

PEOPLES HOLDING CO
Form 424B3
November 29, 2004
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-119572

Heritage Financial Holding Corporation

Dear Heritage Stockholders:

You are cordially invited to attend the special meeting of stockholders of Heritage Financial Holding Corporation which will be held at Decatur Utilities Auditorium, 1002 Central Parkway SW, Decatur, Alabama 35601, on Tuesday, December 28, 2004, at 2 p.m. Central time.

At the special meeting, you will be asked to vote upon a proposal to adopt and approve a merger of Heritage Financial Holding Corporation into The Peoples Holding Company. If the merger of Heritage and Peoples is completed, all of the Heritage common stock you hold will be exchanged for either (1) \$6.25 in cash, without interest, for each share of Heritage common stock, (2) 0.20 shares of Peoples common stock for each share of Heritage common stock or (3) a combination consisting of cash for 40% of your common stock and shares of Peoples common stock for 60% of your common stock at the same price and exchange ratio set forth above. You will be asked to elect your form of payment. Regardless of your election, elections will be limited by the requirements that not less than 60% or more than 65% of the aggregate shares of Heritage common stock owned by Heritage stockholders be exchanged for Peoples common stock and that not less than 35% or more than 40% of the aggregate shares of Heritage common stock owned by Heritage stockholders be exchanged for cash. Thus, your election may be redesignated as described in this proxy statement/prospectus. Immediately after the merger of Heritage into Peoples is completed, Heritage Bank will be merged into The Peoples Bank & Trust Company.

If you wish, you may exercise your appraisal rights under Delaware law and obtain a cash payment for the fair value of your shares rather than receive the merger consideration described above. To exercise appraisal rights, you must not vote in favor of the adoption and approval of the merger and you must strictly comply with all of the applicable requirements of Delaware law summarized in the accompanying proxy statement/prospectus under the heading *The Merger Appraisal Rights*. A copy of the Delaware law regarding appraisal rights is attached as Annex D to this proxy statement/prospectus.

Peoples common stock is listed on the American Stock Exchange under the symbol *PHC*. On July 15, 2004, the date the merger was announced, the closing price of a share of Peoples common stock was \$32.10. On November 22, 2004, the closing price of a share of Peoples common stock was \$34.20.

Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Heritage common stock entitled to vote in favor of the adoption and approval of the merger. The proposed merger is discussed in detail in the accompanying proxy statement/prospectus. We encourage you to read this entire document carefully. You can also obtain more information about Peoples and Heritage in documents that each of them has filed with the Securities and Exchange Commission.

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The Heritage board of directors has unanimously determined that the merger is in the best interests of Heritage and its stockholders and Heritage Bank. On behalf of your board of directors, we encourage you to vote **FOR** the adoption and approval of the merger. Regardless of your vote, please sign and date the enclosed proxy and return it in the enclosed envelope to make sure that your vote is counted.

Chairman of the Board of Directors

President and Chief Executive Officer

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

The shares of Peoples common stock to be issued in the merger are not savings or deposit accounts or other obligations of any bank or savings association or non-bank subsidiary of Peoples and are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund or any other governmental agency.

You should read Risk Factors beginning on page 15 for a description of the factors that may affect the value of the Peoples common stock to be issued in the merger and other risk factors that should be considered with respect to the merger.

This proxy statement/prospectus is dated November 26, 2004, and it is first being mailed to Heritage stockholders, along with the enclosed form of proxy card, on or about November 26, 2004.

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<u>Annex A-1</u>	Agreement and Plan of Merger, dated as of July 15, 2004, by and among The Peoples Holding Company, The Peoples Bank & Trust Company, Heritage Financial Holding Corporation and Heritage Bank, as amended
<u>Annex A-2</u>	Plan of Merger by and among The Peoples Holding Company and Heritage Financial Holding Corporation
<u>Annex B-1</u>	Form of Lock-Up and Non-Competition Agreement
<u>Annex B-2</u>	Form of Lock-Up Agreement
<u>Annex C</u>	Opinion of Sterne, Agee & Leach, Inc.
<u>Annex D</u>	Section 262 of the Delaware General Corporation Act

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Peoples and Heritage from documents that Peoples and Heritage, respectively, have filed with the Securities and Exchange Commission and that have not been included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus, other than exhibits to those documents, by requesting them in writing or by telephone from Peoples or Heritage, as the case may be, at the following addresses:

The Peoples Holding Company
 209 Troy Street
 Tupelo, Mississippi 38802
 Attention: Stuart R. Johnson
 Telephone: (662) 680-1001

Heritage Financial Holding Corporation
 211 Lee Street NE
 Decatur, Alabama 35602
 Attention: William M. Foshee
 Telephone: (256) 355-9500

IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO PRIOR TO DECEMBER 21, 2004, IN ORDER TO RECEIVE THEM BEFORE THE SPECIAL MEETING.

See [Where You Can Find More Information](#) on page 81 of this proxy statement/prospectus for more information about the documents referred to in this proxy statement/prospectus.

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Heritage Financial Holding Corporation

Notice of Special Meeting

To be held on December 28, 2004

To the Stockholders of Heritage Financial Holding Corporation:

A special meeting of stockholders of Heritage Financial Holding Corporation will be held at Decatur Utilities Auditorium, 1002 Central Parkway SW, Decatur, Alabama 35601, on Tuesday, December 28, 2004, at 2 p.m. Central time and at any adjournments or postponements thereof, to consider and act upon the following matters:

To consider and vote upon a proposal to approve and adopt (a) the Agreement and Plan of Merger dated as of July 15, 2004, as amended, by and among Heritage Financial Holding Corporation, Heritage Bank, The Peoples Holding Company and The Peoples Bank & Trust Company, a wholly-owned subsidiary of Peoples, pursuant to which, upon satisfaction of specified conditions, Heritage Financial Holding Corporation will merge into The Peoples Holding Company, with Peoples surviving the merger, (b) the related plan of merger contemplated by the Agreement and Plan of Merger and (c) the merger of Heritage into Peoples. Immediately after the merger of Heritage and Peoples, Heritage Bank will merge into The Peoples Bank & Trust Company, with The Peoples Bank & Trust Company surviving the merger.

Any other business properly brought before the special meeting or any adjournment or postponement thereof.

As a result of the merger, you, as a holder of Heritage common stock, will have the right to receive for all of your shares of Heritage common stock either (i) \$6.25 in cash per share of Heritage common stock, (ii) 0.20 shares of Peoples common stock per share of Heritage common stock or (iii) a combination consisting of cash for 40% of your Heritage common stock and shares of Peoples common stock for 60% of your Heritage common stock at the same price and exchange ratio set forth above. You will be asked to elect your form of payment. Regardless of your election, however, elections will be limited by the requirements that not less than 60% or more than 65% of the aggregate shares of Heritage common stock owned by Heritage stockholders be exchanged for Peoples common stock and not less than 35% or more than 40% of the aggregate shares of Heritage common stock owned by Heritage stockholders be exchanged for cash. Accordingly, your election may be redesignated as described on pages 56 and 57 of the accompanying proxy statement/prospectus.

You may exercise appraisal rights for your shares if the merger is completed, but only if you do not vote in favor of the merger, and you otherwise comply with the applicable statutory provisions of Delaware law. By properly exercising such appraisal rights, you will be entitled to receive payment in cash equal to the fair value of your shares, as determined in accordance with Delaware law, in lieu of the right to receive either the cash, shares of Peoples common stock or the combination of cash and shares of Peoples common stock in exchange for each share of Heritage common stock as described above. A copy of these provisions is included as Annex D to this proxy statement/prospectus. You should also review the information included under the heading The Merger Appraisal Rights on page 48 of the accompanying proxy statement/prospectus.

The Heritage board of directors has fixed the close of business on November 9, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. Therefore, only stockholders of record on November 9, 2004 are entitled to notice of, and to vote at, the special meeting. A list of stockholders entitled to vote

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will be available at Heritage's main office in Decatur, Alabama at least ten days prior to the meeting date through the date of the special meeting as well as at the special meeting for examination by any stockholder, his agent or his attorney.

The accompanying proxy statement/prospectus describes the terms and conditions of the merger agreement and includes a complete text of the merger agreement, as amended, and the related plan of merger as Annex A-1 and Annex A-2, respectively. We urge you to read the enclosed materials carefully for a complete description of the merger agreement, the plan of merger, and the merger. The accompanying proxy statement/prospectus forms a part of this notice.

Your vote is very important. The merger must be adopted and approved by the holders of a majority of the outstanding shares of Heritage common stock. Even if you plan to attend the special meeting, we urge you to promptly submit a valid proxy so that your shares will be voted.

Your board of directors unanimously recommends that you vote **FOR** the adoption and approval of the merger.

By Order of the Board of Directors

November 26, 2004
Decatur, Alabama

Its Secretary

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QUESTIONS AND ANSWERS ABOUT THE MERGER

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

A: You are being asked to vote to adopt and approve an agreement and plan of merger by and among Peoples, Peoples Bank, Heritage and Heritage Bank, a related plan of merger and the merger contemplated thereby. In this proxy statement/prospectus, we refer to the agreement and plan of merger, as amended, and the related plan of merger as the merger agreement. In the merger, Heritage will be merged into Peoples, and Peoples will be the surviving corporation and will continue its corporate existence under Mississippi law. Immediately thereafter, Heritage Bank will merge into The Peoples Bank & Trust Company, and The Peoples Bank & Trust Company will be the surviving bank and will continue its corporate existence under Mississippi law. References to the merger refer to the merger of Heritage into Peoples, unless the context clearly indicates otherwise.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please complete and mail your proxy card as soon as possible so that your shares may be voted at the special meeting. Your proxy card will instruct the persons named on the proxy card to vote your shares at the special meeting as you direct. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be voted FOR the adoption and approval of the merger agreement and the merger. If you do not vote or if you abstain, the effect will be a vote against the merger agreement and the merger. Your vote is very important. **Your proxy card must be received prior to the special meeting to be held on December 28, 2004 in order to be counted.**

You should also, after carefully reading and considering the information contained in this proxy statement/prospectus, complete the form of election accompanying this proxy statement/prospectus and submit it, together with your certificates representing shares of Heritage common stock, to Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-3572, the exchange agent for the merger. **The form of election and your Heritage stock certificates must be received by the exchange agent no later than 5 p.m. Eastern time December 27, 2004 or you will be deemed to have elected to receive a combination of cash and stock in exchange for your shares of Heritage common stock.**

Q: Who is Peoples?

A: The Peoples Holding Company is a Mississippi corporation incorporated in 1982 that is the owner of the fourth largest bank headquartered in Mississippi, The Peoples Bank & Trust Company, a Mississippi-chartered bank incorporated in 1904, and, through its ownership of Peoples Merger Corporation, the owner of Renasant Bank, a Tennessee-chartered bank (acquired July 1, 2004). Peoples and The Peoples Bank & Trust Company are headquartered in Tupelo, Mississippi; Renasant Bank is headquartered in Germantown, Tennessee. Through The Peoples Bank & Trust Company, Peoples also owns The Peoples Insurance Agency. As of September 30, 2004, Peoples had total assets of approximately \$1.7 billion, deposits of approximately \$1.34 billion and total shareholders' equity of approximately \$176.7 million. Subsequent to its acquisition of Renasant Bank, Peoples operates 48 community bank, insurance and financial services offices in 30 cities throughout north and north central Mississippi and southwest Tennessee. The Peoples Bank & Trust Company's and Renasant Bank's deposits are insured by the Federal Deposit Insurance Corporation.

Q: What will I receive in exchange for my Heritage common stock in the merger?

A: In the merger, all of your shares of Heritage common stock will be converted into the right to receive either (i) \$6.25 in cash for each share of Heritage common stock, (ii) 0.20 shares of Peoples common stock for each share of Heritage common stock or (iii) a combination of cash for 40% of your shares of Heritage common stock and Peoples common stock for 60% of your shares of Heritage common stock at the same price and exchange ratio set forth above. If the average closing price of Peoples common stock drops below a specified price over the

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measurement period and the decline in the Peoples common stock over the measurement period exceeds by 20% or more the decline in the NASDAQ Bank Index over the measurement period, the exchange ratio may be adjusted if Heritage elects to terminate the merger agreement, as described on page 65 under the heading The Merger Agreement Termination of the Merger Agreement.

Q: Can I elect the type of consideration I will receive in the merger?

A: Yes. Subject to the redesignation procedures described in this proxy statement/prospectus at pages 56 and 57, you may elect to receive all cash, all shares of Peoples common stock or a combination of cash and Peoples common stock in exchange for your shares of Heritage common stock.

Under the merger agreement, the aggregate number of shares of Heritage common stock to be converted into the right to receive cash shall not be less than 35% or more than 40% of the total number of shares of Heritage common stock outstanding immediately prior to the closing date of the merger (excluding shares owned by Heritage, Peoples or any subsidiary of Heritage or Peoples (other than in a fiduciary capacity)). The merger agreement also provides that the aggregate number of shares of Heritage common stock to be converted into the right to receive shares of Peoples common stock shall not be less than 60% or more than 65% of the total number of shares of Heritage common stock outstanding immediately prior to the closing date of the merger (excluding shares owned by Heritage, Peoples or any subsidiary of Heritage or Peoples (other than in a fiduciary capacity)).

Q: What happens if the number of shares elected to be converted into cash exceeds 40% of the outstanding shares of Heritage common stock or if the number of shares elected to be converted into shares of Peoples common stock exceeds 65% of the outstanding shares of Heritage common stock?

A: If the aggregate number of shares elected to be converted into cash exceeds 40% of the outstanding shares of Heritage common stock, then shares of Heritage common stock for which a cash election was made will be redesignated on a pro rata basis into shares to be converted into shares of Peoples common stock so that the total number of Heritage shares to be converted into cash does not exceed 40% of the outstanding shares of Heritage common stock.

If the aggregate number of shares elected to be converted into shares of Peoples common stock exceeds 65% of the outstanding shares of Heritage common stock, then shares of Heritage common stock for which a stock election was made will be redesignated on a pro rata basis into shares to be converted into cash so that the total number of Heritage shares to be converted into shares of Peoples common stock does not exceed 65% of the outstanding shares of Heritage common stock.

Holders of shares of Heritage common stock who elect to receive a combination of cash for 40% of their Heritage common stock and shares of Peoples common stock for 60% of their Heritage common stock will not be subject to these redesignation procedures. Also, a holder who has elected to receive cash for all of his or her shares of Heritage common stock and would receive less than 10 shares of Peoples common stock if his or her shares were redesignated is not subject to the redesignation procedures.

Q: If I elect to receive Peoples common stock in the merger, how many shares will I receive?

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A: Subject to the redesignation procedures described in this proxy statement/prospectus, if you elect to receive Peoples common stock for all or a portion of your Heritage common stock, you will receive 0.20 shares of Peoples common stock for each share of Heritage common stock that you own. If the average closing price of Peoples common stock drops below a specified price over the measurement period and the decline in the Peoples common stock over the measurement period exceeds by 20% or more the decline in the NASDAQ Bank Index over the measurement period, the exchange ratio may be adjusted if Heritage elects to terminate the merger agreement, as described on page 65 under the heading The Merger Agreement Termination of the Merger Agreement.

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You will not receive any fractional shares of Peoples common stock. Instead, you will be paid cash in an amount equal to the fraction of a share of Peoples common stock otherwise issuable multiplied by the average closing price as reported by the American Stock Exchange of one share of Peoples common stock for the ten trading days immediately preceding the last trading day prior to the closing date of the merger (the closing date is described in more detail on page 54 of this proxy statement/prospectus).

For instance, if you own 1,011 shares of Heritage common stock and the ten-day average closing price of Peoples common stock is \$33.00 per share, a Heritage stockholder who elects to receive Peoples common stock in exchange for all 1,011 shares of Heritage common stock would receive 202 shares of Peoples common stock, plus \$6.60 in cash instead of a fractional share.

Q: How do I elect the form of consideration I prefer to receive? When should I send in my stock certificates?

A: A form of election is being mailed to you concurrently with the mailing of this proxy statement/prospectus. If your shares of Heritage common stock are registered in your own name, complete and sign the form of election and send it to Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-3572, the exchange agent for the merger, together with the stock certificates representing the shares to be exchanged for cash, Peoples common stock or a combination of cash and Peoples common stock. If your shares of Heritage common stock are held in the name of your nominee or other representative, such as the trustee of a trust of which you are the beneficiary, you must have such nominee or other representative submit the form of election and Heritage stock certificates on your behalf.

Q: Is there a deadline for making an election?

A: Yes. Your completed election form and Heritage stock certificates must be received by the exchange agent not later than 5:00 p.m. eastern time on December 27, 2004.

Q: What if I do not send an election form, it is not received before the deadline or I improperly complete or sign my election form?

A: If the exchange agent does not receive from you a properly completed and signed election form, together with certificates representing your shares of Heritage common stock, before the deadline, then it will be assumed that you have elected to receive a combination of cash for 40% of your shares of Heritage common stock and Peoples common stock for the remaining 60% of your shares of Heritage common stock. **You bear the risk of delivery and should send any election form and Heritage stock certificates by mail (registered mail with proper insurance, return receipt requested, is suggested), by courier or by hand, to the appropriate addresses shown on the election form.**

Promptly after the effective time of the merger, the exchange agent will provide stock certificate transmittal materials to the holders of Heritage common stock who have not already completed the form of election and surrendered their stock certificates. The transmittal materials will contain instructions for use in effecting the surrender to the exchange agent of Heritage common stock certificates in exchange for the merger consideration.

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The exchange agent, after the completion of the merger of Heritage into Peoples and upon receipt of your stock certificates and other documents, will deliver to you the cash, stock or combination of cash and stock which you have elected to receive, as may be modified by the redesignation procedure described in this proxy statement/prospectus. This delivery is subject to the payment of any transfer taxes that may arise if such cash, stock or combination of cash and stock is to be paid to a person other than the person in whose name the surrendered Heritage stock certificate is registered.

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Q: Am I entitled to appraisal rights?

A: Yes. If you wish, you may seek an appraisal of the fair value of your shares of Heritage common stock, but only if you comply with all of the requirements of Delaware law as described under the heading "The Merger Appraisal Rights" on page 48 of this proxy statement/prospectus. Depending upon the determination of the Delaware Chancery Court, the appraised fair value of your shares of Heritage common stock, which will be paid to you if you seek an appraisal, may be more than, less than, or equal to the \$6.25 per share of Heritage common stock to be paid in the merger. Any holder of Heritage common stock who loses his or her appraisal rights on account of a failure to perfect or otherwise shall be deemed to have elected to receive the combination of cash and Peoples common stock described above.

We have included a copy of Section 262 of the Delaware General Corporation Law, which addresses appraisal rights, as Annex D to this proxy statement/prospectus.

Q: When and where is the special meeting?

A: The Heritage special meeting is scheduled to take place at Decatur Utilities Auditorium, 1002 Central Parkway SW, Decatur, Alabama 35601, on Tuesday, December 28, 2004 at 2 p.m. Central time.

Q: Who can vote on the merger?

A: Holders of record of Heritage common stock at the close of business on November 9, 2004 can vote at the special meeting. On that date, 10,536,660 shares were outstanding and entitled to vote.

Q: What vote is required for approval?

A: The merger agreement and the merger must be adopted and approved by a majority of the outstanding shares of Heritage common stock. Therefore, if you abstain or fail to vote, it will be the same as voting against the merger agreement and the merger.

If you hold your shares of Heritage common stock in a broker's name (sometimes called "street name" or "nominee name"), then you must provide voting instructions to your broker. If you do not provide instructions to the broker, your shares will not be voted on any matter on which the broker does not have discretionary authority to vote, which includes the vote on the merger. A vote that is not cast for this reason is called a "broker non-vote." Broker non-votes will be treated as shares present for the purpose of determining whether a quorum is present at the meeting. For purposes of the vote on the merger agreement, a broker non-vote has the same effect as a vote AGAINST the merger agreement and the merger. For purposes of the vote on any other matters properly brought at the special meeting, broker non-votes will not be counted as a vote FOR or AGAINST such matters or as an abstention on such matters.

Q: May I change my vote after I have mailed my signed proxy card?

A: You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways:

first, you can send a written notice stating that you want to revoke your proxy;

second, you can complete and submit a new proxy card; or

third, if you are the record owner of your shares of Heritage common stock, you can attend the Heritage special meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the meeting.

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If you choose either of the first two methods, you must submit your notice of revocation or your new proxy card to:

Heritage Financial Holding Corporation

211 Lee Street NE

Decatur, Alabama 35602

Attention: Bingham D. Edwards, Secretary

If your shares are held in the name of a broker, bank, trustee or other nominee, you should contact such person to change your vote.

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

A: Yes. Whether or not you plan to attend the special meeting, you should grant your proxy as described above. The failure of a Heritage stockholder to vote in person or by proxy will have the same effect as a vote against the adoption and approval of the merger agreement. The failure to give voting instructions to your broker will have the same effect as a vote against the adoption and approval of the merger agreement.

Q: What does Heritage's board of directors recommend?

A: Heritage's board of directors has unanimously determined that the proposed merger is advisable and in the best interests of Heritage and its stockholders and Heritage Bank and unanimously recommends that you vote FOR the proposal to adopt and approve the merger agreement and the merger.

Q: Who can help answer my questions?

A: If you have any questions about the merger or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or form of election, you should contact:

Larry R. Mathews or Debbie Reist

Heritage Financial Holding Corporation

211 Lee Street NE

Decatur, Alabama 35602

(256) 301-6465

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all the information that is important to you. For a more complete understanding of the merger and for a more complete description of the legal terms of the merger and the merger agreement, you should read this entire document carefully, as well as the additional documents to which we refer you. See *Where You Can Find More Information*. References in this summary and elsewhere in this proxy statement/prospectus to the merger are to the merger of Heritage into Peoples, unless the context clearly indicates otherwise.

The Companies

The Peoples Holding Company

209 Troy Street

Tupelo, Mississippi 38802

(662) 680-1001

Peoples is a Mississippi corporation incorporated in 1982 that is the owner of the fourth largest bank headquartered in Mississippi, The Peoples Bank & Trust Company, a Mississippi-chartered bank incorporated in 1904, and, through its ownership of Peoples Merger Corporation, the owner of Renasant Bank, a Tennessee-chartered bank (acquired July 1, 2004). The Peoples Bank & Trust Company is headquartered in Tupelo, Mississippi and Renasant Bank is headquartered in Germantown, Tennessee. Through The Peoples Bank & Trust Company, Peoples is also the owner of The Peoples Insurance Agency. As of September 30, 2004, Peoples had total assets of approximately \$1.7 billion, deposits of approximately \$1.34 billion and total shareholders' equity of approximately \$176.7 million. Subsequent to its acquisition of Renasant Bank, Peoples operates 48 community bank, insurance and financial services offices in 30 cities throughout north and north central Mississippi and southwest Tennessee. The Peoples Bank & Trust Company's and Renasant Bank's deposits are insured by the Federal Deposit Insurance Corporation.

For financial statements and a discussion of Peoples' recent results of operations, see Peoples' Annual Report on Form 10-K for the year ended December 31, 2003 and Peoples' Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, which are incorporated by reference in this proxy statement/prospectus.

Heritage Financial Holding Corporation

211 Lee Street NE

Decatur, Alabama 35601

(256) 355-9500

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Heritage is a Delaware corporation incorporated in 2000 that is the sole stockholder of Heritage Bank, an Alabama banking corporation headquartered in Decatur, Alabama. Heritage Bank is, in turn, the owner of Heritage Insurance Agency, LLC. As of September 30, 2004, Heritage had total assets of approximately \$544 million, deposits of approximately \$389 million and total shareholders' equity of approximately \$32 million. Heritage operates eight banking offices in Decatur, Huntsville and Birmingham, Alabama. The deposits of Heritage Bank are insured by the Federal Deposit Insurance Corporation.

For financial statements and a discussion of Heritage's recent results of operations, see Heritage's Annual Report on Form 10-K for the year ended December 31, 2003 and Heritage's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, copies of which accompany this proxy statement/prospectus and which are incorporated by reference into this proxy statement/prospectus.

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The Merger (pages 34 through 53)

Under the terms of the merger agreement, Heritage will be merged into Peoples. After the merger, Peoples will be the surviving corporation and will continue its corporate existence under Mississippi law. Immediately after the merger of Heritage into Peoples, Heritage Bank will be merged into The Peoples Bank & Trust Company, with The Peoples Bank & Trust Company surviving the merger and continuing its existence under Mississippi law. The merger agreement, as amended, and the plan of merger of Heritage into Peoples are attached to this document as Annex A-1 and Annex A-2, respectively, and are incorporated in this proxy statement/prospectus by reference. We encourage you to read the merger agreement carefully, as it is the legal document that governs the merger. All references in this proxy statement/prospectus to the merger agreement shall mean the merger agreement as amended.

What You Will Receive in the Merger (pages 54 and 55)

The merger agreement provides that each share of Heritage common stock (other than treasury shares, shares owned by Peoples or any of the subsidiaries of Peoples or Heritage (other than in a fiduciary capacity) or by any person who has perfected appraisal rights with respect to shares of Heritage common stock) will be converted on the closing date of the merger into the right to receive the merger consideration. The merger consideration is either:

for each share of Heritage common stock, cash in an amount equal to \$6.25, without interest;

for each share of Heritage common stock, 0.20 shares of Peoples common stock; or

cash consideration for 40% of such holder's shares of Heritage common stock and stock consideration for 60% of such holder's shares of Heritage common stock at the same price and exchange ratio set forth above.

Subject to the redesignation procedures described below, as a holder of record of shares of Heritage common stock, you may elect to receive all cash, all shares of Peoples common stock or the combination of cash and Peoples common stock described above as consideration in exchange for your shares of Heritage common stock. You will not receive any fractional shares of Peoples common stock if you elect to receive all or a portion of the merger consideration as shares of Peoples common stock. Instead, you will be paid cash in an amount equal to the fraction of a share of Peoples common stock otherwise issuable upon conversion multiplied by the average closing price of one share of Peoples common stock as reported by the American Stock Exchange for the ten trading days immediately preceding the last trading day prior to the closing date of the merger.

Under certain limited circumstances, if the average closing price of Peoples common stock drops below a specified price over the measurement period and the decline in the Peoples common stock over the measurement period exceeds by 20% or more the decline in the NASDAQ Bank Index over the measurement period, the exchange ratio of 0.20 may be adjusted if Heritage elects to terminate the merger agreement, as described on page 65 under the heading "The Merger Agreement Termination of the Merger Agreement."

A form of election is being mailed to you concurrently with the mailing of this proxy statement/prospectus. If your shares of Heritage common stock are registered in your own name, you should complete and sign the form of election and send it, together with your certificates representing shares of Heritage common stock, to Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-3572, the exchange agent for the merger. If your shares of Heritage common stock are held in the name of your nominee or other representative, such as

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the trustee of a trust of which you are the beneficiary, you must have such nominee or other representative submit the form of election and Heritage stock certificates on your behalf. The form of election and your Heritage stock certificates must be received by the exchange agent not later than 5:00 p.m. eastern time on December 27, 2004.

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The merger agreement contains redesignation procedures which may affect your election. Under the merger agreement, the number of shares of Heritage common stock to be converted into the right to receive cash must not be less than 35% or more than 40% of the total number of shares of Heritage common stock outstanding immediately prior to the closing date of the merger. Also, the number of shares of Heritage common stock to be converted into the right to receive shares of Peoples common stock must not be less than 60% or more than 65% of the total number of shares of Heritage common stock outstanding immediately prior to the closing date of the merger.

If the number of shares to be converted into the right to receive cash exceeds 40% of the outstanding shares of Heritage common stock, then all shares of Heritage common stock for which a cash election was made will be redesignated on a pro rata basis into a combination of shares to be converted into cash and shares to be converted into shares of Peoples common stock. Shares will be redesignated such that the total number of Heritage shares converted into cash does not exceed 40% of the outstanding shares of Heritage common stock.

If the number of shares to be converted into shares of Peoples common stock exceeds 65% of the outstanding shares of Heritage common stock, then all shares of Heritage common stock for which a stock election was made will be redesignated on a pro rata basis into a combination of shares to be converted into cash and shares to be converted into shares of Peoples common stock. Shares will be redesignated such that the total number of Heritage shares exchanged for stock does not exceed 65% of the outstanding shares of Heritage common stock.

Holdings who chose to receive a combination of cash for 40% of their Heritage common stock and shares of Peoples common stock for 60% of their Heritage common stock are not subject to the redesignation procedures. Also, any holder who elected to receive cash but after the redesignation procedures would receive less than ten shares of Peoples common stock for his or her shares of Heritage common stock is not subject to the redesignation procedures.

If the exchange agent does not receive from you a properly completed election form, together with your certificates representing shares of Heritage common stock, before the close of business on December 27, 2004, then it will be assumed that you have elected to receive a combination of cash for 40% of your shares of Heritage common stock and Peoples common stock for the remaining 60% of your shares of Heritage common stock.

Upon receipt of the forms of election and Heritage stock certificate(s) and other materials, and subject to the payment of any transfer taxes that may arise if the merger consideration is to be paid to a person other than the person in whose name the surrendered Heritage stock certificate is registered, the exchange agent within 10 business days after the completion of the merger will deliver to the former holder of Heritage common stock the merger consideration such holder elected to receive. After the effective time, the exchange agent will also provide stock certificate transmittal materials to the holders of Heritage common stock who did not submit a form of election and surrender their stock certificates. Such transmittal materials will contain instructions for surrendering the Heritage stock certificates for the merger consideration.

The Special Meeting

The Heritage special meeting will be held at Decatur Utilities Auditorium, 1002 Central Parkway SW, Decatur, Alabama 35601 on Tuesday, December 28, 2004 at 2 p.m. Central time. At the meeting, the holders of Heritage common stock will be asked to vote upon a proposal to adopt and approve the merger agreement and the merger. The Heritage board of directors has fixed the close of business on November 9, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting. At the record date, approximately 10,536,660 shares of Heritage common stock were issued and outstanding and entitled to vote. Each share of Heritage common stock is entitled to one vote on any matter that may properly come before

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the meeting. The affirmative vote of a majority of the outstanding shares of Heritage common stock is required to adopt and approve the merger agreement and the merger.

Vote of Management-Owned Shares

As of the record date, the directors and executive officers of Heritage and their respective affiliates collectively owned approximately 42.58% of the outstanding shares of Heritage common stock. Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Heritage common stock. All of the directors of Heritage have entered into agreements with Peoples pursuant to which they have agreed to vote all of their shares in favor of the adoption and approval of the merger agreement and the merger. A form of the agreement for non-employee directors is attached as Annex B-1 to this proxy statement/prospectus and a form of the agreement for employee directors is attached as Annex B-2 to this proxy statement/prospectus. Assuming that no stock options are exercised, Heritage anticipates that the directors will collectively vote 33.52% of the outstanding shares of Heritage common stock in favor of the merger in accordance with those agreements.

Heritage's Reasons for the Merger; Recommendation of the Heritage Board (pages 36 through 38)

Heritage's board of directors has unanimously approved the merger agreement and the merger. Heritage's board of directors believes that the merger is in the best interests of Heritage and its stockholders and that the consideration is fair to Heritage stockholders and unanimously recommends that Heritage stockholders vote FOR the adoption and approval of the merger agreement. In reaching its decision, the Heritage board considered a number of factors, which are described in more detail in The Merger Heritage's Reasons for the Merger; Recommendation of the Heritage Board on the pages listed above. The Heritage board of directors did not assign relative weights to the factors described in that section or the other factors considered by it. In addition, the Heritage board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the Heritage board of directors may have given different weights to different factors.

Conditions to the Merger (pages 63 through 65)

The obligations of both Peoples and Heritage to complete the merger are subject to the following conditions being fulfilled:

receipt of all necessary regulatory or governmental consents and approvals required to complete the merger of Heritage into Peoples and the merger of Heritage Bank into Peoples Bank, the satisfaction of all conditions required under those consents and approvals and the expiration of any waiting periods required by law;

adoption and approval of the merger agreement and the merger by Heritage stockholders;

the registration statement filed with the SEC, of which this document forms a part, having become effective and remaining effective through the completion of the merger;

receipt of all consents and approvals required for the mergers from persons other than governmental entities, except those consents which would not reasonably be expected to have a material adverse effect on any of the parties;

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absence of any governmental or judicial order or otherwise prohibiting or restricting completion of the merger;

receipt of an opinion of Phelps Dunbar LLP, Peoples' outside counsel, that the merger will qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code and that the exchange of shares in the merger will not give rise to gain or loss to the holders of Heritage common stock;

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approval of the shares of Peoples common stock issuable to the holders of shares of Heritage common stock for listing on the American Stock Exchange;

the execution and delivery of the plan of merger and a certificate of merger with respect to the merger of Heritage into Peoples and the execution and delivery of a plan of merger and articles of merger with respect to the merger of Heritage Bank into Peoples Bank; and

the execution and delivery of (i) a termination and release agreement by and among Heritage, Heritage Bank and Larry R. Mathews and (ii) an employment agreement by and among Peoples, Peoples Bank and Larry R. Mathews.

In addition, Peoples' obligation to complete the merger is subject to, among other things:

Heritage's and Heritage Bank's performance of and compliance with in all material respects all obligations required by the merger agreement;

the representations and warranties of Heritage and Heritage Bank in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date of the merger (except those that relate specifically to another date, which shall be true and correct as of that date), with some exceptions;

the receipt of all permits, consents, authorizations and the like necessary in connection with the completion of the merger, none of which contain any terms or conditions which would materially impair the value of Heritage or Heritage Bank;

either (i) satisfaction of any agreements, understandings or the like between Heritage and Heritage Bank and their banking regulatory authorities or the removal of any restrictions imposed by such agreements and understandings or (ii) the approvals and authorizations granted to Peoples by banking regulatory authorities not containing any conditions or restrictions on Peoples after the merger relating to such agreements or understandings; and

Heritage stockholders who exercise their appraisal rights shall not hold more than 15% of the outstanding shares of Heritage common stock immediately prior to the merger.

In addition, Heritage's obligation to complete the merger is subject to, among other things:

Peoples' and Peoples Bank's performance of and compliance in all material respects with all obligations required by the merger agreement;

the representations and warranties of Peoples and Peoples Bank being true and correct as of the date of the merger agreement and as of the closing date of the merger (except those that relate specifically to another date, which shall be true and correct as of that date), with some exceptions;

the receipt of all permits, consents, waivers, clearances, approvals and authorizations necessary in connection with the completion of the merger, none of which adversely affect the merger consideration; and

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two qualified people selected by Heritage from its board of directors who are reasonably acceptable to Peoples having been appointed to the board of directors of Peoples and two qualified people selected from Heritage Bank's board of directors who are reasonably acceptable to Peoples having been appointed to the board of directors of Peoples Bank.

The merger is expected to be completed promptly after Heritage stockholder approval is received at the special meeting, all necessary regulatory approvals are received and other conditions to the closing described above are fulfilled. This is expected to occur on January 1, 2005, although fulfilling some of the conditions to closing the merger, such as receiving regulatory approvals, is not within the control of Peoples or Heritage.

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Covenants and Agreements (pages 60 through 63)

Heritage has agreed that neither it nor Heritage Bank, nor any person on either's behalf, will solicit or hold discussions with any third party regarding a merger, tender offer, recapitalization, consolidation or any similar transaction, sale or lease or other acquisition or assumption of all or a substantial portion of Heritage's or Heritage Bank's assets, purchase or acquisition of more than 20% of the voting power of Heritage or any similar transaction. Under specified circumstances, however, Heritage may take the following actions:

provide information to a third party regarding a proposal to engage in any of the above-described transactions;

negotiate and discuss such a transaction with a third party;

recommend to the stockholders of Heritage the approval of such a transaction with a third party; or

withdraw a recommendation regarding the merger with Peoples.

Heritage may take these actions only if (i) Heritage's board of directors determines in good faith (after consultation with outside legal counsel) that any of the above-described actions are necessary in order for its directors to comply with their fiduciary duties under applicable law and (ii) the board of directors determines in good faith (after consultation with its financial advisor) that the transaction with the third party is likely to be consummated and to result in a transaction more favorable to Heritage stockholders from a financial point of view than the merger with Peoples.

Peoples has the right to match or better any acquisition proposal from a third party within ten days after receipt of notice from Heritage of the third party offer, and the merger agreement will be amended to reflect any new terms offered by Peoples. If Peoples does match or better such proposal, Heritage must cease, and cause Heritage Bank or its representative to cease, all discussions with the third party.

The merger agreement requires Peoples to provide specified indemnification for a period of six years following the closing date of the merger. Peoples must indemnify and hold harmless from liability for acts or omissions occurring at or prior to the closing date of the merger specified current or former directors and officers of Heritage or Heritage Bank to the same extent as such directors or officers would be indemnified under the articles of incorporation or bylaws of Peoples as if they were directors or officers of Peoples. The merger agreement also provides that Peoples shall use its reasonable best efforts to cause Peoples or Peoples Bank to obtain for a period of six years after the closing date of the merger policies of directors' and officers' liability insurance. This insurance must cover acts or omissions occurring prior to the closing date of the merger for such directors and officers of Heritage. The insurance must be on terms and in amounts substantially similar to the policies in effect on the date of the merger agreement. However, neither Peoples nor Peoples Bank are required to pay an aggregate premium for such insurance coverage in excess of 200% of the amount for such coverage as currently held by Heritage. In such case, Peoples or Peoples Bank shall purchase as much coverage as reasonably practicable for such amount.

Termination of the Merger Agreement (pages 65 and 66)

The merger agreement may be terminated and the merger may be abandoned at any time prior to the closing date of the merger:

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by the mutual written consent of Peoples and Heritage;

by either Peoples or Heritage if:

(i) the closing date of the merger shall not have occurred on or prior to March 31, 2005 (or on or prior to June 30, 2005 where a governmental approval is pending and has not been finally resolved)

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or (ii) the merger agreement and the merger are not approved by Heritage's stockholders, unless either (i) or (ii) is caused by the failure of the party seeking to terminate to perform or observe its agreements at or before the closing date or the stockholders vote, as the case may be;

there has been a breach by the other party of (i) any covenant or undertaking in the merger agreement or (ii) any representation or warranty of the other party contained in the merger agreement, where such breach prevents the breaching party from satisfying a condition to closing in the merger agreement and has not been cured within thirty days following delivery of written notice of the breach;

30 days pass after any application for regulatory or governmental approval is denied or withdrawn at the request or recommendation of the governmental entity, unless within such 30-day period a petition for rehearing or an amended application is filed. A party may terminate 30 or more days after a petition for rehearing or an amended application is denied. No party may terminate when the denial or withdrawal is due to that party's failure to observe or perform its covenants or agreements; or

any governmental entity shall have issued a final, non-appealable order prohibiting the completion of the merger.

by Peoples if:

Heritage's board of directors fails to make, or withdraws, qualifies or changes, the recommendation in this proxy statement/prospectus that Heritage's stockholders vote to adopt and approve the merger agreement and the merger, or proposes publicly to do any of the foregoing;

the special meeting to approve the merger agreement and plan of merger is not called or convened by Heritage;

Heritage approves or recommends, or publicly proposes to approve or recommend, an acquisition proposal by a third party;

Heritage stockholders who own more than 15% of the outstanding shares of Heritage common stock exercise their right to appraisal; or

The Federal Deposit Insurance Corporation or the Alabama State Banking Department closes or orders the closing of Heritage Bank.

by Heritage if:

the board of directors of Heritage determines in good faith, after consultation with outside counsel, that it would constitute a breach of the board's fiduciary duties (i) to hold the special meeting, (ii) to recommend the merger agreement and the merger to Heritage stockholders, (iii) to fail to terminate the merger agreement and accept an acquisition proposal from a third party or (iv) to not withdraw or modify its previous recommendation to Heritage's stockholders to adopt and approve the merger agreement and the merger; or

the shares of Peoples' common stock do not meet the trading price target described on page 66 of this proxy statement/prospectus.

Termination Fees (pages 66 and 67)

Heritage must pay to Peoples a termination fee of \$2,000,000 if:

(i) prior to any event allowing either party to terminate the merger agreement, an acquisition proposal from a third party is publicly announced or otherwise made known to Heritage's senior management, board of directors or stockholders generally and not irrevocably withdrawn more than five business days

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prior to the special meeting, (ii) the merger agreement is then terminated (y) by either Peoples or Heritage, because Heritage's stockholders failed to approve the merger agreement and the plan of merger or (z) by Peoples, because of a willful breach by Heritage of any covenant, undertaking, representation or warranty contained in the merger agreement, and (iii) the acquisition contained in the acquisition proposal is consummated within 12 months of the termination of the merger agreement;

Peoples terminates the merger agreement because Heritage either (i) failed to recommend to its stockholders the approval of the merger agreement and the merger, (ii) effected a change in such recommendation, (iii) failed to call or convene the special meeting, or (iv) approved or recommended, or proposed publicly to approve or recommend, any acquisition transaction with a third party; or

Heritage terminates the merger agreement because its board of directors determines that it would constitute a breach of the board's fiduciary duties (i) to recommend the merger agreement and the merger to Heritage stockholders, (ii) to fail to terminate the merger agreement and accept an acquisition proposal from a third party, (iii) to hold the special meeting or (iv) to not withdraw or modify its previous recommendation to Heritage's stockholders to adopt and approve the merger agreement and the merger.

Interests of Certain Persons in the Merger (page 52)

In addition to their interests as stockholders, the directors and executive officers of Heritage may have interests in the merger that are different from, or in addition to, your interests. These interests exist because of rights they may have under individual employment agreements, under compensation and benefit plans, including the Heritage stock option plans and under the merger agreement. These interests include, among other things:

an employment agreement to be entered into by Peoples, The Peoples Bank & Trust Company and Larry R. Mathews on the closing date, pursuant to which Larry R. Mathews will serve as President of the Alabama Division of The Peoples Bank & Trust Company, for a period commencing on the closing date and ending five years after the closing date, subject to renewal;

Peoples' agreement to either repay in full the debt of Heritage to First Tennessee Bank, which is guaranteed by each current director of Heritage, or assume this debt and cause such personal guarantees to be released by First Tennessee Bank at or prior to the closing date of the merger; and

Peoples' agreement to indemnify and hold harmless duly elected present and former directors and officers of Heritage and Heritage Bank.

In addition, William M. Foshee, Robert F. Harwell, Jr., Michael Hockman, David F. Mays and Don Pruett have employment agreements with Heritage and Heritage Bank. Heritage has agreed that on or prior to the closing date it will cause the aforementioned individuals who are then employed by Heritage to execute and deliver to Peoples an agreement amending the existing employment agreements. It is anticipated that such agreements will provide, among other things, that each such person, in exchange for (i) a payment at the effective time in an amount equal to such person's base salary at the effective time and (ii) a payment on the first anniversary of the effective time in an amount equal to such person's base salary as of the effective time, is waiving his right to receive change of control payments under their respective employment agreements that may have arisen in connection with the transactions contemplated in the merger agreement. This waiver, however, does not apply to any future transactions. It is anticipated that the base term of each of these employment agreements will be extended for two additional years.

The members of the Heritage board of directors knew of these additional interests, and considered them when they approved the merger agreement.

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Appraisal Rights (pages 48 through 51)

Under Delaware law, if a Heritage stockholder follows the appropriate procedures for demanding appraisal rights and does not vote in favor of the adoption and approval of the merger agreement and the merger, such individual will be entitled to receive a cash payment equal to the fair value of the shares of Heritage common stock owned by such stockholder, as determined by the Delaware Court of Chancery, in lieu of the right to receive either cash in the amount of \$6.25, 0.20 shares of Peoples common stock, or the combination of cash and stock described above in exchange for each share of Heritage common stock.

If a Heritage stockholder desires to exercise appraisal rights under Delaware law, the stockholder is required to comply with Section 262 of the Delaware General Corporation Law, which is summarized under the heading "The Merger Appraisal Rights." A copy of Section 262 is attached to this proxy statement/prospectus as Annex D. Failure to take all of the steps required under Delaware law may result in the loss of appraisal rights by the Heritage stockholder. If a Heritage stockholder loses his or her appraisal rights, such stockholder will be deemed to have elected to receive cash for 40% of his or her shares of Heritage common stock and shares of Peoples common stock for 60% of his or her shares of Heritage common stock, at the same price and exchange ratio described above.

Tax Consequences of the Merger (pages 44 through 46)

Assuming that the merger is completed as currently contemplated, a holder of Heritage common stock will not recognize any gain or loss for United States federal income tax purposes on any of the Heritage shares exchanged for Peoples shares in the merger, except with respect to cash received in lieu of a fractional Peoples share. A holder of Heritage common stock may recognize gain or loss if Heritage shares are exchanged solely for cash in the merger. Further, a holder of Heritage common stock may recognize gain, but not loss, if the Heritage shares are exchanged for a combination of Peoples shares and cash, but not in excess of the cash received in the merger.

Regulatory and Third-Party Approvals (pages 46 through 48)

Under the merger agreement, Peoples and Heritage have agreed to use their best efforts to obtain all necessary actions, indications of no objection, waivers, consents and approvals from any governmental authority necessary to complete and make effective the merger and other transactions contemplated by the merger agreement. The required regulatory approvals include approval from the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Mississippi Department of Banking and Consumer Finance and the Alabama State Banking Department. All applications and notices have been filed, or are in the process of being filed. The Federal Reserve Board has notified Peoples that it has approved the merger. While Peoples and Heritage believe that they will receive the other requisite approvals for the merger, there can be no assurance regarding the timing of the approvals, the ability of the companies to obtain the approvals on satisfactory terms, the absence of litigation challenging such approvals or otherwise.

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RISK FACTORS

In addition to the other information included in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading **Forward Looking Statements** on page 17 of this proxy statement/prospectus, you should carefully consider the following risk factors in determining whether to adopt and approve the merger agreement, the plan of merger and the merger.

You May Receive a Form of Consideration Different from the Form of Consideration You Elect.

The consideration to be received by Heritage stockholders in the merger is subject to the requirement that not less than 60% or more than 65% of the shares of Heritage common stock be converted into the right to receive Peoples common stock and that not less than 35% or more than 40% of the shares of Heritage common stock be converted into the right to receive cash. The merger agreement contains redesignation procedures to achieve this desired result. If you elect to receive all cash and the available cash is oversubscribed, then a portion of your merger consideration will be paid in Peoples common stock. If you elect to receive all stock and the available stock is oversubscribed, then a portion of the merger consideration you receive will be paid in cash. Therefore, you may not receive exactly the form of consideration that you elect.

All Elections Are Irrevocable.

Your election of merger consideration will be irrevocable. Once a Heritage stockholder delivers the form of election and his or her Heritage stock certificates to the exchange agent, the Heritage stockholder will not be able to sell, transfer or otherwise dispose of his or her shares of Heritage common stock.

Changes in Peoples Stock Price May Affect the Total Value of the Consideration You Receive in the Merger.

Upon the closing of the merger, each share of Heritage common stock you own will automatically be converted into the right to receive either 0.20 shares of Peoples common stock, \$6.25 in cash or a combination of both Peoples common stock and cash. Because the market price of Peoples common stock may fluctuate, you cannot be sure of the market value of the Peoples common stock that you elect to receive in the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Peoples businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond Peoples control. In addition, there will be a time period between the completion of the merger and the time when Heritage stockholders receiving stock consideration actually receive certificates evidencing Peoples common stock. Until stock certificates are received, Heritage stockholders will not be able to sell their Peoples shares in the open market and, thus, will not be able to avoid losses resulting from any decline in the trading price of Peoples common stock during this period.

The Low Trading Volume of Peoples Common Stock Could Lead to Volatility in the Price of Such Stock.

For the three months ended November 15, 2004, the average daily trading volume for Peoples common stock was 5,850 shares per day. Because Peoples common stock has a low daily trading volume, significant purchases or sales of Peoples common stock may cause volatility in the price

of Peoples common stock.

The Interests of Certain Directors and Executive Officers of Heritage May Cause Them to View the Merger Differently than You Would.

You should be aware that the directors and some executive officers of Heritage have interests in the merger that are different from, or in addition to, the interests of stockholders generally. For example, on the closing date, the chief executive officer of Heritage will enter into an agreement that provides for his continued employment following the merger. Other interests of Heritage's directors and executive officers may cause some of these persons to view the proposed transaction differently than you view it. For a discussion of these interests, see "The Merger: Interests of Certain Persons in the Merger." Despite these additional or different interests, the directors of Heritage believe that the merger is in the best interests of Heritage and its stockholders.

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Combining Our Two Companies May Be More Difficult, Costly or Time-Consuming than We Expect.

Peoples and Heritage have operated, and, until completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, a disruption of each company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the documents that are made part of this proxy statement/prospectus by reference to other documents filed with the Securities and Exchange Commission include various forward-looking statements about The Peoples Holding Company and Heritage Financial Holding Corporation that are subject to risks and uncertainties. Forward-looking statements include information concerning future financial performance, business strategy, projected plans and objectives of Peoples and Heritage.

Statements preceded by, followed by or that otherwise include the words believes, expects, anticipates, intends, estimates, plans, may increase, may fluctuate, will likely result, and similar expressions, or future or conditional verbs such as will, should, would, and could are general forward-looking in nature and not historical facts. You should understand that the following important factors, in addition to those discussed elsewhere in this proxy statement/prospectus and in the documents which are incorporated by reference into this proxy statement/prospectus, could affect the future results of the combined company following the merger, and could cause results to differ materially from those expressed in such forward-looking statements:

the effect of economic conditions and interest rates on a national, regional or international basis;

the performance of Peoples' businesses following the merger;

the timing of the implementation of changes in operations to achieve enhanced earnings or effect cost savings;

the ability of Peoples and Heritage to successfully integrate their operations, the compatibility of the operating systems of the combining companies, and the degree to which existing administrative and back-office functions and costs of Peoples and Heritage are complementary or redundant;

the ability to satisfy all conditions precedent to the merger (including stockholder and various regulatory approvals);

competitive pressures in the consumer finance, commercial finance, insurance, financial services, asset management, retail banking, mortgage lending and auto lending industries;

the financial resources of, and products available to, competitors;

changes in laws and regulations, including changes in accounting standards;

changes in policy by regulatory agencies;

changes in the securities and foreign exchange markets; and

opportunities that may be presented to and pursued by the combined company following the merger.

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Management of each of Peoples and Heritage believes the forward-looking statements about Peoples and Heritage, as applicable, are reasonable. However, you should not place undue reliance on them. Any forward-looking statements in the proxy statement/prospectus are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results, developments and business decisions may differ from those contemplated by those forward-looking statements. Many of the factors that will determine these results are beyond Peoples and Heritage's ability to control or predict. Peoples and Heritage disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PEOPLES**

The following table sets forth certain consolidated financial information of Peoples. This information is based on, and should be read in conjunction with, the consolidated financial statements and related notes of Peoples contained in its annual report on Form 10-K for the year ended December 31, 2003 and in its quarterly report on Form 10-Q for the three-month period ended September 30, 2004. Information for the nine-month periods ended September 30, 2004 and 2003 is unaudited. The results for the nine-month period ended September 30, 2004 do not necessarily indicate the results you can expect for the entire year.

PEOPLES SELECTED CONSOLIDATED**HISTORICAL FINANCIAL DATA***(Unaudited)**(In Thousands, except Share Data)*

	Nine Months		Year Ended December 31,				
	Ended September 30,						
	2004	2003	2003	2002	2001	2000	1999
Income Statement Data							
Interest income	\$ 55,948	\$ 53,705	\$ 70,810	\$ 78,418	\$ 87,766	\$ 89,434	\$ 83,500
Interest expense	15,948	16,833	21,777	26,525	40,922	44,132	37,342
Provision for loan losses	1,629	2,169	2,713	4,350	4,790	6,373	3,192
Noninterest income	25,668	24,028	31,223	27,442	24,389	18,529	19,476
Noninterest expense	44,078	39,983	52,523	50,496	46,747	42,474	41,480
Income before income taxes	19,961	18,748	25,020	24,489	19,696	14,984	20,962
Income taxes	5,566	5,124	6,839	6,819	5,109	3,800	6,182
Income before cumulative effect of accounting change	14,395	13,624	18,181	17,670	14,587	11,184	14,780
Cumulative effect of accounting change				(1,300)			
Net income	\$ 14,395	\$ 13,624	\$ 18,181	\$ 16,370	\$ 14,587	\$ 11,184	\$ 14,780
Per Common Share Data							
Net Income Basic	\$ 1.70	\$ 1.64	\$ 2.20	\$ 1.95	\$ 1.66	\$ 1.22	\$ 1.59
Net Income Diluted	\$ 1.70	\$ 1.64	\$ 2.19	\$ 1.94	\$ 1.66	\$ 1.22	\$ 1.59
Book value at period end	\$ 19.60	\$ 16.53	\$ 16.79	\$ 15.88	\$ 14.44	\$ 13.39	\$ 12.47
Closing Price on the AMEX at period end	\$ 32.55	\$ 30.36	\$ 33.00	27.17	24.67	12.00	19.25
Cash dividends declared and paid	\$ 0.61	\$ 0.56	\$ 0.75	0.69	0.64	0.59	0.56
Balance Sheet Data at Period End							
Loans, net of unearned income	\$ 1,128,047	\$ 843,538	\$ 862,652	\$ 859,684	\$ 818,036	\$ 812,701	\$ 798,083
Securities	384,550	373,745	414,270	344,781	277,293	278,574	266,744

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Assets	1,706,462	1,377,202	1,415,214	1,344,512	1,254,727	1,211,940	1,162,959
Deposits	1,337,301	1,138,311	1,133,931	1,099,048	1,063,055	1,046,605	978,958
Long term debt	84,147	76,825	125,272	91,806	47,326	24,549	51,269
Shareholders' equity	176,712	135,660	137,625	132,778	123,582	121,661	116,089
Selected Ratios							
Return on average:							
Total assets	1.26%	1.33%	1.33%	1.25%	1.18%	.93%	1.29%
Shareholders' equity	12.53%	13.45%	13.41%	12.85%	11.70%	9.49%	13.19%
Before cumulative effect of accounting change, return on average:							
Total assets	1.26%	1.33%	1.33%	1.35%	1.18%	.93%	1.29%
Shareholders' equity	12.53%	13.45%	13.41%	13.87%	11.70%	9.49%	13.19%
Average shareholders' equity to average assets	10.07%	9.87%	9.89%	9.75%	10.07%	9.85%	9.77%
Shareholders' equity to assets	10.36%	9.85%	9.72%	9.88%	9.85%	10.04%	9.98%
Allowance for loan losses to total loans, net of unearned income	1.45%	1.57%	1.53%	1.42%	1.39%	1.30%	1.26%
Allowance for loan losses to non-performing loans	212.36%	175.88%	181.09%	338.22%	178.63%	147.89%	126.47%
Non-performing loans to total loans, net of unearned income	0.68%	0.89%	0.85%	0.42%	0.78%	0.88%	1.00%
Dividend payout	35.90%	33.67%	34.25%	35.59%	38.52%	47.76%	35.24%

All per share information listed above has been restated to reflect the three-for-two stock split effected in the form of a share dividend on December 1, 2003, and any other stock splits or stock dividends declared during the five-year period covered by the above table.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF HERITAGE**

The following table sets forth certain consolidated financial information of Heritage. This information is based on, and should be read in conjunction with, the consolidated financial statements and related notes of Heritage contained in its annual report on Form 10-K for the year ended December 31, 2003 and in its quarterly report on Form 10-Q for the three-month period ended September 30, 2004. Information for the nine-month periods ended September 30, 2004 and 2003 is unaudited. The results for the nine-month period ended September 30, 2004 do not necessarily indicate the results you can expect for the entire year.

HERITAGE SELECTED CONSOLIDATED**HISTORICAL FINANCIAL DATA***(Unaudited)**(In Thousands, Except Share Data)*

	Nine Months Ended		Year Ended December 31,				
	September 30,						
	2004	2003	2003	2002	2001	2000	1999
Income Statement Data:							
Interest income	\$ 21,033	\$ 23,728	\$ 30,343	\$ 40,465	\$ 42,966	\$ 35,660	\$ 17,248
Interest expense	9,540	12,052	15,389	21,742	28,594	22,018	9,874
Provision for loan losses	54	(565)	(1,646)	29,469	3,602	3,389	1,808
Noninterest income	4,664	3,344	4,987	3,825	2,844	1,039	642
Noninterest expense	13,555	13,614	19,795	15,380	10,023	8,113	4,952
Income before income taxes	2,548	1,971	1,793	(22,300)	3,590	3,179	1,256
Income taxes (benefit)	836	736	664	(7,887)	1,224	991	395
Net income (loss)	1,712	1,235	1,129	(14,413)	2,366	2,188	861
Per Share Common Data:							
Net income-basic	\$ 0.16	\$ 0.12	\$ 0.11	\$ (1.65)	\$ 0.28	\$ 0.26	\$ 0.12
Net income(loss)-diluted	0.15	0.12	0.11	(1.65)	0.23	0.22	0.11
Book value at period end	3.03	2.85	2.86	2.69	4.24	3.95	2.89
Closing stock price at period end	6.10	4.25	4.75	9.50	8.00	11.50	10.00
Balance Sheet Data at Period End:							
Loans, net of unearned income	\$ 386,775	\$ 402,748	\$ 385,887	\$ 523,850	\$ 505,381	\$ 422,135	\$ 244,620
Securities	95,856	57,893	101,935	36,762	25,894	26,846	19,969
Assets	543,638	508,564	522,736	593,252	568,601	471,458	297,952
Deposits	388,977	436,012	415,615	525,631	504,310	421,244	249,032
Long term debt	10,310	10,310	10,310	10,310	10,310	-0-	-0-
Shareholders' equity	31,901	29,945	30,106	23,703	36,124	33,499	21,920
Selected Ratios							
Return on average:							
Total assets	0.43%	0.41%	0.21%	(2.34)%	0.42%	0.54%	0.40%
Shareholders' equity	7.43%	5.88%	4.00%	(4.08)%	6.92%	7.32%	4.52%
Average shareholders' equity to average assets	8.86%	7.56%	5.25%	5.72%	6.10%	7.45%	8.95%
Shareholders' equity to assets	5.87%	5.89%	5.76%	4.00%	6.35%	7.11%	7.36%

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Allowance for loan losses to total loans, net of unearned income	2.61%	4.53%	3.77%	5.15%	1.20%	1.20%	1.24%
Allowance for loan losses to non-performing loans	139.37%	170.50%	111.61%	110.83%	74.19%	84.77%	317.24%
Non-performing loans to total loans, net of unearned income	1.87%	2.66%	3.38%	4.65%	1.62%	1.42%	0.39%
Dividend payout	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA OF PEOPLES

The following unaudited pro forma condensed combined financial information and explanatory notes present how the combined financial statements of Peoples and Heritage may have appeared had the businesses actually been combined at the beginning of the periods presented. The unaudited pro forma condensed combined financial information shows the impact of the merger of Peoples and Heritage on the companies respective historical financial positions and results of operations under the purchase method of accounting with Peoples treated as the acquirer. Under this method of accounting, the assets and liabilities of Heritage will be recorded by Peoples at their estimated fair values as of the date the merger is completed. The unaudited pro forma condensed combined financial information combines the historical financial information of Peoples and Heritage as of and for the nine months ended September 30, 2004 and for the year ended December 31, 2003. The unaudited pro forma condensed combined balance sheet as of September 30, 2004 assumes the merger was completed on that date. The unaudited pro forma condensed combined statements of income give effect to the merger as if the merger had been completed on January 1, 2003. The unaudited pro form combined selected financial data is derived from such balance sheet and statements of income.

On July 1, 2004, Peoples, through its wholly owned subsidiary, Peoples Merger Corporation, merged with Renasant Bancshares, Inc. (Renasant) and thereby indirectly acquired 100% of Renasant Bank, of Germantown, Tennessee. The unaudited pro forma condensed combined statement of income also sets forth this transaction as if Peoples merger with Renasant had become effective on January 1, 2003, with respect to operations data. Because the merger was effective on July 1, 2004, data with respect to Renasant s financial condition as of and for the nine months ended September 30, 2004 is already included within Peoples financial condition data.

According to the terms of the Peoples/Heritage merger agreement which was announced on July 15, 2004, each Heritage stockholder can elect to receive one of the three following options: (i) \$6.25 in cash for each share of Heritage common stock, (ii) 0.20 shares of Peoples common stock for each share of Heritage common stock, or (iii) a combination of 40% cash at the same price listed above and 60% stock at the same exchange ratio listed above, subject to the overall limitation that the aggregate stock consideration will equal approximately 60% of the total consideration received by Heritage stockholders.

The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of both Peoples and Heritage which are incorporated in this document by reference. See "Where You Can Find More Information" on page 81.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during this period. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the allocation of the purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded upon completion of the merger.

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PRO FORMA COMBINED
SELECTED FINANCIAL DATA
(Unaudited)
(In Thousands, Except Share Data)

	Year ended December 31, 2003	Nine months ended September 30, 2004
Income Statement Data		
Interest income	\$ 112,963	\$ 82,921
Interest expense	41,702	27,897
Provision for loan losses	3,198	2,873
Noninterest income	37,202	30,665
Noninterest expense	80,417	63,019
	<hr/>	<hr/>
Income before income taxes	24,848	19,797
Income taxes	6,723	5,393
	<hr/>	<hr/>
Net income	\$ 18,125	\$ 14,404
	<hr/>	<hr/>
Per Common Share Data		
Net Income Basic	\$ 1.75	\$ 1.41
Net Income Diluted	\$ 1.67	\$ 1.34
Book value at period end	\$ 17.95	\$ 21.94
Cash dividends declared and paid	\$ 0.75	\$ 0.61
Balance Sheet Data at Period End		
Loans, net of unearned income	\$ 1,424,832	\$ 1,512,120
Securities	\$ 535,873	\$ 538,743
Assets	\$ 2,180,577	\$ 2,307,289
Deposits	\$ 1,735,546	\$ 1,726,565
Long term debt	\$ 114,096	\$ 94,147
Shareholders equity	\$ 216,999	\$ 224,122

Table of Contents**Peoples/Heritage****Pro Forma Condensed Combined Balance Sheet****September 30, 2004 (unaudited)**

The following preliminary unaudited pro forma condensed combined balance sheet combines the historical balance sheets of Peoples and Heritage assuming the companies had been combined on September 30, 2004, on a purchase accounting basis. The Consolidated PHC data includes the financial information associated with the Peoples/Renasant merger of July 1, 2004.

	<u>Consolidated PHC</u>	<u>Heritage</u>	<u>Pro Forma Adjustments(1)</u>	<u>Peoples/ Heritage Combined</u>
Assets				
Cash and Cash Equivalents	\$ 45,316,816	8,792,866 A	(26,341,650)	27,768,032
		B	34,000,000	34,000,000
Securities available-for-sale	384,549,908	95,855,843 C	(632,000)	479,773,751
		D	12,059,719	12,059,719
Other investments	13,287,929	4,707,061		17,994,990
Mortgage Loans held for sale	1,501,850	27,412,783		28,914,633
Loans, net of unearned income	1,128,047,054	386,774,781 E	(2,702,000)	1,512,119,835
		D	(17,008,561)	(17,008,561)
Allowance for loan losses	(16,308,919)	(10,077,538)D	4,948,842	(21,437,615)
Loans, net of allowance	1,111,738,135	376,697,243		1,473,673,659
Premises and equipment, net	32,751,129	6,806,208		39,557,337
Goodwill	39,667,569	G	46,631,320	86,298,889
Core deposit intangibles and other intangibles	10,303,258	H	6,233,000	16,536,258
OREO	2,515,897	1,625,177		4,141,074
Investment in Unconsolidated Sub				
Other assets	64,829,976	21,740,587		86,570,563
Total Assets	\$ 1,706,462,467	543,637,768		2,307,288,905
Liabilities				
Noninterest-bearing deposits	\$ 200,533,791	31,825,706		232,359,497
Interest-bearing deposits	1,136,766,617	357,151,515 J	(287,000)	1,494,205,132
Total deposits	1,337,300,408	388,977,221		1,726,564,629
Federal funds purchased and repos	43,500,000	10,107,530		53,607,530
Advances from the Federal Home Loan Bank	92,901,614	92,622,156		185,523,770
Junior subordinated debentures	20,619,000	10,310,000 B	(34,000,000)	64,929,000
Other borrowed funds	15,702,499	7,480,000 K	(645,000)	23,827,499
Other liabilities	19,726,432	2,240,107 L	(747,460)	22,713,999
		L	(6,000,000)	6,000,000
Total Liabilities	\$ 1,529,749,953	511,737,014		2,083,166,427

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Shareholders equity				
Common Stock	\$ 50,599,805	105,367 M	105,367	50,599,805
		M	(6,321,995)	6,321,995
Treasury Stock	(22,324,468)			(22,324,468)
Additional paid-in-capital	67,771,727	37,413,442 M	37,413,442	67,771,727
		M	(35,150,299)	35,150,299
		M	(5,937,670)	5,937,670
Retained earnings (Accumulated deficit)	79,569,314	(5,836,324)M	(5,836,324)	79,569,314
Other Equity components				
Accumulated other comprehensive income	1,096,136	218,269 M	218,269	1,096,136
Total shareholders equity	\$ 176,712,514	31,900,754		224,122,478
Total liabilities and shareholders equity	\$ 1,706,462,467	543,637,768		2,307,288,905

(1) See Notes to Unaudited Pro Forma Condensed Combined Financial Information

* In the adjustment columns, bracketed items () represent credits, non bracketed items represent debits.

Table of Contents**Peoples/Heritage****Pro Forma Condensed Combined Statement of Income****September 30, 2004 (unaudited)**

The following preliminary unaudited pro forma condensed statement of income combines the historical statements of income of Peoples and Heritage assuming the companies had been combined on January 1, 2003, on a purchase accounting basis. The Consolidated PHC data includes the financial information associated with the Peoples/Renasant merger of July 1, 2004.

	Consolidated PHC	Heritage	Pro Forma Adjustments(1)	Peoples/Heritage Combined
Interest Income				
Loans	\$ 48,150,476	\$ 18,119,667 E	\$ 773,473	\$ 67,043,616
		D	(789,622)	(789,622)
Securities	13,035,709	2,909,609 C	84,643	16,029,961
		D	434,150	434,150
Other	199,000	4,111		203,111
Total Interest Income	61,385,185	21,033,387		82,921,215
Interest Expense				
Deposits	14,281,000	6,921,382		21,202,382
Borrowings	3,305,523	2,618,876 K	(254,605)	5,669,794
		B	1,025,100	1,025,100
Total Interest Expense	17,586,523	9,540,258		27,897,276
Net interest income	43,798,662	11,493,129		55,023,939
Provision for loan losses	2,038,000	54,321 D	780,290	2,872,611
Net interest income after provision for loan losses	41,760,662	11,438,808		52,151,328
Noninterest income				
Service charges	11,664,000	947,304		12,611,304
Fees and commissions	5,778,000	1,743,223		7,521,223
Insurance commissions	2,703,000			2,703,000
Trust revenue	1,728,000			1,728,000
Securities gains	103,000	597,119		700,119
Bank owned life insurance revenue	870,000			870,000
Merchant discounts	633,000			633,000
Gain on Sale of Merchant Business	1,000,000			1,000,000
Other	1,522,000	1,376,288		2,898,288
Total noninterest income	26,001,000	4,663,934		30,664,934
Noninterest expense				
Salaries and employee benefits	26,216,000	7,009,807		33,225,807
Data processing	3,578,000			3,578,000
Net occupancy	2,935,124	1,770,561		4,705,685

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Equipment	2,757,000			2,757,000
Other	13,074,029	4,774,507 H	787,075	18,635,611
	117,000			117,000
Total noninterest expense	48,677,153	13,554,875		63,019,103
Income before income taxes	19,084,509	2,547,867	(1,835,217)	19,797,159
Income taxes	5,254,713	836,047	(697,382)	5,393,378
Net income	\$ 13,829,796	\$ 1,711,820	\$ (1,137,834)	\$ 14,403,781
Per common share information				
Basic earnings per share	\$ 1.70	\$ 0.16		\$ 1.41
Diluted earnings per share	\$ 1.70	\$ 0.15		\$ 1.34
Cash dividends declared per share	\$ 0.61			
Average common shares issued and outstanding	8,951,860	N	1,264,399	10,216,259
Average diluted common shares issued and outstanding	9,122,687	O	1,596,567	10,719,254

(1) See Notes to Unaudited Pro Forma Condensed Combined Financial Information

Table of Contents**Peoples/Heritage****Pro Forma Condensed Combined Statement of Income****December 31, 2003 (unaudited)**

The following preliminary unaudited pro forma condensed combined statement of income combines the historical statements of income of Peoples and Heritage assuming the companies had been combined on January 1, 2003, on a purchase accounting basis. It also includes the financial information associated with the Peoples / Renasant merger of July 1, 2004 as if the companies had also been combined on January 1, 2003.

	<u>Peoples</u>	<u>Renasant</u>	<u>Renasant Adjustments(1)</u>	<u>Consolidated Peoples / Renasant</u>	<u>Heritage</u>	<u>Pro Forma Adjustments(1)</u>	<u>Peoples / Heritage Combined</u>
Interest Income							
Loans	\$ 56,366,000	\$ 10,180,000 E	\$ (219,365)	\$ 66,326,635	\$ 28,377,963 E	\$ 1,031,298	\$ 95,735,896
						D (1,052,830)	(1,052,830)
Securities	14,211,000	930,000 C	182,278	15,323,278	1,719,866 C	112,857	17,156,001
						D 578,867	578,867
Other	233,000	67,000		300,000	245,342		545,342
Total Interest Income	70,810,000	11,177,000		81,949,913	30,343,171		112,963,276
Interest Expense							
Deposits	18,818,000	3,763,000 J	(305,290)	22,275,710	12,993,846 J	(287,000)	34,982,556
Borrowings	2,959,000	294,000 K	44,174	3,297,174	2,394,941 K	(339,474)	5,352,641
						B 1,366,800	1,366,800
Total Interest Expense	21,777,000	4,057,000		25,572,884	15,388,787		41,701,997
Net interest income	49,033,000	7,120,000		56,377,029	14,954,384		71,261,279
Provision for loan losses	2,713,000	506,000		3,219,000	(1,645,878)D	1,625,290	3,198,412
Net interest income after provision for loan losses	46,320,000	6,614,000		53,158,029	16,600,262		68,062,867
Noninterest income							
Service charges	14,417,000	261,000		14,678,000	1,137,434		15,815,434
Fees and commissions	6,874,000			6,874,000			6,874,000
Insurance commissions	3,602,000			3,602,000			3,602,000
Trust revenue	1,078,000			1,078,000			1,078,000
Securities gains	191,000	243,000		434,000	205,801		639,801
Bank owned life insurance revenue	1,169,000			1,169,000			1,169,000
Merchant discounts	1,287,000			1,287,000			1,287,000
Gain on Sale of Merchant Business							
Other	2,605,000	488,000		3,093,000	3,644,215		6,737,215
Total noninterest income	31,223,000	992,000		32,215,000	4,987,450		37,202,450
Noninterest expense							
Salaries and employee benefits	29,486,000	3,213,000		32,699,000	9,056,110		41,755,110
Data processing	4,094,000			4,094,000			4,094,000
Net occupancy	3,382,000	566,000 F	(9,168)	3,938,832	2,501,840		6,440,672

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Equipment	3,092,000			3,092,000			3,092,000
Other	12,469,000	1,762,000 H	1,075,929	15,306,929	8,237,152 H	1,335,643	24,879,724
		I	156,000	156,000			156,000
Total noninterest Expense	52,523,000	5,541,000		59,286,761	19,795,102		80,417,506
Income before income taxes	25,020,000	2,065,000	(998,732)	26,086,268	1,792,610	(3,031,067)	24,847,811
Income taxes	6,839,000	751,000	(379,518)	7,210,482	664,230	(1,151,806)	6,722,906
Net income	\$ 18,181,000	\$ 1,314,000	\$ (619,214)	\$ 18,875,786	\$ 1,128,380	\$ (1,879,262)	\$ 18,124,904
Per common share information							
Basic earnings per share	\$ 2.20			\$ 2.08	\$ 0.11		\$ 1.75
Diluted earnings per share	\$ 2.19			\$ 2.04	\$ 0.11		\$ 1.67
Cash dividends declared per share	\$						
Average common shares issued and outstanding	8,264,091	N	802,266	9,066,357	N	1,264,351	10,330,708
Average diluted common shares issued and outstanding	8,301,826	O	936,310	9,238,136	O	1,596,519	10,834,655

(1) See Notes to Unaudited Pro Forma Condensed Combined Financial Information

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**NOTES TO THE UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL INFORMATION**

Note 1 Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information related to the merger is included for the year ended December 31, 2003 and as of and for the nine months ended September 30, 2004.

The pro forma adjustments included herein reflect the impact of an assumed 60-40 ratio of stock and cash to effect the merger and using an exchange ratio of 0.20 of a share of Peoples common stock for each Heritage common share. The estimated purchase price of \$73.75 million, which includes the value of stock options, is based on a per share price for Peoples common stock of \$32.80 as of July 14, 2004, the date of the merger agreement.

The merger will be accounted for using the purchase method of accounting and, accordingly, the unaudited pro forma condensed combined financial information includes estimated adjustments to record the assets and liabilities of Heritage at their respective fair values and represents management's estimates based on available information. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of a final analysis to determine the fair values of Heritage's tangible, and identifiable intangible, assets and liabilities as of the completion date. Therefore, the final purchase accounting adjustments and integration charges may be materially different from the pro forma adjustments presented in this document. Increases or decreases in the fair value of the net assets of Heritage as compared to the information shown in this document may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact the statement of income due to adjustments in yield and/or amortization or accretion of the adjusted assets or liabilities.

The pro forma adjustments included herein also reflect Peoples' merger with Renasant and the impact of the 50-50 ratio of stock and cash chosen by the Renasant stockholders and using an exchange ratio of 1.117015 of a share of Peoples common stock for each Renasant common share. The purchase price of \$58.05 million, which includes the value of stock options, is based on a per share price for Peoples common stock of \$34.56 as of June 30, 2004.

The unaudited pro forma condensed combined financial information presented in this document does not necessarily indicate the results of operations or the combined financial position that would have resulted had the merger been completed at the beginning of the applicable period presented, nor is it indicative of the results of operations in future periods or the future financial position of the combined company.

Note 2 Pro Forma Adjustments

The unaudited pro forma condensed combined financial information for the merger includes the pro forma condensed combined balance sheet as of September 30, 2004 assuming the merger was completed on September 30, 2004. The pro forma income statements for the nine months ended September 30, 2004 and the year ended December 31, 2003 were prepared assuming the merger was completed on January 1, 2003.

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The unaudited pro forma condensed combined financial information reflects the issuance of 1,264,399 shares of Peoples common stock with an aggregate value of \$41.47 million and the conversion of approximately 1,852,500 Heritage stock options with a value of approximately \$5.9 million at September 30, 2004.

The unaudited pro forma condensed combined financial information also sets forth this transaction as if Peoples merger of July 1, 2004 with Renasant had become effective on January 1, 2003, with respect to operations data.

Table of Contents**Allocation of Purchase Price**

	<u>September 30, 2004</u>	
Purchase Price		
Heritage common stock outstanding	10,536,660	
Ratio of exchange for stock	60%	
Heritage shares to be paid in PHC stock	6,321,996	
Exchange Factor	0.20	
Total PHC shares to be issued	1,264,399	
Purchase price per PHC common share as of July 14, 2004	\$ 32.80	
Value of Peoples stock paid		\$ 41,472,294
Ratio of exchange for cash	40%	
Heritage shares to be paid in cash	4,214,664	
Cash price for Heritage shares	\$ 6.25	
Cash paid		\$ 26,341,650
Fair value of outstanding Heritage options		\$ 5,937,670
Total Purchase Price		\$ 73,751,614
Net assets acquired		
Heritage stockholders' equity	\$ 31,900,754	
Estimated transaction expenses	(6,000,000)	
Estimated adjustments to reflect assets acquired at fair value:		
Securities	(632,000)	
Loans	(2,702,000)	
Core deposit intangible	6,233,000	
Estimated adjustments to reflect liabilities assumed at fair value:		
Deposits	(287,000)	
FHLB Advances	(645,000)	
Deferred income taxes	(747,460)	
		\$ 27,120,294
Goodwill resulting from merger		\$ 46,631,320

The pro forma adjustments included in the unaudited pro forma condensed combined balance sheet of September 30, 2004 and the pro forma condensed combined statements of income as of September 30, 2004 and December 31, 2003 are as follows:

(A) Heritage Adjustment to record the cash portion of the purchase price under the assumed 60-40 ratio of stock and cash chosen by Heritage shareholders.

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(B) Heritage Adjustment to record the issuance of \$34 million of Trust Preferred Securities to fund the cash portion of the purchase price and to payoff a \$7 million loan. The impact of the adjustment was to increase interest expense by \$1 million and \$1.4 million for the nine months ended September 30, 2004 and the twelve months ended December 31, 2003, respectively.

(C) Heritage Adjustment to fair-value of the securities portfolio. The adjustment will be recognized over the remaining life of the securities portfolio. The impact of the adjustment was to increase interest income by \$84,643 and \$112,857 for the nine months ended September 30, 2004 and the twelve months ended December 31, 2003, respectively.

Renasant Adjustment to fair-value of the securities portfolio. The adjustment will be recognized over the remaining life of the securities portfolio. The impact of the adjustment was to increase interest income by \$182,278 for the twelve months ended December 31, 2003.

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(D) Heritage Adjustment to reflect the expected sale of approximately \$17 million of loans, the purchase of securities with the proceeds, the reduction of the allowance for loan losses associated with these loans, and the reduction of income tax liability due to the anticipated loss on the sale of these loans. The impact of the adjustment was to decrease loan interest income by \$789,622 and \$1.1 million, to increase securities interest income by \$434,150 and \$578,867 and to increase the provision for loan losses by \$780,290 and \$1.6 million for the nine months ended September 30, 2004 and the twelve months ended December 31, 2003, respectively. Of the estimated \$17 million of loans, approximately \$8 million were sold on October 29, 2004, resulting in an increase in the provision for loan losses of \$845,000 which had been included in the Heritage Statement of Income for the period ending September 30, 2004. Of the remaining \$9 million of loans to be sold, the estimated loss of \$780,290 has been shown as a pro forma adjustment increase in the provision for loan losses.

(E) Heritage Adjustment to fair-value of the loan and lease portfolio. The adjustment will be recognized over the estimated remaining life of the loan and lease portfolio. The impact of the adjustment was to increase interest income by approximately \$773,473 and \$1,031,298 for the nine months ended September 30, 2004 and the twelve months ended December 31, 2003, respectively.

Renasant Adjustment to fair-value of the loan and lease portfolio. The adjustment will be recognized over the estimated remaining life of the loan and lease portfolio. The impact of the adjustment was to decrease interest income by approximately \$219,365 for the twelve months ended December 31, 2003.

(F) Renasant Adjustment to fair-value of premises and equipment. The impact of the adjustment was to decrease noninterest expense by approximately \$9,168 for the twelve months ended December 31, 2003.

(G) Heritage Adjustments to record goodwill created as a result of the merger. These adjustments will not have an impact on the pro forma condensed combined statements of income.

(H) Heritage Adjustment to record intangible assets (other than goodwill) resulting from the merger based on estimated fair values. The adjustments reflected herein are based on current assumptions and valuations, which are subject to change. For purposes of the pro forma adjustments shown here, \$6.2 million in core deposit intangibles are estimated. This intangible will be amortized over a seven year period on a 150% declining balance basis. The impact of the adjustment was to