in German American's reports filed with the Securities and Exchange Commission and are incorporated by reference into this document. See WHERE YOU CAN FIND ADDITIONAL INFORMATION below.

Summary of Consolidated Financial Statements and Related Statistics

Dollars in thousands, except per share data

	Nine Months Ended		Year Ended December 31,				
	September 30, 2010	2009	2009	2008	2007	2006	2005
Summary of Operations:							
Interest Income	\$47,879	\$47,939	\$63,736	\$67,845	\$72,261	\$63,594	\$50,197
Interest Expense	11,838	14,700	19,223	26,908	33,646	27,398	17,984
Net Interest Income	36,041	33,239	44,513	40,937	38,615	36,196	32,213
Provision for Loan Losses	3,875	3,000	3,750	3,990	3,591	925	1,903
Net Interest Income after Provision For Loan Losses	32,166	30,239	40,763	36,947	35,024	35,271	30,310
Non-interest Income	12,803	12,122	15,859	18,210	15,704	15,993	14,502

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Non-interest Expense	30,609	30,233	40,391	36,716	37,221	37,059	31,756
Income before Income Taxes	14,360	12,128	16,231	18,441	13,507	14,205	13,056
Income Tax Expense	4,107	3,231	4,013	5,638	4,102	3,984	3,335
Net Income	\$10,253	\$8,897	\$12,218	\$12,803	\$9,405	\$10,221	\$9,721
Period-end Balances:							
Total Assets	\$1,355,984	\$1,233,815	\$1,242,965	\$1,190,828	\$1,131,710	\$1,093,424	\$946,467
Total Loans, Net of Unearned Income	913,623	887,449	877,822	890,436	867,721	796,259	651,956
Total Deposits	1,082,848	961,338	969,643	941,750	877,421	867,618	746,821
Total Long-term Debt	92,521	124,823	113,320	105,608	86,786	68,333	66,606
Total Shareholders Equity	122,873	112,390	113,549	105,174	97,116	92,391	82,255
Average Balances:							
Total Assets	\$1,307,436	\$1,214,217	\$1,230,596	\$1,174,583	\$1,114,140	\$1,029,838	\$925,851
Total Loans, Net of Unearned Income	900,552	891,519	891,322	880,630	840,849	715,260	634,526
Total Deposits	1,022,101	951,415	963,928	922,137	889,736	814,440	730,220
Total Shareholders Equity	118,363	108,623	109,887	99,711	93,677	88,451	84,479

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	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Per Share Data⁽¹⁾:							
Net Income	\$0.92	\$0.81	\$1.10	\$1.16	\$0.85	\$0.93	\$0.89
Cash Dividends	0.42	0.42	0.56	0.56	0.56	0.56	0.56
Book Value at Period-end	11.06	10.15	10.25	9.54	8.81	8.39	7.73
Other Data at Period-end:							
Number of Shareholders	3,534	3,631	3,364	3,684	3,647	3,438	3,494
Number of Employees	364	336	332	348	371	397	367
Weighted Average Number of Shares ⁽¹⁾	11,096,650	11,062,053	11,065,917	11,029,519	11,009,536	10,994,739	10,890,987
Selected Performance Ratios:							
Return on Average Assets ⁽²⁾	1.05	% 0.98	% 0.99	% 1.09	% 0.84	% 0.99	% 1.05
Return on Average Equity ⁽²⁾	11.55	% 10.92	% 11.12	% 12.84	% 10.04	% 11.56	% 11.51
Equity to Assets	9.06	% 9.11	% 9.14	% 8.83	% 8.58	% 8.45	% 8.69
Dividend Payout	45.45	% 52.21	% 50.71	% 48.25	% 65.65	% 60.29	% 62.83
Net Charge-offs to Average Loans ⁽²⁾	0.47	% 0.26	% 0.25	% 0.29	% 0.32	% 0.50	% 0.26
Provision for Loan Losses to Loans	1.28	% 1.22	% 1.25	% 1.07	% 0.93	% 0.90	% 1.42
Net Interest Margin ⁽²⁾	4.01	% 3.99	% 3.95	% 3.82	% 3.83	% 3.96	% 3.92

(1) Share and Per Share Data excludes the dilutive effect of stock options.

(2) Nine-month ratios have been annualized.

Period-to-period financial information comparability is affected by the acquisition accounting treatment for mergers and acquisitions, including bank mergers completed during 2005 and 2006 and a branch purchase transaction completed in May 2010.

TABLE OF CONTENTS**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF AMERICAN COMMUNITY**

The following table sets forth certain of American Community's consolidated financial data as of and for each of the periods indicated. The selected historical financial data as of December 31, 2009 and 2008 and for each of the three fiscal years ended December 31, 2009, 2008 and 2007 is derived from American Community's audited consolidated statements, beginning on page F-1 of this proxy statement/prospectus. The financial information as of December 31, 2007, 2006 and 2005 and for the fiscal years ended December 31, 2006 and 2005, is derived from American Community's audited historical consolidated financial statements which were mailed to American Community's shareholders following the completion of each of those years, which are not included or incorporated by reference into this proxy statement/prospectus.

The consolidated financial information as of September 30, 2010 and for the nine months ended September 30, 2010 and 2009 is derived from American Community's unaudited consolidated financial statements, beginning on page F-30 of this proxy statement/prospectus. In American Community's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods presented. Interim results for the nine-month period ended September 30, 2010, are not necessarily indicative of, and are not projections for, the results to be expected for the full fiscal year ending December 31, 2010.

The selected historical financial data below should be read in conjunction with the consolidated audited financial statements and unaudited interim financial statements and their respective accompanying notes that are included in this document, beginning on page F-1 of this proxy statement/prospectus, and the following summary is qualified in its entirety by reference thereto. Additionally, more comprehensive financial information, including American Community's Management's Discussion and Analysis of Financial Condition and Results of Operations, is contained elsewhere in this document. See Index to American Community's Financial Statements, Other Important Information Regarding American Community's Management's Discussion and Analysis of Financial Condition and Results of Operations of American Community on page 65 of this proxy statement/prospectus.

Summary of Consolidated Financial Statements and Related Statistics**Dollars in thousands, except per share data**

	Nine Months Ended September 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Summary of Operations							
Interest Income	\$10,479	\$10,315	\$13,863	\$16,210	\$17,842	\$15,805	\$11,378
Interest Expense	3,393	3,867	4,998	7,400	9,692	8,457	4,778
Net Interest Income	7,086	6,448	8,865	8,810	8,150	7,348	6,600
Provision for Loan Losses	1,100	990	1,215	1,712	2,607	397	605
Net Interest Income after	5,986	5,458	7,650	7,098	5,543	6,951	5,995

Provision For Loan Losses							
Non-interest Income	745	843	1,214	2,052	1,499	1,459	1,260
Non-Interest Expense	5,381	5,186	6,872	6,930	6,133	5,472	4,822
Income before Income Taxes	1,350	1,115	1,992	2,220	909	2,938	2,433
Income Tax Expense	475	467	788	923	405	1,202	744
Net Income	\$875	\$648	\$1,204	\$1,297	\$504	\$1,736	\$1,689
Period-end Balances:							
Total Assets	\$325,958	\$301,847	\$301,831	\$295,004	\$267,829	\$242,759	\$222,075
Total Loans, Net of Unearned Income	242,852	257,478	259,142	263,454	239,392	212,712	178,469
Total Deposits	282,433	260,195	260,063	254,282	239,183	214,813	195,527
Total Long-term Debt	18,248	18,248	18,248	18,248	8,248	8,248	8,248
Total Shareholders Equity	24,201	22,268	22,741	21,402	19,527	18,757	16,667

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	Nine Months Ended September 30,		Year Ended December 31,					2005
	2010	2009	2009	2008	2007	2006		
Average Balances								
Total Assets	\$310,226	\$289,791	\$291,074	\$287,266	\$251,136	\$225,379	\$191,064	
Total Loans, Net of Unearned Income	248,662	256,371	256,303	255,114	222,114	194,640	160,230	
Total Deposits	267,621	248,175	249,358	248,184	221,913	198,491	169,836	
Total Shareholders Equity	23,545	22,065	22,221	20,812	19,960	17,830	15,850	
Per Share Data ⁽¹⁾ :								
Net Income	\$0.41	\$0.31	\$0.57	\$0.63	\$0.25	\$0.85	\$0.83	
Cash Dividends								
Book Value at Period-end	11.11	10.49	10.72	10.18	9.47	9.14	8.17	
Other Data at Period-end:								
Number of Employees	53	54	54	55	54	44	43	
Weighted-Average Number of Shares ⁽¹⁾	2,123,575	2,103,419	2,103,752	2,078,938	2,056,146	2,044,516	2,031,040	
Selected Performance Ratios:								
Return on Average Assets ⁽²⁾	0.38	% 0.30	% 0.41	% 0.45	% 0.20	% 0.77	% 0.88	
Return on Average Equity ⁽²⁾	4.97	% 3.93	% 5.42	% 6.23	% 2.52	% 9.74	% 10.66	
Equity to Assets	7.59	% 7.61	% 7.63	% 7.24	% 7.95	% 7.91	% 7.50	
Dividend Payout								
Net Charge-offs to Average Loans ⁽²⁾	1.08	% 0.25	% 0.41	% 0.19	% 1.15	% 0.03	%	
Allowance for Loan Losses to Loans	1.48	% 1.88	% 1.74	% 1.65	% 1.30	% 1.44	% 1.52	
Net Interest Margin ⁽²⁾	3.21	% 3.15	% 3.21	% 3.20	% 3.38	% 3.42	% 3.64	

(1) Share and Per Share Data excludes the dilutive effect of stock options and warrants.

(2) Nine-month ratios have been annualized.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined balance sheet of German American as of September 30, 2010, gives effect to the proposed merger (and related special cash dividend contingently payable to American Community's shareholders that American Community's board of directors has contingently declared for payment prior to the end of 2010, subject to certain conditions) as if the merger (and the payment of the contingent special cash dividend) had occurred on September 30, 2010, and combines the unaudited condensed consolidated balance sheets of German American and American Community as of September 30, 2010.

The unaudited pro forma condensed combined statement of income of German American for the nine month period ended September 30, 2010, is presented as if the proposed merger (and the payment of the special cash dividend) had occurred on January 1, 2010, and combines the unaudited results of German American and American Community for such periods.

The unaudited pro forma condensed combined statement of income for the year ended December 31, 2009 of German American is presented as if the proposed merger (and the payment of the special cash dividend) had occurred on January 1, 2009, and combines the audited results of German American and American Community for the year ended December 31, 2009.

The notes to the unaudited pro forma condensed combined financial statements describe the pro forma amounts and adjustments presented below.

The merger will be accounted for as a business combination under the acquisition method of accounting and German American is the deemed accounting acquirer and American Community is the deemed accounting acquiree. The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the SEC. The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the preliminary allocation of the estimated purchase price to identifiable net assets acquired and an amount for goodwill (representing the difference between the purchase price and the estimated fair value of the identifiable net assets). The allocation of the purchase price is dependent upon certain valuation and other studies that are not yet final. The final allocation will be determined after the merger is completed subject to further adjustments as additional information becomes available and as additional analyses are performed. Accordingly, the pro forma purchase price adjustments shown herein are preliminary. There can be no assurances that the final valuations will not result in material changes to these purchase price allocations. The final acquisition accounting adjustments and the income from operations may be materially different from the unaudited pro forma adjustments and unaudited pro forma condensed combined statements of income. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the entities been a single company during the periods presented or the results that the combined company will experience after the merger is completed. The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger. These financial statements also do not include any integration costs or dissynergies.

The unaudited pro forma condensed combined financial information presented below is based on, and should be read together with, the historical financial information that German American and American Community have included in

this proxy statement/prospectus (by incorporation by reference or otherwise) as of and for the indicated periods.

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GERMAN AMERICAN BANCORP, INC.
PRO FORMA CONDENSED COMBINED BALANCE SHEET
(Unaudited)
As of September 30, 2010
(Dollars in Thousands)

	German American Bancorp, Inc.	American Community Bancorp, Inc.	Adjustments	Consolidation
ASSETS				
Cash and Due from Banks	\$19,203	\$11,292	\$(6,018) ^(a)	\$24,477
Federal Funds Sold and Other Short-term Investments	26,112	14,923		41,035
Cash and Cash Equivalents	45,315	26,215	(6,018)	65,512
Interest-bearing Time Deposits with Banks		13,145		13,145
Securities Available-for-Sale, at Fair Value	301,070	29,786	(1,800) ^(b)	329,056
Securities Held-to-Maturity, at Cost	1,603			1,603
Loans Held-for-Sale	13,627			13,627
Loans	915,210	242,855	(9,521) ^(c)	1,148,544
Less: Unearned Income	(1,587)	(3)		(1,590)
Allowance for Loan Losses	(11,700)	(3,606)	3,606 ^(c)	(11,700)
Loans, Net	901,923	239,246	(5,915)	1,135,254
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	10,621	1,365		11,986
Premises, Furniture and Equipment, Net	26,784	7,086		33,870
Other Real Estate	2,397	1,402		3,799
Goodwill	9,835		9,840 ^(d)	19,675
Intangible Assets	2,795		3,355 ^(e)	6,150
Company Owned Life Insurance	24,599	3,305		27,904
Accrued Interest Receivable and Other Assets	15,415	4,408		19,823
TOTAL ASSETS	\$1,355,984	\$325,958	\$(538)	\$1,681,404
LIABILITIES				
Non-interest-bearing Demand Deposits	\$187,363	\$28,209	\$	\$215,572
Interest-bearing Demand, Savings, and Money Market Accounts	532,877	200,079		732,956
Time Deposits	362,608	54,145	444 ^(f)	417,197
Total Deposits	1,082,848	282,433	444	1,365,725
FHLB Advances and Other Borrowings	137,173	18,248	(3,761) ^(g)	151,660
Accrued Interest Payable and Other Liabilities	13,090	1,076	784 ^(h)	14,950
TOTAL LIABILITIES	1,233,111	301,757	(2,533)	1,532,335
SHAREHOLDERS' EQUITY				
Common Stock	11,105		1,434 ⁽ⁱ⁾	12,539
Additional Paid-in Capital	69,089	23,346	716 ^(j)	93,151

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Retained Earnings	34,635	724	(157) ^(k)	35,202
Accumulated Other Comprehensive Income	8,044	131	2 ^(l)	8,177
TOTAL SHAREHOLDERS' EQUITY	122,873	24,201	1,995	149,069
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,355,984	\$325,958	\$(538)) \$1,681,404

Footnotes: (Dollars in thousands except per share data)

Cash assumed to be paid to shareholders of \$2,062 to buy-out options and warrants at closing (assumed 352,524 options and warrants outstanding at September 30, 2010 with a weighted average exercise price of \$9.04 and an assumed value of German American stock for purchase price calculation of \$14.89 computed based on the closing (a) price of \$17.78 per share on November 9, 2010 times the conversion ratio of .725 + \$2.00 per share cash). Also reflects a \$2.00 per share cash dividend payment of \$4,356 by American Community to shareholders immediately preceding closing with \$400 netted against payment for dividend payable to German American for their 199,939 shares owned as of September 30, 2010.

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- (b) Carrying value of American Community common stock owned by German American at September 30, 2010. Fair value adjustment for American Community loan portfolio and elimination of existing allowance for loan loss.
- (c) Initial fair value assumptions indicated \$3,268 of discount will be accreted over a 4.5 year period. The remaining discount of \$6,253 (approximately \$29,522 contractual loan balance) is related to loans for which there has been evidence of credit deterioration since origination accounted for under ASC310.30 which will not be accretable.
- (d) Projected goodwill to be recognized as a result of purchase accounting estimates. The purchase price allocation for the transaction follows:

	(in thousands)
Common Stock Consideration to American Community shareholders (1,977,911 × .725 × \$17.78)	\$ 25,496
Value of common shares of American Community owned by German American, including \$2.00 per share dividend (199,939 × \$14.89)	2,977
Buy-out of options and warrants (352,524 × \$5.85)	2,062
Total Purchase Price	\$ 30,535
American Community Equity at September 30, 2010	\$ 24,201
Cash Dividend of \$2.00 per Share Assumed to be Paid Prior to Close of Transaction	\$ 3,956
American Community Bancorp, Inc. Historic Book Value at September 30, 2010	\$ 20,245
Fair Value Adjustments:	
Loan Portfolio Adjustments	\$ (5,915)
Time Deposit Adjustments	(444)
FHLB Borrowings	(239)
Trust Preferred Borrowings	4,000
Core Deposit Intangibles	3,355
Net Fair Value Adjustments	\$ 757
Tax Effect of Net Fair Value Adjustments	(307)
After-tax Net Fair Value Adjustments	\$ 450
Total Allocation of Purchase Price	\$ 20,695
Goodwill	\$ 9,840

- Projected core deposit intangible (CDI) created by the transaction. The CDI is estimated to be 1.5% of non-maturity deposits for American Community as of September 30, 2010 and is projected to be amortized utilizing the sum of the years digits method over a 10 year period.
- (e) Projected time deposit premium associated with the transaction to be amortized over the remaining life of the time deposits of 5 years utilizing the level yield method.
- (f) Projected \$4,000 discount on trust preferred borrowings with a book balance of \$8,248. Amortization of the trust preferred discount is anticipated over the remaining life of the borrowings which approximates 25 years. Also included in this adjustment is a projected FHLB borrowings premium of \$239 on a book balance of \$10,000 which will be amortized over the remaining life of the borrowings of 3 years utilizing the level yield method.
- (g) Reflects a net deferred tax liability related to purchase accounting adjustments resulting from the transaction of \$307. Also reflects the elimination of a deferred tax asset of \$91 on the unrealized loss as of September 30, 2010 associated with German American's existing investment in common stock of American Community. Also includes a current tax liability of \$386 related to the gain to be recognized on the shares of American Community owned by German American as of September 30, 2010.
- (h) Reflects the issuance of 1,433,985 (2,177,850 shares of American Community common stock outstanding at September 30, 2010 less 199,939 shares owned by German American at September 30, 2010 times the fixed

exchange ratio of .725) shares of German American common stock as a part of the purchase price.

(j) Reflects the elimination of common stock and additional paid in capital of American Community as of September 30, 2010 and the issuance of 1,433,985 shares of German American common stock at a price of \$17.78 (the closing price per share as of November 9, 2010) for total stock consideration of \$25,496.

(k) Reflects the elimination of retained earnings of American Community as of September 30, 2010 and gain/dividend of \$567, net of tax, recognized on the 199,939 shares owned by German American at September 30, 2010.

(l) Reflects the elimination of unrealized gain on securities of American Community as of September 30, 2010 and the elimination of the unrealized loss as of September 30, 2010 associated with German American's existing investment in common stock of American Community.

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GERMAN AMERICAN BANCORP, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF
INCOME (Unaudited)
For the Nine Months Ended September 30, 2010
(Dollars in Thousands, except per share data)

	German American Bancorp, Inc.	American Community Bancorp, Inc.	Adjustments	Consolidation
INTEREST INCOME				
Interest and Fees on Loans	\$39,701	\$9,984	\$545 ^(a)	\$50,230
Interest on Federal Funds Sold and Other Short-term Investments	48	151		199
Interest and Dividends on Securities:				
Taxable	7,353	303		7,656
Non-taxable	777	41		818
TOTAL INTEREST INCOME	47,879	10,479	545	58,903
INTEREST EXPENSE				
Interest on Deposits	7,940	3,061	(259) ^(b)	10,742
Interest on FHLB Advances and Other Borrowings	3,898	332	20 ^(c)	4,250
TOTAL INTEREST EXPENSE	11,838	3,393	(239)	14,992
NET INTEREST INCOME	36,041	7,086	784	43,911
Provision for Loan Losses	3,875	1,100		4,975
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	32,166	5,986	784	38,936
NON-INTEREST INCOME				
Trust and Investment Product Fees	1,134			1,134
Service Charges on Deposit Accounts	3,074	223		3,297
Insurance Revenues	4,092			4,092
Company Owned Life Insurance	585	63		648
Other Operating Income	2,299	43		2,342
Net Gains on Sales of Loans	1,619	416		2,035
Net Gain (Loss) on Securities				
TOTAL NON-INTEREST INCOME	12,803	745		13,548
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	16,307	2,843		19,150
Occupancy Expense	2,640	292		2,932
Furniture and Equipment Expense	1,871	185		2,056
FDIC Premiums	1,043	437		1,480
Data Processing Fees	1,054	356		1,410
Professional Fees	1,743	305		2,048
Advertising and Promotion	892	45		937

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Supplies	599	52		651
Intangible Amortization	727		457 ^(d)	1,184
Other Operating Expenses	3,733	866		4,599
TOTAL NON-INTEREST EXPENSE	30,609	5,381	457	36,447
Income before Income Taxes	14,360	1,350	327	16,037
Income Tax Expense	4,107	475	130	4,712
NET INCOME	\$10,253	\$875	\$197	\$11,325
Earnings Per Share	\$0.92	\$0.41		\$0.90
Diluted Earnings Per Share	\$0.92	\$0.41		\$0.90
Weighted Average Shares Outstanding	11,096,650	2,123,575	1,433,985 ^(e)	12,530,635
Diluted Weighted Average Shares Outstanding	11,101,903	2,158,576	1,433,985 ^(e)	12,535,888

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Footnotes:

- (a) Accretion of loan fair value adjustment of \$3,268 over 4.5 year period on a straight-line basis which is assumed to approximate level yield based on composition of the portfolio.
- (b) Amortization of time deposit fair value adjustment of \$444 over remaining term of deposits of 5 years utilizing the level yield method.
Amortization of FHLB advance fair value adjustment of \$239 over remaining term of borrowings of 3 years
- (c) utilizing the level yield method. Amortization of trust preferred borrowings of American Community fair value adjustment of \$4,000 over a remaining term of approximately 25 years on a straight line basis.
- (d) Amortization of core deposit intangible of \$3,355 over 10 year period utilizing the sum of the years digit method.
Reflects the issuance of 1,433,985 (2,177,850 shares of American Community common stock outstanding at
- (e) September 30, 2010 less 199,939 shares owned by German American at September 30, 2010 times the fixed exchange ratio of .725) shares of German American common stock as a part of the deal consideration.

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GERMAN AMERICAN BANCORP, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF
INCOME (Unaudited)
For the Year Ended December 31, 2009
(Dollars in Thousands, except per share data)

	German American Bancorp, Inc.	American Community Bancorp, Inc.	Adjustments	Consolidation
INTEREST INCOME				
Interest and Fees on Loans	\$53,905	\$13,406	\$727 ^(a)	\$68,038
Interest on Federal Funds Sold and Other Short-term Investments	106	50		156
Interest and Dividends on Securities:				
Taxable	8,660	376		9,036
Non-taxable	1,065	31		1,096
TOTAL INTEREST INCOME	63,736	13,863	727	78,326
INTEREST EXPENSE				
Interest on Deposits	13,495	4,509	(324) ^(b)	17,680
Interest on FHLB Advances and Other Borrowings	5,728	489	40 ^(c)	6,257
TOTAL INTEREST EXPENSE	19,223	4,998	(284)	23,937
NET INTEREST INCOME	44,513	8,865	1,011	54,389
Provision for Loan Losses	3,750	1,215		4,965
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	40,763	7,650	1,011	49,424
NON-INTEREST INCOME				
Trust and Investment Product Fees	1,617			1,617
Service Charges on Deposit Accounts	4,395	346		4,741
Insurance Revenues	5,296			5,296
Company Owned Life Insurance	1,104	52		1,156
Other Operating Income	2,110	167		2,277
Net Gains on Sales of Loans	1,760	534		2,294
Net Gain (Loss) on Securities	(423)	115		(308)
TOTAL NON-INTEREST INCOME	15,859	1,214		17,073
NON-INTEREST EXPENSE				
Salaries and Employee Benefits	21,961	3,615		25,576
Occupancy Expense	3,382	290		3,672
Furniture and Equipment Expense	2,653	391		3,044
FDIC Premiums	1,863	683		2,546
Data Processing Fees	1,368	453		1,821
Professional Fees	1,740	513		2,253
Advertising and Promotion	993	75		1,068

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Supplies	528	70		598
Intangible Amortization	909		610 ^(d)	1,519
Other Operating Expenses	4,994	782		5,776
TOTAL NON-INTEREST EXPENSE	40,391	6,872	610	47,873
Income before Income Taxes	16,231	1,992	401	18,624
Income Tax Expense	4,013	788	159	4,960
NET INCOME	\$12,218	\$1,204	\$242	\$13,664
Earnings Per Share	\$1.10	\$0.57		\$1.09
Diluted Earnings Per Share	\$1.10	\$0.56		\$1.09
Weighted Average Shares Outstanding	11,065,917	2,103,752	1,433,985 ^(e)	12,499,902
Diluted Weighted Average Shares Outstanding	11,068,988	2,141,407	1,433,985 ^(e)	12,502,973

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Footnotes:

- (a) Accretion of loan fair value adjustment of \$3,268 over 4.5 year period on a straight-line basis which is assumed to approximate level yield based on composition of the portfolio.
- (b) Amortization of time deposit fair value adjustment of \$444 over remaining term of deposits of 5 years utilizing the level yield method.
Amortization of FHLB advance fair value adjustment of \$239 over remaining term of borrowings of 3 years
- (c) utilizing the level yield method. Amortization of trust preferred borrowings of ACBP fair value adjustment of \$4,000 over a remaining term of approximately 25 years on a straight line basis.
- (d) Amortization of core deposit intangible of \$3,355 over 10 year period utilizing the sum of the years digit method.
Reflects the issuance of 1,433,985 (2,177,850 shares of American Community common stock outstanding at
- (e) September 30, 2010 less 199,939 shares owned by German American at September 30, 2010 times the fixed exchange ratio of .725) shares of German American common stock as a part of the deal consideration.

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THE MERGER

Background of the Merger

German American purchased a block of shares of American Community (from a former shareholder and also from American Community) in a 2004 pair of related transactions, which block now totals (after giving effect to subsequent stock dividends paid by American Community) 199,939 shares (approximately 9.2% of the total outstanding shares of American Community as of the date of this proxy statement/prospectus).

In connection with German American's purchase of this block, American Community and Bank of Evansville agreed with German American in 2004 that one representative of German American would serve on the board of directors of each of American Community and Bank of Evansville for so long as German American maintained a specified minimum ownership interest in American Community, and for long as German American did not operate a banking office in Evansville, Indiana. Mark A. Schroeder, who at all times since 2004 has been German American's chief executive officer, was German American's designee to serve on American Community's and Bank of Evansville's boards of directors. As required under the 2004 agreement, Mr. Schroeder resigned from the boards of American Community and Bank of Evansville in February of 2010 when German American entered into a definitive agreement to enter into the Evansville, Indiana market through the purchase of two branches of another banking organization.

From time to time during Mr. Schroeder's tenure on American Community's and Bank of Evansville's boards of directors, he had discussions with other board members regarding German American's desire to enter the Evansville, Indiana banking market, and the interest of German American in a possible business combination with American Community. Until the recent discussions described below, however, none of these discussions resulted in substantive negotiations or meaningful exchanges of information between the parties.

On July 12, 2010, German American made an unsolicited written offer to acquire American Community at a fixed exchange ratio of 0.77 shares of German American common stock for each share of American Community common stock, with 15% of the American Community shares being acquired for cash based upon the market value of 0.77 shares of German American common stock. Based upon the closing price of German American's common stock on July 12, 2010 of \$15.59, the proposal had an implied value as of such date of \$12.00 per share of American Community common stock.

Following receipt of German American's offer, the board of directors of American Community held a special meeting on July 14, 2010. At the special meeting, the directors reviewed the proposal from German American and determined that the board should consider retaining an investment banking firm in order to properly evaluate the financial aspects of the proposal.

At a special meeting of the board of directors on July 18, 2010, the board met with representatives of Stifel, Nicolaus & Company, Incorporated (which we sometimes refer to in this proxy statement/prospectus simply as Stifel), an investment banking firm. At the meeting the board discussed, among other things, the fiduciary duties of the board in connection with its consideration of the proposal from German American. Stifel also made a presentation to the board which included the terms of (and a preliminary financial analysis of) the German American proposal, information regarding German American and American Community, a summary of the mergers and acquisitions market environment generally and other information regarding the strategic alternatives available to American Community. The board also discussed the composition of American Community's shareholder base and the likelihood that several large holders of American Community stock may be in favor of a transaction with German American. The board then scheduled a special meeting on July 21, 2010 to further consider whether to proceed with negotiations with German

American and whether to engage Stifel.

At the special meeting on July 21, 2010, the board met with representatives of Stifel and American Community s outside legal counsel. During this meeting, legal counsel advised the board of its fiduciary duties in evaluating the proposed offer from German American. The board then discussed whether to continue negotiations with German American or to reject its offer. After discussion, the board decided to continue discussions with German American. The board also decided to retain Stifel as its financial advisor and also discussed with Stifel the likelihood of whether other parties may be interested in a business combination

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transaction with American Community. The board then scheduled a special meeting on July 27, 2010 to further consider the German American proposal and next steps.

At the special meeting on July 27, 2010, the board again met with representatives of Stifel. Representatives of Stifel reported on discussions they had with Mr. Schroeder, Chairman and CEO of German American, since the special meeting on July 21. Stifel reported that German American indicated it would entertain a counter-proposal from American Community and would be interested in financial projections that it could use to support a different price. Stifel also discussed with the board various financial models prepared in consultation with management of American Community, including financial projections for American Community over a period of years utilizing various assumptions based upon American Community's continued operation as an independent company, as well as preliminary financial analysis regarding a potential transaction with German American. The board continued to discuss the German American proposal, including the amount and type of consideration, the impact of the transaction on employees of American Community, the future direction and prospects of German American, the potential benefits of a combination with German American and other aspects of a proposed transaction with German American considered important by the board. The board also discussed with Stifel the identity of other banking organizations that may have an interest in pursuing a potential business combination transaction with American Community.

The board of directors of American Community next met in a special meeting on August 3, 2010. Also participating in the meeting was a representative of Stifel and American Community's outside legal counsel. The representative of Stifel updated the board on a meeting he had with Mr. Schroeder after the special meeting on July 27. It was reported that Stifel shared information with German American related to American Community's financial projections and its analysis of potential cost savings and synergies that could result from a combination with American Community. At the meeting, representatives of Stifel and German American also discussed the proposed treatment in the merger of outstanding options and warrants to acquire American Community common stock, and German American's preliminary plans regarding future positions or roles for certain officers and employees of American Community. Stifel reported that German American indicated that it would review the information provided and consider whether it supported an increase in its offer. The board discussed in detail one banking organization that the directors and Stifel believed may have an interest in a transaction with American Community. Following extensive discussion, the board authorized Stifel to contact this other banking organization. The board then scheduled a special meeting on August 9, 2010 to continue discussions. A formal engagement letter was entered into with Stifel on August 3, 2010.

At the special meeting on August 9, 2010, the board continued its discussion and deliberation regarding the potential transaction with German American and the results of recent discussions with the other banking organization. Also participating in the special meeting were representatives of Stifel and American Community's outside legal counsel. It was reported that a confidentiality agreement had been entered into with the other banking organization and certain information regarding American Community had been shared with the other banking organization. Stifel reported that it expected an indication of interest from the other banking organization by August 17. Stifel then reported to the board that German American was not prepared to consider an increase to its offer unless it was permitted to conduct preliminary due diligence with respect to American Community. After extensive discussion, the board determined to permit German American to conduct preliminary due diligence.

On August 17, 2010, American Community received a preliminary non-binding expression of interest from the other banking organization. Subject to certain conditions, including satisfactory due diligence and the execution of a definitive agreement, the other banking organization proposed to acquire American Community in an all cash transaction in an amount ranging from 90% to 110% of American Community's tangible book value, or approximately \$9.66 to \$12.14 per share of American Community common stock. The other banking organization also indicated it was willing to explore a combination of cash and stock, rather than all cash as set forth in its preliminary non-binding expression of interest.

On August 21, 2010, representatives of American Community met with representatives of German American to conduct preliminary due diligence with respect to American Community.

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The board of directors of American Community next met in a special meeting on August 24, 2010. Also participating in the meeting was a representative of Stifel and American Community's outside legal counsel. Stifel reviewed the preliminary non-binding expression of interest from the other banking organization with the board. The board expressed disappointment at the range of offers provided by the other banking organization. The board instructed Stifel to encourage the other banking organization to meet with Stifel to discuss its proposal and to commence a due diligence review of American Community. The board also expressed concern that German American may withdraw its offer by the time the other banking organization completed sufficient diligence to enable it to consider increasing its offer. The board also discussed with Stifel its understanding that the other banking organization may be looking at several other acquisition opportunities and may not be inclined to accommodate American Community's desired timing or increase its offer to an amount at least comparable to German American's offer.

At the same meeting, Stifel reported to the board the preliminary due diligence performed by German American on August 21, 2010, and the discussions between representatives of American Community and German American regarding certain other matters, including potential cost savings and synergies, deposit funding and loan diligence matters. Stifel indicated that it expected German American to either reaffirm its current offer or propose an increased offer by August 31, following its board meeting on August 30. The board continued its deliberations and discussions regarding the proposals. The board also determined to appoint a committee of the board to meet and confer between board meetings regarding these potential transactions and to report to the full board as necessary and appropriate. The members of the board appointed to the committee were Dr. Maynard and Messrs. Hinton, Sutton and Fine.

On the evening of August 30, 2010, American Community received a revised letter dated August 30 from German American, following German American's board meeting held earlier that day. Under the terms of the revised proposal, German American increased the fixed exchange ratio for each share of American Community common stock from 0.77 shares of German American common stock to 0.835 shares of German American common stock. Unlike the July 12th offer, under the revised offer, none of the American Community common stock would be exchanged for cash (except that holders of options and warrants to acquire American Community common stock would receive cash for the in the money value of such options and warrants using the then-prevailing market value of 0.835 shares of German American common stock as of the closing date). Like the original offer, the revised offer was conditioned upon the parties reaching agreement on a definitive merger agreement and each party's satisfactory completion of due diligence with respect to the other party and, if accepted by American Community, would require that the parties negotiate in good faith on an exclusive basis for 60 days after the offer was accepted.

German American's revised offer provided that it would expire if it was not accepted on or before September 1, 2010. According to the German American, the reason for the September 1st deadline related to a long-term data processing contract between Bank of Evansville and a third party provider of data processing services to Bank of Evansville. Under the terms of that long-term contract, a significant termination fee would be payable by Bank of Evansville if Bank of Evansville terminated the contract without cause prior to the scheduled expiration of its term. The contract provides, however, that the termination fee would not be payable if Bank of Evansville entered into an agreement between February 12, 2010 and September 1, 2010 to sell control of Bank of Evansville to a third party that intended to terminate the contract. German American in its revised offer advised American Community that it intended to terminate the data processing contract if it acquired Bank of Evansville's banking operations, and stated that (for that reason) the increased exchange ratio that was offered by the revised offer was available to American Community only if American Community (and Bank of Evansville) accepted German American's revised offer on or before September

1.

A majority of the members of the special board committee met on the morning of August 31, 2010 to discuss the revised offer in advance of the special meeting of the full board scheduled for later that afternoon. The special board committee instructed Stifel to go back to German American and request an increased exchange ratio of 0.93, and

report back to the full board later in the day with the reaction of German American to the counter-proposal.

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The board of directors of American Community held a special meeting at 5:00 p.m. on August 31, 2010 to discuss the revised offer from German American. Also participating in the board meeting were representatives of Stifel and American Community's outside legal counsel. Representatives of Stifel reported that at the request of the special board committee they had a discussion that morning with German American representatives wherein they requested that German American increase the exchange ratio to 0.93 per share. Stifel reported that representatives of German American declined to do so and were holding firm at the 0.835 exchange ratio.

At the same meeting, Stifel provided the board with an updated financial analysis of the revised offer of 0.835 shares of German American for each share of American Community. Stifel reported that, based upon the closing price of German American's common stock on August 30, 2010 of \$15.16, the revised proposal had an implied value as of such date of \$12.66 per share of American Community common stock, which represented a premium to American Community's share price as of August 30, 2010 of 56% (and a 51% premium based upon the volume weighted average price of American Community common stock over the prior month). The board also discussed with Stifel the increased liquidity that shareholders of American Community would have if they held shares of German American stock as compared to American Community stock, as well as the amount of the annual cash dividend they would receive as shareholders of German American (assuming that German American continued to pay dividends at the same rate). The board also discussed the deadline of September 1st imposed by German American for American Community to accept the offer, as well as whether the board should direct Stifel to continue discussions with the other banking organization. The board then had an extensive discussion, after which it directed Stifel to do the following: continue discussions with the other banking organization and provide it with financial information similar to the information previously provided to German American, and also go back to the German American representatives and let them know that American Community is considering another offer and tell them that the board would be willing to accept a deal with German American at an exchange ratio of 0.93. The board then scheduled a meeting for noon on September 1, 2010 to get an update on Stifel's discussions with the other banking organization and German American.

At the special meeting on September 1, 2010, which included representatives of Stifel and American Community's outside legal counsel, representatives of Stifel reported that they had discussions the night before with representatives of German American and that German American indicated that it would consider the possibility of adding some cash to the deal and would get back to Stifel with a proposal. As of the start of the meeting, however, German American had yet to respond with a revised written offer.

Stifel also reported to the board that it had provided additional information to the other banking organization and that it had a conversation with an executive of the organization earlier in the day. The other banking organization indicated that it would try to get back to Stifel in a week or so with any feedback it had as a result of the information provided.

(As of October 4, 2010, the date the parties signed the definitive merger agreement, Stifel had not received any additional feedback or a revised offer from the other banking organization.)

During the same special meeting, German American's financial advisor called a representative from Stifel and reported that German American was prepared to revise its offer from its earlier proposal of 0.835 fixed exchange ratio in an all-stock transaction to a combination of cash and stock, consisting of \$2.00 cash and 0.725 shares of German American common stock for each share of American Community common stock. Based upon the closing price of German American's common stock on August 30, 2010 of \$15.16, Stifel reported that the revised proposal had an implied value as of such date of \$12.99 per share of American Community common stock.

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The board then had extensive discussions regarding the revised German American proposal and the current negotiations with the other banking organization. After considerable deliberation, the board (with three directors absent) voted (eight in favor and two against) to authorize American Community to sign a letter with German American providing a fixed exchange ratio of 0.835 per share or such better terms as could be negotiated by Stifel.

Stifel then went back to German American and was told that German American was not willing to increase its offer, but that it would be willing to give the American Community board the option to select either the fixed exchange ratio of 0.835 per share in an all-stock transaction (except that German American would have the right to include up to \$7.5 million of cash in the deal which shareholders of American Community could elect to receive in lieu of German American stock for some or all of their shares (subject to pro-ration if the cash election is over-subscribed)) or the same combination of cash and stock, consisting of \$2.00 cash and 0.725 share of German American common stock for each share of American Community common stock, proposed by German American earlier in the day. Under either structure, holders of options and warrants to acquire American Community common stock would receive cash for the in the money value of such options and warrants using the then-prevailing market value of the merger consideration as of the closing date. Unless the American Community board selected the combination cash and stock proposal by September 10, the merger consideration would consist of the all stock proposal described above.

Later in the day on September 1, 2010, American Community and Bank of Evansville accepted a revised offer submitted by German American dated September 1 that included the terms described in the preceding paragraph. The September 1 offer also included a provision for two members of American Community's board of directors (to be chosen by German American) to be added to German American's board upon completion of the merger. This provision, although discussed with German American during the preceding weeks of discussions, had not previously been included in German American's prior offers. The obligations of all parties to the September 1 letter were conditioned upon the parties reaching agreement on a definitive merger agreement (reflecting the terms agreed upon in the September 1 letter and other usual and customary terms and conditions) and each party's satisfactory completion of due diligence reviews and investigations with respect to the other party. Each party agreed in the September 1 letter to negotiate in good faith with each other toward execution of the definitive merger agreement for the proposed merger transaction on an exclusive basis for the next 30 days.

On September 7, 2010, the board of directors of American Community held a special meeting to discuss, among other things, the two alternative pricing structures included in the September 1 letter agreement. Also participating in the meeting were representatives of Stifel and American Community's outside legal counsel. The board considered the two alternative pricing structures with the assistance of Stifel. After further discussion, the board members participating in the meeting unanimously determined to accept the pricing structure consisting of \$2.00 cash and 0.725 share of German American common stock, and on September 8 American Community advised German American of its decision.

On September 14, 2010, German American provided American Community with a first draft of the definitive merger agreement for the proposed transaction, and between September 14 and October 4, 2010, German American and American Community and their respective representatives and advisors, including the American Community special committee of the board, negotiated the terms of the definitive merger agreement. Concurrently with the negotiation of a definitive merger agreement, each party completed its due diligence review of the other party.

On September 28, 2010, as part of a regularly scheduled monthly board meeting, the board of directors of American Community discussed the status of the proposed transaction in detail and the results of the due diligence review of German American. Representatives of Stifel provided the board with a summary of the analysis underlying its fairness opinion. Stifel discussed, among other things, the financial terms of the merger, the implied purchase price multiples in the merger, the pro forma impact of the merger, the financial terms of selected business combinations in the

commercial banking industry, trading levels of selected comparable transactions, a net present value and discounted cash flow analysis of American Community, the financial performance of American Community and German American and the stock trading history of American Community and German American. Stifel informed the board of directors that it was prepared to render its

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opinion that the consideration to be received by the shareholders of American Community in the proposed transaction was fair from a financial view to the shareholders of American Community. See Opinion of Financial Advisor of American Community Board of Directors.

At the same meeting, legal counsel for American Community discussed in detail the terms of the definitive merger agreement to be entered into with German American, including the few remaining open issues as of such date, and the terms of the replacement employment agreements to be entered into between German American and certain officers of Bank of Evansville, including two of its executive officers (see THE MERGER Interests of American Community s Directors and Executive Officers in the Merger). Management, legal counsel and Stifel summarized the negotiations that had taken place since the first draft of the definitive merger agreement was received on September 14, including the rationale for the proposed special dividend that American Community s board of directors intends to declare (contingent upon regulatory approval and other conditions) which was not part of the September 1 letter agreement.

At the same meeting, the directors asked questions of management, legal counsel and Stifel concerning the terms of the transaction, the effect on shareholders and employees and various other matters and then discussed the merits of the proposed transaction and Stifel financial review. After the conclusion of this review and additional discussion, the meeting of the board of directors of American Community adjourned.

On the afternoon of October 4, 2010, the board of directors of American Community held a special meeting. At this meeting management and legal counsel described the manner in which the few remaining open issues in the definitive merger agreement had been resolved since the last meeting of the board of directors on September 28th, and Stifel updated the analysis underlying its fairness opinion and then rendered its oral opinion (thereafter confirmed in writing) that the consideration to be received by the shareholders of American Community in the proposed transaction was fair from a financial view to the shareholders of American Community. The board of directors thereafter approved the merger by a vote of ten in favor and three against and authorized the appropriate officers of American Community and Bank of Evansville to execute the definitive merger agreement on behalf of American Community and Bank of Evansville.

Throughout the time period described above, German American s executive officers (as authorized and directed by German American s board of directors) engaged (directly or through German American s financial and legal advisors) in discussions and negotiations with American Community s executive officers and its financial and legal advisors.

German American s board of directors met in special session several times with respect to these negotiations, culminating in a special meeting held October 4, 2010, at which the board approved the merger agreement and the proposed merger, and authorized German American and its bank subsidiary to execute and deliver it to American Community and Bank of Evansville. For a discussion of the reasons of German American for the proposed merger, see THE MERGER Reasons for the Merger German American.

The definitive merger agreement was executed by representatives of American Community and German American and delivered between the parties after the official close of the NASDAQ stock market on October 4, 2010, and a press release announcing the execution of the definitive merger agreement was issued that evening.

Reasons for the Merger American Community

American Community s board of directors believes that the merger with German American is consistent with American Community s goal of enhancing shareholder value and providing additional liquidity for the holders of American Community s common stock. In addition, the board of directors believes that the customers and communities served by American Community will benefit from the merger. In reaching its decision to adopt and

approve the definitive merger agreement, American Community's board of directors consulted with its management and its legal and financial advisors, and considered a variety of factors, including the following:

the value of the merger consideration proposed to be paid to American Community's shareholders represented a significant premium to American Community's shareholders over the value they would likely receive for their shares in the less liquid and active American Community trading market;

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the expected results from continuing to operate as an independent community banking institution and the likely benefits to shareholders of American Community, compared with the value of the merger consideration offered by German American;

the shareholders of American Community will receive an equivalent per share annual dividend of \$0.41 (based upon the current annual per share dividend rate of \$0.56 for German American common stock);

the merger consideration would be paid to American Community shareholders both in cash, which would provide immediate liquidity, and common stock of German American, which would provide an opportunity to participate in any possible future earnings and appreciation in value of the combined company;

the possibility that the closing conditions to the merger could be satisfied in 2010 such that the cash portion of the merger consideration could be paid to American Community shareholders during 2010 in the form of a special dividend, thereby providing the shareholders the benefit of 2010 federal income tax rates, which many board members expected to increase in 2011;

German American common stock is listed on NASDAQ, providing American Community shareholders with increased access to a public market for their shares;

the opinion of Stifel that, as of October 4, 2010, and subject to the assumptions and limitations set forth in the opinion, the merger consideration offered to American Community's shareholders in the merger was fair to such shareholders from a financial point of view (see THE MERGER Opinion of American Community's Financial Advisor);

the merger is intended to qualify as a reorganization under Section 368 of the Internal Revenue Code (as described under MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES);

the terms of the definitive merger agreement, including the nature and scope of the closing conditions to the merger;

the expectation that the merger should result in economies of scale and cost savings and efficiencies;

the board of director's view of the current and prospective economic, competitive, and regulatory environment facing the financial services industry generally, and each of American Community and German American in particular;

the expected benefit to American Community customers resulting from the greater number of retail banking outlets and the greater depth of banking services that would become available over a broader geographic area in Southern Indiana, as well as the opportunity for future operating efficiencies as a result of a combination of American Community and German American;

the belief that German American shares American Community's community banking philosophy and the experience and capability of German American's management team;

the results of American Community's due diligence review of German American;

the expectation that a significant number of employees of American Community will be offered the opportunity to continue as employees of German American after the merger, and the assurances by German American that those employees of American Community who are not offered continued employment will receive a fair severance package from German American;

the arrangements between certain of Bank of Evansville's officers with German American as to their employment following the merger, the payments and benefits to which other officers and employees of Bank of Evansville would be eligible under the existing terms and conditions of their employment, and the provisions for the addition of certain of American Community's directors (of German American's choice) to German American's corporate and bank boards of directors and on German American's advisory board for the Evansville Region (see THE MERGER AGREEMENT Interests of Certain Persons in the Merger);

the belief, based on historical information with respect to German American's business, earnings, operations, financial condition, prospects, capital levels and asset quality, that the combined company

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has the ability to grow as an independent community financial institution that will be positioned to expand in Southern Indiana and surrounding markets in order to take advantage of multiple strategic options in the future and increase shareholder value; and

the likelihood that the merger will be approved by the regulatory authorities (see THE MERGER Regulatory Approvals) and by the shareholders of American Community in a timely manner.

The foregoing discussion of the information and factors considered by the American Community board is not intended to be exhaustive, but includes all material factors they considered. In arriving at its determination to approve the definitive merger agreement and the transactions it contemplates, and to recommend that the American Community shareholders vote to approve them, the American Community board did not assign any relative or specific weights to the above factors, and individual directors may have given different weights to different factors.

The American Community board of directors recommends that American Community shareholders vote to adopt and approve the definitive merger agreement and the transactions it contemplates, including the merger.

Reasons for the Merger German American

In deciding to approve the merger with American Community, German American's board of directors considered a number of factors, including:

the opportunity for German American to enhance its presence in the Evansville, Indiana market, which it entered in May 2010 through the purchase of two branches of another banking organization;

the strength of Bank of Evansville's community banking orientation and the quality of its management, employees and board leadership;

the results of management's review of the business, operations, earnings, and financial condition, including capital levels and asset quality of American Community;

the fairness of the terms of the proposed merger to German American from a financial point of view; and management's belief, based on historical information with respect to Bank of Evansville's business, earnings, operations, financial condition, prospects, capital levels and asset quality, that the combined banking company has the ability to grow in Evansville as an independent community financial institution.

Opinion of American Community's Financial Advisor

Stifel, Nicolaus & Company, Incorporated (which we refer to in this discussion as Stifel Nicolaus Weisel or as Stifel) acted as American Community's financial advisor in connection with the merger. Stifel is a nationally recognized investment-banking and securities firm with membership on all the principal United States securities exchanges and substantial expertise in transactions similar to the merger. As part of its investment banking activities, Stifel is regularly engaged in the independent valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

On October 4, 2010, Stifel rendered its oral opinion, which was later confirmed in writing, to the board of directors of American Community (the Board) that, as of the date of Stifel's written opinion, the per share consideration to be received by the holders of shares of American Community common stock pursuant to the merger agreement was fair to such holders, from a financial point of view.

The full text of Stifel's written opinion dated October 4, 2010, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference. Holders of American Community common stock are urged to, and

should, read this opinion carefully and in its entirety in connection with this proxy statement/prospectus. The summary of the opinion of Stifel set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion. The opinion

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of Stifel will not reflect any developments that may occur or may have occurred after the date of its opinion and prior to the completion of the merger. Stifel has no obligation to update, revise or reaffirm its opinion and American Community does not currently expect that it will request an updated opinion from Stifel.

No limitations were imposed by the Company on the scope of Stifel's investigation or the procedures to be followed by Stifel in rendering its opinion. In arriving at its opinion, Stifel did not ascribe a specific range of values to American Community. Stifel's opinion is based on the financial and comparative analyses described below. Stifel's opinion is solely for the information of, and directed to, the Board for its information and assistance in connection with the Board's consideration of the financial terms of the merger and is not to be relied upon by any shareholder of American Community or German American or any other person or entity. Stifel's opinion was not intended to be and does not constitute a recommendation to the Board as to how the Board should vote on the merger or to any shareholder of American Community or German American as to how any such shareholder should vote at any shareholders' meeting at which the merger is considered, or whether or not any shareholder of American Community should enter into a voting, shareholders' or affiliates' agreement with respect to the merger, or exercise any dissenter's or appraisal rights that may be available to such shareholder. In addition, Stifel's opinion does not compare the relative merits of the merger with any other alternative transaction or business strategy which may have been available to American Community and does not address the underlying business decision of the Board or American Community to proceed with or effect the merger.

In connection with its opinion, Stifel, among other things:

- reviewed and analyzed a draft copy of the merger agreement dated October 2, 2010;
- reviewed and analyzed the audited consolidated financial statements of American Community for the five years ended December 31, 2009 and the unaudited consolidated financial statements of American Community for the quarter ended June 30, 2010;
- reviewed and analyzed the audited consolidated financial statements of German American for the two years ended December 31, 2009 and the unaudited consolidated financial statements of German American for the quarter ended June 30, 2010;
- reviewed and analyzed certain other publicly available information concerning American Community and German American;
- held discussions with German American's senior management, including, without limitation, discussions regarding estimates of certain cost savings, operating synergies, merger charges and the pro forma financial impact of the merger on German American;
- reviewed certain non-publicly available information concerning American Community, including, without limitation, internal financial analyses and forecasts prepared by its management and held discussions with American Community's senior management regarding recent developments and regulatory matters;
- participated in certain discussions and negotiations between representatives of American Community and German American;
- reviewed the reported prices and trading activity of the equity securities of American Community and German American;
- analyzed certain publicly available information concerning the terms of selected merger and acquisition transactions that Stifel considered relevant to its analysis;
- reviewed and analyzed certain publicly available financial and stock market data relating to selected public companies that Stifel deemed relevant to its analysis;
- conducted such other financial studies, analyses and investigations and considered such other information as Stifel deemed necessary or appropriate for purposes of Stifel's opinion; and
- took into account Stifel's assessment of general economic, market and financial conditions and Stifel's experience in other transactions, as well as Stifel's experience in securities valuations and Stifel's knowledge of the banking industry

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In rendering its opinion, Stifel relied upon and assumed, without independent verification, the accuracy and completeness of all of the financial and other information that was provided to Stifel, by or on behalf of American Community or German American, or that was otherwise reviewed by Stifel and has not assumed any responsibility for independently verifying any of such information. With respect to the financial forecasts supplied to Stifel by American Community and German American (including, without limitation, potential cost savings and operating synergies realized by a potential acquirer), Stifel has assumed that the forecasts were reasonably prepared on the basis reflecting the best currently available estimates and judgments of the management of American Community and German American, as applicable, as to the future operating and financial performance of American Community and German American, as applicable, and that they provided a reasonable basis upon which Stifel could form its opinion.

Such forecasts and projections were not prepared with the expectation of public disclosure. All such projected financial information is based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic, market and competitive conditions. Accordingly, actual results could vary significantly from those set forth in such projected financial information. Stifel has relied on this projected information without independent verification or analyses and does not in any respect assume any responsibility for the accuracy or completeness thereof. Stifel has further relied upon the assurances by American Community or German American that they are unaware of any facts that would make their respective information incomplete or misleading.

Stifel also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either American Community or German American since the date of the last financial statements of each company made available to Stifel. Stifel has also assumed, without independent verification and with consent of management of American Community, that the aggregate allowances for loan losses set forth in the respective financial statements of American Community and German American are in the aggregate adequate to cover all such losses. Stifel did not make or obtain any independent evaluation, appraisal or physical inspection of either American Community's or German American's assets or liabilities, the collateral securing any of such assets or liabilities, or the collectibility of any such assets nor did Stifel review loan or credit files of American Community or German American. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, Stifel assumes no responsibility for their accuracy. Stifel relied on advice of American Community's counsel as to certain legal matters with respect to American Community, the merger agreement and the merger and other transactions and other matters contained or contemplated therein. Stifel has assumed, with the consent of American Community management, that there are no factors that would delay or subject to any adverse conditions any necessary regulatory or governmental approval and that all conditions to the merger will be satisfied and not waived. In addition, Stifel assumed that the definitive merger agreement would not differ materially from the draft Stifel reviewed. Stifel has also assumed that the merger will be consummated substantially on the terms and conditions described in the merger agreement, without any waiver of material terms or conditions by American Community or any other party, and that obtaining any necessary regulatory approvals or satisfying any other conditions for consummation of the merger will not have an adverse effect on the Company or German American. Stifel assumed that the merger would be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations.

Stifel's opinion was necessarily based on economic, market, monetary, financial and other conditions as they existed on, and on the information made available to Stifel as of, the date of its opinion. It is understood that subsequent developments may affect the conclusions reached in Stifel's opinion and that Stifel does not have or assume any obligation to update, revise or reaffirm its opinion.

Stifel's opinion is limited to whether the per share merger consideration is fair to the holders of shares of American Community common stock, from a financial point of view. Stifel's opinion did not consider, address or include: (i) any

other strategic alternatives currently (or which have been or may be) contemplated by American Community or its Board of Directors; (ii) the legal, tax or accounting consequences of the merger on American Community or the holders of American Community Common Stock including, without

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limitation, whether or not the merger will qualify as a tax-free reorganization pursuant to Section 368 of the Internal Revenue Code; (iii) the fairness of the amount or nature of any compensation to any of the Company's officers, directors or employees, or class of such persons, relative to the compensation to the holders of the Company's securities; and (iv) the treatment of, or effect of the merger on, American Community's Options and Warrants (each as defined in the merger agreement). Furthermore, Stifel did not express any opinion as to the prices, trading range or volume at which German American's securities would trade following public announcement or consummation of the merger.

In connection with rendering its opinion, Stifel performed a variety of financial analyses that are summarized below. Such summary does not purport to be a complete description of such analyses. Stifel believes that its analyses and the summary set forth herein must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and processes underlying its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Stifel considered the results of all of its analyses as a whole and did not attribute any particular weight to any analyses or factors considered by it. The range of valuations resulting from any particular analysis described below should not be taken to be Stifel's view of the actual value of American Community. In its analyses, Stifel made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of American Community or German American. Any estimates contained in Stifel's analyses are not necessarily indicative of actual future values or results, which may be significantly more or less favorable than suggested by such estimates. No company or transaction utilized in Stifel's analyses was identical to American Community or German American or the merger. Accordingly, an analysis of the results described below is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other facts that could affect the public trading value of the companies to which they are being compared. None of the analyses performed by Stifel was assigned a greater significance by Stifel than any other, nor does the order of analyses described represent relative importance or weight given to those analyses by Stifel. The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which American Community's or German American's common stock may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions and other factors that influence the price of securities.

In accordance with customary investment banking practice, Stifel employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses that Stifel used in providing its opinion. Some of the summaries of financial analyses are presented in tabular format. In order to understand the financial analyses used by Stifel more fully, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of Stifel's financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Stifel. The summary data set forth below do not represent and should not be viewed by anyone as constituting conclusions reached by Stifel with respect to any of the analyses performed by it in connection with its opinion. Rather, Stifel made its determination as to the fairness to the shareholders of American Community of the per share merger consideration, from a financial point of view, on the basis of its experience and professional judgment after considering the results of all of the analyses performed. Accordingly, the data included in the summary tables and the corresponding imputed ranges of value for American Community should be considered as a whole and in the context of the full narrative description of all of the financial analyses set forth in the following pages, including the assumptions underlying these analyses.

In connection with rendering its opinion and based upon the terms of the draft merger agreement reviewed by it, Stifel assumed the aggregate consideration for the common stock not already owned by German American to be \$30.0

million and the per share consideration to be \$14.25 based upon the closing price of German American's common stock on October 1, 2010. Stifel noted this represented a premium of 54% over American Community's closing price of \$9.25 on October 1, 2010.

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Comparison of Selected Companies. Stifel reviewed and compared certain multiples and ratios for the merger with a peer group of 20 selected banks of similar size, geography and asset quality. In order to calculate a range of imputed values for a share of American Community's common stock, Stifel compared the resulting theoretical offer price to each of the following categories: book value, tangible book value, latest 12 months earnings, premium over tangible book value to deposits and premium over tangible book value to core deposits as of or for the three and twelve month period ended June 30, 2010. Market price information was as of October 1, 2010. Stifel then applied the resulting range of multiples and ratios for the peer group specified above to the appropriate financial results of American Community. This analysis resulted in a range of imputed values for American Community of between \$7.05 and \$8.19 based on the median multiples for the peer group.

Additionally, Stifel calculated the following ratios with respect to the merger and the 20 selected comparable companies:

Ratios	German American / Community Trading Multiples for Selected Peer Group			
	25 th Percentile	Median	75 th Percentile	
Price Per Share/ Book Value Per Share ⁽¹⁾	141.5 %	57.7 %	72.9 %	98.4 %
Price Per Share/Tangible Book Value Per Share ⁽¹⁾	141.5 %	61.7 %	73.4 %	102.8 %
Price Per Share/Last 12 Months Earnings Per Share	25.9x	10.6x	12.8x	17.0x
Premium over Tangible Book Value/Deposits	3.6 %	(4.6)%	(2.1)%	0.2 %
Premium over Tangible Book Value/ Core Deposits ⁽²⁾	3.9 %	(5.7)%	(3.0)%	(1.5)%

(1) For purposes of this analysis, American Community's fully diluted book value per share and tangible book value per share were utilized.

(2) Core deposits defined as total deposits less jumbo CDs (CDs with balances greater than \$100,000).

Analysis of Selected Bank Merger Transactions. Stifel analyzed certain information relating to recent transactions in the banking industry, consisting of 36 U.S. bank acquisitions announced between October 1, 2009 and September 30, 2010, with announced transaction values greater than \$10 million and excluding merger of equals and terminated transactions. This analysis resulted in a range of imputed values for American Community common stock of between \$10.69 and \$15.23 based upon the median multiples for the selected transactions. Stifel calculated the following ratios with respect to the merger and the selected transactions:

Ratios	German American / Community Selected Transaction Multiples			
	25 th Percentile	Median	75 th Percentile	
Price Per Share/ Book Value Per Share ⁽¹⁾	141.5 %	86.4 %	112.5 %	145.0 %
Price Per Share/Tangible Book Value Per Share ⁽¹⁾	141.5 %	101.8 %	118.7 %	153.7 %
Price Per Share/Last 12 Months Earnings Per Share	25.9x	14.9x	19.4x	26.1x

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Premium over Tangible Book Value/Deposits	3.6	%	1.0	%	3.4	%	7.5	%
Premium over Tangible Book Value/ Core Deposits ⁽²⁾	3.9	%	1.3	%	3.9	%	8.8	%

(1) For purposes of this analysis, American Community's fully diluted book value per share and tangible book value per share was utilized.

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(2) Core deposits defined as total deposits less jumbo CDs (CDs with balances greater than \$100,000).

Present Value Analysis. Applying present value analysis to the theoretical future earnings of American Community, Stifel compared the per share merger consideration to the calculated present value of one share of American Community's common stock on a stand-alone basis. The analysis was based upon American Community's management projections, a range of assumed price/earnings ratios, and a range of discount rates from 13.0% to 21.0%. Stifel selected the range of terminal price/earnings ratios on the basis of past and current trading multiples for other publicly-traded comparable banks. The stand-alone present value of American Community's common stock calculated on this basis ranged from \$6.82 to \$13.30 per share.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Stifel estimated the net present value of the future streams of after-tax cash flow that American Community could produce for dividends to a potential acquiror, referred to below as dividendable net income. In this analysis, Stifel assumed that American Community would perform in accordance with management's estimates and calculated assumed after-tax distributions to a potential acquiror such that American Community's tangible common equity ratio would remain approximately 6.50% of assets. Stifel calculated the sum of the assumed perpetual dividendable net income streams per share beginning in the year 2011 discounted to present values at assumed discount rates ranging from 15.0% to 19.0% and based upon a range of estimated cost savings between 20.0% to 40.0% of American Community's non-interest expense. This discounted cash flow analysis indicated an implied equity value reference range of \$8.14 to \$14.41 per share of American Community's common stock. This analysis did not purport to be indicative of actual future results and did not purport to reflect the prices at which shares of American Community's common stock may trade in the public markets. A discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including estimated cost savings and operating synergies, earnings growth rates, dividend payout rates and discount rates.

Pro Forma Effect of the Merger. Stifel reviewed certain estimated future operating and financial information developed by American Community and certain estimated future operating and financial information for the pro forma combined entity resulting from the merger for the 12-month period ended December 31, 2011. Based on this analysis, Stifel compared certain of American Community's estimated future per share results with such estimated figures for the pro forma combined entity. Based on this analysis on a pro forma basis, the merger is forecast to be accretive to American Community's earnings per share for the 12-month period ended December 31, 2011. Stifel also reviewed certain financial information in order to determine the estimated effect of the merger on American Community's book value per share and tangible book value per share for the period ended December 31, 2010. Based on this analysis on a pro forma basis, the merger is forecasted to be dilutive to American Community's book value per share and tangible book value per share. Stifel also noted that American Community shareholders have not received a cash dividend to date and would be entitled to receive future cash dividends paid by German American.

As described above, Stifel's opinion was among the many factors taken into consideration by the Board in making its determination to approve the merger.

Stifel has acted as financial advisor to American Community in connection with the merger and will receive a fee which is contingent upon the completion of the merger. Stifel has also acted as financial advisor to the Board and received a fee upon the delivery of its opinion that was not contingent upon consummation of the merger. Stifel will not receive any other significant payment or compensation contingent upon the successful consummation of the merger. In addition, American Community has agreed to indemnify Stifel for certain liabilities arising out of Stifel's engagement. There are no material relationships that existed during the two years prior to the date of Stifel's opinion or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between Stifel and any party to the merger. Stifel may seek to provide investment banking services to German American or its affiliates in the future, for which Stifel would seek customary

compensation. In the ordinary course of business, Stifel may trade American Community s or German American s securities for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

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Interests of American Community s Directors and Executive Officers in the Merger

When you consider the recommendation of the American Community board of directors to approve the merger agreement and the merger, you should be aware that certain of American Community s directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as shareholders generally and that may present actual or apparent conflicts of interests.

For instance, the merger agreement obligates German American to pay cancellation payments to the holders of outstanding options or warrants in connection with the closing of the merger if and to the extent that the options and warrants are in the money (i.e. the exercise price is less than the market value of the consideration that would be received on the underlying American Community shares) at that time. German American estimates that (assuming that the market value of German American s shares does not vary materially from its market value as of November 12, 2010) the aggregate of such cancellation payments to persons who are executive officers or directors of American Community or of Bank of Evansville will be approximately \$1,873,000.

Further, all outstanding awards of options or restricted stock that American Community had issued to employees or directors of American Community or Bank of Evansville prior to October 4, 2010, if and to the extent that they were not vested at the time the board of directors of American Community approved the merger agreement on October 4, 2010, automatically became vested pursuant to their terms on October 4, 2010, when the merger agreement were approved. At December 31, 2009, of the 408,805 shares of American Community covered by outstanding option grants, 399,441 were then fully exercisable, and no additional options were granted during 2010.

In addition, the 19,592 shares of restricted stock held by executive officers of American Community that were not vested prior to October 4, 2010 (but which automatically vested upon approval of the merger agreement by the board of directors of American Community and therefore become eligible for conversion into German American unrestricted shares under the merger plus the cash payment) would have (assuming no change in the value of the equivalent per share value of this transaction at the closing date from November 12, 2010) an aggregate equivalent value to those executive officers of approximately \$291,000.

German American entered into a replacement employment agreement with Michael Sutton, the President and chief executive officer of American Community and a member of its board of directors, on October 4, 2010, concurrently with the execution of the merger agreement. Under that replacement employment agreement, German American and Mr. Sutton agreed (subject to the closing of the mergers of Bank of Evansville and American Community pursuant to the merger proposal) that the existing employment agreement of Mr. Sutton with American Community would be rescinded and replaced. Upon the closing of the merger, Mr. Sutton will become employed by German American as Market Chairman of its Evansville banking market, under the terms of the replacement employment agreement, through June 30, 2011, at a salary of approximately \$18,000 per month plus benefits available to similarly-situated full-time employees of German American. On June 30, 2011, Mr. Sutton s employment by German American under the replacement employment agreement would terminate, and Mr. Sutton would be entitled to receive (subject to compliance with certain confidentiality and noncompetition provisions of the replacement employment agreement and execution and non-revocation of a separation and general release agreement) certain separation payments and benefits, including:

A separation payment in a single lump sum of \$425,250 (subject to withholding taxes and the like), plus Reimbursement of the monthly premium paid by Mr. Sutton for health payments estimated to be approximately \$1,000 per month, for up to 12 months.

Likewise, German American entered into a replacement employment agreement with John Schenk, the chief financial officer of American Community, concurrently with the execution of the parties of the merger agreement. Under that replacement employment agreement, German American and Mr. Schenk agreed (subject to the closing of the merger of the Bank of Evansville and American Community pursuant to the merger proposal) that the existing employment agreement of Mr. Schenk with American Community (Bank of Evansville) would be rescinded and replaced. Upon the closing of the merger, Mr. Schenk will become employed by German American as its Regional Chief Financial Officer, under the terms of the replacement

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employment agreement, through June 30, 2011, at a salary of approximately \$11,000 per month plus benefits available to similarly-situated full-time employees of German American. On June 30, 2011, Mr. Schenk's employment by German American under the replacement employment agreement would terminate, and Mr. Schenk be entitled to receive (subject to compliance with certain confidentiality and noncompetition provisions of the replacement employment agreement and execution and non-revocation of a separation and general release agreement) certain separation payments and benefits, including:

A separation payment in a single lump sum of \$127,500 (subject to withholding taxes and the like), plus Reimbursement of the monthly premium paid by Mr. Schenk for health payments estimated to be approximately \$1,000 per month, for up to 12 months.

In addition, the merger agreement obligates German American to appoint two of the current members of American Community's board of directors (of German American's choosing but not yet chosen) to fill newly-created positions on German American's board of directors (on the board of its bank subsidiary) promptly following the effective time, and to appoint five of the members of its board of directors (of German American's choosing but not yet chosen) to an advisory board for the Evansville Region of German American's bank subsidiary. Each of such persons will be entitled to receive compensation from German American for their services on such boards and/or such regional advisory board, in accordance with the fee schedule for such services that is applicable from time to time for similar services by other members of German American's boards or regional advisory boards.

German American is also obligated under the merger agreement to provide continuing indemnification to the directors and officers of American Community and its subsidiary bank as provided in their respective articles of incorporation or by-laws, and to provide such directors and officers with directors' and officers' liability insurance for a period of six years, subject to certain conditions set forth in the merger agreement.

The board of directors of American Community was aware of these differing interests and potential conflicts and considered them, among other matters, in evaluating and negotiating the merger agreement with German American and in recommending that our shareholders approve and adopt the proposals to be voted upon at the special meeting.

Listing of the German American Shares

It is a condition to the consummation of the merger that the shares of German American issuable to the shareholders of American Community in the merger shall have been authorized for listing on NASDAQ, subject to official notice of issuance.

Regulatory Approvals

German American submitted an application to the Board of Governors of the Federal Reserve System under the Bank Holding Company Act on October 12, 2010, seeking approval with respect to the merger and also with respect to the payment by Bank of Evansville and by American Community of the 2010 pre-merger cash dividends that may become contingently payable by each of them.

On or about October 22, 2010, American Community and Bank of Evansville submitted a separate application to the Board of Governors of the Federal Reserve System seeking approval of the 2010 pre-merger cash dividends. On November 5, 2010, the Federal Reserve Bank of St. Louis approved the dividends, conditional upon approval of the dividends by the Indiana Department of Financial Institutions.

In addition, the banking subsidiaries of German American and American Community submitted an application to the Federal Deposit Insurance Corporation on October 12, 2010, seeking approvals by the FDIC of the merger of Bank of Evansville into German American's banking subsidiary and of the payment by Bank of Evansville to American Community of the 2010 pre-merger cash dividend that may become contingently payable by it.

Further, the banking subsidiaries of German American and American Community submitted an application to the Indiana Department of Financial Institutions on October 14, 2010, seeking approvals by the Indiana Department of Financial Institutions of the merger of Bank of Evansville into German American's

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banking subsidiary and of the payment by Bank of Evansville to American Community of the 2010 pre-merger cash dividend that may become contingently payable by it.

On or about October 27, 2010, Bank of Evansville submitted a separate application to the Indiana Department of Financial Institutions seeking approval of the payment of the 2010 pre-merger cash dividend.

Exchange Agent

Prior to the time when the merger becomes effective, German American will designate a bank or trust company reasonably acceptable to American Community for the purpose of exchanging American Community shares held by its shareholders for the merger consideration.

Dividends and Distributions

Under the terms of the merger agreement, prior to the closing of the merger, American Community is prohibited from declaring or paying any cash dividend or other distribution to American Community shareholders, except for the contingent 2010 pre-merger dividend described above. The terms of the merger agreement prohibit German American from declaring or paying dividends or distributions, except for its regular quarterly cash dividends.

Material U.S. Federal Income Tax Consequences

German American and American Community expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes, as a result of the merger:

American Community shareholders will recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration (whether received as a dividend from American Community in 2010 or as cash from German American in 2011) and will recognize gain or loss with respect to any cash received in lieu of fractional shares of German American common stock; and

American Community shareholders will not recognize gain (or loss) as a result of their receiving shares of German American common stock in the merger.

See **Material U.S. Federal Income Tax Consequences** for a summary of the material U.S. federal income tax consequences of the merger and of the material U.S. federal income tax consequences to non-U.S. holders of receiving German American shares pursuant to the merger.

Because individual circumstances may differ, each shareholder should consult the shareholder's tax advisor regarding the applicability of the rules discussed in this proxy statement/prospectus to the shareholder and the particular tax effects to the shareholder of the merger and the holding or disposing of German American shares in light of such shareholder's particular circumstances, the application of state, local and foreign tax laws, and, if applicable, the tax consequences of (a) the transactions described in this proxy statement/prospectus relating to equity compensation and benefit plans, and (b) the receipt of the 2010 pre-merger cash dividend from American Community.

Anticipated Accounting Treatment

The merger will be accounted for under the acquisition method of accounting. Under the acquisition method, the purchase price will be allocated to identifiable assets and assumed liabilities based on their fair values. Any excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful

lives. Goodwill and intangible assets determined to have indefinite lives will not be amortized, but will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management of German American determines that the value of goodwill or intangible assets has become impaired, an impairment charge will be recorded in the fiscal quarter in which such determination is made. Also, costs related to the merger will be expensed during the period in which they are incurred.

Sources of Funds

The cash portion of the aggregate merger consideration, required to settle fractional interests and to fund the \$2.00 cash payment (either in the form of the contingent 2010 pre-merger dividend by American

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Community or in the form of additional merger consideration payable by German American) is expected to be approximately \$3,956,000. In addition, German American expects to be obligated to pay cash consideration of an estimated \$2,062,000 (subject to change if the numbers of outstanding warrants and options changes materially or the market value of German American's shares changes materially, prior to the closing of the merger) to the holders of options and warrants to purchase American Community shares that will be cancelled by the merger agreement. This cash is expected to be funded with the cash proceeds of dividends from German American's subsidiary bank (including for this purpose Bank of Evansville prior to its merger into German American's subsidiary bank).

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THE MERGER AGREEMENT

The following summary describes material provisions of the merger agreement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. This summary is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this prospectus as Annex A and is incorporated by reference into this prospectus. You are urged to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

The merger agreement summary below is included in this prospectus only to provide you with information regarding the terms and conditions of the merger agreement, and not to provide any other factual information regarding German American, American Community or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this prospectus and in the documents incorporated by reference into this prospectus. See [Where You Can Find More Information](#).

The representations, warranties and covenants contained in the merger agreement and described in this prospectus were made only for purposes of the merger agreement and as of specific dates and may be subject to more recent developments,

were made solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by reference to confidential disclosures, were made for the purposes of allocating risk between parties to the merger agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors.

Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time. The representations and warranties contained in the merger agreement do not survive the effective time of the merger. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of German American, American Community or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by German American and American Community.

General

The merger agreement provides for the merger of American Community with and into German American, with German American surviving the merger and continuing under the name German American Bancorp, Inc. Immediately following the merger of American Community with German American, Bank of Evansville will merge with and into German American Bancorp (the bank subsidiary of German American), with German American Bancorp surviving the merger and continuing under the name German American Bancorp.

Time of Completion

Unless the parties agree otherwise and unless the merger agreement has otherwise been terminated, the closing of the

merger will take place on the business day that immediately precedes the last business day of the month during which the shareholders of American Community have approved and adopted the merger agreement and following the expiration of all waiting periods in connection with either the bank regulatory applications filed for approval of the merger or stock market requirements. The effective time of the merger (which will be the time as of which German American will gain control of American Community and Bank of Evansville) will be as of the first day of the calendar month that follows the month in which the closing occurs.

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We are working hard to complete the merger quickly. We currently expect that the merger will be closed on December 30, 2010, and will be effective January 1, 2011. However, because completion of the merger is subject to regulatory approvals and other conditions that have not yet been obtained and are beyond our control, we cannot predict the actual timing.

Consideration to be Received in the Merger

If the merger is completed, the shares of American Community common stock that you own immediately before the completion of the merger will be converted into a right to receive shares of German American common stock and cash. At the effective time of the merger, each issued and outstanding share of American Community common stock, other than shares held by shareholders who exercise dissenters' rights under Indiana law, will be converted into the right to receive (i) 0.725 shares of German American common stock; and (ii) a cash payment of \$2.00 (unless earlier paid by American Community with respect to its shares under the special pre-merger 2010 cash dividend of that same amount that American Community has contingently declared).

If German American declares a dividend or distribution on shares of its common stock or subdivides, splits, reclassifies or combines the shares of German American common stock prior to the effective time of the merger (which is not anticipated or planned), then the conversion ratio of 0.725 shares of German American common stock for every share of American Community common stock will be adjusted accordingly, without duplication, to provide American Community shareholders with the same economic effect as contemplated by the merger agreement prior to any of these events.

American Community's shareholders will not receive fractional shares of German American common stock. Instead, you will receive a cash payment for any fractional shares in an amount equal to the product of (i) the fraction of a share of German American common stock to which you are entitled multiplied by (ii) the volume weighted average price of a share of German American common stock over the twenty days on which German American's shares traded that ended on the trading day immediately before the closing date.

Exchange of Certificates

German American expects to appoint Computershare Trust Company, N.A. (or another company experienced in handling similar duties that is reasonably acceptable to American Community) to act as the exchange agent and handle the exchange of American Community stock certificates for certificates representing German American's shares and any cash consideration that may be payable to American Community shareholders. Promptly following the effective time of the merger, the exchange agent will send a letter of transmittal to each former American Community shareholder who holds one or more stock certificates. The letter of transmittal will contain instructions explaining the procedure for surrendering American Community stock certificates. You should not return stock certificates with the enclosed proxy card.

American Community shareholders who surrender their stock certificates, together with a properly completed letter of transmittal, will receive certificates for the shares of German American's common stock into which their shares of American Community common stock were converted pursuant to the merger and a check for the amount of cash consideration (if any) to which such shareholder is entitled.

After the merger, each certificate that previously represented shares of American Community common stock will only represent the right to receive:

certificates representing the shares of German American's common stock into which those shares of American Community common stock have been converted;

cash in the amount of the cash merger consideration, if any; and

cash in lieu of any fractional share of German American common stock.

After the completion of the merger, American Community will not register any transfers of shares of American Community common stock.

American Community Restrictions

Under the merger agreement, American Community has agreed to certain restrictions on its activities until the merger is completed or terminated. In general, American Community and Bank of Evansville are

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required to conduct their business and to discharge or incur obligations and liabilities only in the ordinary course of business, as conducted prior to the execution of the merger agreement.

The following is a summary of the more significant restrictions imposed upon American Community, subject to the exceptions set forth in the merger agreement:

declaring or paying any dividends on shares of American Community common stock or making any other distribution to shareholders, except for the contingent 2010 pre-merger cash dividend;

issuing or agreeing to issue any stock (except for the issuance of shares upon the exercise of stock options or warrants, and shares issuable to American Community's directors (estimated to be 9,958 shares) in payment of director compensation pursuant to a pre-existing arrangement) or any options, warrants or other rights to subscribe for or purchase common or any other capital stock or securities convertible into or exchangeable for any capital stock;

redeeming, purchasing or otherwise acquiring any of its outstanding shares or agreeing to do so;

effecting a stock split, reverse split, reclassification or other similar change in any common or other capital stock or otherwise reorganizing or recapitalizing;

changing its articles of incorporation or bylaws;

except as separately agreed by German American, paying or agreeing to pay any bonus, additional compensation (other than ordinary and normal bonuses and salary increases consistent with past practices) or severance benefit or otherwise making any changes out of the ordinary course of business with respect to the fees or compensation payable or to become payable to consultants, advisors, investment bankers, brokers, attorneys, accountants, directors, officers or employees;

adopting or making any change in any employee benefit plan or other arrangement or payment made to, for or with any of such consultants, advisors, investment bankers, brokers, attorneys, accountants, directors, officers or employees;

borrowing or agreeing to borrow any material amount of funds except in the ordinary course of business, or directly or indirectly guaranteeing or agreeing to guarantee any material obligations of others except in the ordinary course of business or pursuant to outstanding letters of credit;

making or committing to make any new loan or issuing or committing to issue any new letter of credit or any new or additional discretionary advance under any existing line of credit, or purchasing or agreeing to purchase any interest in a loan participation, in aggregate principal amounts that would cause the credit extensions or commitments of Bank of Evansville to any one borrower (or group of affiliated borrowers) to exceed \$250,000;

purchasing or otherwise acquiring any investment security for their own accounts, or selling any investment security owned by either of them which is designated as held-to-maturity, or engaging in any activity that would require the establishment of a trading account for investment securities;

increasing or decreasing the rate of interest paid on time deposits, or on certificates of deposit, except in a manner and pursuant to policies consistent with past practices;

entering into or amending any material agreement, contract or commitment out of the ordinary course of business;

except in the ordinary course of business, placing on any of their assets or properties any mortgage, pledge, lien, charge, or other encumbrance;

except in the ordinary course of business, canceling, releasing, compromising or accelerating any material indebtedness owing to American Community or Bank of Evansville, or any claims which either of them may possess, or voluntarily waiving any material rights with respect thereto;

selling or otherwise disposing of any real property or any material amount of any personal property other than properties acquired in foreclosure or otherwise in the ordinary course of collection of indebtedness;

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foreclosing upon or otherwise taking title to or possession or control of any real property without first obtaining a phase one environmental report thereon, prepared by a reliable and qualified person or firm reasonably acceptable to German American, which does not indicate the presence of material quantities of pollutants, contaminants or hazardous or toxic waste materials on the property;

committing any act or failing to do any act which will cause a material breach of any material agreement, contract or commitment;

violating any law, statute, rule, governmental regulation or order, which violation might have a material adverse effect on its business, financial condition, or earnings;

purchasing any real or personal property or making any other capital expenditure where the amount paid or committed therefor is in excess of \$10,000 individually or \$50,000 in the aggregate other than purchases of property made in the ordinary course of business in connection with loan collection activities or foreclosure sales in connection with any of American Community's or Bank of Evansville's loans;

issuing certificate(s) for shares of American Community common stock to any American Community shareholder in replacement of certificate(s) claimed to have been lost or destroyed without first obtaining from such shareholder(s), at the expense of such shareholder(s), a surety bond from a recognized insurance company in an amount that would indemnify American Community (and its successors) against loss on account of such lost or destroyed certificate(s) (in an amount not less than the amount that German American's transfer agent would require in the case of lost or destroyed stock certificates of equal value of German American common stock), and obtaining a usual and customary affidavit of loss and indemnity agreement from such shareholder(s); or

holding a special, regular or annual meeting (or take action by consent in lieu thereof) of the board of directors or the sole shareholder of Bank of Evansville for the purpose of appointing or electing any new member to the board of directors of American Community or of Bank of Evansville (whether to fill a vacancy or otherwise) unless such new member is approved in advance in writing by German American.

In addition, American Community agreed to notify German American in writing of the occurrence of any matter or event known to American Community that is, or is likely to become, materially adverse to the business, operations, properties, assets or financial condition of American Community taken as a whole.

American Community Non-Solicitation and Non-Discussion Covenants

American Community has agreed that, until the effective time of the merger or until the termination of the merger agreement, American Community will neither permit nor authorize its directors, officers, employees, agents or representatives (or those of Bank of Evansville) to, directly or indirectly, initiate, solicit or encourage, or provide information to, any corporation, association, partnership, person or other entity or group concerning any merger, consolidation, share exchange, combination, purchase or sale of substantial assets, sale of shares of common stock (or securities convertible or exchangeable into or otherwise evidencing, or any agreement or instrument evidencing the right to acquire, capital stock) or similar transaction relating to American Community or Bank of Evansville or to which American Community or Bank of Evansville may become a party (all such transactions are referred to in this proxy statement/prospectus as "acquisition transactions"). American Community also agreed to promptly communicate to German American the terms of any proposal, indication of interest, or offer which American Community or Bank of Evansville receives with respect to an acquisition transaction. Further, neither American Community nor Bank of Evansville may, in response to an unsolicited written proposal, indication of interest, or offer with respect to an acquisition transaction, furnish information to, or negotiate, explore or otherwise engage in substantive discussions, or enter into agreements, arrangements or understandings with respect to such acquisition transaction.

American Community Board Recommendation Requirements

The merger agreement contains provisions that require American Community's board of directors to submit the merger agreement to consideration by American Community's shareholders at the special meeting with a favorable recommendation of its board of directors. The merger agreement, however, provides that any or all of the members of the board may be excused from the requirement of the merger agreement to recommend the German American merger proposal if their fiduciary duties to shareholders may require that they change their recommendation in a manner that would be adverse to the interests of German American.

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German American Restrictions

The following is a summary of the more significant restrictions imposed upon German American, subject to the exceptions set forth in the merger agreement:

conducting its business substantially in the manner as it is presently being conducted and in the ordinary course of business;

not amending its articles of incorporation in any manner that requires the approval of shareholders of German American under the Indiana Business Corporation Law;

not failing to file, or cause its subsidiaries to file, all required reports with applicable regulatory authorities; complying with all laws, statutes, ordinances, rules or regulations applicable to it and to the conduct of its business, the noncompliance with which results or could result in a material adverse effect on the financial condition, results of operations, business, assets or capitalization of German American on a consolidated basis;

complying in all material respects with each contract, agreement, commitment, obligation, understanding, arrangement, lease or license to which it is a party by which it is or may be subject or bound, the breach of which could result in a material adverse effect on the financial condition, results of operations, business, assets or capitalization of German American on a consolidated basis; and

promptly notifying American Community in writing of the occurrence of any matter or event known to German American that is, or is likely to become, materially adverse to the businesses, operations, properties, assets or condition (financial or otherwise) of German American and its subsidiaries on a consolidated basis.

German American Covenants

German American has agreed to use its best efforts to perform and fulfill all conditions and obligations to be performed or fulfilled under the merger agreement and to effect the merger in accordance with the terms and conditions set forth in the merger agreement. German American has also agreed to file or cooperate with American Community in filing all regulatory applications required in order to consummate the merger, and the merger of Bank of Evansville into German American Bancorp, including all necessary applications for the prior approvals of the Federal Reserve Board under the Bank Holding Company Act and of the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation. German American has agreed to keep American Community reasonably informed as to the status of such applications and promptly send or deliver copies of such applications, and of any supplementally filed materials, to counsel for American Community. In addition, German American has agreed to use its best efforts to cause the registration statement of which this proxy statement/prospectus is a part to become effective as soon as practicable.

The merger agreement also contains certain covenants relating to employee benefits and other matters pertaining to officers and directors (see THE MERGER AGREEMENT Employee Benefit Matters and THE MERGER Interests of Certain Persons in the Merger) and relating to German American's continued support of certain charitable causes supported by Bank of Evansville and its agreement to provide funding to American Community for the contingent pre-merger dividend if such dividend were payable but for some unforeseen reason could not be funded.

Representations and Warranties

American Community and German American. The merger agreement contains representations and warranties made by American Community and German American. These include, among other things, representations relating to:

due corporate organization and existence;
capitalization;

corporate power and authority to enter into the merger and the merger agreement;
organizational documents;

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subsidiaries;
financial information;
agreements with banking authorities;
litigation;
compliance with laws; and
broker s, finder s or other fees.

German American. German American represents and warrants to American Community in the merger agreement regarding among other things:

compliance with and accuracy of SEC filing requirements, including internal control requirements;
filing of necessary reports with regulatory authorities;
accuracy of statements made and materials provided to the other party; and
absence of material adverse changes in financial condition since December 31, 2009.

American Community. American Community makes additional representations and warranties to German American in the merger agreement relating to, among other things:

employment agreements;
filing of reports;
loans and investments;
employee benefit plans;
title to assets;
insurance;
environmental matters;
material contracts;
compliance with Americans with Disabilities Act;
accuracy of statements made and materials provided to the other party; and
absence of material adverse changes in financial condition since December 31, 2009.

Conditions to Completion of the Merger

Closing Conditions for the Benefit of German American. German American s obligations are subject to fulfillment of the following conditions (unless such conditions may by law be waived and German American elects to waive them):

truth of representations and warranties of American Community and Bank of Evansville in all material respects as of the closing date (except for such changes since the date of the merger agreement as have not had, and can not reasonably be expected to have, when considered together with all such other changes, any effect that constitutes a material adverse effect as defined by the merger agreement);

performance by American Community and Bank of Evansville in all material respects of their agreements under the merger agreement;

approval of the merger by American Community shareholders;
absence of any restraining order, preliminary or permanent injunction or other order issued by a court of competent jurisdiction, or any proceeding by any bank regulatory authority, governmental agency or other person seeking any of the above;

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receipt of all necessary regulatory approvals (without burdensome conditions);
the registration statement of which this proxy statement/prospectus is part has been declared effective by the SEC and continues to be effective as of the effective time;

receipt from American Community at closing of certain items set forth in the merger agreement;
if any American Community shareholders have timely provided notice of their intent to exercise dissenters' rights under Indiana law, such notices do not relate to more than 10% of the number of shares of American Community common stock outstanding on the closing date (for this purpose, shares held by Mr. Strassweg and by German American and its affiliates are excluded from the computation, but Mr. Strassweg has agreed directly with German American to vote in favor of the merger agreement at the special meeting and not to exercise dissenters' rights);

receipt of a written tax opinion of the law firm of Ice Miller LLP;

termination of a certain line of credit facility extended to American Community by an unaffiliated bank; and the execution and delivery to German American by the trustees of certain indentures under which long-term debt issued by American Community is outstanding, evidencing German American's assumption of American Community's obligations under those indentures including the related payment obligations.

Closing Conditions for the Benefit of American Community. American Community's obligations are subject to fulfillment of the following conditions (unless such conditions may by law be waived and American Community elects to waive them):

truth of representations and warranties of German American (and its subsidiary bank) in all material respects as of the closing date (except for such changes since the date of the merger agreement as have not had, and can not reasonably be expected to have, when considered together with all such other changes, any effect that constitutes a material adverse effect as defined by the merger agreement);

performance by German American (and its subsidiary bank) in all material respects of their agreements under the merger agreement;

approval of the merger by American Community shareholders;

absence of any restraining order, preliminary or permanent injunction or other order issued by a court of competent jurisdiction, or any proceeding by any bank regulatory authority, governmental agency or other person seeking any of the above;

receipt of all necessary regulatory approvals;

receipt from German American at closing of certain items set forth in the merger agreement;
the registration statement has been declared effective by the SEC and continues to be effective as of the effective time;

receipt of a written tax opinion of the law firm of Ice Miller LLP; and
the NASDAQ listing of all shares of German American issuable under the merger.

Termination

The merger agreement may be terminated by mutual consent of German American and American Community at any time prior to the filing of articles of merger with respect to the merger with the Indiana Secretary of State. Additionally, subject to conditions and circumstances described in the merger agreement, either German American or American Community may terminate the merger agreement if any of the following occur:

the other party has materially breached any representation or warranty contained in the merger agreement (other than those breaches that do not have and would not reasonably be expected to

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have, individually or in the aggregate, a material adverse effect on the other party as defined by the merger agreement) which breach cannot be cured, or has not been cured within 30 days after the giving of written notice to the other party of such breach;

the other party has materially breached in any material respect any of the covenants or agreements contained herein, which breach cannot be cured, or has not been cured within 30 days after the giving of written notice to the other party of such breach;

any of the conditions to the obligations of such party are not satisfied or waived on or prior to the closing date, immediately upon delivery of written notice thereof to the other party on the closing date;

American Community shareholders do not adopt the merger agreement at the American Community special meeting;

in the event of certain adverse regulatory determinations;

the merger has not been closed by March 31, 2011; or

the other party has become part or subject to any cease and desist order imposed by any federal or state banking agency.

Termination Fee

German American may demand a \$1,500,000 termination fee from American Community, if:

the merger agreement is terminated due to the failure of the American Community shareholders to approve the merger agreement following the submission after the date of the merger agreement by any other person or entity not a party to the merger agreement of an indication of interest to American Community or Bank of Evansville contemplating any business combination that is publicly disclosed to the shareholders of American Community prior to the special meeting to vote on the merger proposal; and

within twelve months following such termination, American Community or Bank of Evansville accept a proposal for a business combination with any third party.

Amendment and Waiver

Amendment. The merger agreement may only be amended or modified by a written agreement between the parties.

Waiver. At any time prior to the effective time of the merger, certain conditions of the merger may be waived by German American or American Community. Any agreement on the part of a party to the merger agreement to any extension or waiver will be valid only if set forth in a written instrument signed on behalf of that party. The failure of any party to the merger agreement to assert any of its rights under the merger agreement or otherwise will not constitute a waiver of those rights.

Management and Operations After the Mergers

After the merger and the follow-up merger of Bank of Evansville with and into German American Bancorp, the German American board of directors will remain the same except that German American has agreed in the merger agreement to cause to be added to German American's board of directors (and to the board of its subsidiary bank) two members of American Community's board of directors of German American's choosing. German American has not yet chosen which two members to add to its board of directors.

Employee Benefit Matters

Employees of the Bank of Evansville immediately prior to the merger who continue employment with German American immediately following the merger will receive credit for prior service with Bank of Evansville for purposes of eligibility and vesting (but not benefit accruals) under any employee benefit plans, programs, or arrangements

maintained by German American following the merger. Such employees will generally receive credit for accrued but unused vacation and sick time earned prior to the effective time of the merger.

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Expenses

All expenses incurred in connection with the merger agreement will be paid by the party incurring the expenses, except that German American has agreed to pay all fees and expenses that it incurs in connection with certain investigations of real estate matters and American Community may be required to pay a termination fee of \$1,500,000 to German American in the event the merger is terminated prior to the closing date under certain circumstances described under Termination Fee above.

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THE VOTING AGREEMENT

On October 4, 2010, in connection with the merger agreement, Jack A. Strassweg and Four S Properties LLC, a company of which Mr. Strassweg is Manager (we refer to Mr. Strassweg and Four S Properties LLC collectively as Mr. Strassweg) entered into a Voting Agreement dated as of October 1, 2010 with German American. The following is a summary of selected material provisions of this Voting Agreement. This summary is qualified in its entirety by reference to the Voting Agreement, which is attached to this proxy statement/prospectus as Annex D and incorporated herein by reference. The provisions of the Voting Agreement are extensive and not easily summarized. You should read the Voting Agreement in its entirety.

Pursuant to the Voting Agreement, Mr. Strassweg agreed to, among other things, vote all shares of American Community common stock that they beneficially own or exercise control and voting discretion over (i) in favor of the adoption of the merger agreement approval of the merger or such other alternative structure as may be agreed upon by German American to effect the transactions contemplated by the merger agreement; and (ii) against the consummation of any alternative proposals to acquire control of American Community or any action, proposal, agreement or transaction that would result in a breach in any respect of any covenant, representation or warranty of American Community contained in the merger agreement, which would reasonably be expected to result in any of the conditions of American Community s obligations thereunder not being fulfilled or would impede or interfere with the merger. Mr. Strassweg also agreed to certain transfer restrictions with respect to Mr. Strassweg s shares of American Community common stock subject to the Voting Agreement and agreed to hold such common stock free and clear of any liens (other than bank liens already in place with respect to Mr. Strassweg s shares).

The Voting Agreement will terminate and have no further force or effect upon earlier to occur of (i) termination date of the merger agreement, and (ii) the date on which the merger agreement is terminated in accordance with its terms.

As of the American Community record date, Mr. Strassweg beneficially owned or exercised control and voting discretion over 166,083 shares of American Community common stock, representing approximately 7.7% of the American Community common stock outstanding on that date.

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THE SPECIAL MEETING

This proxy statement/prospectus is being provided to the shareholders of American Community in connection with the solicitation of proxies by the American Community board of directors for use at the special meeting and at any adjournment or postponement thereof. This proxy statement/prospectus provides the shareholders of American Community with the information they need to know to be able to vote or instruct their vote to be cast at the American Community special meeting.

Date, Time and Place

The special meeting of the holders of American Community shares will be held on December 22, 2010 at 8 a.m., local time, at the Evansville Country Club, located at 3810 Stringtown Road, Evansville, Indiana 47711.

Purpose of the Special Meeting

At the special meeting, American Community shareholders will be asked to consider and vote on the following proposals:

to approve the merger agreement and related plan of merger and approve the merger and the other transactions contemplated thereby;

to adjourn the special meeting of shareholders (upon the motion of any shareholder of record entitled to vote thereon duly made and seconded) if necessary to permit further solicitation of proxies for approval of the merger agreement proposal; and

to conduct other business that properly comes before the American Community special meeting or any adjournment thereof.

The American Community board of directors recommends a vote **FOR** the proposal to approve the merger agreement and approve the merger and **FOR** the adjournment proposal.

Record Date

Only holders of record of American Community shares at the close of business on November 12, 2010, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any postponement or adjournments thereof. As of the American Community record date, 2,177,850 shares of American Community common stock were outstanding and entitled to vote at the meeting, held by 172 holders of record.

Each share of American Community is entitled to one vote on each matter presented to the American Community shareholders. A complete list of American Community shareholders of record entitled to vote at the special meeting will be available for examination by any American Community shareholder at American Community's principal executive offices, for any purpose germane to the special meeting, during normal business hours for a period of five (5) days before the special meeting. The list will also be available at the place of meeting for the duration thereof.

Quorum

In order to carry on the business of the meeting, American Community must have a quorum. A quorum of American Community shareholders requires the presence, in person or represented by proxy, of at least a majority of the issued and outstanding shares entitled to vote at the meeting. Proxies properly executed and marked with a positive vote, a

negative vote or an abstention, as well as broker non-votes, will be considered to be present at the special meeting for purposes of determining whether a quorum is present for the transaction of all business at the special meeting. A

broker non-vote occurs when a nominee for a broker holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Required Vote to Approve the Proposals

The affirmative vote of a majority of the outstanding shares of American Community entitled to vote on the merger is required to approve the merger agreement and approve the merger. Accordingly, a failure to vote or an abstention will have the same effect as a vote against the merger agreement.

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The affirmative vote of the holders of a majority of the shares of American Community present in person or represented by proxy and entitled to vote at the special meeting is required to approve any proposal to adjourn the special meeting, including adjournments to permit further solicitation of proxies.

Treatment of Abstentions and Broker Non-Votes

Abstentions with respect to shares will be counted as shares that are present and entitled to vote for purposes of determining the number of shares that are present and entitled to vote with respect to any particular proposal, but will not be counted as votes in favor of such proposal. Because approval of the merger and the adoption of the merger agreement requires the affirmative vote of a majority of the shares of American Community issued and outstanding, if a shareholder responds to the merger proposal with an abstention, the abstention will have the same effect as a vote **AGAINST** the adoption of the merger agreement and the approval of the merger.

Similarly, broker non-votes will be counted as shares that are present but **NOT** entitled to vote with respect to any proposal. Since the shares represented by the broker non-votes cannot vote **FOR** the merger proposal, they will have the same effect as a vote **AGAINST** the merger proposal. If you are a beneficial owner of American Community common stock held by a broker or other nominee, you must instruct your nominee how to vote. Your nominee cannot vote your shares on your behalf without your instructions.

Attending the Special Meeting In Person

All American Community shareholders of record as of the record date for the special meeting may attend the special meeting. American Community shareholders who wish to attend the special meeting in person but who hold their shares in street name, meaning the name of a broker, bank or trust company, or other nominee who is the record holder, must bring proof of their ownership and identification with a photo to the special meeting. For example, you may bring an account statement showing that you beneficially owned shares of American Community as of the record date as acceptable proof of ownership. **WHETHER OR NOT YOU INTEND TO ATTEND THE SPECIAL MEETING, IT IS VERY IMPORTANT THAT YOUR SHARES BE REPRESENTED.** Accordingly, please promptly submit your proxy in the manner discussed below. If you do attend the special meeting and desire to vote in person, you may do so by withdrawing your proxy at that time.

How to Vote; Voting of Proxies

A shareholder may vote by proxy or in person at the meeting. American Community shareholders may vote their shares at the special meeting:

In Person: by attending the special meeting and voting their shares in person; or

By Mail: by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed post-prepaid envelope.

Every American Community shareholder's vote is important. Accordingly, each American Community shareholder who holds shares of record directly in that shareholder's name should sign, date and return the accompanying proxy card whether or not it plans to attend the special meeting in person.

Giving a proxy means that a shareholder authorizes the persons named in the enclosed proxy card to vote its shares at the special meeting in the manner it directs. American Community requests that shareholders intending to submit a proxy by mail complete and sign the accompanying proxy and return it to American Community as soon as possible in the enclosed postage-paid envelope. If the accompanying proxy is returned properly executed, the shares of common

stock represented by it will be voted at the special meeting in accordance with the instructions contained on the proxy card.

If a shareholder's shares are held in street name by a bank or trust company, broker or other nominee that has provided a voting form, the shareholder should follow the instructions provided on such voting form.

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It is not expected that any matter not referred to herein will be presented for action at the special meeting. If any other matters are properly brought before the special meeting, the persons named in the proxies submitted to American Community will have discretion to vote on such matters in accordance with their best judgment. However, any shares of American Community represented by proxies that have been voted AGAINST the merger or AGAINST the adjournment proposal will not be used to vote FOR an adjournment of the special meeting to allow additional time to solicit additional proxies.

An American Community shareholder may receive more than one proxy statement/prospectus or proxy card. This duplication will occur if such shareholder's common stock are registered in different names or its common stock are in more than one type of account maintained by Registrar and Transfer Company, American Community's transfer agent. In order to have all its common stock voted, an American Community shareholder should sign and return all the proxy cards it receives.

Do not send any stock certificates with your proxy cards. If the merger is approved and adopted by American Community shareholders at the special meeting, and the merger is closed, the exchange agent will mail transmittal forms with instructions for the surrender of share certificates for American Community common stock as soon as practicable after completion of the merger.

Revocability of Proxies

An American Community shareholder has the power to change its vote at any time before its shares are voted at the special meeting by (i) filing with American Community's Secretary (4424 Vogel Road, Evansville, Indiana 47715) a written notice of revocation bearing a date later than the date of such proxy, (ii) submitting a subsequent proxy relating to the same shares, or (iii) attending the special meeting and voting in person. Attendance at the special meeting without voting will not itself revoke a proxy.

However, if a shareholder holds its shares through a bank, broker or other nominee, it may revoke its instructions only by informing the nominee in accordance with any procedures established by such nominee.

Solicitation of Proxies

American Community's board of directors is soliciting proxies to be voted at the special meeting of American Community's shareholders. American Community will pay the costs and expenses of soliciting and obtaining proxies.

Following the original mailing of this proxy statement/prospectus and other soliciting materials, American Community and its directors, officers, employees and other agents also may solicit proxies by mail, telephone, facsimile or other electronic means or in person. These officers, directors and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation.

Following the original mailing of this proxy statement/prospectus and other soliciting materials, American Community will request brokers, custodians, nominees and other record holders of American Community common stock to forward copies of this proxy statement/prospectus and other soliciting materials to persons for whom they hold shares of American Community common stock and to request authority for the exercise of proxies. In these cases, American Community will, upon the request of the record holders, reimburse these holders for their reasonable expenses.

Householding

Under SEC rules, a single set of annual reports and proxy statements may be sent to multiple American Community shareholders who share the same address under certain circumstances, unless contrary instructions are received from shareholders. Each American Community shareholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information American Community shareholders receive and reduces mailing and printing expenses for American Community. American Community shareholders who hold their shares through a bank, broker or other nominee may have consented to reducing the number of copies of materials delivered to their address. In the event that a American Community shareholder wishes to request delivery of a single copy of annual reports or proxy statements or to revoke a householding consent previously provided to a bank, broker or other nominee, the shareholder must contact the bank, broker or other nominee, as applicable, to revoke such consent. In any event, if a shareholder wishes to receive a separate proxy statement/prospectus for the special meeting of

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American Community shareholders, the shareholder may receive printed copies by contacting American Community by mail at 4424 Vogel Road, Evansville, Indiana 47715, Attention: Mike Sutton or by calling (812) 962-2265.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice (to the extent permitted by the Indiana Business Corporation Law), other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, holders of a majority of the combined voting power of American Community's common stock present in person or represented by proxy at the special meeting and entitled to vote on an adjournment motion may adjourn the special meeting. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow American Community's shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

THE AMERICAN COMMUNITY BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER, AND FOR APPROVAL OF THE ADJOURNMENT PROPOSAL.

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**AMERICAN COMMUNITY S MANAGEMENT S
DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF
OPERATION
(INCLUDING QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK)**

This section is presented in two parts:

The first part (which follows immediately below) discusses American Community s management s analysis of the major components of American Community s operations for the years 2009 and 2008 and its financial condition as of December 31, 2009 and 2008. This information should be read in conjunction with the accompanying consolidated financial statements and notes contained on pages F-1 through F-29 of this proxy statement/prospectus.

The second part (which follows the first part) discusses American Community s management s analysis of the consolidated financial condition of American Community as of September 30, 2010 and December 31, 2009 and the consolidated results of operations for the nine months ended September 30, 2010 and 2009. This discussion should be read in conjunction with the accompanying consolidated financial statements and notes contained on pages F-30 through F-41 of this proxy statement/prospectus.

**As of and for the Years Ended December 31, 2008 and
2009**

INTRODUCTION

American Community Bancorp, Inc. (Company) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Bank of Evansville (Bank) and the Bank s wholly owned subsidiary, Banc Realty, LLC (Realty). The Bank provides a full range of banking services to individual and corporate customers in Vanderburgh County, Indiana, including Evansville and the surrounding areas in Southwestern Indiana. The Bank is subject to competition from other financial institutions and non-financial institutions providing financial products and services. The Bank is subject to regulations of certain regulatory agencies and undergoes periodic examinations by those regulatory agencies, including the Indiana Department of Financial Institutions and the Federal Reserve, the Bank s primary regulator.

Throughout this Management s Discussion and Analysis, as elsewhere in this report, when we use the term Company , we will usually be referring to the business and affairs (financial and otherwise) of the Company and its subsidiaries and affiliates as a whole. Occasionally, we will refer to the term parent company or holding company when we mean to refer to only American Community Bancorp, Inc. The information in this Management s Discussion and Analysis is presented as an analysis of the major components of the Company s operations for the years 2008 and 2009 and its financial condition as of December 31, 2009 and 2008. This information should be read in conjunction with the accompanying consolidated financial statements and notes contained on pages F-1 through F-29 of this proxy statement/prospectus.

Earnings per share information for 2009 and 2008 has been restated for the 2010 5% stock dividend.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial condition and results of operations for the Company presented in the Consolidated Financial Statements, accompanying Notes to the Consolidated Financial Statements and selected financial data appearing elsewhere within this proxy statement/prospectus, are, to a large degree, dependent upon the Company's accounting policies. The selection of and application of these policies involve estimates, judgments and uncertainties that are subject to change. The critical accounting policies and estimates that the Company has determined to be the most susceptible to change in the near term relate to the determination of the allowance for loan losses and the valuation of securities available for sale.

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Allowance for Loan Losses

The Company maintains an allowance for loan losses to cover probable incurred credit losses at the balance sheet date. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. A provision for loan losses is charged to operations based on management's periodic evaluation of the necessary allowance balance. Evaluations are conducted at least quarterly and more often if deemed necessary. The ultimate recovery of all loans is susceptible to future market factors beyond the Company's control.

The Company has an established process to determine the adequacy of the allowance for loan losses. The determination of the allowance is inherently subjective, as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on other classified loans and pools of homogeneous loans and consideration of past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors, all of which may be susceptible to significant change. The allowance consists of two components of allocations, specific and general. These two components represent the total allowance for loan losses deemed adequate to cover losses inherent in the loan portfolio.

Commercial and agricultural loans are subject to a standardized grading process administered by an internal loan review function. The need for specific reserves is considered for credits when graded substandard or special mention, or when: (a) the customer's cash flow or net worth appears insufficient to repay the loan, (b) the loan has been criticized in a regulatory examination, (c) the loan is on non-accrual or (d) other reasons where the ultimate collectibility of the loan is in question, or the loan characteristics require special monitoring. Specific allowances are established in cases where management has identified significant conditions or circumstances related to an individual credit that we believe indicates the loan is impaired. Specific allocations on impaired loans are determined by comparing the loan balance to the present value of expected cash flows or expected collateral proceeds. Allocations are also applied to categories of loans not considered individually impaired but for which the rate of loss is expected to be greater than historical averages, including those graded substandard or special mention and non-performing consumer or residential real estate loans. Such allocations are based on past loss experience and information about specific borrower situations and estimated collateral values.

General allocations are made for other pools of loans, including non-classified loans, homogeneous portfolios of consumer and residential real estate loans and loans within certain industry categories believed to present a unique risk of loss. General allocations of the allowance are primarily made based on a three-year historical average for loan losses for these portfolios, judgmentally adjusted for economic factors and portfolio trends.

Due to the imprecise nature of estimating the allowance for loan losses, the Company's allowance for loan losses includes an unallocated component. The unallocated component of the allowance for loan losses incorporates the Company's judgmental determination of inherent losses that may not be fully reflected in other allocations, including factors such as economic uncertainties, lending staff quality, industry trends impacting specific portfolio segments and broad portfolio quality trends. Therefore, the ratio of allocated to unallocated components within the total allowance may fluctuate from period to period.

Securities Valuation

Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in accumulated other comprehensive income (loss), net of tax. The Company obtains market values from a third party on a monthly basis in order to adjust the securities to fair value. Additionally, all securities are required to be written down to fair value when a decline in fair value is other than temporary; therefore, future changes in the fair value of securities could have a significant impact on the Company's operating results. In determining whether a market value decline is other-than-temporary, management considers the reason for the decline, the extent of the decline and the duration of the decline. As of December 31, 2009, gross unrealized losses on the securities available-for-sale portfolio totaled approximately \$48,000.

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RESULTS OF OPERATIONS

Net Income

Net income declined \$93,000 or 8% to \$1,204,000 or \$0.57 per share in 2009 compared to \$1,297,000 or \$0.63 per share in 2008. The decline in earnings during 2009 compared with 2008 was the result of several factors including, but not limited to, the following:

An increase in net interest income of \$55,000.

Provision for loan losses of \$1,215,000 in 2009 compared to \$1,712,000 in 2008.

A \$74,000 increase in service charges on deposit accounts.

A \$235,000 increase in gains on the sale of loans due to higher refinancing activity.

A pre-tax gain in 2008 of \$675,000 on the sale of the Company's merchant processing line of business.

Increases in salaries and benefits expense of \$143,000 in 2009.

Higher deposit insurance premiums.

Net Interest Income

Net interest income is the Company's single largest source of earnings and represents the difference between interest and fees realized on earning assets, less interest paid on deposits and borrowed funds. Several factors contribute to the determination of net interest income and net interest margin, including the volume and mix of earning assets, interest rates and income taxes. Many factors affecting net interest income are subject to control by management policies and actions. Factors beyond the control of management include the general level of credit and deposit demand, Federal Reserve Board monetary policy and changes in tax laws.

Net interest income increased \$55,000 or 1% for the year ended December 31, 2009 compared with the year ended 2008. Average earning assets increased by approximately \$0.9 million or 0.34% during 2009 compared with 2008. During 2009, average loans outstanding totaled \$256.3 million, an increase of \$1.2 million or 0.47%, compared to \$255.1 million in average loans outstanding during 2008. The increase in net interest income was primarily attributable to relatively flat average balances of loans and deposits and a flat net interest margin. The net interest margin was impacted positively by the repricing of certificates of deposit during 2009 to lower rates. The Company had strategically kept terms on certificates of deposit short in duration as a result of the Company's interest rate risk profile. Offsetting the benefit received from lower interest expense on certificates of deposit were lower yields on the Company's loan portfolio. Many of the Company's variable rate loans are tied to the Wall Street Journal Prime Rate which decreased 175 basis points in the fourth quarter of 2008. The reduction in this index significantly reduced the interest income earned on variable rate loans. Beginning in the fourth quarter of 2008 and through 2009, the Company implemented interest rate floors on several variable rate commercial loans, preventing further decrease in yields. The yield on earning assets totaled 5.02% during 2009 compared to 5.89% in 2008 while the cost of funds (expressed as a percentage of average earning assets) totaled 2.09% during 2009 compared to 3.04% in 2008.

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The following table summarizes net interest income for each of the past two years.

	Twelve Months Ended December 31, 2009			Twelve Months Ended December 31, 2008		
	Average Principal Balance	Income/ Expense	Yield/ Rate	Average Principal Balance	Income/ Expense	Yield/ Rate
Assets						
Interest-bearing Deposits	\$5,373	\$49	0.91 %	\$52	\$1	1.92 %
Federal Funds Sold	2,084	1	0.05 %	8,169	199	2.45 %
Investment Securities	12,506	407	3.25 %	11,990	485	4.05 %
Loans ⁽¹⁾	256,303	13,406	5.23 %	255,114	15,525	6.09 %
Total Interest Earning Assets	276,266	13,863	5.02 %	275,325	16,210	5.89 %
Allowance for Loan Losses	(4,524)			(3,457)		
Cash and Due from Banks	8,212			4,492		
Other Assets	11,120			10,906		
Total Assets	\$291,074			\$287,266		
Liabilities and Shareholders Equity						
Interest-bearing Checking	\$62,046	1,152	1.86 %	\$53,677	1,077	2.01 %
Savings	2,393	10	0.42 %	1,542	7	0.45 %
Money Market	61,716	1,097	1.78 %	44,323	982	2.22 %
Certificates of Deposit	94,502	2,250	2.38 %	126,486	4,663	3.69 %
Federal Funds Purchased	361	3	0.83 %	414	12	2.90 %
Long-term Debt	8,000	238	2.98 %	8,000	439	5.49 %
FHLB Advances	10,000	248	2.48 %	8,683	220	2.53 %
Total Interest-bearing Liabilities	239,018	4,998	2.09 %	243,125	7,400	3.04 %
Non-interest-bearing Checking	28,701			22,156		
Other Liabilities	1,134			1,173		
Total Liabilities	268,853			266,454		
Shareholders Equity	22,221			20,812		
Total Liabilities and Shareholders Equity	\$291,074			\$287,266		
Cost of Funds		1.81 %			2.69 %	
Net Interest Income		\$8,865			\$8,810	
Net Interest Margin			3.21 %			3.20 %

(1) Non-accruing loans have been included in average loans. Interest income on loans includes loan fees of \$369 and \$451 for 2009 and 2008, respectively.

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The following table sets forth, for the periods indicated, a summary of the changes in interest income and interest expense resulting from changes in volume and changes in rates:

Net Interest Income (dollars in thousands)	Rate/Volume Analysis	2009 vs. 2008		
		Total Change	Attributed to	
			Volume	Rate
Interest-bearing Deposits		\$ 47	\$ 49	\$ (2)
Federal Funds Sold		(199)	(86)	(113)
Securities taxable		(78)	20	(98)
Loans ⁽²⁾		(2,118)	72	(2,190)
Total Interest-Earning Assets		(2,348)	55	(2,403)
Interest-bearing Checking		74	159	(85)
Savings		3	4	(1)
Money Market		115	334	(219)
Certificates of Deposit		(2,412)	(1,005)	(1,407)
Federal Funds Purchased		(10)	(2)	(8)
Long-term Debt		(201)		(201)
FHLB Advances		28	33	(5)
Total Interest-bearing Liabilities		(2,403)	(477)	(1,926)
Net Interest Income		\$ 55	\$ 532	\$ (477)

(1) The variance not solely related to rate or volume is allocated proportionately to the calculated rate and volume variances.

(2) Included fees on loans of \$369 in 2009 and \$451 in 2008.

PROVISION FOR LOAN LOSSES

The Company provides for loan losses through regular provisions to the allowance for loan losses. The provision is affected by net charge-offs on loans and changes in specific and general allocations required on the allowance for loan losses. Provisions for loan losses totaled \$1,215,000 in 2009 and \$1,712,000 in 2008.

The level of provision for loan losses declined by \$497,000 or 41% during 2009 compared with 2008. The decline in provision during 2009 compared with 2008 was largely the result of significant increase in classified assets during 2008, which required additional provision expense when analyzed within the Company's methodology for computing the allowance for loan loss. During 2009, the provision for loan losses totaled 0.47% of average outstanding loans while net charge-offs represented 0.41% of average loans outstanding. As a result, the Company's allowance for loan losses increased to 1.74% of total loans at year-end 2009 compared with 1.65% at year-end 2008.

Provisions for loan losses in all periods were made at a level deemed necessary by management to absorb estimated, probable incurred losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for loan losses is completed quarterly by management, the results of which are used to determine provisions for loan losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other qualitative factors. Refer also to the sections entitled CRITICAL ACCOUNTING POLICIES AND ESTIMATES and RISK MANAGEMENT Lending and Loan Administration for further discussion of the provision and allowance for loan losses.

TABLE OF CONTENTS**Non-interest Income**

During 2009, non-interest income decreased \$838,000 or 41% compared with 2008.

Non-interest Income (dollars in thousands)	Years Ended December 31,		% Change From Prior Year	
	2009	2008		%
Service Charges on Deposit Accounts	\$ 346	\$ 272	27	%
Gain on Sale of Loans	534	299	79	
Gain on Sale of Other Assets		675	(100))
Loss on Sale of Other Real Estate	(5)	(44)	(89))
Gain on Sale of Investment Securities	115		n/m	(1)
Merchant Processing Fees		599	(100))
Other	224	251	(11))
Total Non-interest Income	\$ 1,214	\$ 2,052	(41))%

(1) n/m not meaningful

Service charges on deposit accounts totaled \$346,000 during the year ended December 31, 2009, representing an increase of \$74,000 or 27% from 2008. The increase was largely attributable to changes in our fee structure for corporate cash management clients and increased NSF income of \$53,000 resulting from increase in volume of NSF items and a reduced level of refunded and waived fees.

During the year ended December 31, 2009, the net gain on sale of loans totaled \$534,000, an increase of \$235,000 or 79% over the gain of \$299,000 recognized during 2008. The increase was largely attributable to increased originations, resulting from refinancing activity due to historically low interest rates for residential mortgage loans. Loan sales for 2009 and 2008 totaled \$47.1 million and \$24.8 million, respectively.

The Company recognized a net gain on securities of \$115,000 for the year ended December 31, 2009. No securities were sold in 2008.

During the first nine months of 2008, the Company had \$599,000 in revenues and \$532,000 in expenses from its merchant processing line of business. On September 30, 2008, the Company sold its merchant processing line of business for a pre-tax gain of \$675,000. Since the sale occurred in 2008, there were \$0 merchant processing revenues or expenses in 2009.

Non-Interest Expense

During the year ended December 31, 2009, non-interest expense totaled \$6,872,000, a decrease of \$58,000 or 0.82% from the year ended 2008.

Non-interest Expense (dollars in thousands)	Years Ended December 31,		% Change From Prior Year	
	2009	2008		%
Salaries and Benefits	\$ 3,615	\$ 3,472	4	%
Occupancy and Equipment, net	681	625	9	

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Marketing	75	83	(10)
Data Processing	453	427	6
Supplies, Postage and Printing	70	79	(11)
Legal and Professional	513	469	9
Merchant Processing Expense		532	(100)
Deposit Insurance Premiums	683	261	162
Other	782	982	(120)
Total Non-interest Expense	\$ 6,872	\$ 6,930	(1)%

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Salaries and employee benefits totaled \$3,615,000 during the year ended December 31, 2009 representing an increase of \$143,000 or 4% from the year ended December 31, 2008. The increase was attributable to the addition of one full-time employee at the beginning of 2009, annual merit increases for Company employees, a reduction in incentive compensation of \$91,000, a \$57,000 increase in mortgage originator commissions, and increases in health insurance benefit costs provided to employees of \$34,000.

Occupancy, furniture and equipment expense totaled \$681,000 during the year ended December 31, 2009 representing an increase of \$56,000 or 9% from the year ended 2008. The increase was attributable to a real estate tax refund received in 2008 for tax years 2007 and 2006.

Merchant processing expense decreased \$532,000 or 100% for reasons discussed above in non-interest income.

The Company's deposit insurance assessments totaled \$683,000 representing an increase of 162% during the year ended December 31, 2009 compared with 2008. This increase primarily resulted from an industry-wide increase in quarterly assessments as the FDIC began to recapitalize the deposit insurance fund, in addition to an industry-wide special assessment in the second quarter of 2009 of approximately \$133,000 which represented five basis points of the Company's subsidiary bank's total assets less Tier 1 Capital.

Other operating expenses totaled \$782,000 during 2009, a decrease of \$170,000 or 18% from 2008. The decrease was largely attributable to a reduction in loan workout related expenses during 2009.

PROVISION FOR INCOME TAXES

The Company records a provision for current income taxes payable, along with a provision for deferred taxes payable in the future. Deferred taxes arise from temporary differences, which are items recorded for financial statement purposes in a different period than for income tax returns. The Company's effective tax rate was 39.6% and 41.6% in 2009 and 2008. The effective tax rate in each defined period is equal to or greater than the blended statutory rate of 39.6%. The higher effective rate in all periods primarily resulted from expenses recorded that were not deductible for income tax purposes related to the vesting of incentive stock options and business development. See Note 8 to the Company's consolidated financial statements for additional details relative to the Company's income tax provision.

CAPITAL RESOURCES

The Company and its affiliate bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance sheet items calculated under regulatory accounting practices. The prompt corrective action regulations provide five classifications, including well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. The Company and its affiliate bank at year-end 2009 were categorized as well-capitalized as that term is defined by applicable regulations. See Note 11 to the Company's consolidated financial statements for actual and required capital ratios and for additional information regarding capital adequacy.

Shareholders' equity totaled \$22.7 million and \$21.4 million at December 31, 2009 and 2008, respectively. Total equity represented 7.5% and 7.3%, respectively, of year-end 2009 and 2008 total assets. The Company paid 5% stock dividends in 2009 and 2008, respectively. The increase in shareholders' equity during 2009 compared with 2008 was primarily the result of increased retained earnings and additional paid-in capital of \$1,403,000.

TABLE OF CONTENTS**USES OF FUNDS****Loans**

Total loans at year-end 2009 decreased \$4.3 million or 2% compared with year-end 2008. Residential real estate loans decreased \$7.2 million or 19% and commercial loans decreased \$7.1 million or 10% during 2009 while commercial real estate loans increased \$8.7 million during 2009. The decline in the residential real estate and commercial loan portfolio was the result of borrowers electing to refinance residential mortgage loans to take advantage of low interest rates. The Company sold the majority of its residential mortgage loan originations. The increase in the commercial real estate portfolio was the result of new loans with existing clients and two large participation loans purchased.

The composition of the loan portfolio has remained relatively stable over the past several years including 2009. The portfolio is most heavily concentrated in loans to lessors of residential and commercial properties at 28% of the portfolio. While this is the largest component of total portfolio, the Company has only limited exposure in construction and development lending with this segment representing approximately 7% of the total loan portfolio. In addition, the Company's exposure to non-owner occupied commercial real estate is limited to 18% of the total loan portfolio at year-end 2009. The Company's commercial lending is extended to various industries including hotel, manufacturing, health care and wholesale and retail services.

Loan Portfolio (dollars in thousands)	December 31,				
	2009	2008	2007	2006	2005
Residential Real Estate	\$29,806	\$36,999	\$31,538	\$21,238	\$13,380
Commercial	67,081	74,154	64,493	63,898	57,695
Commercial Real Estate	145,858	137,176	128,730	111,932	91,055
Consumer	1,261	1,580	1,543	1,477	1,137
Home Equity	15,145	13,577	13,119	14,212	15,208
Other	25	20	31	23	119
Total Loans	259,176	263,506	239,454	212,780	178,594
Less: Net Deferred Loan Fees, Premiums and Discounts	(34)	(51)	(62)	(68)	(125)
Subtotal	259,142	263,455	239,392	212,712	178,469
Less: Allowance for Loan Losses	(4,516)	(4,351)	(3,117)	(3,064)	(2,721)
Loans, net	\$254,626	\$259,104	\$236,275	\$209,648	\$175,748
<u>Ratio of Loans to Total Loans</u>					
Residential Real Estate	12 %	14 %	13 %	10 %	7 %
Commercial	26 %	28 %	27 %	30 %	32 %
Commercial Real Estate	56 %	52 %	54 %	53 %	51 %
Consumer	0 %	1 %	1 %	1 %	1 %
Home Equity	6 %	5 %	5 %	6 %	9 %
Other	0 %	0 %	0 %	0 %	0 %