

PEOPLES BANCORP INC
Form S-3
May 26, 2016

As filed with the Securities and Exchange Commission on May 26, 2016
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 31-0987416
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)
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)

M. Ryan Kirkham, Esq.
Peoples Bancorp Inc.
138 Putnam Street
P.O. Box 738
Marietta, Ohio 45750-0738
(740) 376-7574

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a Copy to:
Elizabeth Turrell Farrar, Esq.
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43215
(614) 464-5607

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: x

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: o

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(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.

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.

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.

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.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller 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	Amount of (1) Registration Fee
Common Shares, without par value	500,000	\$1,090

In addition, pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the “Securities Act”), this Registration Statement also covers an indeterminate number of additional common shares that may be issued (1) pursuant to the terms of the Peoples Bancorp Inc. Dividend Reinvestment and Stock Purchase Plan which provides for adjustments in the number of common shares being issued to prevent dilution resulting from stock splits, stock dividends, recapitalizations or other similar transactions.

Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act (2) and computed on the basis of \$21.645 per share, which is the average of the high and low per share sales prices for the Registrant’s common shares as reported on The Nasdaq Global Select Market on May 24, 2016.

Index to Exhibits is set forth beginning on page E-1 of this Registration Statement.

PROSPECTUS

PEOPLES BANCORP INC.
138 Putnam Street
P.O. Box 738
Marietta, Ohio 45750-0738
(740) 373-3155

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

500,000 Common Shares, Without Par Value
Trading Symbol: The Nasdaq Global Select Market -- PEBO

We are offering our shareholders a convenient and economical method to purchase additional common shares, without payment of any brokerage commissions, through the Peoples Bancorp Inc. Dividend Reinvestment and Stock Purchase Plan (the "Plan"). By participating in the Plan, shareholders may reinvest their cash dividends in full or in part. Participants may also purchase additional common shares of Peoples by making optional cash investments of \$100 or more, up to a maximum of \$10,000 for each calendar month.

This prospectus describes and constitutes the Peoples Bancorp Inc. Dividend Reinvestment and Stock Purchase Plan. Please read this prospectus carefully and keep it for future reference. If you have any questions about the Plan, please call Shareowner Services, a division of Wells Fargo Bank, N.A., administrator for the Plan (the "Plan Administrator"), at 1-800-999-9867 between 7:00 a.m. and 7:00 p.m., Central Time, on any business day.

Common shares purchased under the Plan may be purchased from us or purchased for participants in the open market, at our option. The price of the common shares purchased from us will be the average of the closing sales prices of the common shares as reported on The Nasdaq Global Select Market on the five business days immediately preceding the applicable purchase date for which such prices have been reported. If the common shares are purchased in the open market, the price of the common shares will be the weighted-average purchase price of the common shares on the applicable purchase date. The closing price of our common shares as reported on The Nasdaq Global Select Market on May 24, 2016 was \$21.92.

Shareholders who are currently enrolled in the Plan will continue to be enrolled until they notify the Plan Administrator that they wish to withdraw. Shareholders who do not currently participate and do not wish to participate in the Plan will continue to receive cash dividends, as declared, in the usual manner.

Investment in our common shares, as with any investment in securities, involves investment risks, including the risk of the possible loss of value. Before investing in our common shares, you should carefully read the "RISK FACTORS" section on page 1 of this prospectus, as well as the risk factors described in our periodic filings with the Securities and Exchange Commission.

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 adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The securities offered by this prospectus are our common shares and are not deposits or accounts or other obligations of our bank subsidiary or any of our non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Ohio Division of Financial Institutions or any other governmental or regulatory agency or instrumentality.

The date of this prospectus is May 26, 2016.

TABLE OF CONTENTS	Page
RISK FACTORS	1
ABOUT THIS PROSPECTUS	1
PEOPLES BANCORP INC.	1
FORWARD-LOOKING STATEMENTS	2
DIRECT REGISTRATION	3
DESCRIPTION OF THE PLAN	4
Purpose	4
Advantages to Participants	4
Administration	4
Eligibility	4
How to Enroll in the Plan	5
Reinvestment Options	5
How to Change Your Reinvestment Option	5
Payment of Dividends	5
Optional Cash Investments	6
Internet Privileges	7
Telephone Privileges	7
Purchase Dates	7
How Common Shares are Purchased for the Plan	8
Price of Common Shares Purchased Under the Plan	8
Number of Common Shares Purchased for Each Participant	8
Costs of Participation	9
How to Sell Common Shares Held in Your Account	9
Reports to Participants	10
Issuance of Share Certificates to Participants	11
Share Certificates Held by Participants May Be Deposited into the Plan	11
Transfer of Common Shares Within the Plan	12
Effect of the Sale/Transfer of Common Shares Registered in Your Name	12
Stock Dividends, Stock Splits and Subscription Rights	12
Dividend and Voting Rights	12
How to Withdraw from the Plan	12
Death of a Participant	13
Modification and Termination of the Plan	13
Denial or Termination of Participation by Peoples	13
Investment Summary and Fees Associated with Participation	13
Responsibility of Peoples and the Plan Administrator	14
Contact Information	15
U.S. FEDERAL INCOME TAX CONSEQUENCES	16
USE OF PROCEEDS	17
REPORTS TO SHAREHOLDERS	17
INDEMNIFICATION OF DIRECTORS AND OFFICERS	17
PLAN OF DISTRIBUTION	19
LEGAL MATTERS	19
EXPERTS	19
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	19
WHERE YOU CAN FIND MORE INFORMATION	20

RISK FACTORS

Investing in our common shares involves significant risks. Before you decide to invest in our common shares, you should carefully consider and evaluate all of the information included or incorporated by reference in this prospectus, including the risks and uncertainties described in “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, as updated by our subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings we make with the Securities and Exchange Commission (the “SEC”). It is possible that our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks. The risks described in these documents are not the only ones we face, but those we currently consider to be material. There may be other unknown or unpredictable economic, business, competitive, regulatory and other factors that could have material adverse effects on our future results. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. Please also read carefully the section below entitled “FORWARD-LOOKING STATEMENTS.”

ABOUT THIS PROSPECTUS

This prospectus is part of a Registration Statement on Form S-3 (the “Registration Statement”) that we have filed with the SEC. Under the Registration Statement, we may issue up to 500,000 of our common shares pursuant to the Peoples Bancorp Inc. Dividend Reinvestment and Stock Purchase Plan (the “Plan”). The terms and conditions of the Plan are set forth under the caption “DESCRIPTION OF THE PLAN” beginning on page 4 of this prospectus. Please read this prospectus carefully. If you own common shares now, or if you decide to buy common shares in the future, please keep this prospectus with your permanent investment records because it contains important information about the Plan. This prospectus supersedes any prior Plan prospectuses, including supplements thereto, in their entirety.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to give you any information or make any representation not contained in or incorporated by reference in this prospectus. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the common shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should not assume that the information contained in this prospectus is accurate on any date subsequent to the date hereof, or that any information we have incorporated herein by reference is correct on any date subsequent to the date of the document incorporated herein by reference, even though this prospectus is delivered or common shares are sold on a later date.

Unless the context suggests otherwise, all references in this prospectus to “we,” “us,” “our,” “Peoples” or the “Company” refer to Peoples Bancorp Inc., an Ohio corporation, and its consolidated subsidiaries.

PEOPLES BANCORP INC.

Peoples is a financial holding company headquartered in Marietta, Ohio, that offers diversified financial products and services through our wholly-owned subsidiaries. Our wholly-owned subsidiaries include Peoples Bank, an Ohio state-chartered bank, and Peoples Investment Company. In addition, Peoples holds all of the common securities of NB&T Statutory Trust III. Peoples Bank’s operating subsidiaries include Peoples Insurance Agency, LLC (“Peoples Insurance”) and two asset management companies, PBNA, L.L.C. and Peoples Tax Credit Equity, LLC. Peoples Investment Company has one capital management subsidiary, Peoples Capital Corporation. Through our financial units Peoples Bank and Peoples Insurance we make a complete line of banking, insurance, investment and trust solutions available to our customers and clients.

Peoples’ business activities are currently limited to one reporting unit and reportable segment, which is community banking. Peoples Bank, a full-service community bank, currently has 82 locations, including 74 full-service bank branches, and 81 ATMs in northeastern, central, southwestern and southeastern Ohio, west central West Virginia and northeastern Kentucky. Peoples Insurance, an Ohio insurance agency, rents office space in various Peoples Bank offices and also leases office space from third parties in three Ohio locations and one location in Kentucky.

We were organized in 1980 under the laws of the State of Delaware and reincorporated under the laws of the State of Ohio, in 1992. Our principal executive offices are located at 138 Putnam Street, Marietta, Ohio 45750, and our telephone number is (740) 373-3155. Our website can be accessed at <http://www.peoplesbancorp.com>. Information contained on our website does not constitute part of, and is not incorporated into, this prospectus.

At March 31, 2016, we had total assets of approximately \$3.3 billion, total net loans of approximately \$2.1 billion, total deposits of approximately \$2.6 billion and total stockholders' equity of approximately \$0.4 billion.

For a complete description of our business, financial condition, results of operations and other important information, we refer you to our filings with the SEC that are incorporated by reference in this prospectus, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016. For instructions on how to find copies of these documents, see “WHERE YOU CAN FIND MORE INFORMATION.”

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “estimates,” “may,” “feels,” “expects,” “believes,” “plans,” “will,” “would,” “should,” “could” expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. Factors that might cause such a difference include, but are not limited to:

- (1) the success, impact, and timing of the implementation of Peoples’ business strategies, including the successful integration of recently-completed acquisitions and the expansion of consumer lending activity;
- (2) Peoples’ ability to integrate any future acquisitions may be unsuccessful, or may be more difficult, time-consuming or costly than expected;
- (3) Peoples may issue equity securities in connection with future acquisitions, which could cause ownership and economic dilution to Peoples’ current shareholders;
- (4) local, regional, national and international economic conditions and the impact they may have on Peoples, our customers and our counterparties, and Peoples’ assessment of the impact, which may be different than anticipated;
- (5) competitive pressures among financial institutions or from non-financial institutions may increase significantly, including product and pricing pressures, third-party relationships and revenues, and Peoples’ ability to attract, develop and retain qualified professionals;
- (6) changes in the interest rate environment due to economic conditions and/or the fiscal policies of the United States (“U.S.”) government and the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”), which may adversely impact interest rates, interest margins and interest rate sensitivity;
- (7) changes in prepayment speeds, loan originations, levels of non-performing assets, delinquent loans and charge-offs, which may be less favorable than expected and adversely impact the amount of interest income generated;
- (8) adverse changes in economic conditions and/or activities, including, but not limited to, continued economic uncertainty in the U.S., the European Union, Asia, and other areas, which could decrease sales volumes and increase loan delinquencies and defaults;
- (9) legislative or regulatory changes or actions, promulgated and to be promulgated thereunder by the governmental and regulatory agencies in the State of Ohio, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Federal Reserve Board and the Consumer Financial Protection Bureau, which may subject Peoples, our subsidiaries, or one or more acquired companies to a variety of new and more stringent legal and regulatory requirements which adversely affect their respective businesses, including in particular the rules and regulations promulgated and to be promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;
- (10) deterioration in the credit quality of Peoples’ loan portfolio, which may adversely impact the provision for loan losses;

- (11) changes in accounting standards, policies, estimates or procedures which may adversely affect Peoples' reported financial condition or results of operations;
- (12) Peoples' assumptions and estimates used in applying critical accounting policies, which may prove unreliable, inaccurate or not predictive of actual results;
- (13) adverse changes in the conditions and trends in the financial markets, including political developments, which may adversely affect the fair value of securities within Peoples' investment portfolio, the interest rate sensitivity of Peoples' consolidated balance sheet, and the income generated by Peoples' trust and investment activities;
- (14) Peoples' ability to receive dividends from our subsidiaries;
- (15) Peoples' ability to maintain required capital levels and adequate sources of funding and liquidity;
- (16) the impact of new minimum capital thresholds established as a part of the implementation of Basel III;
- (17) the impact of larger or similar sized financial institutions encountering problems, which may adversely affect the banking industry and/or Peoples' business generation and retention, funding and liquidity;
- (18) the costs and effects of regulatory and legal developments, including the outcome of potential regulatory or other governmental inquiries and legal proceedings and results of regulatory examinations;
- (19) Peoples' ability to secure confidential information through the use of computer systems and telecommunications networks, including those of Peoples' third-party vendors and other service providers, may prove inadequate, which could adversely affect customer confidence in Peoples and/or result in Peoples incurring a financial loss;
- (20) the overall adequacy of Peoples' risk management program;
- (21) the impact on Peoples' businesses, as well as on the risks described above, of various domestic or international military or terrorist activities or conflicts; and
- (22) other risk factors relating to the banking industry or Peoples as detailed from time to time in Peoples' reports filed with the SEC.

The factors identified above are illustrative but are not intended to represent a complete list of all of the factors that could adversely affect our businesses, financial condition, liquidity or results of operations. You should evaluate all forward-looking statements with an understanding of their inherent uncertainty. You are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date they are made. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, changed circumstances or any other reason. However, you should consult further disclosures made on related subjects in our subsequent filings and reports with the SEC.

DIRECT REGISTRATION

Peoples is a participant in the Direct Registration System ("direct registration"). Direct registration is a method of recording common shares in book-entry form. Direct registration means that your common shares are registered in your name, on the books of Peoples, without the need for physical share certificates and are held separately from any Plan common shares you may own. Common shares held in direct registration have all the traditional rights and privileges of common shares held in physical share certificate form. With direct registration you can:

- Eliminate the risk and cost of storing share certificates in a secure place;
- Eliminate the cost associated with replacing lost, stolen or destroyed share certificates; and
- Move common shares electronically to your broker.

Any future transactions in common shares will be issued to direct registration rather than as physical share certificates unless you specify otherwise. You may convert any share certificate(s) for common shares you are

currently holding into direct registration by sending the share certificate(s) to Shareowner Services with a request to deposit them to your direct registration account. There is no cost to you for this custodial service and by doing so, you will be relieved of the responsibility for loss or theft of your share certificate(s). Your share certificate(s) should not be endorsed, and we recommend sending your share certificate(s) by registered or certified mail, return receipt requested, and insuring them for at least 3% of the then current market value of the common shares represented by the share certificate(s).

You may choose to have a portion or all of your full direct registration common shares delivered directly to your broker by contacting your broker. When using your broker to facilitate a common share movement, please provide your broker with a copy of your direct registration account statement.

DESCRIPTION OF THE PLAN

Purpose

The Plan provides our shareholders with a convenient and economical method of purchasing additional common shares. Shareholders may reinvest their cash dividends in common shares without paying any brokerage commissions, service charges or other expenses in connection with the purchase. The Plan also permits our shareholders to make optional cash investments to be invested in common shares. Common shares purchased under the Plan may be purchased from us in the form of treasury shares or authorized but unissued common shares or purchased for participants in the open market, at our option. We will use any funds received from common shares purchased from us for general corporate purposes. We will receive no proceeds from purchases on behalf of Plan participants of common shares in the open market.

Advantages to Participants

A participant in the Plan who authorizes reinvestment of dividends will have automatically reinvested in common shares the designated percentage of the cash dividends paid on the common shares held in the participant's name and all of the cash dividends on the common shares held in the participant's account under the Plan. There are no brokerage commissions payable by you in connection with purchases under the Plan through the reinvestment of dividends. Full reinvestment of dividends is possible because the Plan permits fractional common shares to be credited to participants' accounts. In addition, cash dividends paid on whole and fractional common shares credited to a participant's account under the Plan are reinvested in the same manner. See "Reinvestment Options" and "How to Change Your Reinvestment Option."

Participants in the Plan will have the opportunity to make optional cash investments through the Plan to be invested in common shares. See "Optional Cash Investments."

Participants can avoid the inconvenience, risk and expense of safekeeping share certificates for the common shares credited to their accounts under the Plan. Account statements are furnished to participants to provide simplified recordkeeping. See "Share Certificates Held by Participants May Be Deposited into the Plan."

Administration

Shareowner Services, a division of Wells Fargo Bank, N.A. and the registrar and transfer agent for our common shares, serves as the administrator for the Plan (the "Plan Administrator") and, in such capacity, administers the Plan, keeps records, sends account statements to participants and performs other duties relating to the Plan. It is anticipated that most of the common shares purchased for participants under the Plan will be purchased from Peoples in the form of treasury shares or authorized but unissued common shares. Common shares purchased in the open market will be purchased by an affiliated broker selected by the Plan Administrator and the Plan Administrator will forward participants' funds to such affiliated broker for open market purchases. We may not, nor may any of our affiliates or the Plan Administrator, exercise any direct or indirect control or influence over the times when, or the prices at which, this affiliated broker may purchase common shares for the Plan, the amount of common shares to be purchased, or the manner in which common shares are to be purchased.

Eligibility

All of our record shareholders are eligible to participate in the Plan. However, regulations in certain countries may limit or prohibit participation in this type of plan. Accordingly, persons residing outside the U.S. who wish to participate in the Plan should first determine whether they are subject to any governmental regulations prohibiting their participation.

If you beneficially own common shares which are registered in the name of a bank, broker, dealer or other nominee, in order to participate in the Plan, you must become a shareholder of record by having some or all of your common shares transferred into your name.

How to Enroll in the Plan

Shareholders currently enrolled in the Plan will continue to be enrolled in the Plan until they notify the Plan Administrator that they wish to withdraw. If you are not already enrolled in the Plan, you may join the Plan by completing and signing an Authorization for Automatic Dividend Reinvestment Plan Form and returning it to the Plan Administrator or by completing the online enrollment process (see “Internet Privileges”). Once enrolled in the Plan, you will continue to be enrolled without further action, unless you give notice to the Plan Administrator that you wish to withdraw.

Reinvestment Options

A participant can elect to reinvest all or a portion of the cash dividends payable (if any) to purchase additional common shares of Peoples. The participant may also have the choice to receive the full dividend in a cash payment. If you do not select an option, the Plan Administrator will default your choice to full reinvestment of cash dividends.

The following describes the available options:

Full dividend reinvestment - All cash dividends payable on common shares held in the Plan, along with any common shares held in physical share certificate form or through book-entry Direct Registration Shares (“DRS”), will be used to purchase additional common shares. The participant will not receive cash dividends from Peoples; instead, all dividends will be reinvested. Whole and fractional common shares will be allocated to the participant’s Plan account.

[(RD) on Authorization for Automatic Dividend Reinvestment Plan Form]

Partial dividend reinvestment by percentage - A participant may elect to reinvest a portion of the cash dividends payable and receive the remainder in a cash payment. The percentage elected will be applied to all of the common shares held in the Plan, along with any common shares held in physical share certificate form or held through book-entry DRS. A participant may elect percentages from 10% to 90%, in increments of 10%. The cash payment of dividends will be sent by check unless the participant has elected to have those dividends deposited directly to a designated bank account. [(RX) on Authorization for Automatic Dividend Reinvestment Plan Form]

An example of partial reinvestment by percentage: A participant has a total of 150 common shares; 120 common shares are held in the Plan, 15 common shares are in physical share certificate form and 15 common shares held through book-entry DRS. The participant chooses to have 50% of the total dividend reinvested. This will equate to 75 common shares having dividends reinvested and 75 common shares having dividends paid in cash.

Cash dividends - All dividends payable to the participant will be paid in cash. This includes the dividend payable on all common shares held in the Plan, any common shares held in physical share certificate form or held through book-entry DRS. The participant’s dividend payment will be sent by check unless the participant has elected to have those dividends deposited directly to a designated bank account. [(RP) on Authorization for Automatic Dividend Reinvestment Plan Form]

Direct deposit of cash dividends - For electronic direct deposit of any dividend funds, a participant must contact the Plan Administrator to request a Direct Deposit of Dividends Authorization Form. The participant must include a voided check or deposit slip from the bank account for which direct deposit is to be set up. If the common shares covered by the direct deposit of dividends request are jointly owned, all shareholders must sign the form.

How to Change Your Reinvestment Option

You may change your reinvestment option at any time by going online (see “Internet Privileges”), calling the Plan Administrator (see “Telephone Privileges”) or sending written notice to the Plan Administrator by mail (see “Contact Information”). Notices received on or before a dividend record date will be effective for that cash dividend. Notices received after a dividend record date will not be effective until after that cash dividend has been paid.

Payment of Dividends

Currently, Peoples’ Board of Directors determines whether to declare future dividends payable to common shareholders, if financial conditions warrant, during the first month of each calendar quarter and any such dividends declared are paid in the following month. The timing of when each dividend record date and each dividend payment date are determined by Peoples’ Board of Directors may change in the future. If your Authorization for Automatic

Dividend Reinvestment Plan Form is received by the Plan Administrator prior to a dividend record date, the reinvestment of your cash dividends will begin with the payment of that dividend. If your Authorization for Automatic

Dividend Reinvestment Plan Form is received after the dividend record date, that dividend will be paid to you in cash and your next dividend payment will be reinvested under the Plan.

The payment of dividends on Peoples common shares is at the discretion of our Board of Directors. There is no guarantee that Peoples will pay dividends in the future. The timing and amount of future dividends, if any, will depend upon our earnings, cash requirements, the financial condition of Peoples and our subsidiaries, applicable government regulations and such other factors as our Board of Directors may deem relevant.

Optional Cash Investments

Participants may invest in common shares under the Plan by making optional cash investments (the "Optional Cash Investments"). There is a required minimum for Optional Cash Investments, and an Optional Cash Investment per calendar month maximum. See "Investment Summary and Fees Associated with Participation."

As in the case of purchases of common shares made through the reinvestment of cash dividends, participants will not incur any brokerage commissions in connection with common shares purchased with Optional Cash Investments. However, there is a service charge for each Optional Cash Investment made by check and a service charge for each Optional Cash Investment made by an automatic monthly withdrawal request. See "Investment Summary and Fees Associated with Participation." Participants in the Plan have no obligation to make Optional Cash Investments, and may cease or resume making Optional Cash Investments at any time, subject to the terms of the Plan.

Check. You may make an initial Optional Cash Investment by enclosing a check with the Authorization for Automatic Dividend Reinvestment Plan Form when enrolling. Thereafter, Optional Cash Investments may be made by forwarding a check to the Plan Administrator together with a completed Transaction Request Form included on your account statement. All checks for Optional Cash Investments must be made payable to "Shareowner Services" in U.S. dollars drawn on a U.S. or a Canadian financial institution. The Plan Administrator must receive your payment at least one business day prior to a purchase date. See "Purchase Dates." Otherwise, the Optional Cash Investments will be held by the Plan Administrator and invested on the next purchase date.

Automatic Monthly Withdrawals. You may setup a one-time, semi-monthly or monthly automatic withdrawal from a designated bank account. The request may be submitted online, by telephone or by sending an Automatic Dividend Reinvestment Plan Form by mail. See "Contact Information." Requests are processed and become effective as promptly as administratively possible. Once the automatic withdrawal is initiated, funds will be debited from your designated bank account on or about the 25th day of each month and will be invested in Peoples common shares on the next investment date. Changes or a discontinuation of automatic withdrawals can be made online, by telephone or by using the Transaction Request Form attached to your statement. To be effective with respect to a particular investment date, a change request must be received by the Plan Administrator at least 15 trading days prior to the investment date.

Please see "Purchase Dates" for a discussion of purchase dates.

You should transmit Optional Cash Investment checks so as to reach the Plan Administrator shortly before a purchase date. Cash, money orders, traveler's checks or third-party checks are not accepted. You may obtain the return of any Optional Cash Investment upon request received by the Plan Administrator on or before the second business day prior to the purchase date on which the Optional Cash Investment is to be invested.

No interest is paid on your Optional Cash Investments pending the purchase of common shares. If any Optional Cash Investment whether by check, one-time or automatic monthly withdrawal is returned for any reason, the Plan Administrator will remove from your account any common shares purchased upon prior credit of such funds, and will sell these common shares. The Plan Administrator may sell other common shares in your account to cover a returned funds fee for each Optional Cash Investment returned unpaid for any reason and may sell additional common shares as necessary to cover any market loss incurred by the Plan Administrator.

During the period that an Optional Cash Investment is pending, the collected funds in the possession of the Plan Administrator may be invested in certain Permitted Investments. For purposes of the Plan, "Permitted Investments" means that the Plan Administrator may hold the funds uninvested or invested in select Wells Fargo deposit products. The risk of any loss from such Permitted Investments will be the responsibility of the Plan Administrator. Investment income from such Permitted Investments will be retained by the Plan Administrator.

Internet Privileges

You may access your shareholder account information, enroll in the Plan, and perform certain transactions online. For shareholders of record, to activate your account online and establish your personal identification number (PIN), you will need your 10-digit account number (which is listed on your dividend check or your Plan account statement), your social security or tax identification number, your e-mail address, and the name of the corporation whose common shares you own -- i.e., Peoples Bancorp Inc.

To activate your account online, go to shareowneronline.com, which is available 24 hours a day, 7 days a week for access to account information and answers to many common questions and general inquiries.

To Enroll in the Plan:

For existing registered shareholders:

1. Go to shareowneronline.com

2. Select Sign Up Now!

3. Enter your Authentication ID* and Account Number

*If you do not have your Authentication ID, select I do not have my Authentication ID. For security, this number is required for first-time sign on.

Once you have activated your account online, you can also perform the following transactions online:

&#">>

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Say-on-Pay and Say-on-Frequency

The Compensation Committee considered the voting results of the advisory, non-binding say-on-pay vote at IHC's 2011 Annual Meeting of Stockholders in connection with the discharge of its responsibilities. IHC's stockholders expressed their support of the compensation for our CEO, CFO and the three other most-highly compensated officers in respect of 2010 (the 2010 named executive officers), with a substantial majority of the votes cast voting to approve the compensation of IHC's named executive officers described in IHC's 2011 proxy statement. Following the Compensation Committee's review and consideration of this stockholder support, as well as the other factors discussed in more detail below, we determined to make no changes to our approach to executive compensation.

At IHC's 2011 Annual Meeting of Stockholders, a majority of IHC's stockholders voted for say-on-pay proposals to occur every three years. In light of this voting result on the frequency of say-on-pay proposals, the Board decided that IHC will present say-on-pay proposals every three years until the next required vote on the frequency of stockholder votes on named executive officer compensation. Accordingly, we currently expect to hold the next say-on-pay vote at IHC's 2014 Annual Meeting of Stockholders. We currently expect the next stockholder vote on the frequency of stockholder votes on named executive officer compensation to occur at IHC's 2017 Annual Meeting of Stockholders.

Compensation Objectives

Compensation of each of IHC's executive officers is intended to be based on performance of IHC and the executive. The Compensation Committee has responsibility for establishing and reviewing the compensation for all of IHC's executive officers.

In establishing executive officer compensation, the following are among the Compensation Committee's objectives:

- attract and retain individuals of superior ability and managerial talent;
- ensure compensation is aligned with IHC's corporate strategies, business objectives and the long-term interests of IHC's stockholders; and
- enhance incentives to increase IHC's stock price and maximize stockholder value by providing a portion of total compensation in IHC equity and equity-related instruments.

IHC's overall compensation program is structured to attract, motivate and retain highly qualified executive officers by paying them competitively, consistent with IHC's success and their contributions to such success. To this end, base salary and bonus are designed to reward annual achievements and to be commensurate with an executive's scope of responsibilities, demonstrated leadership abilities and management experience and effectiveness. Other elements of compensation focus on motivating and challenging IHC's executive officers to achieve superior, long-term, sustained

results.

Implementation of Objectives

Salaries

The salary of an IHC executive officer is based on his or her level of responsibility, experience and qualifications and recent performance. Adjustments to salary are made in response to changes in any of the foregoing factors and changes in market conditions. Executive officer salaries are typically reviewed by the Compensation Committee every twelve months. The Compensation Committee has sole authority to determine the compensation for IHC's Chief Executive Officer. Neither the Compensation Committee nor IHC has retained a

compensation consultant or similar organization for assistance in reviewing or setting executive officer salaries or other compensation.

Cash Bonuses

Following the close of each fiscal year, IHC's Chief Executive Officer and President makes determinations that are communicated to the Compensation Committee as to cash bonuses for IHC's executive officers (excluding himself), based on an analysis of: (i) any contractual commitments set forth in an employment agreement; (ii) IHC's performance in the year ended versus IHC's plan for such year; and (iii) a subjective evaluation of a variety of factors as to each executive officer's individual contribution during the year. The Compensation Committee then convenes outside the presence of the Chief Executive Officer and President and, following appropriate deliberation, approves or ratifies bonuses for all IHC executive officers.

The salaries paid and annual bonuses awarded to IHC's named executive officers in respect of 2011 are set forth in the Summary Compensation Table on page 24.

Equity Awards

IHC's 2006 Stock Incentive Plan (the Plan) provides the opportunity for the Compensation Committee to make equity incentive awards to, among others, IHC's executive officers. The types of equity awards that may be granted under the Plan are: (i) options; (ii) share appreciation rights (SARs); (iii) restricted shares, restricted share units (which are shares granted after certain vesting conditions are met) and unrestricted shares; (iv) deferred share units; and (v) performance awards. The Compensation Committee determines the type and amount of the award with reference to factors that include the present value of the award relative to the executive officer's salary and anticipated cash bonus, the anticipated importance of the executive's position to IHC's future results, and the size of the executive's total compensation relative both to other executives within IHC and to compensation levels at other companies.

Within the limitations of the Plan, the Compensation Committee may modify an award to: (i) accelerate the rate at which an option or SAR may be exercised (including, without limitation, permitting an option or SAR to be exercised in full without regard to the installment or vesting provisions or whether the option or SAR is at the time exercisable); (ii) accelerate the vesting of any award; (iii) extend or renew outstanding awards; or (iv) accept the cancellation of outstanding awards. However, the Compensation Committee may not, without stockholder approval, cancel an outstanding option that is underwater for the purpose of reissuing the option to a grantee within six months thereafter at a lower exercise price, or granting a replacement award of a different type. Notwithstanding the foregoing provision, no modification of an outstanding award can materially and adversely affect a grantee's rights thereunder, unless the grantee provides written consent, there is an express Plan provision permitting the Compensation Committee to act unilaterally to make the modification, or the Compensation Committee reasonably concludes that the modification is not materially adverse to the grantee.

Options

Incentive stock options (ISOs) and non-incentive stock options (Non-ISOs) may be granted under the Plan. At the sole discretion of the Compensation Committee, any option may be exercisable, in whole or in part, immediately upon the grant thereof, or only after the occurrence of a specified event, or only in installments, which installments may vary.

The term of any option may not exceed ten years from the grant date; *provided, however*, that in the case of an ISO granted to an employee of IHC or any of its affiliates who owns stock representing more than ten percent (10%) of the voting stock on the grant date (Employee Ten Percent Holder), the term of the ISO shall not exceed five years from the grant date. The exercise price of an option is determined by the Compensation Committee in its sole discretion; *provided, however*, that if an ISO is granted to an Employee Ten Percent Holder (as defined in the Plan), the per share exercise price shall not be less than 110% of the closing price per share on the NYSE on the grant date (Fair Market Value); and *provided further* that for all other options, the per share exercise price shall not be less than 100% of the

Fair Market Value on the grant date. Neither IHC nor the Compensation Committee can allow for a repricing without stockholder approval.

Each of IHC's named executive officers holds stock options, having varying exercise prices and expiration

dates (based on the date granted). Please see the information set forth in the tables below for additional information. IHC does not have a target level of stock ownership applicable to any of its employees, including the named executive officers.

Share Appreciation Rights (SARs)

The Compensation Committee may grant SARs either concurrently with the grant of an option or with respect to an outstanding option (in which case the SAR will extend to all or a portion of the shares covered by the related option, the exercise price is the same as the exercise price of the related option, and the SAR is exercisable at such time or times, and to the extent, that the related option will be exercisable), or independent of any option. The Compensation Committee may also grant SARs that are exercisable only upon or in respect of a change in control (as defined in the Plan) or any other specified event. The per share exercise price of an SAR cannot be less than 100% of the Fair Market Value, and the SARs may only be exercised when the Fair Market Value of the shares underlying the SAR exceeds the exercise price of the SAR. Neither IHC nor the Compensation Committee can allow for a repricing without stockholder approval.

Restricted Shares, Restricted Share Units and Unrestricted Shares

Subject to applicable law, an award of 2,475 restricted shares (or such other amount that the Board may determine on a prospective basis) will be granted to each non-employee director of IHC or its subsidiaries on the date immediately following each annual meeting of IHC's stockholders. One-third of those restricted shares will vest on each of the next three annual anniversaries of the date the restricted shares were awarded. In the event that a non-employee director terminates his or her membership on the Board for any reason, the director will immediately forfeit any unvested restricted shares.

At any time within the thirty-day period (or other shorter or longer period that the Compensation Committee selects in its sole discretion) in which a grantee who is a member of a select group of management or highly compensated employees receives an initial award of either restricted shares or restricted share units, the Compensation Committee may permit the grantee to irrevocably elect to defer the receipt of all or a percentage of the shares that would otherwise be transferred to the grantee upon the vesting of such award.

Deferred Share Units

The Compensation Committee may permit any director, consultant or member of a select group of management or highly compensated employees to irrevocably elect to forego the receipt of cash or other compensation (including shares), and in lieu thereof to have IHC credit to an internal Plan account a number of deferred share units having a Fair Market Value equal to the shares and other compensation deferred.

Performance Awards

The Compensation Committee may grant a performance award based on one or more of the following to measure IHC, affiliate, and/or business unit performance during a specified performance period: (i) gross or net premiums; (ii) profit margin; (iii) insured lives; (iv) basic, diluted, or adjusted earnings per share; (v) sales or revenue; (vi) earnings before interest, taxes, and other adjustments (in total or on a per share basis); (vii) basic or adjusted net income; (viii) returns on equity, assets, capital, revenue or similar measure; (ix) economic value added; (x) working capital; (xi) total stockholder return; and (xii) product development, product market share, research, licensing, litigation, human resources, information services, mergers, acquisitions, sales of assets of affiliates or business units. Performance measures may vary from performance period to performance period and from grantee to grantee.

A grantee will be eligible to receive payment in respect of a performance award only to the extent that the performance measure(s) for such award is achieved, and it is determined that all or some portion of such grantee's

award has been earned for the performance period. The Compensation Committee reviews whether, and to what extent, the performance measure(s) for a particular performance period (of not less than one fiscal year) have been achieved and, if so, determines the amount of the performance award to be paid. The Compensation Committee may

use negative discretion to decrease, but not increase, the amount of the award otherwise payable based upon such performance.

At any time prior to the date that is at least six months before the close of a performance period (or shorter or longer period that the Compensation Committee selects), the Compensation Committee may permit a grantee who is a member of a select group of management or highly compensated employees to irrevocably elect to defer the receipt of all or a percentage of the cash or shares that would otherwise be transferred to the grantee upon the vesting of a performance award.

Termination, Rescission and Recapture of Awards

Each award under the Plan granted to an employee is intended to align such employee's long-term interest with those of IHC. Therefore, if the employee discloses confidential or proprietary information of IHC, provides services to a competitor of IHC, solicits a non-administrative employee of IHC, or has engaged in activities which conflict with IHC's interests (including any breaches of fiduciary duty or the duty of loyalty), the employee is acting contrary to IHC's long-term interests. Accordingly, except as otherwise expressly provided in an award agreement, IHC may terminate any outstanding, unexercised, unexpired, unpaid, or deferred awards, rescind any exercise, payment or delivery pursuant to the award, or recapture any common stock (whether restricted or unrestricted) or proceeds from the employee's sale of shares issued pursuant to the award. Notwithstanding the foregoing, IHC may, in its sole and absolute discretion, choose not to terminate, rescind or recapture upon the occurrence of any of the foregoing events.

Tax Implications

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), limits IHC's deductions for compensation paid to the named executive officers to \$1 million unless certain requirements are met. The policy of the Compensation Committee with respect to Section 162(m) of the Code is to establish and maintain a compensation program which will optimize the deductibility of compensation for IHC. The Compensation Committee, however, reserves the right to use its judgment, where merited by the Compensation Committee's need to respond to changing business conditions or by an executive officer's individual performance, to authorize compensation which may not, in a specific case, be fully deductible to IHC. No named executive officer received taxable compensation in 2011 in excess of the \$1 million limitation provided by Section 162(m) of the Code.

Compensation Committee Report

The Compensation Committee assists the Board in fulfilling its responsibilities with regard to compensation matters, and is responsible for establishing and approving the compensation of IHC's executive officers. The Compensation Committee has sole authority to determine the compensation for IHC's Chief Executive Officer. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management, including our Chief Executive Officer and our Chief Financial Officer. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis section be incorporated by reference in IHC's 2011 Annual Report on Form 10-K and included in this proxy statement.

Compensation Committee

Mr. Allan C. Kirkman (Chairman)

Mr. John L. Lahey

Mr. James G. Tatum

Compensation Risk Assessment

The Compensation Committee, at its meeting on March 16, 2011, considered the Company's compensation policies and practices and concluded that they are not reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table

The following table lists the annual compensation for IHC's CEO, CFO and its three other most highly compensated executive officers in 2011 for the years 2011, 2010 and 2009. Amounts reported under the Option Awards column represent expense recorded for financial statement purposes.

Name and Principal <u>Position</u>	<u>Year</u>	<u>Salary</u> (\$)	<u>Bonus</u> (\$)	Stock <u>Awards</u> (\$)	Option <u>Awards</u> (\$)	Change in Pension Value and Nonqualified Deferred Compensation <u>Earnings</u> (\$)	All Other <u>Compensation</u> (\$)	<u>Total</u> (\$)
Mr. Roy T.K. Thung <i>Chief Executive Officer</i>	2011	421,601	308,000	73,536(1)	101,650	561,881(2)	18,932(3)	1,485,597
	2010	421,601	228,000	78,667(1)	169,733	105,548(2)	9,963(3)	1,013,512
	2009	421,601	228,000	(2,059)(1)	86,000	99,573(2)	9,868(3)	842,983
<i>and President</i>								
Ms. Teresa A. Herbert <i>Chief Financial Officer</i>	2011	256,134	135,000	17,912(1)	28,476	10,226(4)	21,422(5)	469,170
	2010	256,134	94,500	--	30,917	19,305(4)	19,475(5)	420,331
	2009	256,134	94,500	--	45,396	18,212(4)	18,973(5)	433,215
<i>and Senior Vice President</i>								
Mr. David T. Kettig <i>Chief Operating Officer</i>	2011	309,000	200,000	17,912(1)	31,092	3,598(4)	6,616(6)	568,218
	2010	309,000	150,000	--	31,179	15,627(4)	6,616(6)	512,422
	2009	309,000	140,000	--	50,972	14,743(4)	10,093(6)	524,808
<i>and Senior Vice President</i>								
Mr. Bernon R. Erickson, Jr. <i>Chief Health Actuary</i>	2011	319,712	200,000	17,912(1)	11,206	--	40,675(7)	589,505
	2010	319,712	15,000	--	33,900	--	43,302(7)	411,914

Edgar Filing: PEOPLES BANCORP INC - Form S-3

<i>and Senior Vice President</i>	2009	311,565	116,719	32,236(8)	28,667	--	41,075 (7)	530,262
Mr. Jeffrey C. Smedsrud	2011	319,712	150,000	17,912(1)	24,289	3,030(4)	67,875 (9)	582,818
<i>Chief Marketing and Strategy Officer</i>	2010	319,712	89,744	--	30,498	2,858(4)	40,475 (9)	483,287
	2009	329,600	50,000	--	56,549	2,697(4)	20,152 (9)	458,998

and Senior Vice President

(1)

Represents the expense (recovery) recorded for financial statement reporting purposes in connection with stock appreciation rights.

(2)

Represents the increase in the value of Mr. Thung's Retirement Benefits Agreement with IHC plus the vested severance portion of his Employment Agreement with IHC for the year indicated.

(3)

Of the amount shown for 2011, \$6,983 represents employer matching contributions to Mr. Thung's 401(k) account, \$4,465 represents reimbursements related to use of automobile and \$7,481 represents life insurance premiums paid by IHC; of the amount shown for 2010, \$6,983 represents employer matching contributions to Mr. Thung's 401(k) account, \$2,230 represents reimbursements related to use of automobile and \$750 represents life insurance premiums paid by IHC; of the amount shown for 2009, \$6,983 represents employer matching contributions to Mr. Thung's 401(k) account, \$2,116 represents reimbursements related to use of automobile and \$769 represents life insurance premiums paid by IHC.

(4)

Represents 100% of the annual earnings on nonqualified deferred compensation, not merely the portion attributable to an above-market rate of return.

(5)

Of the amount shown for 2011, \$12,766 represents reimbursements related to use of automobile, \$6,615 represents employer matching contributions to Ms. Herbert's 401(k) account and \$2,041 represents life insurance premiums paid

by IHC; of the amount shown for 2010, \$11,766 represents reimbursements related to use of automobile, \$6,615 represents employer matching contributions to Ms. Herbert's 401(k) account and \$1,094 represents life insurance premiums paid by IHC; of the amount shown for 2009, \$11,167 represents reimbursements related to use of automobile, \$6,615 represents employer matching contributions to Ms. Herbert's 401(k) account and \$1,191 represents life insurance premiums paid by IHC.

(6)

Of the amount shown for 2011, \$3,675 represents employer matching contributions to Mr. Kettig's 401(k) account, \$1,600 represents employer contributions to Mr. Kettig's health savings account, and \$1,341 represents life insurance premiums paid by IHC; of the amount shown for 2010, \$3,675 represents employer matching contributions to Mr. Kettig's 401(k) account, \$1,600 represents employer contributions to Mr. Kettig's health savings account and \$1,341 represents life insurance premiums paid by IHC; of the amount shown for 2009, \$5,607 represents employer matching contributions to Mr. Kettig's 401(k) account, \$1,600 represents employer contributions to Mr. Kettig's health savings account, \$3,250 represents reimbursement related to use of automobile and \$1,213 represents life insurance premiums paid by IHC.

(7)

Of the amount shown for 2011, \$25,000 represents reimbursements related to use of automobile, \$10,000 represents reimbursement for country club dues, \$3,675 represents employer matching contributions to Mr. Erickson's 401(k) account, and \$2,000 represents employer contributions to Mr. Erickson's health savings account; of the amount shown for 2010, \$25,000 represents reimbursements related to use of automobile, \$13,084 represents reimbursement for club dues, \$3,210 represents employer matching contributions to Mr. Erickson's 401(k) account, and \$2,000 represents employer contributions to Mr. Erickson's health savings account; of the amount shown for 2009, \$25,000 represents reimbursements related to use of automobile, \$10,000 represents reimbursement for country club dues, \$3,675 represents employer matching contributions to Mr. Erickson's 401(k) account, and \$2,400 represents employer contributions to Mr. Erickson's health savings account.

(8)

Represents amounts expensed for financial statement reporting purposes in connection with restricted stock award.

(9)

Of the amount shown for 2011, \$27,400 represents reimbursement related to use of apartment, \$16,400 represents reimbursement related to use of automobile, \$20,400 represents reimbursement for country club dues and \$3,675 represents employer matching contributions to Mr. Smedsrud's 401(k) account; of the amount shown for 2010, \$16,400 represents reimbursement related to use of automobile, \$20,400 represents reimbursement for country club dues and \$3,675 represents employer matching contributions to Mr. Smedsrud's 401(k) account; of the amount shown for 2009, \$7,452 represents reimbursement related to use of automobile, \$6,950 represents reimbursement for country club dues and \$5,750 represents employer matching contributions to Mr. Smedsrud's 401(k) account.

Grants of Plan-Based Award

The following table sets forth information regarding grants of plan-based awards made to the named executive officers during 2011.

<u>Name</u>	<u>Award Type</u> (1)	<u>Grant Date</u>	<u>Approval Date</u>	All Other Option Awards: Number of Securities Underlying <u>Options</u> (#)	Exercise or Base Price of <u>Option Awards</u> (\$/Sh)	Closing Price On <u>Grant Date</u> (\$/Sh)	Grant Date Fair Value of Stock and <u>Option Awards</u> (\$)
Mr. Roy T.K. Thung	Stock Appreciation Right	March 16, 2011	March 16, 2011	16,500	\$7.11	\$7.11	--
Ms. Teresa A. Herbert	Stock Appreciation Right	March 16, 2011	March 16, 2011	11,000	\$7.11	\$7.11	--
Mr. David T. Kettig	Stock Appreciation Right	March 16, 2011	March 16, 2011	11,000	\$7.11	\$7.11	--
Mr. Bernon R. Erickson, Jr.	Stock Appreciation Right	March 16, 2011	March 16, 2011	11,000	\$7.11	\$7.11	--
Mr. Jeffrey C. Smedsrud	Stock Appreciation Right	March 16, 2011	March 16, 2011	11,000	\$7.11	\$7.11	--

(1)

Stock appreciation rights granted to named executive officers become exercisable upon IHC's repurchase of an aggregate \$1.5 million equivalent value of IHC's common stock.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information about unexercised stock options and unvested shares of restricted stock held as of December 31, 2011.

<u>Name</u>	Number of Securities Underlying Unexercised Options (#)	<u>Option Awards</u>		Option Expiration <u>Date</u>	<u>Stock Awards</u>		
		Number of Securities Underlying Unexercised Options (#)	Option Exercise <u>Price</u> (\$)		Number of Shares or Units of Stock That Have Not <u>Vested</u> (#)	Market Value of Shares or Units of Stock That Have <u>Not</u> <u>Vested</u> (\$)	
	<u>Exercisable</u>	<u>Unexercisable</u>					
Mr. Roy T.K. Thung	--	16,500 (1)		\$7.11	March 16, 2016		
	82,500	--		\$9.99	March 19, 2013	--	--
	117,333	58,667 (2)		\$9.09	January 4, 2015		
	73,370	36,630 (3)		\$9.09	January 4, 2015		
Ms. Teresa A. Herbert	--	11,000 (1)		\$7.11	March 16, 2016	--	--
	27,500	--		\$9.99	March 19, 2013		
	31,533	15,767 (2)		\$9.09	January 4, 2015		
Mr. David T. Kettig	--	11,000 (1)		\$7.11	March 16, 2016	--	--
	27,500	--		\$9.99	March 19, 2013		
	35,200	17,600 (2)		\$9.09	January 4, 2015		
Mr. Bernon R. Erickson, Jr.	--	11,000 (1)		\$7.11	March 16, 2016	--	--
	27,500	--		\$9.99	March 19, 2013		
	7,333	3,667 (2)		\$9.09	January 4, 2015		
Mr. Jeffrey C. Smedsrud	--	11,000 (1)		\$7.11	March 16, 2016	--	--
	27,500	--		\$9.99	March 19, 2013		
	25,667	12,833 (2)		\$9.09	January 4, 2015		

(1)

Stock appreciation rights granted on March 16, 2011 become exercisable upon IHC's repurchase of an aggregate \$1.5 million equivalent value of IHC's common stock.

(2)

Options granted on January 5, 2010 are exercisable in one-third annual increments beginning January 5, 2011.

(3)

Stock appreciation rights granted on January 5, 2010 are exercisable in one-third increments beginning on January 5, 2011.

Nonqualified Deferred Compensation

The following table sets forth the non-qualified deferred compensation activity for each named executive officer during 2011. The amounts in the first column represent contributions to deferred compensation during the year 2011.

<u>Name</u>	<u>Executive Contributions in Last Fiscal Year</u>	<u>Aggregate Earnings in Last Fiscal Year</u>	<u>Aggregate Withdrawals/ Distributions</u>	<u>Aggregate Balance at Last Fiscal Year-End</u>
	(\$)	(\$)	(\$)	(\$)
Mr. Roy T.K. Thung	--	--	--	--
Ms. Teresa A. Herbert	--	\$10,226	\$170,623.76	\$180,660
Mr. David T. Kettig	--	\$3,598	\$216,123.43	\$63,566
Mr. Bernon R. Erickson, Jr.	--	--	--	--
Mr. Jeffrey C. Smedsrud	--	\$3,030	--	\$53,529

Potential Payments to Named Executive Officers

With Mr. Thung

IHC is party to a Retirement Benefits Agreement with Mr. Roy T.K. Thung, dated as of September 30, 1991, and amended by amendments dated as of December 20, 2002, June 17, 2005 and December 31, 2008, respectively, pursuant to which Mr. Thung is entitled to a lump-sum cash payment upon a separation from service from IHC of \$1,659,556.96, increasing on a cumulative, compounding basis of 6% per annum from December 31, 2008.

Separation from service is as defined under U.S. Treasury Regulations 1.409A-1(h)(1), and would generally include Mr. Thung's death, retirement or any other termination of employment, including permanent disability. For example, had this provision been triggered on December 31, 2011, Mr. Thung would have been entitled to receive a payment in the amount of \$1,976,558.90.

IHC is party to the Officer Employment Agreement by and between IHC and Mr. Roy T.K. Thung, IHC's Chief Executive Officer, President and Chairman of the Board of Directors, dated as of May 11, 2011. Under this employment agreement, if Mr. Thung's employment by IHC or its affiliate were to cease under certain circumstances, Mr. Thung would be entitled to receive a lump-sum severance amount equal to the average annual aggregate total compensation received by Mr. Thung during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Mr. Thung to IHC and its affiliates. The circumstances under which

such severance would be paid are: (i) Mr. Thung's employment by IHC being involuntarily terminated under circumstances that would not constitute cause (i.e., Mr. Thung's material failure to follow IHC's lawful directions, material failure to follow IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage IHC or its reputation); (ii) such employment being voluntarily terminated under circumstances that would constitute good reason (i.e., in connection with IHC's material breach of its obligations under the employment agreement); (iii) upon Mr. Thung's death or permanent disability; (iv) upon IHC's non-renewal of the employment agreement; or (v) upon a change in control of IHC or its ultimate parent.

In addition, under the agreement, Mr. Thung is entitled to an incentive payment upon the disposition of a strategic asset of IHC equal to 3% of the amount above which the consideration received by IHC for such disposition exceeds the book value of such asset as of March 31, 2011. Similarly, any termination of the agreement other than for cause triggers an incentive payment to Mr. Thung in respect such appreciation in book value of IHC overall. The initial term of Mr. Thung's employment agreement is

through December 31, 2014, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days prior notice of non-renewal is given by IHC. For example, had the severance provisions in Mr. Thung's agreement been triggered on December 31, 2011, Mr. Thung would have been entitled to receive (i) a lump-sum payment of approximately \$450,000; and (ii) approximately \$56,000 per month for thirty-five months (approximately \$2,410,000 in the aggregate).

With Ms. Herbert

IHC is party to the Officer Employment Agreement, by and between IHC and Ms. Teresa A. Herbert, IHC's Chief Financial Officer and Senior Vice President, dated as of April 18, 2011. Under this employment agreement, if Ms. Herbert's employment by IHC or its affiliate were to cease under certain circumstances, Ms. Herbert would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Ms. Herbert during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Ms. Herbert to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Ms. Herbert's employment by IHC being involuntarily terminated under circumstances that would not constitute cause (*i.e.*, Ms. Herbert's material failure to follow IHC's lawful directions, material failure to follow IHC's corporate policies, breach of the non-compete covenants in the employment agreement or her engaging in unlawful behavior that would damage IHC or its reputation), or such employment being voluntarily terminated under circumstances that would constitute good reason (*i.e.*, in connection with IHC's (or its successor's) material breach of its obligations under the employment agreement or upon IHC's non-renewal of the employment agreement). The initial term of Ms. Herbert's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days prior notice of non-renewal is given by IHC. For example, had the severance provision in Ms. Herbert's agreement been triggered on December 31, 2011, Ms. Herbert would have been entitled to receive approximately \$30,000 per month for twenty-three months (\$690,000 in the aggregate).

With Mr. Kettig

IHC is party to the Officer Employment Agreement, by and among IHC, Standard Security Life Insurance Company of New York (SSL), a wholly owned subsidiary of IHC, and Mr. David T. Kettig, IHC's Chief Operating Officer, Senior Vice President and director, dated as of April 18, 2011. Under this employment agreement, if Mr. Kettig's employment by SSL or its affiliate were to cease under certain circumstances, Mr. Kettig would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Kettig during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Mr. Kettig to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Kettig's employment by SSL being involuntarily terminated under circumstances that would not constitute cause (*i.e.*, Mr. Kettig's material failure to follow SSL's or IHC's lawful directions, material failure to follow SSL's or IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage SSL, IHC or their respective reputations), or such employment being voluntarily terminated under circumstances that would constitute good reason (*i.e.*, in connection with SSL's (or its successor's) material breach of its obligations under the employment agreement or upon SSL's non-renewal of the

employment agreement). The initial term of Mr. Kettig's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days' prior notice of non-renewal is given by SSL. For example, had the severance provision in Mr. Kettig's agreement been triggered on December 31, 2011, Mr. Kettig would have been entitled to receive approximately \$39,000 per month for twenty-one months (\$819,000 in the aggregate).

With Mr. Erickson

IHC is party to the Officer Employment Agreement, by and among IHC, Actuarial Management Corporation. (AMC), a wholly owned subsidiary of IHC, and Mr. Bernon R. Erickson, Jr., IHC's Chief Health Actuary and Senior Vice President, dated as of April 18, 2011. Under this employment agreement, if Mr. Erickson's employment by AMC or its affiliate were to cease under certain circumstances, Mr. Erickson would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Erickson during the preceding five years (under certain conditions), adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Mr. Erickson to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Erickson's employment by AMC being involuntarily terminated under circumstances that would not constitute cause (*i.e.*, Mr. Erickson's material failure to follow AMC's or IHC's lawful directions, material failure to follow AMC's or IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage AMC, IHC or their respective reputations), or such employment being voluntarily terminated under circumstances that would constitute good reason (*i.e.*, in connection with AMC's (or its successor's) material breach of its obligations under the employment agreement or upon AMC's non-renewal of the employment agreement). The initial term of Mr. Erickson's employment agreement is one year from the date it was entered into, but, by its terms, it will be automatically extended for successive one-year periods unless ninety days' prior notice of non-renewal is given by AMC. For example, had the severance provision in Mr. Erickson's agreement been triggered on December 31, 2011, Mr. Erickson would have been entitled to receive approximately \$36,000 per month for twelve months (\$432,000 in the aggregate).

With Mr. Smedsrud

IHC is party to the Officer Employment Agreement, by and among IHC, IHC Health Solutions, Inc. (HS), a wholly owned subsidiary of IHC, and Mr. Jeffrey C. Smedsrud, IHC's Chief Marketing and Strategy Officer and Senior Vice President, dated as of April 18, 2011. Under this employment agreement, if Mr. Smedsrud's employment by HS or its affiliate were to cease under certain circumstances, Mr. Smedsrud would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Smedsrud during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Mr. Smedsrud to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Smedsrud's employment by HS being involuntarily terminated under circumstances that would not constitute cause (*i.e.*, Mr. Smedsrud's material failure to follow HS's or IHC's lawful directions, material failure to follow HS's or IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage HS, IHC or their respective reputations), or such employment being voluntarily terminated under circumstances that would constitute good reason (*i.e.*, in connection with HS's (or its successor's) material breach of its obligations under the employment agreement or upon HS's non-renewal of the employment agreement). The initial term of Mr. Smedsrud's employment agreement is one year from the date it was entered into, but, by its terms, it will be automatically extended for successive one-year periods unless ninety days' prior notice of non-renewal is given by HS. For example, had the severance provision in Mr. Smedsrud's agreement been triggered on December 31, 2011, Mr. Smedsrud would have been entitled to receive approximately \$38,000 per month for twelve months (\$456,000 in the aggregate).

Stock Incentive Plans

Under the terms of IHC's stock incentive plans, the Compensation Committee is obligated to make appropriate provision for the holders of awards thereunder in the event of a change in control of IHC or similar event. The specifics of such an occurrence cannot be anticipated, and thus the prospective effect upon IHC cannot reliably be quantified.

Equity Compensation Plans

The following table sets forth certain information as of March 31, 2012 with respect to compensation plans under which shares of IHC common stock may be issued.

Equity Compensation Plan Information

<u>Plan Category</u>	Number of Shares to be Issued Upon Exercise of <u>Outstanding Options</u>	Weighted-Average Exercise Price of <u>Outstanding Options</u>	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected <u>in the First Column</u>)
Equity compensation plans approved by stockholders	734,514	\$9.39	388,967

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board in oversight of the financial reporting process, including the effectiveness of internal accounting and financial controls and procedures, and controls over the accounting, auditing and quality of financial reporting practices of IHC. The Audit Committee operates under a written charter adopted by the Board.

Management of IHC has primary responsibility for the financial reporting process, the preparation of financial statements in conformity with U.S. generally accepted accounting principles, the system of internal controls and the establishment of procedures designed to insure compliance with accounting standards and applicable laws and regulations. KPMG is responsible for auditing IHC's financial statements. The Audit Committee's responsibility is to monitor and review these processes and procedures. Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee relies on the information provided to it, including the representations of management that the financial statements have been prepared with integrity and objectivity, and the representations of management and the opinion of KPMG that such financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Audit Committee also reviewed the Report of Management on Internal Control over Financial Reporting contained in IHC's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 prior to filing such report with the SEC, as well as KPMG's Reports of Independent Registered Public Accounting Firm (also included in IHC's Annual Report on Form 10-K) and KPMG's reports related to the audit of IHC's consolidated financial statements. The Audit Committee continues to oversee IHC's efforts related to its internal control over financial reporting and management's preparations for the evaluation in 2012.

The Audit Committee met with management periodically during the year to consider the adequacy of IHC's internal controls and the objectivity of its financial reporting. The Audit Committee discussed these matters with appropriate IHC financial and internal audit personnel and with KPMG. The Audit Committee also discussed with IHC's senior management the process used for certifications by IHC's chief executive officer and chief financial officer which are required for certain filings with the SEC.

The Audit Committee appointed KPMG as IHC's independent registered public accounting firm after reviewing the firm's performance and independence from management.

The Audit Committee reviewed with management and KPMG, IHC's audited financial statements and met separately with both management and KPMG to discuss and review those financial statements and reports prior to issuance. Management has represented to the Audit Committee that the financial statements were prepared in conformity with U.S. generally accepted accounting principles. KPMG's report states the firm's opinion that such financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Audit Committee has reviewed and discussed with KPMG its independence from IHC and its management. The Audit Committee received from KPMG the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). This letter relates to that firm's independence from IHC. The Audit Committee also discussed with KPMG matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) to the extent applicable. The Audit Committee implemented a procedure to monitor auditor independence, reviewed audit and non-audit services performed by KPMG, and discussed with KPMG its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that IHC's audited financial statements be included in IHC's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Audit Committee Members

Mr. James G. Tatum (Chairman)

Mr. Allan C. Kirkman

Mr. John L. Lahey

AUDIT AND NON-AUDIT FEES

The following table sets forth fees for services KPMG provided to IHC during 2011 and 2010:

	2011	2010
Audit fees	\$1,717,500	\$1,717,500
Audit-related fees	\$15,000	--
Tax fees	--	--
All other fees	--	--
Total	\$1,732,500	\$1,717,500

Audit Fees. Represents fees for professional services provided for the audit of IHC's annual financial statements, the review of IHC's quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

Audit-Related Fees. Represents fees relating to preparing and delivering one or more consents required in connection with IHC's Registration Statement on Form S-4, filed with the SEC on May 9, 2011.

The Audit Committee has determined that the provision of non-audit services by KPMG is compatible with maintaining KPMG's independence. Any such engagement of KPMG to provide non-audit services to IHC must be pre-approved by the Audit Committee. None of the non-audit services above was billed to IHC during 2011 or 2010 without such pre-approval.

**PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF
THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Appointment of Independent Registered Public Accounting Firm

KPMG audited IHC's annual financial statements for the year ended December 31, 2011. The Audit Committee has appointed KPMG to be IHC's independent registered public accounting firm for the year ending December 31, 2012. The stockholders are asked to ratify this appointment at the annual meeting. Representatives of KPMG will be present at the meeting to respond to appropriate questions and to make a statement if they so desire.

Vote Required For Ratification

The Audit Committee is responsible for selecting IHC's independent registered public accounting firm. Accordingly, stockholder approval is not required to appoint KPMG as IHC's independent registered public accounting firm for 2012. The Board believes, however, that submitting the appointment of KPMG to the stockholders for ratification is a matter of good corporate governance. If the stockholders do not ratify the appointment, the Audit Committee will review its future selection of the independent registered public accounting firm.

The ratification of the appointment of KPMG as IHC's independent registered public accounting firm requires the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

**PROPOSAL 3 AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO
INCREASE THE AGGREGATE NUMBER OF AUTHORIZED SHARES OF CAPITAL STOCK AND
THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

General

On March 15, 2012, the Board approved, declared it advisable and in IHC's best interest, and directed that there be submitted to the holders of a majority of IHC's voting stock for approval, the prospective amendment (the Amendment) to the Restated Certificate of Incorporation, as amended by a Certificate of Amendment (as amended, the Certificate), to increase the aggregate number of authorized shares of capital stock from 20,100,000 shares to 23,100,000 shares, and the number of authorized shares of common stock, par value \$1.00 per share (the Common Stock), from 20,000,000 shares to 23,000,000 shares. The Amendment will not increase the number of authorized shares of preferred stock, par value \$1.00 per share.

Reasons for the Increase in Authorized Shares

Currently, IHC is authorized to issue 20,000,000 shares of Common Stock. Of the 20,000,000 shares of Common Stock authorized, as of the record date, there were [_____] shares of Common Stock issued and outstanding, and up to [_____] shares of Common Stock reserved for issuance upon the exercise of outstanding options and other derivative securities, including, without limitation, under employee benefit plans of IHC. Consequently, IHC has limited shares of Common Stock available for general corporate purposes.

As a general matter, the Board does not believe the currently available number of unissued shares of Common Stock is an adequate number of shares to assure that there will be sufficient shares available for issuance in connection with possible future acquisitions, equity and equity-based financings, possible future awards under employee benefit plans, stock dividends, stock splits, and other corporate purposes. Therefore, the Board approved the increase in the number of authorized shares of Common Stock as a means of providing IHC with the flexibility to act with respect to the issuance of Common Stock or securities exercisable for, or convertible into, Common Stock in circumstances which it believes will advance the interests of IHC and its stockholders without the delay of seeking an amendment to the Certificate at that time. There are no specific actions under consideration at this time.

Ability of the Board to Issue Stock; Certain Issuances Requiring Stockholder Approval

The additional shares of Common Stock authorized by the Amendment may be issued for any proper purpose from time to time upon authorization by the Board, without further approval by the stockholders unless required by applicable law, rule or regulation. Shares may be issued for such consideration as the Board may determine and as may be permitted by applicable law.

Interest of the Directors and Officers of IHC in the Amendment

The current officers and directors of IHC and the officers and directors of IHC when the Amendment was approved by the Board do not have any substantial interest, direct or indirect, in the approval of the Amendment, other than as stockholders of IHC (to the extent that such officers and directors are stockholders of IHC).

Effects of the Amendment

The increase in the number of authorized shares of Common Stock was not approved as a means of preventing or dissuading a change in control or takeover of IHC. However, use of these shares for such a purpose is possible. Authorized but unissued or unreserved shares of Common Stock, for example, could be issued in an effort to dilute the stock ownership and voting power of persons seeking to obtain control of IHC or could be issued to purchasers who would support the Board in opposing a takeover proposal. In addition, they may have the effect of discouraging a challenge for control or make it less likely that such a challenge, if attempted, would be successful. The Board and executive officers of IHC have no knowledge of any current effort to obtain control of

IHC or to accumulate large amounts of Common Stock.

The holders of Common Stock are not entitled to preemptive rights with respect to the issuance of additional Common Stock or securities convertible into or exercisable for Common Stock. Accordingly, the issuance of additional shares of Common Stock or such other securities will dilute the ownership and voting rights of stockholders.

The holders of Common Stock will not realize any dilution in their percentage of ownership of IHC or their voting rights as a result of the Amendment. However, issuances of additional shares of Common Stock in the future (i) will dilute stockholders' percentage ownership of IHC and (ii) if such shares are issued at prices below what current stockholders paid for their shares, may dilute the value of current stockholders' shares.

The Amendment does not change the terms of the Common Stock. The additional Common Stock for which authorization is sought will have the same voting rights and liquidation rights, the same rights to dividends and distributions and will be identical in all other respects to the Common Stock now authorized.

Amendment

Article V of the Certificate states that the total number of shares of capital stock that IHC is authorized to issue is 20,100,000 shares, and the total number of authorized shares of Common Stock that IHC is authorized to issue is 20,000,000 shares. To increase the number of authorized shares of capital stock and the authorized number of shares of Common Stock, the Board would like to amend the Certificate by deleting the first paragraph of Article V of the Certificate in its entirety and replacing it with the following:

The total number of shares of stock which the Corporation shall have the authority to issue is Twenty-Three Million One Hundred Thousand (23,100,000) shares, consisting of Twenty-Three Million (23,000,000) shares of common stock, par value \$1.00 per share (the Common Stock), and One Hundred Thousand (100,000) shares of preferred stock, par value \$1.00 per share.

The increase in the number of Common Shares requires the affirmative vote of a majority of the shares entitled to vote thereon.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

OTHER MATTERS

IHC's by-laws require stockholders to give advance notice of any proposal intended to be presented at the annual meeting. The deadline for this notice has passed and IHC has not received any such notice. If any other matter properly comes before the stockholders for a vote at the meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

ADDITIONAL INFORMATION

Proxy Solicitation

IHC will bear all costs of this proxy solicitation. In addition to soliciting proxies by this mailing, IHC expects that its directors, officers and regularly engaged employees may solicit proxies personally or by mail, telephone, facsimile or other electronic means, for which solicitation they will not receive any additional compensation. IHC will reimburse brokerage firms, custodians, fiduciaries and other nominees for their out-of-pocket expenses in forwarding solicitation materials to beneficial owners upon our request.

Stockholder Proposals for 2013 Annual Meeting

Stockholder proposals intended to be presented at IHC's 2013 annual meeting must be received by IHC no later than January 1, 2013 to be eligible for inclusion in IHC's proxy statement and form of proxy for next year's meeting. Proposals should be addressed to Independence Holding Company, Attention: Corporate Secretary, 485 Madison Avenue, 14th Floor, New York, New York 10022.

For any proposal that is not submitted for inclusion in next year's proxy statement (as described in the preceding paragraph), but is instead sought to be presented directly at the 2013 annual meeting, the federal securities laws require stockholders to give advance notice of such proposals. The required notice must be given no less than 45 days in advance of the one year anniversary date of the date on which IHC first sent its proxy materials for the immediately preceding annual meeting. Accordingly, with respect to IHC's 2013 annual meeting of stockholders, notice must be provided to Independence Holding Company, Attention: Corporate Secretary, 485 Madison Avenue, 14th Floor, New York, New York 10022 no later than March 13, 2013. If a stockholder fails to provide timely notice of a proposal to be presented at the 2013 annual meeting, the chairman of the meeting will declare it out of order and disregard any such matter.

By order of the Board of Directors,

Adam C. Vandervoort
Secretary