

PEOPLES TRUST Company

The bank with a *heart*.
Member FDIC

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DESCRIPTION OF OFFER TERMS

1. General Information About the Offer; Reasons for the Offer.

General Information About the Offer. We are offering to purchase up to 10,000 Shares of our common stock, \$0.50 per Share, for a purchase price of \$56.00 per Share in cash, subject to the terms and conditions described in this Offer to Purchase and the related Letter of Transmittal. If fewer than 10,000 Shares are properly tendered and not properly withdrawn, we will buy all Shares so tendered, subject to the terms and conditions of the Offer, including the Per Shareholder Limitation (as defined in Section 3).

As of January 1, 2020, there were 583,638 Shares of our common stock issued and outstanding, and there were approximately 325 holders of record of such Shares. Certain of these holders of record are brokers, banks, trust companies or other nominees who may hold Shares for multiple beneficial owners. The number of Shares we are offering to purchase represents 1.71% of our issued and outstanding common stock as of the date of this Offer and if the Offer is fully subscribed, upon completion of the purchase, the number of our outstanding Shares of common stock will be reduced by that percentage.

The Offer will remain open until the Expiration Date, which means 5:00 p.m., Eastern Time, on March 31, 2020, unless we, in our discretion, extend the period of time during which the Offer will remain open. In the event of an extension, the term “Expiration Date” will refer to the latest time and date at which the Offer, as extended by us, will expire. See Section 11.

The officers, directors and employees of the Bank who own Shares are eligible to participate in the Offer on all of the same terms and subject to the same conditions as other Shareholders.

We will accept for purchase the Shares tendered by Odd Lot Shareholders before we accept tenders from any other Shareholders. If the Offer is over-subscribed, Shares properly tendered and not properly withdrawn will be subject to proration, except for Shares tendered by Odd Lot Shareholders. We will not accept for purchase more than 1,000 Shares from any Shareholder. See Section 3.

Withdrawal rights expire at the Expiration Date. See Section 5. All Shares tendered and not purchased in the Offer, including Shares not purchased because of proration, will be returned to the tendering Shareholders at our expense promptly following the Expiration Date.

THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. OUR OBLIGATION TO ACCEPT AND PAY FOR SHARES PROPERLY TENDERED PURSUANT TO THE OFFER IS, HOWEVER, SUBJECT TO OTHER CONDITIONS, INCLUDING A LIMITATION ON THE NUMBER OF SHARES WE WILL PURCHASE FROM ANY SHAREHOLDER. SEE SECTION 3.

The Bank has the sole discretion to interpret the terms and conditions of the Offer in the event of any inconsistency or ambiguity, and the Bank’s interpretation will be final and binding. The Bank also has the discretion to waive any of the terms and conditions of the Offer.

Although the Board of Directors has approved the Offer, neither the Board nor the Bank’s management is making a recommendation to Shareholders as to whether they should tender any of the Shares pursuant to the Offer. Shareholders should consult with their own advisors and make their own decision on whether to tender Shares pursuant to the Offer.

The proposed Share repurchase is consistent with applicable Vermont corporate laws and applicable federal and Vermont banking laws. Under Vermont law, a Vermont corporation may not make a distribution to its Shareholders if, after giving effect to the distribution, (i) the corporation would not be able to pay its indebtedness in the ordinary course or (ii) the corporation’s total assets would be less than its total liabilities. Neither of these conditions will apply to the Bank as a result of the Offer. Shareholder distributions by the Bank are also subject to applicable federal and state banking laws. The Bank sought and received approval from the Federal Deposit Insurance Corporation (FDIC) and the Vermont Department of Financial Regulation for the repurchase of Shares in an amount greater than the proposed aggregate Purchase Price of the Offer.

The Bank is currently “well capitalized” under applicable regulatory capital requirements and we expect that it will remain well capitalized after completion of the Offer. See “ADDITIONAL INFORMATION ABOUT THE BANK” below.

Reasons for the Offer. In the judgment of the Board, including the Bank’s independent (non-employee) directors, the Offer is in the best interests of the Bank and our Shareholders. In making its determination, the Board considered a number of factors, including among others, the following:

- the absence at this time of attractive alternative uses for the Bank’s cash resources, such as acquisitions or other expansions;
- the publicly available information on trades in the Bank’s Shares that have occurred since January 1, 2019, as reported through the OTCQB, including trading price and volume;
- the book value of the Bank’s Shares;
- the book value of the Bank’s Shares relative to recent trading prices, including the fact that recent trading prices have been lower than book value;
- the proforma effect of the Share repurchase on our stock’s book value and earnings per Share;
- the effect of the repurchase on our regulatory capital position;
- the liquidity of our assets, including for purposes of funding the repurchase; and
- our short-term and long-term strategic plans and working capital requirements.

The Board also considered the nature of the trading market in our stock and, in particular, the limited liquidity of our stock due to the infrequency of trading activity. The Board views the Offer as creating an appropriate liquidity opportunity for those of our Shareholders who may wish to sell Shares at this time. The Offer will provide an opportunity for them to sell Shares, should they choose to do so, at a price per Share in line with recent trade prices and without the added cost of brokerage commissions. In addition, to the extent odd lot Shareholdings are purchased, we expect to achieve future savings in the costs of maintaining our Shareholder accounts.

In light of the foregoing considerations, as well as the Bank’s business, assets, operations and prospects, the Board has concluded that the Offer represents an attractive and appropriate use of the Bank’s available cash resources on behalf of its Shareholders.

2. Offer Purchase Price; Recent Trading Prices; Dividends and Book Value.

Offer Purchase Price. The Board considered a number of factors in establishing the purchase price for the Offer, including available information on recent trades in our Shares, specifically trading price, volume and frequency, as well as the persistent pattern of trades occurring at less than the book value of our stock. As shown in the table below under “*Recent Trading Prices*,” the high and low trading prices for our Shares between January 1, 2019 and January 1, 2020 have ranged from a low of \$54.78 to a high of \$70.00, on an aggregate volume of 44,900 Shares, and a weighted average price per Share of \$55.13.

Given the absence of an active trading market for our stock, as well as the fact that the trading price for our Shares has historically been below book value, the Board believes that the Offer price of \$56.00 per Share is appropriate for those Shareholders who value this voluntary liquidity opportunity.

Recent Trading Prices. The Bank’s Shares are not actively traded in any market or on any stock exchange. Trades may be effected from time to time in privately-negotiated transactions and by certain broker-dealers who report trade-related information, including bid and ask prices, through the OTCQB marketplace tier of OTC Markets Group Inc. Market information for the Bank’s common stock may be found at the OTC Markets Group’s Internet website, www.otcmarkets.com, under the symbol “PPAL”. The information contained in or accessed through that website is not part of this Offer to Purchase nor is it incorporated herein by reference.

The following table sets forth, to the best of our knowledge, the trading prices and volumes for trades reported through the OTCQB marketplace tier between January 1, 2019 and January 1, 2020. The reported trade prices may not reflect retail mark-ups, mark-downs or commissions. There may have been additional transactions during this period of which we are not aware, including privately negotiated transactions not involving any broker or dealer.

Date	Trade Price (\$)	Volume (#)
9-Dec-19	55.50	100
4-Dec-19	70.00	100
11-Nov-19	55.25	100
17-Oct-19	55.25	200
1-Oct-19	55.15	100
19-Sept-19	55.15	3,600
17-Sept-19	55.00	32,100
16-Sept-19	55.15	3,400
4-Sept-19	55.15	100
15-Aug-19	55.00	100
14-Aug-19	55.00	100
13-Aug-19	55.00	100
12-Aug-19	55.00	100
9-Aug-19	55.00	100
7-Aug-19	55.00	100
6-Aug-19	55.00	100
5-Aug-19	55.00	100
2-Aug-19	55.00	100
1-Aug-19	55.00	100
31-July-19	55.00	100
30-July-19	55.00	100
29-July-19	55.00	100
26-July-19	55.00	100
1-July-19	55.00	1,600
19-June-19	55.10	100
6-June-19	55.10	100
15-May-19	55.02	100
12-April-19	54.79	100
11-April-19	54.79	200
21-Mar-19	54.78	500
12-Mar-19	60.00	100
8-Feb-19	60.00	100
23-Jan-19	60.00	100
18-Jan-19	60.00	400
11-Jan-19	55.07	100
3-Jan-19	55.07	200

Number of Trades: 36

Aggregate Number of Shares Traded: 44,900 and Percentage of Outstanding Shares: 7.69%

52 week Price Range: \$54.78 - \$70.00

Weighted Average Trade Price: \$ 55.13

The last reported trade in our stock through the OTCQB marketplace before we printed the Share Repurchase Package documents occurred on December 9, 2019 at a price per Share of \$55.50 and involved a volume of 100 Shares. **Before you decide whether to tender your Shares, you are urged to obtain current market quotations for our Shares, while also bearing in mind the infrequency of trades in such Shares.**

Shareholders are advised that the above trading price information reflects only trades reported on the OTCQB marketplace tier of the OTC Markets Group and that management of the Company does not know the price at which all trades were conducted during the period indicated. Further, past trading prices are not necessarily indicative of future trading prices or of the intrinsic value of our Shares, particularly since there is no active public trading market in the Company's Shares.

Dividends. The Board of Directors has customarily declared and paid cash dividends on a quarterly basis. The Board does not customarily declare stock dividends. Set forth below is the schedule of cash dividends paid by quarter during the last three calendar years:

2017	
First quarter	\$.13
Second quarter	\$.13
Third quarter	\$.13
Fourth quarter	\$.26
2018	
First quarter	\$.1875
Second quarter	\$.1875
Third quarter	\$.1875
Fourth quarter	\$.1875
2019	
First quarter	\$.2125
Second quarter	\$.2125
Third quarter	\$.2125
Fourth quarter	\$.2125

The declaration and payment of dividends is at the sole discretion of the Board of Directors and the amount of future dividends, if any, will depend on future earnings, financial condition and capital needs of the Bank, and upon other factors, including restrictions (if any) that could arise from applicable banking laws to which the Bank is subject.

Book Value

The table below shows the per Share book value of our Shares as of the dates indicated. Except for year-end figures, which are based on audited financial information, the book values below are based on unaudited quarterly financial information.

<u>Quarter End</u>	<u>Book Value Per Share</u>
2017	
First quarter	\$51.43
Second quarter	\$52.53
Third quarter	\$53.05
Fourth quarter	\$53.18
2018	
First quarter	\$53.65
Second quarter	\$54.34
Third quarter	\$56.59
Fourth quarter	\$55.00
2019	
First quarter	\$56.15
Second quarter	\$57.08
Third quarter	\$57.94
Fourth quarter	\$59.17

Because the purchase price in the Offer is less than our book value as of December 31, 2019, the book value per Share of our stock would increase, on a pro forma basis, after completion of the Offer. See Section 9.

3. Certain Conditions of the Offer.

The Bank's Offer is subject to the conditions described below.

Priority of Purchases. If more than 10,000 Shares of our common stock (or such greater number of Shares as we may elect to purchase, subject to applicable law) are properly tendered and not properly withdrawn, we will purchase Shares in the following order of priority:

- First, we will purchase all odd lots (fewer than 100 Shares) from Odd Lot Shareholders who properly tender all of the Shares and who do not properly withdraw any of them before the Expiration Date (tenders of fewer than all of the Shares owned, beneficially or of record, by such Odd Lot Shareholder will not qualify for this preference); and
- Second, after purchasing all the odd lots that were properly tendered, we will purchase up to 1,000 Shares from each of the other tendering Shareholders who properly tender Shares and who do not properly withdraw them before the Expiration Date, until we have acquired up to 10,000 Shares, subject, however, to any necessary proration as described below.

Odd Lots. The term “odd lots” means all Shares tendered by any person (an “**Odd Lot Shareholder**”) who owns beneficially or of record an aggregate of fewer than 100 Shares of our common stock and so certifies in Section D of the Letter of Transmittal, and who is tendering all of such Shares.

The Bank will accept tenders from Odd Lot Shareholders before accepting tenders from other Shareholders. This preference is not available to partial tenders by Odd Lot Shareholders or to beneficial or record holders of 100 or more Shares of our common stock, even if such Shareholders have separate accounts or certificates representing fewer than 100 Shares. Odd lots will be accepted for payment following the Expiration Date at the same time as other tendered Shares.

The Bank believes that this preference will benefit holders with small Shareholdings by facilitating their sale of Shares without the need for involvement of a broker and payment of brokerage commissions. Purchase of odd lots in the Offer will also benefit the Bank by reducing the number of Shareholder accounts and thereby reducing the on-going administrative costs associated with maintaining the Bank’s Shareholder accounts.

Per Shareholder Limitation. We will not purchase more than 1,000 Shares from any Shareholder pursuant to this Offer, regardless of the number of separate Shareholder accounts and account registrations he/she/it maintains and regardless of whether the Shares are held of record or through a nominee (the “**Per Shareholder Limitation**”). As a result, we may repurchase fewer than the full number of Shares that you request to have repurchased. The Per Shareholder Limitation may be waived in the Bank’s sole discretion.

Proration. Tenders by Odd Lot Shareholders will not be subject to proration. If after accepting all tenders from Odd Lot Shareholders the Offer is over-subscribed and proration of the remaining tendered Shares is therefore required, we will determine the applicable proration factor promptly following the Expiration Date. Proration for each Shareholder tendering Shares (excluding Odd Lot Shareholders) will be based on the ratio of the number of Shares properly tendered and not properly withdrawn by the Shareholder (but not in excess of 1,000 Shares) to the total number of Shares properly tendered and not properly withdrawn by all Shareholders (excluding Odd Lot Shareholders). In its discretion, the Bank may round up or down to the next whole Share the number of Shares it accepts for purchase from a Shareholder after application of the proration factor to avoid the creation of fractional Shares in the Shareholder’s remaining Shareholdings. Shareholders may obtain preliminary proration information after the Expiration Date by calling Aaron A. Reynolds, Treasurer toll-free at (800) 479-2196 and also may be able to obtain the information from their brokers or other nominees.

The Letter of Transmittal affords each Shareholder who properly tenders Shares registered in such Shareholder’s name the opportunity to designate by certificate number the order of priority in which Shares tendered are to be purchased in the event that fewer than all his or her tendered Shares are accepted for purchase, due to proration or otherwise. See Section 4 below.

No Bank Fees. The Bank will not charge a processing fee, commission or other charge in connection with acceptance of tendered Shares. However, Shareholders who hold their Shares through a nominee may be charged a fee by their nominee for processing the tender.

Additional Terms. Notwithstanding any other provision of the Offer, we will not be required to purchase any Shares tendered pursuant to the Offer (i) if such purchase will cause us to be in violation of any law or (ii) if there is any (a) material legal action or proceeding instituted or threatened which challenges, in the Board’s judgment, the

Offer or otherwise materially adversely affects the Bank, (b) declaration of a banking or payment moratorium by federal, state or foreign authorities, (c) commencement of war, armed hostilities or other national or international calamity that has a material adverse effect on the Bank, or (d) other event or condition that, in the Board's judgment, would have a material adverse effect on the Bank or its Shareholders if Shares tendered pursuant to the Offer were purchased.

We reserve the right, at any time during the pendency of the Offer, to amend, extend or terminate the Offer in any respect. See Section 11 below.

The Bank retains the discretion to make additional Share repurchases, including repurchases in privately-negotiated transactions, after conclusion of the Offer on such terms as the Board of Directors may approve from time to time. See "ADDITIONAL INFORMATION ABOUT THE BANK" below.

4. Procedures for Tendering Shares.

Participation in the Offer is voluntary. If you elect not to participate in the Offer, you need not take any action and your Shares will remain outstanding.

To participate in the Offer, you must complete and deliver the Letter of Transmittal to us at:

Peoples Trust Company of St. Albans
25 Kingman Street, PO Box 320
St. Albans, VT 05478-0320

The Letter of Transmittal must include any required signature guarantees, must be accompanied by all required documents, including stock certificates, and must be received by us at the address above before 5:00 p.m., Eastern Time, on May 31, 2017, unless the Bank extends the Offer. See Section 11 below.

Proper Tender of Shares and Method of Delivery. For Shares to be properly tendered pursuant to the Offer, a properly completed and duly executed Letter of Transmittal bearing original signature(s) for all Shares to be tendered and any other documents required by the Letter of Transmittal, including stock certificates, must be physically received by us at the address listed above before the Expiration Date. These materials may be sent via mail, courier or personal delivery. Signature Guarantees may be required. See "Signature Guarantees" below.

THE METHOD OF DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING SHAREHOLDER. IF DOCUMENTS ARE SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED FOR PROPER DELIVERY ON OR BEFORE THE EXPIRATION DATE.

If your Shares are held in a brokerage account or otherwise through a broker, dealer, bank, trust company or other nominee, you must contact your broker or other nominee in order to tender your Shares. It is likely that your nominee has established a deadline earlier than the Expiration Date for you to act to instruct the nominee to accept the Offer on your behalf. You should consult your nominee for information on how to tender your Shares and on whether handling or other transaction costs may apply.

The proper tender of Shares by you through the procedures described in this Section 4 and the Letter will constitute a binding agreement between you and the Bank on the terms of, and subject to the conditions to, the Offer.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal if:

- The Letter of Transmittal is signed by the registered holder of the Shares whose name appears in the Bank's Shareholder records as the owner of the Shares tendered and none of the following special circumstances ("**Special Circumstances**") applies:
 - The purchase price is to be sent to an address other than an address for the registered holder that the Bank has had on record for at least the past 30 days; or

- Certificates for Shares not purchased are to be returned to, or issued in the name of, any person other than the registered owner, or are to be sent to an address other than an address for the registered holder that the Bank has had on record for at least the past 30 days; or
- If the holder's name has changed from the name on the stock certificate. In such case, the holder must provide a one-and-the-same name signature guarantee which states that "<Previous Name> is one-and-the-same as <New Name>" and you must sign your old and new name; or
- Shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or an "eligible guarantor institution," as the term is defined in Rule 17Ad-15 under the Exchange Act.

A "**registered holder**" of tendered Shares, for purposes of this Section 4, will include any participant in the Depository Trust Company's ("**DTC**") system whose name appears on a security position listing as the owner of those Shares, and an "**eligible institution**" is a "**financial institution**," which term includes most commercial banks, savings and loan associations and brokerage houses that participate in any of the following: (i) the Securities Transfer Agents Medallion Program; (ii) the New York Stock Exchange, Inc. Medallion Signature Program; or (iii) the Stock Exchange Medallion Program.

If the certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal or any of the other Special Circumstances described above applies, then the tendered certificates must be properly endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures guaranteed by an eligible institution. See Instructions 1 and 3 and Section F of the Letter of Transmittal.

Requested Order of Purchase. Shareholders may specify the order, by certificate number, in which we will purchase their tendered Shares in the event that, as a result of the proration provisions, the Per Shareholder Limitation or otherwise, we purchase fewer than all of such Shares. In the event the Shareholder does not designate the order of purchase and fewer than all Shares are purchased, the Bank will select the order of Shares purchased. See Instruction 7 and Section C of the Letter of Transmittal.

Odd Lots. Odd Lot Shareholders who tender all of their Shares must also complete Section D captioned "Odd Lot Certification" in the Letter of Transmittal to qualify for the priority treatment available to Odd Lot Shareholders as described in Section 3 above.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tenders will be determined by us, in our sole discretion, which determination shall be final and binding. We reserve the absolute right to reject any or all tenders determined not to be timely made or in appropriate form or to refuse to purchase, or pay for, any Shares if purchasing or paying for such Shares would be unlawful for any reason. We also reserve the absolute right to waive any of the conditions of the Offer or any defect in any tender, whether generally or with respect to any particular Share(s) or Shareholder(s). Our interpretations of the terms and conditions of the Offer shall be final and binding.

THE BANK WILL NOT BE OBLIGATED TO GIVE ANY NOTICE OF ANY DEFECT OR IRREGULARITY IN ANY TENDER, AND WILL NOT INCUR ANY LIABILITY FOR FAILURE TO GIVE ANY SUCH NOTICE.

Return of Certificates for Unpurchased Shares. If (i) any tendered Shares are not purchased due to proration, the Per Shareholder Limitation or otherwise, (ii) tendered Shares are properly withdrawn, or (iii) fewer than all Shares evidenced by a Shareholder's stock certificate are tendered or accepted for purchase, certificates for the Shares not purchased or withdrawn will be returned to the Shareholder or issued and provided to the Shareholder, as the case may be, in each case without expense to the Shareholder and as promptly as practicable after the Expiration Date or the proper withdrawal of the Shares, as the case may be.

Lost Certificates. If a certificate representing Shares you wish to tender is lost, stolen or destroyed, you should contact Aaron A. Reynolds, Treasurer by calling toll free (800) 479-2196, or by writing to him at the Bank, 25 Kingman Street, PO Box 320, St. Albans, VT 05478-0320. We will require you to complete an appropriate affidavit and may require you to furnish a bond.

United States Federal Backup Withholding. Each Shareholder accepting the Offer who has not previously submitted to the Bank a correct, completed and signed IRS Form W-9 (“**Form W-9**”) (for U.S. Shareholders) or IRS Form W-8BEN (“**Form W-8BEN**”), or other applicable form (for foreign Shareholders), or otherwise established an exemption from such withholding, must submit the appropriate form to the Bank in order to receive payment for his or her purchased Shares. This form requirement is intended to prevent the potential imposition of U.S. federal backup withholding tax on the gross payments made pursuant to the Offer, prior to receiving such payments. See Section 10 below.

5. Withdrawal Rights.

At any time prior to the Expiration Date (5:00 p.m., Eastern Time, on March 31, 2020, unless extended by the Bank), any Shareholder may withdraw any number of the Shares that the Shareholder has previously tendered pursuant to the Offer. To be effective, a written Notice of Withdrawal of Tender on the enclosed form must be timely received by us via mail, courier, facsimile or personal delivery at the address listed in Section 4 of this Offer to Purchase.

A partial withdrawal of tendered Shares by an Odd Lot Shareholder will result in the loss of the odd lot preference in the order of purchase with respect to the remaining tendered Shares. See Section 3.

All questions as to the validity, form and eligibility (including time of receipt) of Notices of Withdrawal will be determined by the Bank in our sole discretion, which determination shall be final and binding. Shares properly withdrawn will not thereafter be deemed to be tendered for purposes of the Offer, including for purposes of determining the proration factor.

6. Payment for Shares.

Our acceptance of some or all of your tendered Shares pursuant to this Offer will form a binding agreement between you and the Bank on the terms and subject to the conditions set forth in this Offer to Purchase and the Letter of Transmittal. The Purchase Price will be \$56.00 per Share in cash, the price per Share determined by the Board for purposes of this Offer. See Section 2. The Bank will remit payment for all accepted Shares as soon as practicable following the Expiration Date. Payment will be made by check or by direct deposit to your checking or savings account at the Bank, in accordance with the payment method you specify in the Letter of Transmittal. **You will not receive interest on the Purchase Price and you will not be entitled to any dividends on tendered Shares that we accept for purchase with respect to any dividend record date after the Expiration Date.**

If you tendered certificates for more than the number of Shares the Bank accepts for purchase, the Bank will issue a new certificate to you representing the unpurchased Shares, promptly after conclusion of the Offer. See Section 4.

7. Source and Amount of Funds.

The total consideration we will pay to purchase the maximum of 10,000 of our issued and outstanding Shares, at a Purchase Price of \$56.00 per Share, is \$560,000. As stated in Section 1, we are limiting the aggregate number of Shares to be repurchased to 10,000 Shares, subject to the Board’s sole discretion to increase the total number of Shares if the Offer is over-subscribed. The actual number of Shares that will be tendered and accepted by the Bank for purchase may be fewer than the maximum number of Shares we are offering to purchase and, therefore, our actual total cost of purchasing Shares pursuant to the Offer is not determinable at this time. Unless our Board of Directors determines otherwise, the Bank intends to pay for the purchased Shares using available cash on hand and other liquid assets. The Bank does not intend to borrow funds to purchase any Shares in the Offer.

8. Financial Statements.

The Bank’s annual audited financial statements for 2018 were mailed to Shareholders on or about March 17, 2019. A Shareholder may request an additional copy of the audited financial statements by calling Aaron A. Reynolds, Treasurer toll free at (800) 479-2196, or requesting a copy in writing at the Bank’s address shown in Section 4 above.

In addition to the Bank’s audited financial statements, information about the Bank’s financial condition and results of operation is contained in its publicly available Call Reports filed with the FDIC. See “ADDITIONAL INFORMATION ABOUT THE BANK” below.

9. Certain Effects of the Offer.

Shareholder Equity Interests. If the Offer is fully subscribed, our purchase of all 10,000 Shares will reduce the number of issued and outstanding Shares of our common stock by 1.71%. Accordingly, if you do not tender your Shares in the Offer, upon the completion of the Offer, you (together with other non-tendering Shareholders) will realize a proportionate increase in your relative ownership interest in the Bank, and thus, in the Bank’s future net earnings (or losses) and Shareholders’ equity, subject, however, to our right to issue additional Shares of common stock and/or preferred stock in the future.

Because the purchase price of the Shares in the Offer is less than the book value per Share of our stock, the book value per Share of our common stock will increase following completion of the Offer. Similarly, because fewer Shares will be outstanding, to the extent that the Bank has profitable operations in the future, earnings per Share will also be higher than they would be otherwise.

The following table shows the book value per Share as of December 31, 2019 and the earnings per Share (EPS) for the year then-ended, both as reported and on a pro forma basis, assuming the Offer had been fully subscribed and all 10,000 Shares were purchased at a price of \$56.00 per Share:

December 31, 2019 (Audited)		December 31, 2019 (Pro Forma)	
Book Value Per Share	EPS	Book Value	EPS
\$ 59.17	\$3.64	\$59.22	\$3.70

The continuing Shareholders will also bear the risk of any decrease in our earnings and Shareholders’ equity following completion of the Offer.

Shareholders who sell some but not all of their Shares in the Offer will experience the foregoing effects with respect to their remaining Shares.

Effect on Trading Market. As discussed in Section 2 above, the trading market in our stock is not active. We cannot predict whether you will be able in the future to sell Shares that you do not tender or that are otherwise not purchased in the Offer, nor can we predict or assure you as to the price at which you would be able to sell your Shares, as any such price might be higher or lower than the purchase price paid by us in this Offer. Following the Offer, assuming that all 10,000 Shares are tendered and purchased, we estimate that we will have approximately 573,638 Shares of common stock remaining outstanding. The reduction in the number of our outstanding Shares may result in greater volatility in stock prices and lower liquidity following completion of the Offer. We also expect that following the Offer we will have fewer Shareholders, which may further reduce future trading activity in our stock.

Treatment of Purchased Shares. Shares that we acquire in the Offer will be retained as treasury stock and may be restored to the status of authorized and unissued Shares of common stock. These Shares will be available for us to reissue without further Shareholder action (unless otherwise required by law) for various corporate purposes including, without limitation, acquisitions, future stock-based compensation plans and raising additional capital. We have no current plans for the reissuance of any of the Shares purchased pursuant to the Offer.

DRIP Participation. If you participate in the Bank’s Dividend Reinvestment Plan (“DRIP”) and you do not tender any Shares, or if fewer than all your tendered Shares are accepted for purchase, your participation in the DRIP will not be interrupted and dividends paid on the Shares you own after the Expiration Date will continue to be reinvested in additional Shares in accordance with the terms of the DRIP.

10. Certain United States Federal Income Tax Consequences to U.S. Shareholders.

The following discussion is a general summary of certain United States federal income tax consequences to U.S. Shareholders of a sale of Shares pursuant to the Offer. For purposes of the discussion below, a “**U.S. Shareholder**” is, in general, a Shareholder that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of the source of such income or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust. A “**foreign Shareholder**” is any Shareholder other than a U.S. Shareholder.

This summary is based upon the Internal Revenue Code of 1986, as amended (the “**Code**”), applicable Treasury regulations promulgated thereunder, rulings and administrative pronouncements and judicial decisions, changes in which could affect the tax consequences described herein and could apply on a retroactive basis. This summary does not address all of the tax consequences that may be relevant to Shareholders in light of their particular circumstances nor does it address the tax consequences to foreign Shareholders. In addition, this summary does not address (i) any state, local or foreign tax considerations that may be relevant to a Shareholder’s decision to tender Shares pursuant to the Offer; or (ii) any tax consequences to any corporation, partnership, estate, trust or other entity created or organized in or under the laws of the United States or any state thereof or the District of Columbia for U.S. federal tax purposes (or their partners, members, etc.) tendering Shares pursuant to the Offer. Further, this summary assumes that U.S. Shareholders are the beneficial owners of their Shares and hold their Shares as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code.

This discussion is not binding on the IRS, and we have not sought, nor will we seek, any ruling from the IRS with respect to the matters discussed below. There can be no assurances that the IRS will not take a different position concerning tax consequences of the sale of Shares by U.S. Shareholders pursuant to the Offer or that any such position would not be sustained.

The sale of Shares by a U.S. Shareholder pursuant to the Offer generally will be treated (i) as a sale or exchange for federal income tax purposes, or (ii) under certain circumstances, as a “dividend.” Under Section 302(b) of the Code, a sale of Shares pursuant to the Offer generally will be treated as a “sale or exchange” and not as a “dividend” if the sale: (i) results in a “complete termination” of the U.S. Shareholder’s interest in the Bank, or (ii) is “substantially disproportionate” with respect to the U.S. Shareholder or (iii) is “not essentially equivalent to a dividend” with respect to the U.S. Shareholder. In determining whether any of these tests has been met, Shares actually owned, as well as Shares considered to be owned by the U.S. Shareholder by reason of certain constructive ownership rules set forth in Section 318 of the Code, generally must be taken into account.

The sale of a U.S. Shareholder’s Shares to the Bank in the Offer will result in a “**complete redemption**” of the U.S. Shareholder’s equity interest in the Bank if, immediately after the sale, either (i) the U.S. Shareholder owns, actually or constructively, none of the Bank’s Shares or (ii) the U.S. Shareholder actually owns none of the Bank’s Shares and, with respect to Shares constructively owned by the U.S. Shareholder immediately after the sale of Shares pursuant to the Offer, the U.S. Shareholder is eligible to waive, and effectively waives, the attribution of all Shares constructively owned by the U.S. Shareholder in accordance with the procedures described in Section 302(c)(2) of the Code. A U.S. Shareholder may also satisfy the “complete redemption” test if, in the same transaction, some of its Shares are redeemed and all of the remainder of such Shareholder’s Shares are sold or otherwise transferred to a third party so that after the transaction the U.S. Shareholder no longer owns (actually or constructively) any Shares. U.S. Shareholders wishing to satisfy the “complete redemption” test through waiver of attribution in accordance with the procedures described in Section 302(c)(2) of the Code should consult their own tax advisors concerning the procedures and desirability of such a waiver.

The sale of a U.S. Shareholder’s Shares to the Bank in the Offer will result in a “**substantially disproportionate**” redemption with respect to the U.S. Shareholder if, among other things, the percentage of the Bank’s then outstanding voting stock actually and constructively owned by the U.S. Shareholder immediately after the sale is less than 80% of the percentage of the outstanding voting Shares actually and constructively owned by the U.S. Shareholder immediately before the sale pursuant to the Offer and immediately following the sale the U.S. Shareholder actually and constructively owns less than 50% of the Bank’s total combined voting power. U.S. Shareholders should consult their own tax advisors concerning the application of the “substantially disproportionate” test to their particular circumstances.

The sale of a U.S. Shareholder's Shares to the Bank in the Offer will generally be treated as "**not essentially equivalent to a dividend**" if it results in a meaningful reduction of the U.S. Shareholder's proportionate interest in the Bank. Whether a U.S. Shareholder meets this test depends on the U.S. Shareholder's particular facts and circumstances. U.S. Shareholders should consult their own tax advisors as to the application of the "not essentially equivalent to a dividend" test to their particular circumstances.

Contemporaneous dispositions or acquisitions of Shares by a U.S. Shareholder or related individuals or entities may be deemed to be part of a single integrated transaction and may be taken into account in determining whether any of the three tests under Section 302 of the Code have been satisfied. Each U.S. Shareholder should be aware that because proration may occur in the Offer and/or due to application of the Per Shareholder Limitation on purchases, even if all the Shares actually and constructively owned by a U.S. Shareholder are tendered pursuant to the Offer, fewer than all of such Shares may be purchased by the Bank. See Section 3. Thus, proration and/or the Per Shareholder Limitation may affect whether the tender of Shares by a U.S. Shareholder pursuant to the Offer will meet any of the three tests under Section 302 of the Code.

Sale or Exchange Treatment. If any of the foregoing three tests for "sale or exchange" treatment is met, the U.S. Shareholder will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and the U.S. Shareholder's adjusted tax basis in the Shares sold. Such gain or loss generally will be a capital gain or loss and will be long-term capital gain or loss if the holding period for such Shares is more than one year. A U.S. Shareholder that is an individual, trust or estate is generally eligible for a reduced rate of United States federal income tax on long-term capital gain (currently a maximum rate of 20%). The ability to deduct capital losses is limited. Under the "wash sale" rules of the Code, recognition of a loss on Shares sold pursuant to the Offer will ordinarily be disallowed to the extent a U.S. Shareholder acquires substantially identical Shares, including Shares purchased pursuant to the Bank's Dividend Reinvestment Program, within 30 days before or after the date the Shares are purchased by the Bank pursuant to the Offer. In that event, the basis and holding period of the Shares acquired by the U.S. Shareholder will be adjusted to reflect the disallowed loss. A U.S. Shareholder must calculate gain or loss separately for each block of Shares (generally, Shares acquired at the same cost in a single transaction) that the Bank purchases from such U.S. Shareholder pursuant to the Offer. A U.S. Shareholder who is the registered holder of the Shares is able to designate by certificate number on the Letter of Transmittal which block of Shares it wishes to tender in the Offer if fewer than all of its Shares are tendered, and the order in which different blocks will be purchased by the Bank in the event of proration in the Offer or due to application of the Per Shareholder Limitation. U.S. Shareholders should consult their own tax advisors concerning the mechanics and desirability of that designation.

Dividend Treatment. If none of the three tests for treatment as a "sale or exchange" set forth in Section 302(b) of the Code is met, then the full amount of cash received by the U.S. Shareholder with respect to the Bank's purchase of Shares under the Offer will be treated as a dividend to the U.S. Shareholder to the extent of such U.S. Shareholder's ratable Share of the Bank's current or accumulated earnings and profits, as determined under United States federal income tax principles. Such a dividend would be taxed in its entirety without a reduction for the U.S. Shareholder's adjusted tax basis of the Shares sold. Provided that certain minimum holding period requirements and other conditions are satisfied, non-corporate U.S. Shareholders generally will be subject to United States federal income tax at a rate up to the current maximum of 20% with respect to any such dividend income. To the extent that the amount of the distribution exceeds the Bank's current and accumulated earnings and profits, the excess first will be treated as a return of capital that will reduce the U.S. Shareholder's adjusted tax basis in the Shares sold in the Offer. Any amount remaining after the U.S. Shareholder's adjusted tax basis has been reduced to zero will be taxable to the U.S. Shareholder as capital gain realized on the sale or exchange of such Shares. The U.S. Shareholder's basis in the sold Shares (after any reduction as noted above) will be allocated to other Shares held by the U.S. Shareholder. A dividend received by a corporate U.S. Shareholder may be (i) eligible for a dividends-received deduction (subject to applicable exceptions and limitations) and (ii) subject to the "extraordinary dividend" provisions of Section 1059 of the Code. Corporate U.S. Shareholders should consult their own tax advisors regarding the United States federal tax consequences of the Offer in relation to their particular facts and circumstances.

U.S. Shareholders are urged to consult their own tax advisors regarding the possibility of deemed distributions resulting from the sale of Shares pursuant to the Offer.

We cannot predict whether or the extent to which the Offer will be over-subscribed. If the Offer is over-subscribed, proration of tenders pursuant to the Offer will cause us to accept fewer Shares than are tendered. In addition, in

accordance with the Per Shareholder Limitation, we will accept tenders of no more than 1,000 Shares from any Shareholder. Therefore, a U.S. Shareholder can be given no assurance that a sufficient number of such U.S. Shareholder's Shares will be purchased pursuant to the Offer to ensure that such purchase will be treated as a sale or exchange, rather than as a dividend, for U.S. federal income tax purposes pursuant to the rules discussed above.

The Bank may be required to withhold 28% of the gross proceeds paid to a U.S. Shareholder or other payee pursuant to the Offer as backup withholding unless the U.S. Shareholder has completed and submitted to the Bank an IRS Form W-9 (or substitute IRS Form W-9), providing the U.S. Shareholder's employer identification number or social security number, as applicable, and certifying under penalties of perjury that: (a) such number is correct; (b) either (i) the U.S. Shareholder is exempt from backup withholding, (ii) the U.S. Shareholder has not been notified by the IRS that the U.S. Shareholder is subject to backup withholding as a result of an under-reporting of interest or dividends, or (iii) the IRS has notified the U.S. Shareholder that the U.S. Shareholder is no longer subject to backup withholding; or (c) an exception applies under applicable law. Even though the Bank may have received a completed IRS Form W-9 from a U.S. Shareholder, the Bank may nevertheless be required to backup withhold if it receives a notice from the IRS to that effect.

United States IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, Shareholders are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offer to Purchase or any document referred to herein is not intended or written to be used, and cannot be used by Shareholders for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) Shareholders should seek advice based on their particular circumstances from an independent tax advisor.

The tax discussion set forth above is included for general information only and applies only to U.S. Shareholders. Each Shareholder, including foreign Shareholders, is advised to consult such Shareholder's own tax advisor to determine the particular tax consequences to such Shareholder of acceptance of the Offer, including the applicability and effect of federal, state, local and foreign tax laws.

11. Amendments; Extension of Tender Period; Termination.

We reserve the right, at any time during the pendency of the Offer, to amend, supplement, extend or terminate the Offer in any respect.

We may extend the period of time the Offer will be open, in our sole discretion, by notifying Shareholders in writing no later than the next business day after the Offer otherwise would have expired, but we will have no obligation to do so.

We may increase the number of Shares purchased, in our sole discretion, if the Offer is over-subscribed, but we will have no obligation to do so and we are not obligated to notify you in advance of any such increase.

ADDITIONAL INFORMATION ABOUT THE BANK

People's Trust Company of St. Albans is a Vermont-chartered, FDIC-insured commercial bank headquartered at 25 Kingman Street, St. Albans, Vermont. The Bank was organized in 1886 and, in addition to its main office in St. Albans, maintains branch offices and ATMs in Enosburg Falls, Essex, Georgia and Swanton, Vermont. The Bank maintains an internet website at www.ptcvt.com, which contains information about its products and services, banking locations and organizational history.

As of December 31, 2019, the Bank had total assets of \$268 million (including gross loans of \$183 million), total liabilities of \$268 million (including deposits of \$229 million) and Shareholder's equity of \$34.5 million. As of December 31, 2019, the Bank had a ratio of total capital to risk-weighted assets of 19.65%; a ratio of Tier capital to risk-weighted assets of 18.42%; and a ratio of Tier 1 capital to average assets of 12.26%, and was considered well capitalized under the regulatory framework for prompt corrective action. The Bank expects to remain well capitalized following completion of the Offer.

The Bank's authorized capital stock consists of 2,000,000 Shares of common stock, \$0.50 par value per Share, and 1,000,000 Shares of preferred stock, issuable in one or more series. As of the date of this Offer to Purchase, there are 583,638 Shares of common stock outstanding and no Shares of preferred stock outstanding. The maximum

number of Shares to be purchased in the Offer [10,000 Shares] represents approximately 1.71% of our issued and outstanding common stock. There are no outstanding options, warrants or other rights to purchase or acquire any of the Bank's capital stock. The Bank has no plans at this time to reissue any of the Shares it purchases in the Offer. The Bank acts as the transfer agent for its own Shares.

The Bank is subject to regulation and supervision by the Vermont Department of Financial Regulation (the "**Vermont Department**") and by the FDIC. In accordance with applicable regulatory requirements, the Bank sought and received approvals from the Vermont Department and the FDIC to effect Share repurchases within established limitations, and the Offer is being made pursuant to that authorization.

The Bank is governed by a Board of Directors currently consisting of 11 individuals, divided into three classes having staggered three-year terms of office. Certain additional information concerning the Directors is contained in the Bank's proxy statement for the 2018 Annual Meeting of Shareholders that was held April 2019, which was mailed to Shareholders on or about March 17, 2019, along with a copy of the Bank's 2018 audited financial statements. See Section 8.

In addition to the Bank's 2018 Annual Meeting proxy statement and 2018 audited financial statements, information about the Bank's financial condition and results of operations is contained in its quarterly Call Reports filed with the FDIC. The Call Reports are publicly available on the internet website of the Federal Financial Institutions Examination Council at www.ffiec.gov.

Following completion of the Offer, we may repurchase additional Shares in the open market, in privately negotiated transactions, or otherwise. Future purchases may be on terms that are more or less favorable to Shareholders than the terms of this Offer. Any future purchases will depend on many factors that cannot be predicted at this time. As of the date of this Offer, we have no specific plans regarding the purchase of additional Shares of our common stock following completion of the Offer.