

Edgar Filing: PECO II INC - Form SC 13G

PECO II INC  
Form SC 13G  
March 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934  
(Amendment No. )  
PECO II INC

-----  
(Name of Issuer)  
Common Shares, without par value  
-----  
(Title of Class of Securities)  
705221208  
-----  
(CUSIP Number)  
2/28/2010  
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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)  Rule 13d-1(c)  Rule 13d-1(d)

The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

-----  
CUSIP No. 705221208  
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1. NAME OF REPORTING PERSON Water Island Capital, LLC  
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2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP  
Not Applicable  
(a)   
(b)   
-----

3. SEC USE ONLY  
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4. CITIZENSHIP OR PLACE OF ORGANIZATION Delaware  
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NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5. SOLE VOTING POWER  
350874

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6. SHARED VOTING POWER None  
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7. SOLE DISPOSITIVE POWER 350874  
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8. SHARED DISPOSITIVE POWER None  
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9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 350874  
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10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES Not  
Applicable  
-----  
11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 12.310  
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12. TYPE OF REPORTING PERSON IA  
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CUSIP No. 705221208  
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Item 1(a) Name of Issuer:

PECO II INC

Item 1(b) Address of Issuer's Principal Executive Offices:

1376 STATE ROUTE 598

GALION OH 44833

Item 2(a) Name of Person(s) Filing:

WATER ISLAND CAPITAL LLC ("WIC") Item 2(b) Address of Principal Business Office:

41 MADISON AVE SUITE 2802

NEW YORK NY 10010

Item 2(c) Citizenship:

WIC is a Delaware limited liability company.

Item 2(d) Title of Class of Securities:

Common Shares, without par value (the "Stock")

Item 2(e) CUSIP Number:

705221208

Item 3 Type of Person:

(e) WIC is an Investment Adviser in accordance with Rule 13d-1(b)(1)(ii)(F).

Item 4 Ownership:

(a) Amount beneficially owned:

350874

(b) Percent of class:

12.3100

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

350874

(ii) Shared power to vote or to direct the vote: None

(iii) Sole power to dispose or direct the disposition of: 350874

(iv) Shared power to dispose or direct the disposition of: None

Item 5 Ownership of Five Percent or Less of a Class:

Not Applicable

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Item 6 Ownership of More than Five Percent on Behalf of Another Person:  
Not Applicable

Item 7 Identification and Classification of the Subsidiary Which Acquired the  
Security Being Reported on by the Parent Holding Company:

WIC is an Investment Adviser registered under section 203 of the  
Investment Advisers Act of 1940, as amended.

CUSIP No. 705221208  
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Item 8 Identification and Classification of Members of the Group:  
Not Applicable

Item 9 Notice of Dissolution of Group:  
Not Applicable

Item 10 Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: 3/09/2010

WATER ISLAND CAPITAL LLC

By: /s/ Matthew Hemberger  
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Matthew Hemberger  
Chief Financial Officer and Chief Compliance Officer