

PEOPLES FINANCIAL SERVICES CORP.
Form S-4
August 13, 2013
Table of Contents

As filed with the Securities and Exchange Commission on August 13, 2013

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Peoples Financial Services Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

6022
(Primary Standard Industrial
Classification Code Number)
82 Franklin Ave.

23-2391852
I.R.S. Employer
Identification No.)

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form S-4

Hallstead, PA 18822

(570) 879-2175

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

Alan W. Dakey

President and Chief Executive Officer

Peoples Financial Services Corp.

82 Franklin Ave.

Hallstead, PA 18822

(570) 879-2175

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

Copies of all communications to:

Erik Gerhard, Esquire	Craig W. Best	Donald R. Readlinger, Esquire
Bybel Rutledge LLP	President and Chief Executive Officer	Pepper Hamilton LLP
1017 Mumma Road, Suite 302	Penseco Financial Services Corporation	301 Carnegie Center
Lemoine, PA 17043	150 North Washington Avenue	Princeton, NJ 08543-5276
717-731-1700	Scranton, PA 18503-1848	609-951-4146
	570-346-7741	

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this Registration Statement and upon completion of the merger of Penseco Financial Services Corporation with and into Peoples Financial Services Corp.

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

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

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form S-4

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 (Do not check if a smaller reporting company) 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 13e-4(i) (Cross-Border Third-Party Tender Offer) "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per unit (2)	Proposed maximum aggregate offering price (2)	Amount of registration fee
Common Stock, \$2.00 par value per share	4,466,086	N/A	\$138,140,347	\$18,843

- (1) Based on the estimated number of shares of Peoples Financial Services Corp. (Peoples) common stock that may be issued in connection with the proposed merger of Penseco Financial Services Corporation (Penseco) with and into Peoples pursuant to the Agreement and Plan of Merger between Peoples and Penseco dated as of June 28, 2013, calculated by multiplying (i) 3,285,145 shares of Penseco common stock outstanding and restricted common stock outstanding as of August 6, 2013 by (ii) 1.3636, the exchange ratio under the merger agreement. In accordance with Rule 416, under the Securities Act of 1933, this registration statement shall also register any additional shares of registrant s common stock that may become issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions.
- (2) Estimated solely for purposes of calculating the registration fee. Computed in accordance with Rules 457(c) and 457(f), based on (i) the average of the bid and asked price of Penseco Financial Services Corporation common stock as of August 6, 2013 of \$42.05 as quoted on the OTCQB market place and (ii) 3,285,145 shares of Penseco common stock outstanding and restricted common stock outstanding as of August 6, 2013 to be exchanged in the merger for common stock of the registrant.

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

Table of Contents

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

Subject to completion, dated August 13, 2013

Joint Proxy Statement/Prospectus For 4,466,086 Shares of

Peoples Financial Services Corp. Common Stock

Merger Proposal Your Vote Is Very Important

To: The shareholders of Peoples Financial Services Corp. and Pensco Financial Services Corporation

The boards of directors of Peoples Financial Services Corp. and Pensco Financial Services Corporation have each unanimously approved a transaction in which Pensco will merge with and into Peoples. Pursuant to the terms of the Agreement and Plan of Merger, dated as of June 28, 2013, Pensco will merge with and into Peoples, and Penn Security Bank and Trust Company, the wholly-owned subsidiary of Pensco will merge with and into Peoples Neighborhood Bank, the wholly-owned subsidiary of Peoples, and the resulting institution will be named Peoples Security Bank and Trust Company.

In the merger, Pensco shareholders will receive 1.3636 shares of Peoples common stock for each share of Pensco common stock they own at the effective time of the merger, subject to adjustment in accordance with the merger agreement. Pensco shareholders also will receive cash instead of any fractional shares they would have otherwise received in the merger. Peoples estimates that it will issue approximately 4,466,086 shares of Peoples common stock, \$2.00 par value per share, in the merger. Immediately following the merger, former Peoples shareholders are expected to own approximately 40.8% of Peoples common stock, and former Pensco shareholders are expected to own approximately 59.2% of Peoples common stock.

Peoples common stock is quoted on the OTCQB market place maintained by OTC Market Groups, Inc. under the symbol PFIS. On August 8, 2013, the closing price of Peoples common stock was \$35.25. The price of Peoples common stock will fluctuate between now and the closing of the merger. Pensco is quoted on the OTCQB market place maintained by OTC Market Groups, Inc. under the symbol PFNS. On August 8, 2013, the closing price of Pensco common stock was \$42.00. The price of Pensco common stock will fluctuate between now and the closing of the merger. We urge you to obtain current market quotations for both Peoples and Pensco common stock.

Peoples will hold a special meeting of its shareholders to vote on the approval and adoption of the merger agreement on [], 2013, at [] a.m. at [], Hallstead, Pennsylvania []. Pensco will hold a special meeting of its shareholders to vote on the approval and adoption of the merger agreement on [], 2013, at [] p.m. at [], Scranton, Pennsylvania []. We cannot complete the merger unless the holders of at least a majority of the outstanding shares of Peoples common stock entitled to vote at the special meeting of shareholders approve and adopt the merger agreement and the merger agreement is approved and adopted by the affirmative vote of the holders of at least 75% of the outstanding shares of Pensco common stock.

Each of the Peoples and Pensco board of directors unanimously recommends that you vote FOR the approval and adoption of the merger agreement. All shareholders of Peoples and Pensco are invited to attend their respective special meeting in person. However, whether or not you plan to attend the special meeting, please take the time to ensure your shares are voted by submitting a proxy, either by mailing the enclosed proxy card or by following the instructions for internet or telephone submission.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the common stock of Peoples to be issued in this merger or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form S-4

The shares of Peoples common stock offered are not savings or deposit accounts or other obligations of either party or any of their banking or other subsidiaries, and they are not insured by any federal or state governmental agency.

Investing in Peoples common stock involves risks that are described in Risk Factors beginning on page 25.

This joint proxy statement/prospectus is dated [], and is first being mailed to shareholders of Peoples and Pensco on or about [].

Table of Contents

Peoples Financial Services Corp.

82 Franklin Avenue

Hallstead, PA 18822

Notice of Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Peoples Financial Services Corp. will be held at [] a.m., local time, on [], 2013 at [], Hallstead, Pennsylvania [], for the following purposes:

1. To approve and adopt the Agreement and Plan of Merger, dated as of June 28, 2013 by and between Peoples Financial Services Corp. and Pensco Financial Services Corporation, which provides, among other things, for the merger of Pensco with and into Peoples, and the conversion of each share of Pensco common stock immediately outstanding prior to the merger into 1.3636 shares of Peoples common stock, all as described in the accompanying documents, and transactions in connection therewith;
2. To amend Article 4 of Peoples Articles of Incorporation to increase the number of authorized shares of Peoples common stock, \$2.00 par value per share, from 12,500,000 shares to 25,000,000 shares;
3. To approve on an advisory (non-binding) basis the golden parachute compensation payable to the named executive officers of Peoples and Pensco in connection with the merger;
4. To consider and vote upon a proposal to adjourn or postpone the special meeting of shareholders, if more time is needed, to allow Peoples time to solicit additional votes in favor of the merger agreement and the amendment to the articles of incorporation; and

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof. The Peoples board of directors unanimously recommends that you vote FOR the approval and adoption of the Agreement and Plan of Merger, FOR the approval and adoption of the amendment to the articles of incorporation, FOR the approval of the advisory (non-binding) resolution approving the golden parachute compensation payable to the named executive officers of Peoples and Pensco in connection with the merger, and FOR the approval of the proposal granting the Peoples board of directors discretionary authority to adjourn or postpone the special meeting, if necessary, as described in detail in the accompanying joint proxy statement/prospectus.

The Peoples board of directors has fixed the close of business on [], as the record date for determining shareholders entitled to notice of, and to vote at, the special meeting of shareholders.

Your vote is important regardless of the number of shares you own. Peoples cannot complete the merger unless the merger agreement is approved and adopted by the affirmative vote of the holders of at least a majority of the outstanding shares of Peoples common stock entitled to vote on the merger agreement. If a Peoples shareholder does not vote by proxy or by attending the Peoples special meeting of shareholders and voting in person, it will have the same effect as voting against the merger.

Whether or not you plan to attend the special meeting, the Peoples board of directors urges you to complete, sign, date, and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope. This will not prevent you from voting in person at the special meeting but will assure that your vote is counted if you are unable to attend. If you are a shareholder whose shares are registered in street name, you will need additional documentation from your broker in order to vote personally at the special meeting.

By Order of the Board of Directors,

Alan W. Dakey
President and Chief Executive Officer

Hallstead, Pennsylvania

[], 2013

Table of Contents

Penseco Financial Services Corporation

150 North Washington Avenue

Scranton, PA 18503

Notice of Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Penseco Financial Services Corporation will be held at [] p.m., local time, on [], 2013 at [], Scranton, Pennsylvania 18503, for the following purposes:

1. a proposal to approve and adopt the Agreement and Plan of Merger, dated as of June 28, 2013 by and between Peoples Financial Services Corp. and Penseco Financial Services Corporation, which provides, among other things, for the merger of Penseco with and into Peoples, and the conversion of each share of Penseco common stock immediately outstanding prior to the merger into 1.3636 shares of Peoples common stock, all as described in the accompanying documents;
2. a proposal to approve, on an advisory basis, the compensation of the named executive officers of Penseco that is based on or related to the proposed merger; and
3. a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve and adopt the merger agreement.

In accordance with the Penseco's bylaws, only the business conducted at the special meeting will be the business brought before the special meeting pursuant to this notice.

The Penseco board of directors unanimously recommends that you vote **FOR** the proposal to approve and adopt the Agreement and Plan of Merger, **FOR** the proposal to approve, on an advisory basis, the compensation of the named executive officers of Penseco that is based on or related to the proposed merger, and **FOR** the approval the proposal to adjourn the special meeting, if necessary.

Shareholders of record of the Penseco common stock of at the close of business on [] are entitled to vote at the Penseco special meeting and any adjournment or postponement of the special meeting.

Your vote is important regardless of the number of shares you own. Penseco cannot complete the merger unless the merger agreement is approved and adopted by the affirmative vote of the holders of at least 75% of the outstanding shares of Penseco common stock. If a Penseco shareholder does not vote by proxy or by attending the Penseco special meeting of shareholders and voting in person, it will have the same effect as voting against the merger.

Whether or not you plan to attend the special meeting, the Penseco board of directors urges you to submit your proxy as soon as possible, either by completing, signing, dating, and returning the enclosed proxy in the enclosed postage-paid envelope or by following the internet and telephone instructions included in the attached materials. Submitting your proxy will not prevent you from voting in person at the special meeting, but it will assure that your vote is counted if you are unable to attend. If you are a shareholder whose shares are registered in street name, you will need to follow the instructions provided by your broker, and you will need additional documentation from your broker in order to vote in person at the special meeting.

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form S-4

By Order of the Board of Directors,

Craig W. Best
President and Chief Executive Officer

Scranton, Pennsylvania

[], 2013

Table of Contents

HOW TO OBTAIN MORE INFORMATION

This document incorporates by reference important business and financial information about Penseco that is not included in or delivered with this document. You can obtain free copies of this information through the SEC website at <http://www.sec.gov> or by writing or calling:

Penseco Financial Services Corporation

150 North Washington Avenue

Scranton, PA 18503

Telephone number 570-346-7741

Attention: Marie L. Luciani, Investor Relations Officer

In order to obtain timely delivery of the documents, you must request the information no later than [], 2013.

See [Where You Can Find More Information](#) on page 174 and [Incorporation of Certain Information by Reference](#) on page 174.

All information concerning Peoples and its subsidiaries has been furnished by Peoples and all information concerning Penseco and its subsidiaries has been furnished by Penseco.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus when evaluating the merger agreement and the proposed merger. We have not authorized anyone to provide you with information that is different from what is contained in this joint proxy statement/prospectus. This proxy statement/prospectus is dated [], 2013. 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 joint proxy statement/prospectus to shareholders of Peoples and Penseco nor the issuance of shares of Peoples common stock as contemplated by the merger agreement shall create any implication to the contrary.

Table of Contents**Table of Contents**

<u>Questions and Answers about the Merger</u>	3
<u>Summary</u>	8
<u>Selected Historical Consolidated Financial Data of Peoples</u>	17
<u>Selected Historical Consolidated Financial Data of Penseco</u>	19
<u>Selected Unaudited Pro Forma Combined Financial Data</u>	21
<u>Comparative Pro Forma Per Share Data</u>	23
<u>Risk Factors</u>	25
<u>A Warning About Forward-Looking Information</u>	34
<u>The Peoples Special Meeting of Shareholders</u>	34
<u>The Penseco Special Meeting of Shareholders</u>	37
<u>Proposal:</u>	40
<u>The Merger</u>	40
<u>General</u>	40
<u>Background of the Merger</u>	41
<u>Peoples' Reasons for the Merger</u>	44
<u>Recommendation of the Peoples Board of Directors</u>	48
<u>Opinion of Peoples' Financial Advisor</u>	48
<u>Penseco's Reasons for the Merger</u>	56
<u>Recommendation of the Penseco Board of Directors</u>	59
<u>Opinion of Penseco's Financial Advisor</u>	59
<u>Terms of the Merger</u>	68
<u>Interests of Directors, Officers, and Others in the Merger</u>	81
<u>Accounting Treatment</u>	87
<u>Material U.S. Federal Income Tax Consequences</u>	88
<u>Resales of Peoples Common Stock</u>	90
<u>Application to be Listed on The Nasdaq Stock Market, Inc.</u>	90
<u>Rights of Dissenting Shareholders</u>	90
<u>Description of Peoples</u>	92
<u>General</u>	92
<u>Property</u>	104
<u>Legal Proceedings</u>	104
<u>Information about Peoples' Directors</u>	104
<u>Related Party Transactions</u>	117
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	117
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations of Peoples Financial Services Corp. Six Months Ended June 30, 2013 and 2012</u>	118
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations of Peoples Financial Services Corp. Years Ended December 31, 2012 and 2011</u>	126
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations of Peoples Financial Services Corp. Years Ended December 31, 2011 and 2010</u>	152
<u>Qualitative and Quantitative Disclosures about Market Risk</u>	161
<u>Description of Peoples Capital Securities</u>	162
<u>Description of Peoples' Common Stock</u>	162
<u>Comparison of Shareholders' Rights</u>	164
<u>Number of Authorized Shares of Capital Stock</u>	165
<u>Share Certificates</u>	165
<u>Annual Shareholder Meeting</u>	165
<u>Special Meetings of Shareholders</u>	165
<u>Notice of Shareholder Meetings</u>	165
<u>Fixing the Record Date</u>	165

Table of Contents

<u>Composition of the Board of Directors</u>	166
<u>Composition of Board of Director Committees</u>	166
<u>Advance Notice Requirement for Nomination of Candidates for Director</u>	167
<u>Advance Notice Requirement for Business to be Conducted at Annual Meeting</u>	167
<u>Amendment of Articles of Incorporation</u>	168
<u>Amendment of Bylaws</u>	169
<u>Fundamental Changes</u>	169
<u>Anti-Takeover Provisions Applicable to Registered Corporations</u>	169
<u>Directors Duty to Consider a Merger or Combination with Another Corporation</u>	170
<u>Peoples Proposal No. 2: Amendment to Peoples Articles of Incorporation to Increase Authorized Number of Shares</u>	171
<u>Peoples Proposal 3: Advisory (Non-Binding) Vote on Golden Parachute Compensation</u>	172
<u>Penseco Proposal 2: Advisory (Non-Binding) Vote on Golden Parachute Compensation</u>	173
<u>Proposal: Adjournment or Postponement of Special Meeting</u>	173
<u>Experts</u>	174
<u>Legal Matters</u>	174
<u>Where You Can Find More Information</u>	174
<u>Incorporation of Certain Information by Reference</u>	174
<u>Other Business</u>	175
<u>Shareholder Proposals</u>	175
<u>Consolidated Financial Statements of Peoples Financial Services Corp.</u>	F-1
<u>Unaudited <i>Pro Forma</i> Combined Financial Information</u>	F-66
<u>Agreement and Plan of Merger</u>	Annex A
<u>Opinion of Boenning & Scattergood, Inc.</u>	Annex B
<u>Opinion of Griffin Financial Group, Inc.</u>	Annex C
<u>Dissenters Rights Provisions</u>	Annex D

Table of Contents

Questions and Answers about the Merger

Q-1: Why am I receiving this document?

A: You are receiving this document because Peoples and Penseco signed an Agreement and Plan of Merger, dated as of June 28, 2013, which provides, among other things, for the merger of Penseco with and into Peoples, and the conversion of each share of Penseco common stock outstanding immediately prior to the consummation of the merger into 1.3636 shares of Peoples common stock.

Q-2: What is the purpose of this document?

A: This document serves as both a proxy statement of Peoples and Penseco and a prospectus of Peoples. This document serves as a proxy statement because the Peoples and Penseco boards of directors are soliciting your proxy for use at the Peoples and Penseco special meetings of shareholders called to consider and vote on the merger agreement. This document serves as a prospectus because Peoples is offering shareholders of Penseco to exchange their shares of Penseco common stock for shares of Peoples common stock in the merger.

Q-3: What items of business will Peoples and Penseco ask shareholders to consider at the special meetings?

A: At the Peoples special meeting, shareholders are asked to vote in favor of approval and adoption of the merger agreement with Penseco. In addition, shareholders will be asked to vote in favor of an amendment to the articles of incorporation, cast an advisory (non-binding) vote on the golden parachute compensation payable to the named executive officers of Peoples and Penseco in connection with the merger, and vote in favor of a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies if we have not received sufficient votes to adopt the merger agreement at the time of the special meeting.

At the Penseco special meeting, shareholders are asked to vote in favor of approval and adoption of the merger agreement with Peoples. In addition, shareholders will be asked to cast an advisory (non-binding) vote on the golden parachute compensation, that is compensation based on or related to the proposed merger, payable to the named executive officers of Penseco in connection with the merger, and vote in favor of a proposal to adjourn or postpone our special meeting, if necessary, to solicit additional proxies if we have not received sufficient votes to adopt the merger agreement at the time of our special meeting.

Q-4: Why are Peoples and Penseco proposing to merge?

A: The boards of directors of Peoples and Penseco believe that a merger of the two companies will create a stronger and more capable entity than either Peoples or Penseco is likely to be alone. Each board of directors believes the merger will provide an opportunity for each company to capitalize on its resources in the short-term and strengthen their prospects for the continued growth over the long-term. The merger also involves certain risks, which are described under Risk Factors beginning on page 25.

Q-5: Will Peoples Neighborhood Bank and Penn Security Bank and Trust Company change their names after the merger?

A: Yes. Following the effective time of the merger of Penseco with and into Peoples, Penn Security Bank and Trust Company will merge with and into Peoples Neighborhood Bank. The resulting bank will be named Peoples Security Bank and Trust Company.

Table of Contents

Q-6: What do the Peoples and Penseco boards of directors recommend?

A: The Peoples and Penseco boards of directors have approved the merger agreement and the merger, and each believes that the merger is in the best interests of Peoples and Penseco. Accordingly, the Peoples board of directors unanimously recommends that their shareholders vote FOR the approval and adoption of the merger agreement and the merger, FOR the approval and adoption of the amendment to the articles of incorporation, FOR the approval of the advisory (non-binding) resolution approving the golden parachute compensation payable to the named executive officers of Peoples and Penseco in connection with the merger, and FOR the approval of the proposal granting the Peoples board of directors discretionary authority to adjourn or postpone the special meeting, if necessary. The Penseco board of directors unanimously recommends that you vote FOR the proposal to approve and adopt the merger agreement, FOR the proposal to approve, on an advisory basis, the compensation of the named executive officers of Penseco that is based on or related to the proposed merger, and FOR the approval of the proposal to adjourn the special meeting, if necessary.

Q-7: When do Peoples and Penseco expect to complete the merger?

A: Peoples and Penseco expect to complete the merger shortly after all of the conditions to the merger are fulfilled, including obtaining the approval of Peoples shareholders, the approval of Penseco shareholders, and the approval of the applicable regulatory agencies. We anticipate this will occur in late 2013. Peoples and Penseco cannot assure you that they will obtain the necessary shareholder approvals and regulatory approvals or the other conditions precedent to the merger can or will be satisfied.

Q-8: What will Penseco shareholders receive in the merger?

A: Record holders of Penseco common stock will receive 1.3636 shares of Peoples common stock for every share of Penseco common stock they own on the effective time of the merger and will receive cash instead of any fractional share they would have otherwise received in the merger.

Q-9: Why is Peoples proposing to amend its articles of incorporation?

A: Currently, Peoples' articles of incorporation only permit the issuance of 12,500,000 shares of common stock. However, in order to effect the merger, Peoples will have to issue an additional 4,466,086 shares of common stock in addition to the current 3,087,206 shares of common stock outstanding and 5,800 shares of common stock reserved for issuance. While, Peoples will have enough common stock shares authorized to issue to effect the merger under the current articles of incorporation, in order to provide flexibility, the board of directors believes it is in the best interests of Peoples and its shareholders to have more shares authorized for any future financings, investment opportunities, acquisitions of other companies, declaration of stock dividends, stock splits or other distributions, or for other corporate purposes.

Q-10: Why am I being asked to cast an advisory (non-binding) vote to approve the golden parachute compensation payable to certain officers in connection with the merger?

A: The SEC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopted rules that require the companies to seek an advisory (non-binding) vote with respect to certain payments that will or may be made to each company's named executive officers in connection with the merger.

Table of Contents

Q-11: What will happen if shareholders do not approve the golden parachute compensation at the special meetings?

A: Approval of the golden parachute compensation payable in connection with the merger is not a condition to completion of the merger. The votes with respect to the golden parachute compensation are advisory and will not be binding on either Peoples or Pensco (or the combined company that results from the merger) regardless of whether the merger agreement is approved and adopted. Accordingly, as the compensation to be paid to certain of the executives in connection with the merger is contractual, such compensation will or may be payable if the merger is completed regardless of the outcome of the advisory votes.

Q-12: Are there regulatory or other conditions to the merger occurring?

A: Yes. The merger must be approved by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC) and the Pennsylvania Department of Banking and Securities. As of the date of this joint proxy statement/prospectus, appropriate applications will be filed with these regulatory authorities.

Furthermore, the merger will only be completed if neither Peoples nor Pensco is in material breach of any of its representations, warranties, or obligations under the merger agreement. The merger is also subject to the condition that Peoples and Pensco each receive an opinion from their respective counsel that the merger will be treated as a reorganization under Section 368(a) of the Internal Revenue Code of 1986. The merger is also subject to certain other specified conditions. See Proposal The Merger Terms of the Merger Conditions to Merger, beginning at page 75.

Q-13: What vote is required to approve the merger?

A: Both Peoples shareholders and Pensco shareholders must adopt and approve the merger agreement in accordance with each of its articles of incorporation and bylaws. As the board of directors of Peoples has already approved the merger agreement by at least 66 2/3% of the board, the affirmative vote of the holders of at least a majority of the outstanding shares of Peoples common stock on the record date is necessary to approve and adopt the merger agreement. The affirmative vote of the holders of at least 75% of the outstanding shares of Pensco common stock on the record date is necessary to approve and adopt the merger agreement.

Q-14: Do I have the right to dissent from the merger?

A: Yes. As a Peoples or Pensco shareholder, you have the right under Pennsylvania law to dissent from the merger and to demand and receive a cash payment of the statutorily determined fair value of your common stock in the event that the merger is consummated. The statutorily determined fair value could be more or less than the value of the merger consideration. In order to assert dissenters rights, shareholders must precisely follow the process described in Proposal The Merger Rights of Dissenting Shareholders beginning on page 90 and in Annex D.

Generally, shareholders who wish to dissent must:

1. File with the corporation of which they are a shareholder a written notice of their intention to demand that they be paid the fair value for their shares of Peoples or Pensco common stock, as the case may be, rather than receive shares of Peoples common stock as described in the merger agreement prior to the respective vote of shareholders on the merger at the Peoples or Pensco special meeting called for such purpose.
2. The dissenting shareholders must effect no change in the beneficial ownership of their Peoples or Pensco common stock, as the case may be, from the date of the filing of the intention to demand payment through the effective time of the merger if the shareholders approve and adopt the merger and the merger agreement.

Table of Contents

3. Dissenting shareholders also must refrain from voting their Peoples or Penseco common stock to approve the merger at the special meeting called for such purpose.

You also are encouraged to consult with your own legal advisor as to your dissenters' rights under Pennsylvania law. Failure to strictly comply with these procedures will result in the loss of these dissenters' rights and your ability to receive cash for the fair value of your common stock of either Peoples or Penseco.

Q-15: What do I need to do now?

A: After you have carefully read these materials, indicate on the enclosed proxy card how you want to vote your shares of either Peoples or Penseco. Then sign, date, and mail the proxy card in the enclosed postage-paid envelope as soon as possible so your shares will be represented and voted at either the Peoples or Penseco special meeting. Alternatively, you can submit your proxy by following the internet or telephone instructions included in the following materials and on your proxy card.

Q-16: Should Penseco shareholders send in their stock certificates now?

A: No. Penseco shareholders should not send in their stock certificates at this time. Penseco shareholders will receive instructions from the exchange agent at a later time. Peoples shareholders will not need to exchange their certificates. See Proposal The Merger Terms of the Merger Exchange Procedures on page 69.

Please do not send any stock certificates to Peoples, Penseco, or the exchange agent until you receive instructions.

Q-17: Can I change my vote after I have submitted my proxy?

A: Yes. There are three ways for you to revoke your proxy and change your vote:

1. You may submit a later-dated, proxy before Peoples' or Penseco's special meeting, as either relates to you.
2. You may revoke your proxy by written notice delivered at any time prior to the vote on the merger including delivery at the special meeting of shareholders. Peoples shareholders should deliver this notice to the Corporate Secretary, and Penseco shareholders should deliver this notice to the Secretary.
3. You may attend the Peoples or Penseco special meeting and vote in person. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q-18: What are the material U.S. federal income tax consequences of the merger to Penseco shareholders?

A: The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the holders of Penseco common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Penseco common stock for shares of Peoples common stock in the merger, except with respect to any cash received in lieu of fractional shares. This tax treatment may not apply to all Penseco shareholders.

We urge you to consult your tax advisor for a full understanding of the tax consequences of the merger to you. Tax matters are very complicated and, in many cases, tax consequences of the

Table of Contents

merger will depend on your particular facts and circumstances. See **Proposal The Merger Material U.S. Federal Income Tax Consequences**, beginning at page 88.

Q-19: What happens if my stock certificates are held in street name by my broker, bank, or other nominee?

A: Your broker, bank, or other nominee will not vote your shares unless you provide instructions to your broker, bank, or other nominee on how to vote. You should fill out the voter instruction form sent to you by your broker, bank, or other nominee with this document.