

PEOPLES BANCORP INC  
Form S-3  
March 06, 2009

As filed with the Securities and Exchange Commission on March 6, 2009

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

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

Form S-3  
REGISTRATION  
STATEMENT  
UNDER  
THE  
SECURITIES  
ACT OF 1933

Peoples Bancorp Inc.  
(Exact name of registrant  
as specified in its charter)

Ohio  
(State or other jurisdiction  
of incorporation or organization)

31-0987416  
(I.R.S. Employer  
Identification No.)

138 Putnam Street, P.O. Box 738  
Marietta, Ohio 45750-0738  
(740) 373-3155  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal  
executive offices)

Mark F. Bradley  
President and Chief Executive Officer  
Peoples Bancorp Inc.  
138 Putnam Street, P.O. Box 738  
Marietta, Ohio 45750-0738  
(740) 373-3155  
(Name, address and telephone number,  
including area code, of agent for service)

Copies to:

Rhonda L. Mears, Esq. General Counsel and Corporate Secretary Peoples Bancorp Inc. 138 Putnam Street, P.O. Box 738 Marietta, Ohio 45750-0738 (740) 373-7723	Elizabeth Turrell Farrar, Esq. Vorys, Sater, Seymour and Pease LLP 52 East Gay Street Columbus, Ohio 43215 (614) 464-5607
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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 only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.  q

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.  x

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.  q

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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.  q

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.  q

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.  q

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated  
 filer  Non-accelerated filer  Smaller reporting company   
 reporting company) (Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Fixed Rate Cumulative Perpetual Preferred Shares, Series A, no par value per share (1)(2)	39,000	\$1,000 (1)	\$39,000,000	\$1,532.70
Depository Shares (2)	—	—	—	—
Common Shares, no par value per share (3)	313,505	\$18.66 (4)	\$5,850,003.30	\$229.91
Warrant to Purchase Common Shares, no par value per share (5)	—	—	—	—
Total				\$1,762.61

- (1) Represents the liquidation preference amount for each Fixed Rate Cumulative Perpetual Preferred Share, Series A (the “Series A Preferred Shares”) which were sold by Peoples Bancorp Inc. (“Peoples”) in a non-public offering to the United States Department of the Treasury (the “U.S. Treasury”) under its Troubled Assets Relief Program Capital Purchase Program. Calculated in accordance with Rule 457(a) under the Securities Act of 1933, as amended (the “Securities Act”), and includes such number of additional Series A Preferred Shares, of a currently indeterminable amount, as may from time to time become issuable by reason by share splits, share dividends or similar transactions, which Series A Preferred Shares are registered hereunder pursuant to Rule 416 under the Securities Act.
- (2) In the event the U.S. Treasury requests that Peoples deposit the Series A Preferred Shares with a depository pursuant to a depository arrangement, depository shares evidencing fractional Series A Preferred Shares may be sold pursuant to this Registration Statement in lieu of whole Series A Preferred Shares.
- (3) The Common Shares being registered are purchasable upon exercise of the Warrant to purchase Common Shares being registered and was issued by Peoples to the U.S. Treasury in a non-public offering concurrent with the sale of the Series A Preferred Shares as described in footnote (1). In addition to the number of Common Shares stated in the table above, there is registered, pursuant to Rule 416 of the Securities Act, such number of additional Common Shares, of a currently indeterminable amount, as may from time to time become issuable by reason of share splits, share dividends or similar transactions and certain anti-dilution provisions set forth in the Warrant to Purchase Common Shares.

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- (4) Estimated in accordance with Rule 457(g) under the Securities Act and calculated based on the \$18.66 per share exercise price of the Warrant to purchase Common Shares.
- (5) Pursuant to Rule 457(g) under the Securities Act, no additional fee is payable for the Warrant to Purchase Common Shares.

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

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The information in this prospectus is not complete and may be changed. The securities described in this prospectus cannot be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 6, 2009

PROSPECTUS

PEOPLES BANCORP INC.

39,000 Fixed Rate Cumulative Perpetual Preferred Shares, Series A, No Par Value

(or Depositary Shares Evidencing Fractional Interests in Such Fixed

Rate Cumulative Perpetual Preferred Shares, Series A, No Par Value)

Warrant to Purchase 313,505 Common Shares, No Par Value

313,505 Common Shares, No Par Value

This Prospectus relates to the potential resale from time to time by the selling securityholders of: (1) some or all of 39,000 of our Fixed Rate Cumulative Perpetual Preferred Shares, Series A, no par value per share, liquidation preference \$1,000 per share (the "Series A Preferred Shares"), or, in the event such Series A Preferred Shares are deposited with a depositary as described in this Prospectus, depositary shares evidencing fractional interests in such Series A Preferred Shares; (2) a warrant (the "Warrant") to purchase 313,505 of our common shares, no par value per share (the "Common Shares"); and (3) any Common Shares issuable from time to time upon exercise of the Warrant. The Series A Preferred Shares and the Warrant were originally issued pursuant to the Letter Agreement dated January 30, 2009 (the "Letter Agreement"), and the related Securities Purchase Agreement — Standard Terms (the "Securities Purchase Agreement," and together with the Letter Agreement, the "UST Agreement"), between Peoples Bancorp Inc. and the United States Department of the Treasury (the "U.S. Treasury"), in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

The selling securityholders who may sell or otherwise dispose of the securities offered by this Prospectus include the U.S. Treasury and any other holders of the securities covered by this Prospectus to whom the U.S. Treasury has transferred its registration rights in accordance with the terms of the UST Agreement. The selling securityholders may offer the securities from time to time directly or through underwriters, broker-dealers or agents, and in one or more public or private transactions and at fixed prices, prevailing market prices, prices related to prevailing market prices or at negotiated prices. If these securities are sold through underwriters, broker-dealers or agents, the selling securityholders will be responsible for underwriting discounts or commissions or agents' commissions. We will not receive any proceeds from the sale of securities by the selling securityholders.

Neither the Series A Preferred Shares nor the Warrant is listed on any national securities exchange, and, unless requested by the U.S. Treasury, we do not intend to seek such a listing for the Series A Preferred Shares or the Warrant.

The words "Peoples," "Company," "we," "our," "ours" and "us" as used herein refer to Peoples Bancorp Inc. and its subsidiaries, unless otherwise stated. The mailing address of our principal executive offices is 138 Putnam Street, P.O. Box 738,

Marietta, Ohio 45750-0738; telephone number (740) 373-3155. Our Common Shares are listed on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “PEBO.” On March 5, 2009, the closing price for our Common Shares was \$7.86.

Investing in our securities involves risk. We urge you to carefully review the information contained in this Prospectus under the caption “RISK FACTORS” beginning on page 4 and other information included or incorporated by reference in this Prospectus and any prospectus supplement for a discussion of factors you should carefully consider before you make your investment decision.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION, NOR ANY STATE SECURITIES COMMISSION NOR ANY BANK REGULATORY AGENCY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE NOT DEPOSITS OR ACCOUNTS OR OTHER OBLIGATIONS OF ANY BANK OR SAVINGS ASSOCIATION AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM OR ANY OTHER GOVERNMENTAL OR REGULATORY AGENCY OR INSTRUMENTALITY.

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The date of this Prospectus is \_\_\_\_\_, 2009.

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ABOUT THIS PROSPECTUS

This Prospectus is part of a Registration Statement we have filed with the Securities and Exchange Commission (“SEC”) using a “shelf” registration process. Under this shelf registration process, the selling securityholders may, from time to time, offer and sell, in one or more offerings, the securities described in this Prospectus.

When we use the term “securities” in this Prospectus, we mean any of the securities that the selling securityholders named in this Prospectus may offer under this Prospectus, unless we say otherwise. We may provide a prospectus supplement containing specific information about the terms of a particular offering by the selling securityholders. The prospectus supplement may also add, update or change information contained in this Prospectus. If the information in this Prospectus is inconsistent with a prospectus supplement, you should rely on the information in the prospectus supplement. You should carefully read both this Prospectus and any prospectus supplement. You also should carefully read the documents incorporated by reference into this Prospectus and the documents we have referred you to in “WHERE YOU CAN FIND MORE INFORMATION” for additional information about our Company, including our financial statements.

The selling securityholders named in this Prospectus may use this Prospectus to offer any of the following of our securities from time to time:

- Fixed Rate Cumulative Perpetual Preferred Shares, Series A, no par value, either directly or represented by depositary shares;
- Warrant to purchase 313,505 of our Common Shares, no par value; or
- Common Shares, no par value, issued upon exercise of the Warrant.

You should rely only on the information contained or incorporated by reference into this Prospectus and any prospectus supplement. We have not, and the selling securityholders have not, authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any of the securities to which this Prospectus relates in any jurisdiction to or from any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. You should not assume that the information contained in this Prospectus and, if applicable, any prospectus supplement or any document incorporated by reference in this Prospectus or any prospectus supplement, is accurate as of any date other than the date on the front cover of this Prospectus or on the front cover of the applicable prospectus supplement or documents or as specifically indicated in the document. Our business, financial condition, results of operations and prospects may have changed since that date.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, our SEC filings are available to the public at the SEC’s Internet site at <http://www.sec.gov>. We also maintain an Internet site (<http://www.peoplesbancorp.com>) where information about us and our subsidiaries can be obtained. The information contained on our Internet site is not part of this Prospectus.

In this Prospectus, as permitted by law, we “incorporate by reference” information from other documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this Prospectus and should be read



with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this Prospectus is considered to be automatically updated and superseded. In other words, in case of a conflict or inconsistency between information contained in this Prospectus and information incorporated by reference into this Prospectus, you should rely on the information contained in the document that was filed later.

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We incorporate by reference the following documents that we have filed with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except as noted below:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2008;
- Current Reports on Form 8-K filed/furnished on January 12, 2009, January 23, 2009, January 26, 2009, January 29, 2009, February 2, 2009 and February 27, 2009; and
- The description of our Common Shares that is contained in “Item 5. Other Information” of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, together with any subsequent registration statement or report filed for the purpose of updating such description.

We also incorporate by reference each of the following documents that we will file with the SEC after the date of this Prospectus until this offering is completed:

- Any reports filed under Section 13(a) or Section 13(c) of the Exchange Act;
  - Any document filed under Section 14 of the Exchange Act; and
  - Any reports filed under Section 15(d) of the Exchange Act.

Pursuant to General Instruction B of Form 8-K, any information furnished pursuant to “Item 2.02. Results of Operations and Financial Condition,” or “Item 7.01. Regulation FD Disclosure” of Form 8-K is not deemed to be “filed” for purposes of Section 18 of the Exchange Act, and we are not incorporating by reference any information furnished pursuant to Item 2.02 or Item 7.01 (or former Item 9 or Item 12) of Form 8-K into this Prospectus.

Statements contained in this Prospectus as to the contents of any contract, agreement or other document referred to in this Prospectus do not purport to be complete, and, where reference is made to the particular provisions of that contract, agreement or other document, those references are qualified in all respects by reference to all of the provisions contained in that contract, agreement or other document. Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, into this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference in this Prospectus modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

We will provide without charge, upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this Prospectus (other than exhibits, unless they are specifically incorporated by reference in the documents) and a copy of any or all other contracts, agreements or documents which are referred to in this Prospectus. Requests should be directed to: Peoples Bancorp Inc., 138 Putnam Street, P.O. Box 738, Marietta, Ohio 45750-0738, Attention: Rhonda L. Mears, Esq., General Counsel and Corporate Secretary, telephone number (740) 373-7723.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus contains some forward-looking statements that set forth anticipated results based on our management’s plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events and they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify

such statements by using words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will” and other similar expressions in connection with any discussion of future operating or financial performance.

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We cannot guarantee that any forward-looking statement will be realized, although our management believes that we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind in reading this Prospectus. Factors that might cause such differences include, but are not limited to:

- Continued deterioration in the credit quality of Peoples' loan portfolio could occur due to a number of factors, such as adverse changes in economic conditions that impair the ability of borrowers to repay their loans, the underlying value of the collateral could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected, which may adversely impact the provision for loan losses;
- Competitive pressures among financial institutions or from non-financial institutions, which may increase significantly;
  - Changes in the interest rate environment, which may adversely impact interest margins;
- Changes in prepayment speeds, loan originations, sale volumes and charge-offs, which may be less favorable than expected and adversely impact the amount of interest income generated;
- General economic conditions and weakening in the real estate market, either national or in the states in which Peoples and its subsidiaries do business, which may be less favorable than expected;
- Political developments, wars or other hostilities, which may disrupt or increase volatility in securities markets or other economic conditions;
- Legislative or regulatory changes or actions, which may adversely affect the business of Peoples and its subsidiaries;
- Adverse changes in the conditions and trends in the financial markets, which may adversely affect the fair value of securities within Peoples' investment portfolio;
  - A delayed or incomplete resolution of regulatory issues that could arise;
    - Our ability to receive dividends from our subsidiaries;
  - Our ability to maintain required capital levels and adequate sources of funding and liquidity;
- Changes in accounting standards, policies, estimates or practices, which may impact our reported financial condition or results of operations;
- The impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity;
- The costs and effects of regulatory and legal developments, including the outcome of regulatory or other governmental inquiries and legal proceedings and results of regulatory examinations; and
  - Those risks and uncertainties included in this Prospectus under the caption "RISK FACTORS."

We undertake no obligation publicly to update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the SEC. Also note that we provide cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K incorporated by reference herein and in prospectus supplements and other offering materials. These are factors that, individually or in the aggregate, management believes could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

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RISK FACTORS

An investment in our securities involves certain risks. You should carefully consider the following risk factors and other information contained in this Prospectus and the documents incorporated by reference in this Prospectus, before making an investment decision. Certain risks related to us and our business are described under the heading “Item 1A. Risk Factors” in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Listed below are a number of additional risks, including certain risks related to the securities offered by this Prospectus. The risks discussed below also include forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements. Risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

RISKS RELATING TO PEOPLES AND OUR SUBSIDIARIES

Difficult Market Conditions And Economic Trends Have Adversely Affected Our Industry And Our Business.

Negative developments beginning in the latter half of 2007 and throughout 2008 in the sub-prime mortgage market and the securitization markets for such loans, together with substantial volatility in oil prices and other factors, have resulted in uncertainty in the financial markets in general and a related general economic downturn, continuing into 2009. Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. In addition, the value of real estate collateral supporting many loans has declined and may continue to decline. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. Financial institutions have experienced decreased access to deposits or borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and the trading price of our Common Shares.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions. As a result of the foregoing factors, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations. This increased governmental action may increase our costs and limit our ability to pursue certain business opportunities. We also may be required to pay even higher Federal Deposit Insurance Corporation (“FDIC”) premiums than the recently increased level, because financial institution failures resulting from the depressed market conditions have depleted and may continue to deplete the deposit insurance fund and reduce its ratio of reserves to insured deposits.

A worsening of these conditions would likely exacerbate the adverse effects of these difficult market and economic conditions on us, our customers and the other financial institutions in our market. As a result, we may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

There Can Be No Assurance That Recent Legislative And Regulatory Initiatives To Address Difficult Market And Economic Conditions Will Stabilize The U.S. Banking System.

The Emergency Economic Stabilization Act of 2008 (“EESA”), which established the Troubled Assets Relief Program (“TARP”), was signed into law on October 3, 2008. The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. As part of TARP, the U.S. Treasury established the Capital Purchase Program to provide up to \$700 billion of funding to eligible financial institutions through the purchase of capital stock and other financial instruments for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Under the Capital Purchase Program, the U.S. Treasury is purchasing equity securities from participating institutions. On January 30, 2009, we entered into the UST Agreement with the U.S. Treasury providing for our issuance of the Series A Preferred Shares and the Warrant, pursuant to the Capital Purchase Program. The EESA also increased federal deposit insurance on most deposit accounts from \$100,000 to \$250,000. This increase is in place until the end of 2009 and is not covered by deposit insurance premiums paid by the banking industry.

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On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (“ARRA”), as a sweeping economic recovery package intended to stimulate the economy and provide for broad infrastructure, energy, health, and education needs. There can be no assurance as to the actual impact that EESA or its programs, including the CPP, and ARRA or its programs, will have on the national economy or financial markets. The failure of these significant legislative measures to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our Common Shares.

There have been numerous actions undertaken in connection with or following EESA and ARRA by the Federal Reserve Board, the U.S. Congress, the U.S. Treasury, the FDIC, the SEC and others in efforts to address the current liquidity and credit crisis in the financial industry that followed the sub-prime mortgage market meltdown that began in late 2007. These measures include: (i) homeowner relief that encourages loan restructuring and modification; (ii) the establishment of significant liquidity and credit facilities for financial institutions and investment banks; (iii) the lowering of the federal funds rate; (iv) emergency action against short selling practices; (v) a temporary guaranty program for money market funds; (vi) the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and (vii) coordinated international efforts to address illiquidity and other weaknesses in the banking sector. The purpose of these legislative and regulatory actions is to help stabilize the U.S. banking system. EESA, ARRA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely affected.

**Current Levels Of Market Volatility Are Unprecedented.**

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers’ underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

**Because Of Our Participation In The Capital Purchase Program, We Are Subject To Several Restrictions Including Restrictions On Our Ability To Declare Or Pay Dividends And Repurchase Our Shares As Well As Restrictions On Compensation Paid To Our Executive Officers.**

Pursuant to the terms of the UST Agreement Agreement, our ability to declare or pay dividends on any of our shares is limited. Specifically, we are unable to declare dividend payments on Common Shares, junior preferred shares or pari passu preferred shares if we are in arrears on the payment of dividends on the Series A Preferred Shares. Further, we are not permitted to increase dividends on our Common Shares above the amount of the last quarterly cash dividend per share declared prior to October 14, 2008 (\$0.23 per share) without the U.S. Treasury’s approval until January 30, 2012, unless all of the Series A Preferred Shares have been redeemed or transferred by the U.S. Treasury to unaffiliated third parties. In addition, our ability to repurchase our shares is restricted. The consent of the U.S. Treasury generally is required for us to make any stock repurchase (other than in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice) until January 30, 2012, unless all of the Series A Preferred Shares have been redeemed or transferred by the U.S. Treasury to unaffiliated third parties. Further, Common Shares, junior preferred shares or pari passu preferred shares may not be repurchased if we are in arrears on the payment of Series A Preferred Share dividends. Finally, the terms of the UST Agreement allow the U.S. Treasury to impose additional restrictions, including those on dividends and including unilateral amendments required to comply with changes in applicable federal law.



Pursuant to the terms of the UST Agreement, we adopted the U.S. Treasury's current standards for executive compensation and corporate governance for the period during which the Treasury holds the equity securities issued pursuant to the UST Agreement, including the Common Shares that may be issued upon exercise of the Warrant. These standards generally apply to our Chief Executive Officer, Chief Financial Officer and the three next most highly compensated senior executive officers. The standards include: (i) ensuring that incentive compensation plans and arrangements for senior executive officers do not encourage unnecessary and excessive risks that threaten our value; (ii) required clawback of any bonus or incentive compensation paid (or under a legally binding obligation to be paid) to a senior executive officer based on materially inaccurate financial statements or other materially inaccurate performance metric criteria; (iii) prohibition on making "golden parachute payments" to senior executive officers; and (iv) agreement not to claim a deduction, for federal income tax purposes, for compensation paid to any of the senior executive officers in excess of \$500,000 per year.

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The adoption of ARRA on February 17, 2009 imposed certain new executive compensation and corporate expenditure limits on all current and future TARP recipients, including the Company, until the institution has repaid the U.S. Treasury. The executive compensation standards are more stringent than those currently in effect under the Capital Purchase Program or those previously proposed by the U.S. Treasury, but it is yet unclear how these executive compensation standards will relate to the similar standards announced by the U.S. Treasury on February 4, 2009, or whether the standards will be considered effective immediately or only after implementing regulations are issued by the U.S. Treasury. The new standards include (but are not limited to): (i) prohibitions on bonuses, retention awards and other incentive compensation, other than restricted stock grants which do not fully vest during the TARP period with a value not greater than one-third of an employee's total annual compensation; (ii) prohibitions on payments for departure from a company for any reason, except for payments for services performed or benefits accrued; (iii) an expanded clawback of bonuses, retention awards, and incentive compensation if payment is based on materially inaccurate statements of earnings, revenues, gains or other criteria; (iv) prohibitions on compensation plans that encourage manipulation of reported earnings; (v) retroactive review of bonuses, retention awards and other compensation previously provided by TARP recipients if found by the U.S. Treasury to be inconsistent with the purposes of TARP or otherwise contrary to public interest; (vi) required establishment of a company-wide policy regarding "excessive or luxury expenditures," and; (vii) inclusion in a participant's proxy statements for annual shareholder meetings of a nonbinding "Say on Pay" shareholder vote on the compensation of executives.

## RISKS RELATING TO THE SERIES A PREFERRED SHARES AND OUR COMMON SHARES

The Series A Preferred Shares Represent Equity Interests In Peoples And Are Subordinate To All Of Our Existing And Future Indebtedness. Regulatory, Statutory And Contractual Restrictions May Limit Or Prevent Us From Paying Dividends On The Series A Preferred Shares And Our Common Shares, And The Series A Preferred Shares Place No Limitations On The Amount Of Indebtedness We And Our Subsidiaries May Incur In The Future.

The Series A Preferred Shares are equity interests in Peoples and do not constitute indebtedness. As such, the Series A Preferred Shares, like our Common Shares, rank junior to all indebtedness and other non-equity claims on Peoples with respect to assets available to satisfy claims on Peoples, including in a liquidation of Peoples. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred shares like the Series A Preferred Shares, as with our Common Shares: (i) dividends are payable only when, as and if authorized and declared by, our Board of Directors and depend on, among other things, our results of operations, financial condition, debt service requirements, other cash needs and any other factors our Board of Directors deems relevant; and (ii) as an Ohio corporation, under Ohio law, we are subject to restrictions on payments of dividends out of lawfully available funds. See the discussion under the captions "DESCRIPTION OF SERIES A PREFERRED SHARES – Dividends Payable On Series A Preferred Shares" and "DESCRIPTION OF COMMON SHARES – Dividends."

The Series A Preferred Shares do not limit the amount of debt or other obligations we or our subsidiaries may incur in the future. Accordingly, we and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the Series A Preferred Shares or to which the Series A Preferred Shares will be structurally subordinated.

We are subject to certain contractual restrictions that could prohibit us from declaring or paying dividends or making liquidation payments on our Common Shares or the Series A Preferred Shares. See the immediately following risk factor.

If We Defer Payments Of Interest On Our Outstanding Junior Subordinated Deferrable Interest Debentures Or If Certain Defaults Relating To Those Junior Subordinated Deferrable Interest Debentures Occur, We Will Be Prohibited From Declaring Or Paying Dividends Or Distributions On, From Redeeming Or Repurchasing, And From

Making Liquidation Payments With Respect To, The Series A Preferred Shares And Our Common Shares.

We previously formed PEBO Capital Trust I for the purpose of issuing corporation-obligated mandatorily redeemable capital securities (the “Capital Securities”), with 100% of the common equity in PEBO Capital Trust I owned by Peoples. The proceeds from the Capital Securities and common equity were invested in junior subordinated deferrable interest debentures of Peoples (the “Debentures”). The Debentures held by PEBO Capital Trust I are its sole assets. Distributions on the Capital Securities are payable semiannually at a rate per annum equal to the interest rate being earned by PEBO Capital Trust I on the Debentures.

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Under the provisions of the Debentures, Peoples has the right to defer payment of interest on the Debentures at any time, or from time to time, for periods not exceeding five years. If interest payments on the Debentures are deferred, the dividends on the Capital Securities are also deferred. Peoples has entered into agreements which, taken collectively, fully and unconditionally guarantee the Capital Securities subject to the terms of each of the guarantees. As of December 31, 2008, the outstanding principal amount of the Debentures was approximately \$22,495,000.