

INDEPENDENT BANK CORP

Form S-4

April 08, 2004

As filed with the Securities and Exchange Commission on April 8, 2004

Registration No. 333-

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form S-4**  
**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

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**Independent Bank Corp.**

*(Exact name of registrant as Specified in its Charter)*

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**Massachusetts**  
*(State or other Jurisdiction of  
Incorporation or Organization)*

**6036**  
*(Primary Standard Industrial  
Classification Code Number)*

**04-2870273**  
*(I.R.S. Employer  
Identification No.)*

**288 Union Street**

**Rockland, Massachusetts 02370**  
**(781) 878-6100**

*(Address, including zip code, and telephone number, including area code, of Registrant's Principal Executive Offices)*

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**Denis K. Sheahan**  
**Chief Financial Officer and Treasurer**  
**Edward H. Saksay, Esq.**  
**General Counsel**  
**Independent Bank Corp.**  
**288 Union Street**  
**Rockland, Massachusetts 02370**  
**(781) 878-6100**

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

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*With copies to:*

**William P. Gelnaw, Jr., Esq.**  
**James A. McDaniel, Esq.**  
**Choate, Hall & Stewart**  
**53 State Street**  
**Boston, Massachusetts 02109**  
**(617) 248-5000**

**Richard A. Schaberg, Esq.**  
**Thacher Proffitt & Wood LLP**  
**1700 Pennsylvania Avenue, N.W.**  
**Washington, D. C. 20006**  
**(202) 347-8400**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the Registration Statement becomes effective and the completion of the Arrangement as described herein.

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

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

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, no par value	587,026	\$38.00 per share	\$17,427,294	\$2,210.00
Preferred Stock purchase rights(3)	N/A	N/A	N/A	N/A

- (1) Represents the maximum number of shares of Independent Bank Corp. common stock estimated to be issuable upon the consummation of the merger of Falmouth Bancorp, Inc. with and into INDB Sub, Inc., a wholly owned subsidiary of Independent Bank Corp., based on the number of shares of Falmouth Bancorp, Inc. common stock, \$0.01 per share par value, outstanding as of February 20, 2004 (917,227) (the Falmouth Common Stock ) and an exchange ratio of 1.28 (for-one half of the Falmouth Common Stock).
- (2) Pursuant to Rules 457(c) and Rule 457(f) under the Securities Act of 1933, as amended (Securities Act), the registration fee is based on the average of the high and low sales prices of Falmouth Bancorp, Inc. common stock as reported on the American Stock Exchange on April 2, 2004 (\$38.00), and based upon the estimated maximum number of such shares (917,227) that may be converted into the right to receive the Independent Bank Corp. common stock being registered and/or cash pursuant to the terms of the merger agreement, reduced by the maximum amount of cash (\$17,427,332) to be paid by the Registrant for such shares.
- (3) Independent Bank Corp. preferred stock purchase rights will be distributed without charge with respect to each share of common stock of the Registrant registered hereby.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.**

**FALMOUTH BANCORP, INC.**

20 Davis Straits  
Falmouth, Massachusetts 02540

(508) 548-3500

, 2004

Dear stockholders:

You are cordially invited to attend a special meeting of stockholders of Falmouth Bancorp, Inc. to be held at \_\_\_\_\_, local time, on \_\_\_\_\_, 2004, at the main office of the bank, 20 Davis Straits, Falmouth, Massachusetts 02540. At the special meeting, you will be asked to consider and vote upon a proposal to approve an agreement and plan of merger pursuant to which Falmouth will merge with a wholly owned subsidiary of Independent Bank Corp., a Massachusetts corporation with its principal place of business in Rockland, Massachusetts ( INDB ).

**If the merger agreement is approved and the merger is subsequently completed, each outstanding share of Falmouth common stock will be converted into the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional share interest.** You will have the opportunity to elect to receive all cash, all stock or a combination of cash and stock for your shares of Falmouth common stock, subject to allocation procedures designed to ensure that 50% of the shares of Falmouth common stock will be converted into the right to receive shares of INDB common stock and 50% will be converted into the right to receive cash. You will receive a separate mailing that will contain instructions for making your election.

INDB common stock is listed on The Nasdaq National Market under the symbol INDB. On \_\_\_\_\_, 2004, the closing sales price of a share of INDB common stock was \$ \_\_\_\_\_.

The merger cannot be completed unless the holders of a majority of the outstanding shares of Falmouth common stock, voting in person or by proxy, vote in favor of approval of the merger agreement and the merger at the special meeting.

Stockholders who do not receive any cash in exchange for their shares of Falmouth common stock will generally not be taxed on the exchange. However, stockholders generally will be taxed to the extent they receive cash in exchange for their shares of Falmouth common stock or instead of any fractional share of INDB common stock that they would otherwise be entitled to receive.

Based on our reasons for the merger described herein, including the fairness opinion issued by our financial advisor, Trident Securities, a division of McDonald Investments, Inc., our board of directors believes that the merger is advisable, in your best interests and on terms that are fair to you. Accordingly, our board of directors unanimously recommends that you vote **FOR** approval of the merger agreement and the merger.

**Your vote is very important.** Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card. If you do not vote in person or by proxy the effect will be a vote against the proposal to approve the merger agreement.

Following this letter you will find a formal notice of the special meeting and a proxy statement/ prospectus providing you with detailed information concerning the merger agreement, INDB and Falmouth. Please give all the information contained or incorporated by reference in the proxy statement/ prospectus your careful attention. **Please give particularly careful consideration to the discussion in the section entitled Risk Factors beginning on page 23 of the attached proxy statement/ prospectus.**

We look forward to your support.

Sincerely,

Santo P. Pasqualucci  
*President and Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the INDB common stock to be issued in the merger or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense. The shares of INDB common stock are not savings accounts, deposits or other obligations of any bank or savings**

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**association and are not insured by any federal or state governmental agency.**

This proxy statement/ prospectus is dated \_\_\_\_\_, 2004, and was first mailed to

stockholders of Falmouth on or about \_\_\_\_\_, 2004.

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**REFERENCE TO ADDITIONAL INFORMATION**

This proxy statement/ prospectus incorporates important business and financial information about INDB and Falmouth from other documents that are not included in, or delivered with, this proxy statement/ prospectus. This information is available to you without charge upon your written or oral request. We have listed the documents containing this information on page 115. You can obtain these documents relating to INDB or any documents referred to in this proxy statement/ prospectus relating to Falmouth, by requesting them in writing or by telephone from the appropriate company at the following addresses:

Independent Bank Corp.  
288 Union Street  
Rockland, Massachusetts 02370  
Attention: Edward H. Saksay, General Counsel  
(781) 982-6130

Falmouth Bancorp, Inc.  
20 Davis Straits  
Falmouth, Massachusetts 02540  
Attention: Jeanne E. Alves, Secretary  
(508) 548-3500

**If you would like to request documents, you must do so no later than \_\_\_\_\_, 2004 in order to receive them before Falmouth's special meeting of stockholders. You will not be charged for any of these documents that you request.**

For additional information regarding where you can find information about INDB and Falmouth, please see the section entitled "Where You Can Find More Information" beginning on page 114 of this proxy statement/ prospectus. The information contained in this proxy statement/ prospectus with respect to INDB and its subsidiaries was provided by INDB and the information contained in this proxy statement/ prospectus with respect to Falmouth and its subsidiaries was provided by Falmouth.

For information on submitting your proxy, please refer to the instructions on the enclosed proxy card.

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## FALMOUTH BANCORP, INC.

20 Davis Straits  
Falmouth, Massachusetts 02540  
(508) 548-3500

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### NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

**Date:** , 2004  
**Time:** , local time  
**Place:** Falmouth Bank  
20 Davis Straits  
Falmouth, Massachusetts 02540

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At our Special Meeting, we will ask you to:

Consider and vote upon a proposal to approve the agreement and plan of merger dated as of January 8, 2004, among Falmouth Bancorp, Inc., Independent Bank Corp. and INDB Sub, Inc., a copy of which is attached as *Annex A* to the accompanying proxy statement/prospectus, and to approve the merger as contemplated by the merger agreement;

Consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement; and

Transact any other business as may properly come before the special meeting or any adjournment or postponement of the special meeting. Only holders of record of Falmouth common stock at the close of business on , 2004 will be entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

You will be entitled to have your shares purchased by INDB for cash at their fair market value if you file written notice with Falmouth of your intention to exercise your appraisal rights prior to the special meeting, you do not vote in favor of the merger agreement and you follow the procedures of Section 262 of the Delaware General Corporation Law described in *THE MERGER Dissenter's Rights of Appraisal* in the accompanying document. A copy of Section 262 is attached as *Annex D* to this document.

**Our board of directors has determined that the merger agreement is advisable, in the best interests of Falmouth stockholders and on terms that are fair to Falmouth stockholders and unanimously recommends that stockholders vote FOR approval of the merger agreement and the merger.**

**Your vote is very important.** Even if you plan to be present at the special meeting, please promptly complete, sign, date and return your proxy card in the enclosed envelope. Failure to vote your shares will have the same effect as a vote against the merger agreement.

By Order of the Board of Directors

Jeanne Alves  
*Secretary*

Falmouth, Massachusetts  
, 2004

**Please do not send your stock certificates at this time. If the merger is completed you will be sent instructions regarding the surrender of your stock certificates.**

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QUESTIONS AND ANSWERS

**Q: What am I being asked to vote on?**

A: You are being asked to vote to approve a merger agreement among Independent Bank Corp., Falmouth Bancorp, Inc. and INDB Sub, Inc., a newly-formed, wholly-owned subsidiary of INDB, and the merger as contemplated by the merger agreement. As a result of the merger, Falmouth will become a subsidiary of INDB.

**Q: What will I receive in the merger? (See page 46)**

A: If the merger is completed, each share of Falmouth common stock will be converted into the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional share interest. You may elect to exchange your shares of Falmouth common stock for all stock, all cash or a combination of stock and cash. However, the merger agreement provides that 50% of the total number of outstanding shares of Falmouth common stock will be converted into the right to receive INDB common stock and 50% will be converted into the right to receive cash. Therefore, you may not receive exactly the form of consideration that you request.

**Q: How do I elect to receive cash, stock or a combination of cash and stock for my Falmouth stock? (See page 48)**

A: Instructions for making your election and for returning your Falmouth stock certificates will be sent to you by the exchange agent. **Do not return your Falmouth stock certificates with your proxy card.** Instead, please use the envelope that accompanies the election form provided to you by the exchange agent for your stock certificates and the election form. If you do not make a timely election, you will receive INDB common stock and/or cash depending on the elections made by other Falmouth stockholders.

**Q: How does the Falmouth board of directors recommend that I vote? (See page 33)**

A: The Falmouth board of directors unanimously recommends that you vote **FOR** approval of the merger agreement and the merger.

**Q: What vote of Falmouth stockholders and what vote of INDB stockholders is required in connection with the merger? (See page 51)**

A: The affirmative vote of the holders of at least a majority of the outstanding shares of Falmouth entitled to vote on the approval of the merger agreement and the merger is required to approve the merger agreement and the merger. No vote of INDB stockholders is required (or will be sought) in connection with the merger.

**Q: Can the number of shares of INDB common stock to be issued in the merger for each share of Falmouth common stock change between now and the time the merger is completed? (See page 47)**

A: No, except under limited circumstances. The exchange ratio is a fixed ratio, which means that it will not change if the trading price of the INDB common stock changes between now and the time the merger is completed. Therefore, the market value of the INDB common stock you will receive in the merger may increase or decrease depending upon the price of the INDB common stock. However, if the price of the INDB common stock declines by more than 20% and underperforms a peer group by more than 20% during a designated measurement period, Falmouth may terminate the merger agreement unless INDB elects to increase the number of shares to be issued to holders of Falmouth common stock who are to receive shares of INDB common stock in the merger. For more information, see the sections entitled Risk Factors beginning on page 23 of this proxy statement/ prospectus and The Merger The Merger Agreement Termination and Amendment beginning on page 61 of this proxy statement/ prospectus.

In the event of a stock split, stock dividend or other similar event prior to the merger, the exchange ratio will be adjusted to provide Falmouth stockholders with the same economic benefit as contemplated by the merger agreement.

**Q: When will I receive shares of INDB common stock or cash? (See page 49)**

A: Shortly after the merger is completed, the exchange agent will allocate cash and INDB common stock among Falmouth stockholders, consistent with their elections and the allocation and proration procedures in the merger agreement. Your shares of INDB common stock and/or cash will be sent to you after the allocation is completed, subject to your adherence to the procedures set forth in this proxy statement/ prospectus, including proper delivery of certificates.

**Q: Will I be able to trade the INDB common stock that I receive in the merger? (See page 43)**

A: Yes. The INDB common stock issued in the merger will be registered with the Securities and Exchange Commission and listed on The Nasdaq National Market under the symbol INDB. All shares of INDB common stock that you receive in the merger will be freely transferable unless you are deemed to be an affiliate of Falmouth prior to the completion of the merger or an affiliate of INDB after the completion of the merger, or your shares are subject to other contractual restrictions. Shares of INDB common stock received by persons deemed to be affiliates in the merger may only be sold in compliance with Rule 145 under the Securities Act or as otherwise permitted under the Securities Act.

**Q: When is the merger expected to be completed? (See page 61)**

A: We expect to complete the merger as soon as practicable after Falmouth and INDB receive all applicable regulatory and stockholder approvals and all applicable waiting periods have expired, which we expect to occur during the third calendar quarter of 2004. However, we cannot be certain when these events will take place or when the merger will occur.

**Q: How much of the combined company will Falmouth stockholders own? (See page 42)**

A: After the merger, Falmouth stockholders will own approximately 3.85% of the INDB common stock (based on shares outstanding as of the date of this proxy statement/ prospectus).

**Q: What are the tax consequences of the merger to the Falmouth stockholders? (See page 70)**

A: The conversion of shares of Falmouth common stock solely into INDB common stock in the merger will be a tax-free reorganization for federal income tax purposes. Accordingly, Falmouth stockholders will generally not recognize any gain or loss for federal income tax purposes on the conversion of their Falmouth common stock into INDB common stock in the merger. However, Falmouth stockholders will generally be taxed to the extent they receive cash in exchange for their shares of Falmouth common stock or instead of any fractional share of INDB common stock that they would otherwise be entitled to receive. Because the tax consequences of receiving cash will differ from the tax consequences of receiving stock, you should carefully read the tax information in the section of this proxy statement/ prospectus entitled The Merger Federal Income Tax Consequences beginning on page 70 and consult your own tax advisors.

**Q: What do I need to do now?**

A: After you have carefully read this proxy statement/ prospectus, indicate on your proxy card how you want your shares to be voted. Then complete, sign, date and mail your proxy card in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented and voted at the special meeting.

**Q: Why is my vote important?**

A: If you do not return your proxy card or vote in person at the special meeting, it will be more difficult for Falmouth to obtain the necessary quorum to hold the special meeting. In addition, the failure of a Falmouth stockholder to vote, by proxy or in person, will have the same effect as a vote against the merger agreement and the merger. The merger must be approved by the holders of a majority of the outstanding shares of Falmouth common stock entitled to vote at the special meeting.

**Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me? What if I fail to instruct my broker, bank or other nominee?**

A: If your broker, bank or other nominee holds shares that you own in street name, the broker may vote your shares if the broker receives instructions from you. If your broker does not vote on any of the proposals, this will constitute a broker non-vote. For purposes of voting on the proposal to approve the merger agreement, a broker non-vote will have the same effect as a vote against the merger. For purposes of voting on the proposal to adjourn the meeting, broker non-votes will be treated as shares that are not represented and will have no effect on the outcome of the votes.

**Q: Can I attend the meeting and vote my shares in person?**

A: Yes. All stockholders are invited to attend the special meeting. However, if you hold your shares in street name, you will need proof of ownership to be admitted. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. Only stockholders of record on \_\_\_\_\_, 2004 can vote in person at the special meeting. If your shares are held in street name, then you are not the stockholder of record and you must ask your broker, bank or other nominee how you can vote at the special meeting.

**Q: Can I change my vote?**

A: Yes. If you have not voted through your broker, bank or other nominee, there are three ways you can change your vote after you have submitted your proxy:

First, you may send a written notice to the Secretary of Falmouth, stating that you would like to revoke your proxy before the special meeting.

Second, you may complete and submit a new proxy card. The latest vote actually received by Falmouth before the special meeting will be counted, and any earlier proxies will be revoked automatically.

Third, you may attend the special meeting and vote in person. Any earlier proxy will thereby be revoked. However, simply attending the special meeting without voting will not revoke your proxy.

If you have instructed a broker, bank or other nominee to vote your shares, you must follow directions you receive from your broker, bank or other nominee to change your vote.

**Q: Can I submit my proxy by telephone or over the Internet?**

A: If you hold shares directly, then you may not vote by telephone or over the Internet. If you hold your shares through a bank or brokerage firm, you may be able to submit your proxy by telephone or over the Internet. You should refer to the proxy card provided by your bank or brokerage firm for instructions about how to vote. If you vote by telephone or over the Internet, you do not need to complete and mail your proxy card.

**Q: Whom should I call with questions?**

A: You should call Georgeson Shareholder Communications, Inc. at (800) 501-4330 with any questions about the merger and related transactions.

**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus and other documents to which we refer in order to understand fully the merger and the related transactions. In particular, you should read the annexes attached to this proxy statement/prospectus, including the merger agreement, which is attached to this proxy statement/prospectus as Annex A. We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary. In addition, INDB incorporates by reference into this proxy statement/prospectus important business and financial information. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 114 of this proxy statement/prospectus.*

*Throughout this proxy statement/prospectus, Falmouth, we and our refer to Falmouth Bancorp, Inc.; Falmouth Co-operative Bank and Falmouth Bank refer to our banking subsidiary, Falmouth Co-operative Bank; INDB refers to Independent Bank Corp.; INDB Sub, Inc. refers to INDB's wholly owned subsidiary, INDB Sub, Inc.; and Rockland Trust Company refers to INDB's banking subsidiary, Rockland Trust Company. Also, we refer to the merger between Falmouth and INDB Sub, Inc. as the merger, the merger between Falmouth Co-operative Bank and Rockland Trust Company as the bank merger and the agreement and plan of merger, dated as of January 8, 2004, by and among INDB, INDB Sub, Inc. and Falmouth as the merger agreement.*

**Parties to the Proposed Merger**

**FALMOUTH BANCORP, INC.**

**20 Davis Straits  
Falmouth, Massachusetts 02540  
(508) 548-3500  
www.falmouthbank.com**

Falmouth is a Delaware corporation and a registered bank holding company under the Bank Holding Company Act of 1956, as amended. Falmouth conducts business from its executive offices in Falmouth, Massachusetts. Falmouth's principal asset is all of the capital stock of Falmouth Co-operative Bank, a Massachusetts-chartered co-operative bank in stock form.

Through Falmouth Co-operative Bank, Falmouth is principally engaged in the business of attracting deposits from the general public, borrowing funds and investing those deposits and funds. Falmouth has emphasized various types of residential and commercial real estate loans, commercial loans, residential construction loans, consumer loans and investments in securities. At December 31, 2003, Falmouth had consolidated assets of \$158.1 million and consolidated stockholders' equity of \$17.9 million.

For more information on the business of Falmouth, please refer to the section entitled "Information About Falmouth" beginning on page 74 of this proxy statement/prospectus. Please refer to the section of this proxy statement/prospectus entitled "Where You Can Find More Information" on page 114 in order to find out where you can obtain copies of Falmouth's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2003, filed with the SEC on April 7, 2004 and Falmouth's Quarterly Report on Form 10-QSB/A for the period ended December 31, 2003, filed with the SEC on April 7, 2004, as well as other documents Falmouth files with the Securities and Exchange Commission.

**INDEPENDENT BANK CORP.**

**288 Union Street  
Rockland, Massachusetts 02370  
(781) 878-6100  
www.rocklandtrust.com**

INDB is a Massachusetts corporation and is registered with the Board of Governors of the Federal Reserve System as a bank holding company under the Bank Holding Company Act of 1956, as amended. INDB conducts business from its executive offices in Rockland, Massachusetts. INDB's principal assets are all of the capital stock of Rockland Trust Company, a Massachusetts-chartered trust company.

Rockland Trust Company's principal business consists of commercial banking, retail banking, and investment management services. Rockland Trust Company derives its revenues from a wide range of banking services including lending activities, acceptance of demand, savings and time deposits, trust and investment management services and mortgage banking income. At December 31, 2003, INDB had consolidated assets of approximately \$2.4 billion and consolidated stockholders' equity of approximately \$171.8 million.

For more information on the business of INDB and Rockland Trust Company, please refer to INDB's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Please refer to the section of this proxy statement/prospectus entitled "Where You Can Find More Information" on page 115 in order to find out where you can obtain copies of INDB's Annual Report as well as other documents INDB files with the Securities and Exchange Commission.

**INDB SUB, INC.**

**288 Union Street  
Rockland, Massachusetts 02370  
(781) 878-6100**

INDB Sub, Inc. was formed on January 7, 2004 as a Massachusetts corporation and a wholly-owned subsidiary of INDB. INDB Sub, Inc. was formed solely to effect the merger and has not conducted any business during the period of its existence.

**You May Elect to Receive Cash, Shares of INDB Common Stock or a Combination of Stock and Cash**

INDB and Falmouth have proposed a merger in which Falmouth will merge with INDB Sub, Inc. If the merger is completed, you will have the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional share interest, for each share of Falmouth common stock that you hold. You will have the opportunity to elect to receive all cash, all stock or a combination of cash and stock for your shares of Falmouth common stock, subject to allocation procedures set forth in the merger agreement designed to ensure that 50% of the shares of Falmouth common stock will be converted into the right to receive shares of INDB common stock and 50% of the Falmouth shares will be converted into the right to receive cash. At INDB's election, the number of shares of Falmouth common stock that will be converted into the right to receive INDB common stock may be increased if necessary for INDB's and Falmouth's respective legal counsel to render their opinions that the merger will be treated as a reorganization for federal income tax purposes.

Under the limited circumstances described below, the exchange ratio may be increased by INDB. If the average closing price of INDB common stock during the 14 trading days ending on and including the date (the determination date) on which the last required governmental approval of the merger and the related merger of Falmouth Co-operative Bank into Rockland Trust (the bank merger) is received, excluding the two highest and two lowest closing prices, (the average closing price) is (1) less than \$23.20 (80% of the closing price of the INDB common stock on the date of the merger agreement, or \$29.00) and (2) underperforms a peer group of companies by more than 20% during the same 14 day period, Falmouth may give notice of its intent to terminate the merger agreement. If INDB receives such notice,

INDB may elect to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price. If INDB elects to increase the exchange ratio in these circumstances, Falmouth would thereafter no longer have the right to terminate the merger agreement for this reason. If INDB does not elect to increase the exchange ratio in these circumstance, Falmouth may terminate the merger. For a more detailed discussion see the section entitled "The Merger - The Merger Agreement - Termination and Amendment" beginning on page 61 of this proxy statement/ prospectus.

Separate instructions will be provided to you regarding how to make your election. Because the tax consequences of receiving cash will differ from the tax consequences of receiving stock, you should carefully read the tax information in the section of this proxy statement/ prospectus entitled "The Merger - Federal Income Tax Consequences" beginning on page 70 of this proxy statement/ prospectus and consult your own tax advisors.

If you elect to receive stock in the merger and the total number of shares of INDB common stock that Falmouth stockholders elect to receive in the merger exceeds the amount of common stock that INDB has agreed to issue in the merger, you will receive some cash instead of shares of INDB common stock. If you elect to receive cash in the merger and the total amount of cash that Falmouth stockholders elect to receive in the merger exceeds the amount of cash that INDB has agreed to pay in the merger, when combined with any dissenting shares held by Falmouth stockholders who have perfected their dissenters rights, such shares will be deemed cash election shares, exceeds the amount of cash that INDB has agreed to pay in the merger, you will receive some shares of INDB common stock instead of cash. Therefore, you may not receive exactly the form of consideration that you elect.

The aggregate cash consideration to be issued in the merger would amount to \$17,427,332 and the aggregate stock consideration to be issued in the merger would amount to 587,026 shares of INDB common stock based on the number of shares of Falmouth common stock outstanding on March 31, 2004, and an exchange ratio of 1.28.



**Illustrations of Value of Cash and Stock Consideration**

The table below illustrates the value of cash and stock consideration based on various assumed trading prices of INDB common stock. It is important to remember that the merger agreement provides that 50% of the outstanding shares of Falmouth common stock will be exchanged for shares of INDB common stock and 50% will be exchanged for cash. **Even if you request all cash or all stock, whether you receive all cash or all stock will depend on the elections of other Falmouth stockholders. There is no guarantee that you will receive the exact allocation of cash or stock that you request.**

100 Shares of Falmouth Common Stock Exchanged for All INDB Common Stock			100 Shares of Falmouth Common Stock Exchanged for All Cash	
Price of INDB Stock(1)	Exchange Ratio	Assumed Trading Number of INDB Shares to be Received(2)	Value of INDB Shares to be Received(2)	Cash Consideration to be Received
\$23.20(3)	1.28	128	\$2,969.60	\$3,800
\$24.00	1.28	128	\$3,072.00	\$3,800
\$25.00	1.28	128	\$3,200.00	\$3,800
\$26.00	1.28	128	\$3,328.00	\$3,800
\$27.00	1.28	128	\$3,456.00	\$3,800
\$28.00	1.28	128	\$3,584.00	\$3,800
\$29.00(4)	1.28	128	\$3,712.00	\$3,800
\$30.00	1.28	128	\$3,840.00	\$3,800
\$31.00	1.28	128	\$3,968.00	\$3,800
\$32.00	1.28	128	\$4,096.00	\$3,800
\$33.00	1.28	128	\$4,224.00	\$3,800
\$34.00	1.28	128	\$4,352.00	\$3,800
\$35.00	1.28	128	\$4,480.00	\$3,800

- (1) On \_\_\_\_\_, 2004, the last full trading day before the date of this proxy statement/ prospectus, the closing sale price of INDB common stock was \$ \_\_\_\_\_.
- (2) Based upon the exchange ratio of 1.28, 100 shares of Falmouth common stock would be converted into 128 shares of INDB common stock, but all fractional shares will be paid in cash based on an amount determined by multiplying the fractional share interest to which such holder would otherwise be entitled by the per share cash consideration of the merger (\$38.00).
- (3) Under the merger agreement, Falmouth has the right to terminate the merger agreement if the average closing price of the INDB common stock is less than \$23.20 (a decline of 20% from the signing closing price) *and* underperforms a peer group of companies by more than 20% during a designated measurement period unless INDB agrees to increase the number of shares of INDB common stock to be issued to holders of Falmouth common stock who are to receive shares of INDB common stock in the merger by a specified amount. For a more detailed discussion see the section entitled *The Merger The Merger Agreement Termination and Amendment* beginning on page 61 of this proxy statement/ prospectus. These possible events are not illustrated in the table.
- (4) The exchange ratio was established based on an INDB common stock price of \$29.00.

**When and How to Choose the Method of Payment for Your Falmouth Shares**

Shares of Falmouth common stock will be converted into the right to receive either INDB common stock or cash as chosen by you, subject to election and allocation procedures discussed herein and described in detail in the merger agreement. At least 25 business days before the merger is expected to be completed, you will be sent an election form by the exchange agent on which you may specify whether you wish to receive cash, INDB common stock or a combination of stock and cash in exchange for your shares of Falmouth common stock. You may also make no election as to whether you receive cash or

INDB common stock as payment for your Falmouth shares. Your choice will be honored to the extent possible, but because of the overall limitation on the number of Falmouth shares that will be converted into the right to receive cash and the number of Falmouth shares that will be converted into the right to receive shares of INDB common stock, whether you receive the amount of cash and/or stock you request will depend on what other Falmouth stockholders elect to receive as consideration for their shares. Therefore, you may not receive exactly the form of consideration that you elect and you may receive a pro rata amount of cash and INDB common stock even if you elect to receive all cash or all stock. For a more detailed discussion of the election and exchange procedures, see the section entitled "The Merger" in The Merger Agreement, Merger Consideration and Election and Exchange Procedures beginning on page 46 of this proxy statement/prospectus.

INDB will not issue fractional shares. Instead, Falmouth stockholders who receive INDB common stock will receive the value of any fractional share interest in cash based on an amount determined by multiplying the fractional share interest to which such holder would otherwise be entitled by the per share cash consideration of the merger (\$38.00).

*You should not forward your stock certificates with your proxy card.* An election form and detailed instructions on how to choose your preferred form of cash and/or stock consideration will be sent to you at least 25 business days before the merger is expected to be completed. You will then have 20 business days in which to complete the election form and return it as instructed with your stock certificates. After the forms have been received and processed, you will be sent the INDB common stock and/or cash to which you are entitled, subject to your adherence to the procedures set forth in this proxy statement/prospectus, including proper delivery of certificates.

### **Federal Tax Consequences of the Merger**

The merger is expected to be a reorganization for federal income tax purposes. As a reorganization, Falmouth stockholders generally will not recognize any gain or loss on the conversion of shares of Falmouth common stock solely into shares of INDB common stock. However, Falmouth stockholders generally will be taxed to the extent they receive cash in exchange for their shares of Falmouth common stock or instead of any fractional share of INDB common stock that they would otherwise be entitled to receive. Each party's obligation to complete the merger is conditioned on its receipt of an opinion of its respective counsel, dated as of the effective date of the merger, to the effect that, based on certain facts, representations and assumptions, the merger will be treated as a reorganization for federal income tax purposes.

Tax matters are complicated, and the tax consequences of the merger to Falmouth stockholders will depend upon the facts of each stockholder's particular situation. In addition, you may be subject to state, local or foreign tax laws that are not discussed herein. Accordingly, we strongly urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

### **Opinion of Falmouth's Financial Advisor**

In connection with the merger, Falmouth's board of directors received the opinion of its financial advisor, Trident Securities (Trident), a division of McDonald Investments, Inc., that as of January 8, 2004 (the date on which the Falmouth board of directors approved the merger agreement) the merger consideration was fair to the stockholders of Falmouth from a financial point of view. This opinion is included as Annex C to this proxy statement/prospectus. You should read the entire opinion carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Trident in providing its opinion.

### **Recommendation of the Board of Directors**

The Falmouth board has approved the merger agreement and unanimously recommends that Falmouth stockholders vote **FOR** the approval of the merger agreement and the merger. The Falmouth

board has determined that the merger is advisable, in the best interest of Falmouth's stockholders and on terms that are fair to Falmouth stockholders.

**Date, Time and Location of the Special Meeting**

The special meeting will be held at \_\_\_\_\_, local time, on \_\_\_\_\_, 2004, at the main offices of Falmouth Bank, 20 Davis Straits, Falmouth, Massachusetts 02540. At the special meeting, Falmouth stockholders will be asked to approve the merger agreement and the merger and approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger and act on any other matters that may properly come before the special meeting.

**Record Date and Voting Rights for the Special Meeting**

You are entitled to vote at the special meeting if you owned shares of Falmouth common stock as of the close of business on \_\_\_\_\_, 2004, the record date. You will have one vote at the special meeting for each share of Falmouth common stock that you owned on that date.

Stockholders of record may vote by proxy or by attending the special meeting and voting in person. Each proxy returned to Falmouth (and not revoked) by a holder of Falmouth common stock will be voted in accordance with the instructions indicated thereon. If no voting instructions are indicated on a signed proxy card, your shares will be voted **FOR** approval of the merger agreement and the merger and **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement and the merger.

**Vote Required to Approve the Merger Agreement**

The affirmative vote of a majority of the outstanding shares of the common stock of Falmouth is required to approve the merger agreement and the merger. If neither you nor your broker vote your shares, it will have the same effect as voting against the merger. For purposes of voting to adjourn the meeting, if necessary, your shares will be treated as shares that are not represented and will have no effect on the outcome of the votes.

**Stock Held by Management of Falmouth**

Directors and certain executive officers of Falmouth and Falmouth Bank, who are entitled to vote approximately 24.5% of the outstanding shares of Falmouth common stock as of the record date for the special meeting, have entered into voting agreements with INDB pursuant to which they have agreed to vote all of their shares in favor of the merger agreement and the merger.

**INDB and Falmouth Must Meet Several Conditions to Complete the Merger**

Completion of the merger depends on meeting a number of conditions, including the following:

Falmouth stockholders must have approved the merger agreement and the merger by the requisite vote;

INDB and Falmouth must have received all required regulatory approvals for the merger and for the merger of Falmouth Co-operative Bank into Rockland Trust Company, and any waiting periods required by law must have passed;

there must be no law, injunction or order enacted or issued preventing completion of the merger or the bank merger;

the registration statement filed by INDB to register the shares of INDB common stock to be issued in the merger must have been declared effective, no stop order shall have been issued or pending, all blue sky approvals must have been obtained and the shares of INDB common stock to be issued must be listed on NASDAQ;



INDB and Falmouth must each have received a legal opinion confirming the tax-free nature of the merger;

the representations and warranties of each of INDB and Falmouth in the merger agreement must be correct and true in all material respects;

there may not have occurred any change that would have a material adverse effect on either INDB or Falmouth; and

INDB and Falmouth must have complied in all material respects with their respective covenants in the merger agreement.

Unless prohibited by law, either INDB or Falmouth may elect to waive any condition that has not been satisfied by the other party and complete the merger despite the failure of that condition. The parties cannot be certain whether or when any of the conditions to the merger will be satisfied, or waived where permissible, or that the merger will be completed.

#### **Regulatory Approvals Required to Complete the Merger**

To complete the merger and the bank merger we need the prior approval of, or waiver from, the Federal Reserve Board, the Federal Deposit Insurance Corporation and certain Massachusetts regulatory authorities. The U.S. Department of Justice is able to provide input into the approval process of federal banking agencies and will have no less than 15 and up to 30 days following any approval of a federal banking agency to challenge the approval on antitrust grounds. INDB and Falmouth filed both the Massachusetts Board of Bank Incorporation application and the application with the Massachusetts Commissioner of Banks on February 13, 2004 and expect to file by the beginning of April 2004 all remaining necessary applications and notices with the applicable regulatory agencies. INDB and Falmouth cannot predict, however, whether or when the required regulatory approvals will be obtained or whether any such approvals will have conditions that would be detrimental to INDB following completion of the merger.

#### **INDB and Falmouth May Terminate the Merger Agreement**

INDB and Falmouth may agree at any time to terminate the merger agreement before completing the merger, even if the Falmouth stockholders have already voted to approve the merger agreement.

Either company may also terminate the merger agreement if:

the merger is not completed by September 30, 2004, or such later date as the parties may agree in writing;

any required regulatory approvals for consummation of the merger or the bank merger shall have been denied by a final nonappealable order;

the other company breaches any of its representations, warranties or obligations under the merger agreement in a manner which would be reasonably expected to have a material adverse effect on such company and the breach cannot be, or has not been, cured within 30 days of notice of the breach; or

the stockholders of Falmouth do not approve the merger agreement.

INDB may terminate the merger agreement at any time prior to the Falmouth special meeting if:

Falmouth breaches its covenant not to solicit other offers;

the Falmouth board of directors withdraws or modifies its recommendation to the Falmouth stockholders that the merger agreement and the merger be approved in any way that is adverse to INDB; or

Falmouth materially breaches its obligations to call and hold a meeting of stockholders to consider the merger agreement.

INDB also may terminate the merger agreement if a third party commences a tender offer or exchange offer for 15% or more of the outstanding Falmouth common stock and the Falmouth board of directors recommends that Falmouth stockholders tender their shares in the offer or otherwise fails to recommend that they reject the offer within a specified period.

Falmouth may give notice of its intent to terminate the merger agreement if the average closing price of INDB common stock during the 14 trading days ending on and including the date (the determination date) on which the last required governmental approval of the merger and bank merger is received, excluding the two highest and two lowest closing prices, (the average closing price) is (1) less than \$23.20 (80% of the closing price of the INDB common stock on the date of the merger agreement, or \$29.00) and (2) underperforms a peer group of companies by more than 20% during the same 14 day period. If INDB receives such notice, INDB may elect to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price. If INDB elects to increase the exchange ratio in these circumstances, Falmouth would thereafter no longer have the right to terminate the merger agreement for this reason. If INDB does not elect to increase the exchange ratio in these circumstance, Falmouth may terminate the merger.

#### **INDB and Falmouth May Amend and Extend the Merger Agreement**

The parties may amend the merger agreement at any time before the merger actually takes place, and may agree to extend the time within which any action required by the merger agreement is to take place, provided that no amendment may be made after the Falmouth special meeting that changes in kind, or reduces in amount, the merger consideration without the further approval of the Falmouth stockholders.

#### **Interests of Falmouth's Directors and Executive Officers in the Merger**

Certain of Falmouth's directors and executive officers have agreements, stock options and other benefit plans that provide them with interests in the merger that are different from, or in addition to, your interests. Falmouth and Falmouth Co-operative Bank have entered into an employment agreement with its President and Chief Executive Officer and a change of control agreement with its Senior Vice President and Chief Financial Officer, each of which contain special termination provisions that provide that if the officer's employment is terminated under certain circumstances during a specified period following a change in control of Falmouth (the merger will cause a change in control), the officer will have the right to receive a lump sum severance payment equal to 2.99 times (in the case of its President) or two times (in the case of its Chief Financial Officer) his base amount. For this purpose, the base amount is generally the average of the executive's annual compensation received from Falmouth for the previous five years (or the executive's period of employment with Falmouth, if shorter).

In addition, in connection with the execution of the merger agreement, the following agreements were entered into with Santo P. Pasqualucci, President and Chief Executive Officer of Falmouth, and George E. Young, Senior Vice President and Chief Financial Officer of Falmouth, to be effective upon completion of the merger:

a consulting agreement between Rockland Trust Company and Mr. Pasqualucci, which provides, among other things, for Mr. Pasqualucci to become a consultant to the Chief Executive Officer and Board of Directors of Rockland Trust Company for a period of one year, effective as of the consummation of the merger, for a consulting fee of \$75,000 plus reasonable out of pocket business expenses;

a settlement agreement among INDB, Falmouth, Falmouth Bank and Mr. Pasqualucci, which provides, among other things, for the payment of \$553,632.88 to Mr. Pasqualucci in full settlement of his rights under his employment agreement with Falmouth; and

a settlement agreement among INDB, Falmouth, Falmouth Bank and Mr. Young, which provides, among other things, for the payment of \$273,030.87 to Mr. Young plus the continuation of certain

insurance coverages for a two year period in full settlement of his rights under the change of control agreement with Falmouth and Falmouth Bank discussed above.

All directors and officers have options and restricted stock awards that will vest upon the approval of the merger by Falmouth's stockholders. At the effective time of the merger, each outstanding option will be exchanged for a cash payment equal to the difference between \$38 and the per share exercise price of such option, subject to any required withholding of taxes, and each share of restricted stock will be distributed to participants immediately prior to the effective time of the merger. These distributed shares will then be treated the same as all other outstanding shares of Falmouth under the merger agreement.

In addition, under the terms of the merger agreement, certain executive officers who are participants in Falmouth's employee stock ownership plan will become vested in their accounts under this plan and will participate in an allocation of surplus assets contained in the plan on the same terms and conditions as all other participants in this plan.

The Falmouth board of directors was aware of the foregoing interests and other interests of executive officers of Falmouth in the merger and considered them, among other matters, in approving the merger agreement and the merger.

#### **Falmouth is Prohibited from Soliciting Other Offers**

Falmouth has agreed that, while the merger is pending, it will not initiate or, subject to some limited exceptions, engage in, discussions with any third party other than INDB regarding extraordinary transactions such as a merger, business combination or sale of a material amount of its assets or capital stock.

#### **Accounting Treatment of the Merger**

INDB will use the purchase method of accounting to account for the merger. The total purchase price will be allocated to the assets acquired and liabilities assumed, based on their estimated fair values at the time that the merger is consummated. To the extent that the purchase price exceeds the fair value of the net tangible assets acquired at the effective time of the merger, INDB will allocate the excess purchase price to all identifiable intangible assets. Any remaining excess will be allocated to goodwill. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, issued in July 2001 and effective for fiscal years beginning January 1, 2002, the goodwill resulting from the merger will not be amortized to expense, but instead will be reviewed for impairment at least annually, and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. However, core deposit and other finite-lived intangibles recorded by INDB in connection with the merger will be amortized to expense over their estimated useful lives.

#### **Rights of Stockholders of INDB and Falmouth Differ**

INDB is a Massachusetts corporation subject to the provisions of the Massachusetts Business Corporation Law. Falmouth is a Delaware corporation subject to the provisions of the Delaware General Corporation Law. Upon consummation of the merger, stockholders of Falmouth who receive shares of INDB common stock in exchange for their shares of Falmouth common stock will become stockholders of INDB and their rights as stockholders of INDB will be governed by INDB's articles of organization and by-laws and the Massachusetts Business Corporation Law. The rights of stockholders of INDB differ in certain respects from the rights of stockholders of Falmouth.

## Termination Payments

Falmouth has agreed to pay INDB \$1,500,000 if:

without INDB's prior written consent, Falmouth enters into an agreement to effect, or consummates, a change in control transaction with a party other than INDB (including under specified circumstances within 12 months following termination of the merger agreement); or

the merger agreement is terminated by INDB as a result of:

Falmouth breaching its covenant not to solicit other offers;

the Falmouth board of directors withdrawing or modifying its recommendation to the Falmouth stockholders that the merger agreement be approved in any way that is adverse to INDB;

Falmouth materially breaching its covenants requiring the calling and holding of a meeting of Falmouth stockholders to consider the merger agreement; or

a third party commencing a tender offer or exchange offer for 15% or more of the outstanding Falmouth common stock and the Falmouth board of directors recommending that Falmouth stockholders tender their shares in the offer or otherwise failing to recommend that they reject the offer within a specified period.

The termination payments agreed to by Falmouth are intended to increase the likelihood that the merger will be completed in accordance with the terms of the merger agreement and to compensate INDB if the merger is not completed. Falmouth's obligation to make the termination payment could significantly increase the cost to a potential acquirer of acquiring Falmouth. Consequently, the Falmouth termination payment may discourage persons who otherwise might be interested in making a competing proposal to acquire Falmouth, even if those persons were prepared to pay consideration which had more value than the merger consideration to be received under the merger agreement.

## The Shares of INDB Common Stock to Be Issued in the Merger Will Be Listed on NASDAQ

Pursuant to the merger agreement, the shares of INDB common stock issued in connection with the merger will be listed on The Nasdaq National Market or any national securities exchange on which the INDB common stock may then be listed.

## Falmouth Stockholders Will Have Dissenters' Rights

Under Delaware law, holders of Falmouth common stock have the right to dissent from the merger and, if the transaction is completed and all requirements of Delaware law are satisfied by holders seeking to exercise dissenters' rights, to receive payment equal to the fair value of their shares of Falmouth common stock, determined in the manner set forth under Delaware law. The procedures that must be followed in connection with the exercise of dissenters' rights are set forth in Section 262 of the Delaware General Corporation Law, a copy of which is attached as *Annex D* to this document. A Falmouth stockholder seeking to exercise dissenters' rights must file written notice with Falmouth prior to the special meeting of his or her intention to exercise appraisal rights and must not vote his or her shares in favor of the merger agreement. Failure to take any required step in connection with the exercise of such rights may result in termination or waiver thereof.



**Independent Bank Corp. Selected Consolidated Financial Data**

INDB derived the following historical information from its consolidated financial statements as of December 31, 2003 and 2002 and for the years then ended, audited by KPMG LLP, and as of December 31, 2001, 2000 and 1999 and for each of the years then ended, audited by Arthur Andersen LLP. When you read the following summary of historical data, it is important that you read the data along with the historical consolidated financial statements and related notes in INDB's Annual Report on Form 10-K for the year ended December 31, 2003 incorporated by reference into this proxy statement/ prospectus and other INDB documents to which we refer. For details about obtaining these documents see the section entitled "Where You Can Find More Information" on page 114 of this proxy statement/ prospectus.

	As of or For the Years Ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands, except per share data)				
<b>FINANCIAL CONDITION DATA:</b>					
Investments available for sale	\$ 527,507	\$ 501,828	\$ 569,288	\$ 387,476	\$ 201,614
Investments held to maturity	121,894	149,071	132,754	195,416	229,043
Loans	1,581,135	1,431,602	1,298,938	1,184,764	1,028,510
Allowance for loan losses	23,163	21,387	18,190	15,493	14,958
Total assets	2,436,755	2,285,372	2,199,188	1,949,976	1,590,056
Total deposits	1,783,338	1,688,732	1,581,618	1,489,222	1,081,806
Total borrowings	415,369	362,155	387,077	275,043	359,467
Corporation-obligated mandatorily redeemable Trust					
Preferred Securities	47,857	47,774	75,329	51,318	28,750
Stockholders' equity	171,847	161,242	133,261	114,712	98,129
Non-performing loans	3,514	3,077	3,015	4,414	3,654
Non-performing assets	3,514	3,077	3,015	4,414	3,654
<b>OPERATING DATA:</b>					
Interest income	\$ 128,306	\$ 140,825	\$ 145,069	\$ 127,566	\$ 112,006
Interest expense	32,533	40,794	54,478	55,419	50,178
Net interest income	95,773	100,031	90,591	72,147	61,828
Provision for loan losses	3,420	4,650	4,619	2,268	3,927
Non-interest income	27,794	22,644	20,760	16,418	14,793
Non-interest expenses	73,827	75,625	68,529	59,374	45,450
Minority interest expense	4,353	5,041	5,666	5,319	2,668
Net income	26,431	25,066	22,052	15,190	17,031
Net income available to common shareholders	26,431	23,561	22,052	15,190	17,031
<b>PER SHARE DATA:</b>					
Net income - Basic	\$ 1.82	\$ 1.63	\$ 1.54	\$ 1.07	\$ 1.20
Net income - Diluted	1.79	1.61	1.53	1.06	1.19
Cash dividends declared	0.52	0.48	0.44	0.40	0.40
Book value(1)	11.75	11.15	9.30	8.05	6.92
Tangible book value per share(2)	9.27	8.64	6.77	5.31	6.77

As of or For the Years Ended December 31,

	2003	2002	2001	2000	1999
<b>(Dollars in thousands, except per share data)</b>					
<b>OPERATING RATIOS:</b>					
Return on average assets(3)	1.11%	1.12%	1.07%	0.88%	1.09%
Return on average equity(3)	15.89%	17.26%	17.42%	14.58%	17.57%
Net interest margin (FTE)	4.40%	4.88%	4.84%	4.60%	4.30%
Equity to Assets	7.05%	7.06%	6.06%	5.88%	6.17%
Dividend payout ratio	28.64%	27.67%	28.57%	37.58%	32.57%
<b>ASSET QUALITY RATIOS:</b>					
Nonperforming loans as a percent of gross loans	0.22%	0.21%	0.23%	0.37%	0.35%
Nonperforming assets as a percent of total assets	0.14%	0.13%	0.14%	0.23%	0.23%
Allowance for loan losses as a percent of total loans	1.46%	1.49%	1.40%	1.31%	1.45%
Allowance for loan losses as a percent of nonperforming loans	659.16%	695.06%	603.32%	351.00%	409.36%
Total allowance for loan losses as a percent of total loans(4)	1.46%	1.53%	1.46%	1.42%	1.45%
Total allowance for loan losses as a percent of nonperforming loans(4)	659.16%	711.89%	630.18%	382.15%	409.36%
<b>CAPITAL RATIOS:</b>					
Tier 1 leverage capital ratio	7.60%	7.10%	6.31%	5.86%	8.15%
Tier 1 risk-based capital ratio	11.00%	10.37%	9.24%	8.50%	11.14%
Total risk-based capital ratio	12.25%	11.68%	12.96%	10.97%	12.39%

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- (1) Calculated by dividing total stockholders' equity by the net outstanding shares as of the end of each period.
  - (2) Calculated by dividing stockholders' equity less goodwill by the net outstanding shares as of the end of each period.
  - (3) Calculated using net income which excludes the write-off of trust preferred issuance costs.
  - (4) Including credit quality discount for the years 2000 through 2002.

## Falmouth Bancorp, Inc. Selected Consolidated Financial Data

Falmouth derived the following historical information from its consolidated financial statements as of September 30, 2003, 2002, 2001, 2000, and 1999, and for each of the years then ended, audited by Shatswell, MacLeod & Company, P.C., and from its unaudited consolidated financial statements as of and for the three month periods ended December 31, 2003 and December 31, 2002. These interim statements include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of its financial positions and results of operations for those periods. Operating results for the three months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ended September 30, 2004 or any other period. When you read the following summary of historical data, it is important that you read the data along with the consolidated financial statements and the notes to those statements beginning on page F-1 of this proxy statement/ prospectus and the section entitled "Information About Falmouth Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 87 of this proxy statement/ prospectus. In the tables below, total loans and loans, net include loans held-for-sale.

	At September 30,					At December 31,	
	2003	2002	2001	2000	1999	2003	2002
(Dollars in thousands)							
<b>Selected Financial Condition Data:</b>							
Assets	\$ 166,118	\$ 154,521	\$ 147,439	\$ 135,464	\$ 118,652	\$ 158,109	\$ 153,207
Loans, net	83,319	95,010	112,554	105,732	80,487	87,665	84,800
Investment securities	70,607	47,651	20,209	19,304	27,507	61,933	51,336
Deposits	145,534	131,717	122,176	112,374	92,886	137,579	130,141
Stockholders' equity	17,743	16,339	16,911	17,992	19,259	17,856	16,868
(Dollars in thousands, except per share data)							
<b>Selected Operating Data:</b>							
Interest and dividend income	\$ 6,730	\$ 8,692	\$ 9,645	\$ 8,306	\$ 7,488	\$ 1,568	\$ 1,884
Interest expense on deposits and borrowings	2,419	3,390	4,518	3,742	3,358	462	718
Net interest income	4,311	5,302	5,127	4,564	4,130	1,106	1,166
(Benefit) Provision for loan losses	(180)		190	189	42		
Net interest income after (benefit) provision for loan losses	4,491	5,302	4,937	4,375	4,088	1,106	1,166
<b>Other income:</b>							
Gain (loss) on available-for-sale securities, net	(451)	(581)	168	398	263	17	(77)
Other	1,584	1,050	528	359	386	176	470
Total other income	1,133	469	696	757	649	193	393
Operating expenses	3,958	3,368	3,424	3,296	2,924	1,202	961

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Income before income taxes	1,666	2,403	2,209	1,836	1,813	97	598
Income taxes	1,072	887	779	659	844	96	223
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Net income	\$ 594	\$1,516	\$1,430	\$1,177	\$ 969	\$ 1	\$ 375
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

	Year Ended September 30,					Three Months Ended December 31,	
	2003	2002	2001	2000	1999	2003	2002
(Dollars in thousands, except per share data)							
<b>Per Share Data:</b>							
Earnings per common share	\$ 0.68	\$ 1.73	\$ 1.48	\$ 1.17	\$ 0.78	\$ 0.00	\$ 0.43
Earnings per common share, assuming dilution	\$ 0.64	\$ 1.64	\$ 1.45	\$ 1.16	\$ 0.77	\$ 0.00	\$ 0.41
Cash dividends per share	\$ 0.52	\$ 0.50	\$ 0.42	\$ 0.31	\$ 0.28	\$ 0.13	\$ 0.13
Dividend payout ratio	76.47%	28.90%	28.38%	26.50%	35.90%		30.23%
Weighted average number of common shares outstanding	874,422	875,569	967,882	1,009,475	1,243,925	916,727	902,573

	At or For the Year Ended September 30,					Three Months Ended December 31,	
	2003	2002	2001	2000	1999	2003	2002
(Dollars in thousands, except per share data)							
<b>Interest rate spread information:(1)</b>							
Average during period	2.46%	3.15%	3.02%	3.07%	2.98%	%(4)	%(4)
End of period	2.47	2.87	3.17	2.81	2.93	2.56	2.69
<b>Net interest margin(2)</b>	2.84	3.68	3.84	3.81	3.80	2.86	3.14
<b>Return on average assets</b>	0.37	1.00	1.02	0.93	0.85		0.96
<b>Return on average equity</b>	3.47	8.99	7.93	6.63	4.61	0.02	8.95

**Asset Quality Ratios:**

Non-performing loans as a percent of total loans  
 Non-performing assets as a percent of total assets  
 Allowance for loan losses as a percent of non-performing loans

**Capital Ratios:**

Average equity to average assets	10.68	11.15	12.91	14.05	18.35	10.98	10.78
Regulatory Tier 1 leverage capital ratio(3)	10.00	9.40	10.12	12.82	13.46	10.92	10.72

- (1) Interest rate spread represents the difference between weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
- (2) Net interest margin represents net interest income divided by average interest-earning assets.
- (3) Represents capital ratios of the Bank.
- (4) Information not available.



### Comparative Historical and Pro Forma Per Share Data

The following table presents specified historical per share data of INDB and Falmouth and combined per share data on an unaudited pro forma basis after giving effect to the merger. This data is derived from, and should be read in conjunction with, the separate historical consolidated financial statements of Falmouth included in this proxy statement/ prospectus and the separate historical consolidated financial statements of INDB incorporated by reference in this proxy statement/ prospectus. The unaudited pro forma combined per share data do not necessarily indicate the operating results that would have been achieved had the merger been completed as of the beginning of the earliest period presented and should not be taken as representative of future operations. The results might have been different if the companies had always been consolidated.

The number of shares used in the calculations assumes that 50% of Falmouth shares outstanding as of December 31, 2003 are converted into INDB shares at the exchange ratio of 1.28. The Falmouth pro forma equivalent amounts are calculated by multiplying the unaudited pro forma combined amounts by the exchange ratio of 1.28.

We expect that we will incur merger and integration charges as a result of combining our companies. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. These charges and benefits are not reflected in the pro forma data. While helpful in illustrating the financial characteristics of the combined company under one set of assumptions, the pro forma information does not reflect these anticipated financial benefits 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 our companies been combined.

The unaudited pro forma combined book value per share represents INDB's historical book value as adjusted for the fair value and number of shares to be issued in connection with the merger. Tangible book value per share represents INDB's historical tangible book value as adjusted for the fair value and number of shares to be issued in connection with the merger and the estimated goodwill and other intangible assets to be recorded in connection with the merger.

The information in the following table is based on, and should be read together with, the historical financial information that Falmouth has presented in this proxy statement/ prospectus and in INDB's prior filings with the Securities and Exchange Commission. INDB and Falmouth have incorporated by reference prior filings into this proxy statement/ prospectus. See the section entitled "Where You Can Find More Information" beginning on page 114 of this proxy statement/ prospectus.

	<b>At December 31, 2003</b>
<b>Book value per share:</b>	
INDB historical	\$ 11.75
Falmouth historical	19.48
Pro forma combined	12.40
Falmouth pro forma equivalent	15.87
<b>Tangible book value per share:</b>	
INDB historical	\$ 9.27
Falmouth historical	19.48
Pro forma combined	8.71
Falmouth pro forma equivalent	11.15

	<u>At December 31, 2003</u>
<b>Cash dividends declared per share:</b>	
INDB historical	\$0.52
Falmouth historical	0.52
Pro forma combined(1)	0.52
Falmouth pro forma equivalent	0.67
<b>Basic net income per share:</b>	
INDB historical	\$1.82
Falmouth historical(2)	0.25
Pro forma combined(3)	1.75
Falmouth pro forma equivalent	2.24
<b>Diluted net income per share:</b>	
INDB historical	\$1.79
Falmouth historical(2)	0.24
Pro forma combined(3)	1.73
Falmouth pro forma equivalent	2.21

- (1) Pro forma cash dividends declared per common share represent the historical cash dividends per share of INDB.
- (2) Since INDB has a December 31 fiscal year end and Falmouth has a September 30 fiscal year end, Falmouth's historical basic and diluted net income per share data has been adjusted to correspond to INDB's fiscal year end. For the year ended December 31, 2003, Falmouth's historical basic and diluted net income per share was calculated by adding the results for the nine months ended September 30, 2003 and the results for the three months ended December 31, 2003.
- (3) The unaudited pro forma combined results are calculated by adding together the historical amounts reported by INDB and Falmouth, as adjusted for (a) the estimated purchase accounting adjustments to be recorded (consisting of marked to market valuation adjustments for assets acquired and liabilities assumed and adjustments for intangible assets established, and the resultant amortization/ accretion of certain of such adjustments over appropriate future periods); (b) lower net interest income (assuming an interest rate of 2.0%) related to funding the cash portion of the purchase price; (c) the tax impact of the adjustments above (assuming a tax rate of 35%); and (d) the estimated number of INDB shares to be issued in connection with the merger.



**Comparative Per Share Market Price Data and Dividend Information**

INDB common stock is traded on The Nasdaq National Market under the symbol INDB and Falmouth common stock is traded on the American Stock Exchange under the symbol FCB. As of the record date for the Falmouth special meeting, there were 917,227 shares of Falmouth common stock outstanding, which were held by approximately 944 holders of record. Such numbers of stockholders do not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

The following table sets forth during the periods indicated the high and low sales prices of INDB common stock as reported on NASDAQ and Falmouth common stock as reported on the American Stock Exchange and the dividends declared per share of INDB and Falmouth common stock.

	INDB			Falmouth		
	Market Price		Dividends Declared Per Share	Market Price		Dividends Declared Per Share
	High	Low		High	Low	
<b>2004</b>						
Second Quarter(4) (through , 2004)						
First Quarter(1)	31.28	28.30	.14	39.00	36.00	.13
<b>2003</b>						
Fourth Quarter(2)	31.58	25.91	.13	38.00	28.00	.13
Third Quarter(3)	27.93	22.25	.13	31.85	25.50	.13
Second Quarter(4)	23.44	19.38	.13	26.25	24.50	.13
First Quarter(1)	24.78	19.90	.13	26.20	24.50	.13
<b>2002</b>						
Fourth Quarter(2)	25.83	18.10	.12	26.75	23.00	.13
Third Quarter(3)	22.77	18.01	.12	27.75	22.25	.13
Second Quarter(4)	27.95	19.96	.12	30.01	22.65	.13
First Quarter(1)	26.04	21.36	.12	22.50	20.50	.12

- (1) Falmouth's second fiscal quarter
- (2) Falmouth's first fiscal quarter
- (3) Falmouth's fourth fiscal quarter
- (4) Falmouth's third fiscal quarter

The following table shows the closing price per share of INDB common stock and Falmouth common stock on (1) January 8, 2004, which was the last trading day preceding public announcement of the merger agreement, and (2) , 2004, which was the last full trading day for which closing prices were available at the time of the printing of this proxy statement/ prospectus. The historical prices for INDB and Falmouth are as reported on The Nasdaq National Market and the American Stock Exchange, respectively. The following table also includes the equivalent market value per share of Falmouth common stock on those dates. The equivalent market value per share of Falmouth was determined by calculating the sum of (a) the exchange ratio of 1.28 multiplied by the closing price per share of the INDB common stock on the applicable date multiplied by 0.5 and (b) \$38.00 multiplied by 0.5.

	INDB Historical Market Value Per Share	Falmouth Historical Market Value Per Share	Equivalent Market Value Per Share of Falmouth
January 8, 2004	\$29.00	\$38.00	\$37.56
, 2004	\$	\$	\$



Stockholders are advised to obtain current market quotations for INDB common stock and Falmouth common stock. The market price of INDB common stock at the effective time of the merger or at the time stockholders of Falmouth receive certificates evidencing shares of INDB common stock may be higher or lower than the market price at the time the merger agreement was executed, at the time of mailing of this proxy statement/ prospectus or at the time of the special meeting.

### Cautionary Statement Concerning Forward-Looking Statements

This proxy statement/ prospectus and the documents incorporated by reference into this proxy statement/ prospectus contain forward-looking statements about the merger, Independent Bank Corp. and Falmouth Bancorp, Inc. within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements containing the words believes, expects, anticipates, estimates, plans, projects, predicts, intends, seeks, will, may, should, would, continue, or variations of these terms, the negative of these terms, constitute forward-looking statements that involve risks and uncertainties. Such statements are based on current expectations and are subject to risks, uncertainties and changes in condition, significance, value and effect. These risks include those discussed in the section entitled Risk Factors beginning on page 23 of this proxy statement/ prospectus. With respect to INDB, these risks also include those discussed in reports filed by INDB with the Securities and Exchange Commission and incorporated by reference into this proxy statement/ prospectus, including the risk factors set forth under the section entitled Cautionary Statement Regarding Forward-Looking Statements in INDB's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. With respect to Falmouth, these risks also include those discussed in reports filed by Falmouth with the Securities and Exchange Commission and incorporated by reference into this proxy statement/ prospectus, including the factors set forth under the section Forward Looking Statements in Falmouth's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2003. Such risks, uncertainties and changes in condition, significance, value and effect could cause INDB's or Falmouth's actual results to differ materially from those anticipated events. In evaluating the merger agreement and the merger, you should carefully consider the discussion of risks and uncertainties discussed in the section entitled Risk Factors beginning on page 23 of this proxy statement/ prospectus.

Although each company believes its plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, it can give no assurance that its plans, intentions or expectations will be achieved. Accordingly, you should not place undue reliance on them. Falmouth stockholders are cautioned that all forward-looking statements involve risks and uncertainties and actual results may differ materially from anticipated results or those discussed elsewhere in this proxy statement/ prospectus as a result of various risk factors, including those described in the section entitled Risk Factors beginning on page 23 of this proxy statement/ prospectus. Listed below, and discussed elsewhere, are some important risks, uncertainties and contingencies that could cause each company's actual results, performances or achievements to be materially different from the forward-looking statements made in this proxy statement/ prospectus. These risks, uncertainties and contingencies include, but are not limited to, the following:

the merger may not close;

the conditions to closing, including receipt of stockholder and regulatory approvals, may not be satisfied;

the merger may not close within the timeframe anticipated by INDB and Falmouth;

estimated cost savings from the merger may not be fully realized within the expected timeframe;

deposit attrition, customer loss or revenue loss following the merger may be greater than expected;

competitive pressure among depository institutions may increase significantly;

costs or difficulties related to the integration of the businesses of INDB and Falmouth may be greater than expected;

changes in the interest rate environment may reduce interest margins or otherwise negatively affect INDB or Falmouth;

general economic or business conditions, either nationally, regionally or in the markets in which INDB does business, may be less favorable than expected;

legislation or changes in regulatory requirements, including changes in accounting standards, may adversely affect the businesses in which INDB is engaged;

adverse changes may occur in the securities markets; and

competitors of INDB may have greater financial resources and develop products and technology that enable those competitors to compete more successfully than INDB.

In addition, events may occur in the future that INDB or Falmouth are not able to predict accurately or control and that may cause actual results to differ materially from the expectations described in these forward-looking statements.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to INDB or Falmouth or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulations, INDB and Falmouth undertake no obligation to update such forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other risks described from time to time in INDB's and Falmouth's respective reports and documents filed with the Securities and Exchange Commission.

## RISK FACTORS

*Upon completion of the merger, you will receive shares of INDB common stock and/or cash in exchange for your shares of Falmouth common stock. Before deciding whether or not to approve the transaction and which type of consideration to elect, you should consider the following risks and uncertainties that are applicable to the merger, INDB and Falmouth. In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote in favor of approval of the merger agreement and the merger. You also should keep the following risk factors in mind when you read forward-looking statements in this proxy statement/prospectus. Please refer to the section entitled *Cautionary Statement Concerning Forward-Looking Statements* beginning on page 21 of this proxy statement/prospectus.*

### **You may not receive the form of consideration you elect**

If the merger is completed, each outstanding share of Falmouth common stock will be converted into the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional share interest.

You will have the opportunity to elect to receive all cash, all stock or a combination of cash and stock for your shares of Falmouth common stock. However, your right to receive stock or cash for your shares is limited because of allocation procedures set forth in the merger agreement that are intended to ensure that 50% of the outstanding shares of Falmouth common stock will be converted into the right to receive shares of INDB common stock and 50% of the outstanding shares of Falmouth common stock will be converted into the right to receive cash. If you elect to receive cash in the merger and the total amount of cash that Falmouth stockholders elect to receive in the merger exceeds the amount of cash that INDB has agreed to pay in the merger, you will receive some shares of INDB common stock instead of cash. If you elect to receive stock in the merger and the total number of shares of INDB common stock that Falmouth stockholders elect to receive in the merger exceeds the amount of common stock that INDB has agreed to issue in the merger, some of your shares of Falmouth common stock will be exchanged for cash instead of shares of INDB common stock.

Under the limited circumstances described below, the exchange ratio may be increased by INDB. If the average closing price of INDB common stock during the 14 trading days ending on and including the date (the determination date) on which the last required governmental approval of the merger and bank merger is received, excluding the two highest and two lowest closing prices, (the average closing price) is (1) less than \$23.20 (80% of the closing price of the INDB common stock on the date of the merger agreement, or \$29.00) and (2) underperforms a peer group of companies by more than 20% during the same 14 day period, Falmouth may give notice of its intent to terminate the merger agreement. If INDB receives such notice, INDB may elect to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price. If INDB elects to increase the exchange ratio in these circumstances, Falmouth would thereafter no longer have the right to terminate the merger agreement for this reason. If INDB does not elect to increase the exchange ratio in these circumstances, Falmouth may terminate the merger. For a more detailed discussion see the section entitled *The Merger The Merger Agreement Termination and Amendment* beginning on page 61 of this proxy statement/prospectus.

Therefore, you may not receive exactly the form of consideration that you elect. A detailed discussion of the consideration provisions of the merger agreement is set forth in the section entitled *The Merger The Merger Agreement Merger Consideration and Election and Exchange Procedures*, beginning on page 46 of this proxy statement/prospectus. We recommend that you carefully read it and the merger agreement attached hereto as *Annex A*.

**The value of the stock consideration will vary with fluctuations in INDB's stock price**

Falmouth stockholders who receive INDB common stock in exchange for their shares of Falmouth common stock may receive shares of INDB common stock that have a value that is less at the time they receive stock certificates evidencing those shares than at the time the exchange ratio was established or at the time they make their election. If the market price of INDB's common stock decreases, the value of the INDB common stock that Falmouth stockholders receive in the merger will be less than the value at the time the exchange ratio was established. The market price of INDB common stock could fluctuate depending upon any number of factors, including general market and economic considerations, changes in the business, operations or prospects of INDB and regulatory considerations. At the time you make your election and at the time of the Falmouth special meeting, you will not know the exact value of the INDB common stock you will receive. Once you make your election, you will be able to change your election by written notice until 20 business days after an election form is mailed to you. After such date, you will not be able to change your election.

As discussed above, Falmouth may give notice of its intent to terminate the merger agreement if the average closing price of INDB common stock during the 14 trading days ending on and including the date (the determination date) on which the last required approval of the merger and bank merger is received, excluding the two highest and two lowest closing prices, (the average closing price) is (1) less than \$23.20 (80% of the closing price of the INDB common stock on the date of the merger agreement, or \$29.00) and (2) underperforms a peer group of companies by more than 20% during the same 14 day period. If INDB receives such notice, INDB may elect to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price. If INDB elects to increase the exchange ratio in these circumstances, Falmouth would thereafter no longer have the right to terminate the merger agreement for this reason. If INDB does not elect to increase the exchange ratio in these circumstance, Falmouth may terminate the merger.

In addition, there will be a period between the completion of the merger and the time at which former Falmouth stockholders receiving stock consideration actually receive certificates evidencing INDB common stock. Accordingly, the value of the INDB common stock you actually receive may be more or less than the value of INDB common stock at the effective time of the merger resulting from the exchange ratio or any possible adjustment to the exchange ratio. Until stock certificates are received, Falmouth stockholders will not be able to sell their INDB shares in the open market and, thus, will not be able to avoid losses resulting from any decline in the trading price of the INDB common stock during this period.

**Directors and officers of Falmouth have interests in the merger that differ from the interests of stockholders**

When considering the recommendation of Falmouth's board of directors, you should be aware that some executive officers and directors have interests in the merger that are in addition to, or different from, your interests. For example, two executive officers have entered into agreements with Falmouth that provide benefits upon the termination of the executive's employment following the merger. Additionally, Santo P. Pasqualucci, the President and Chief Executive Officer of Falmouth, has entered into a consulting agreement with INDB and Rockland Trust Company. Also, Falmouth's directors and officers will receive ongoing indemnification and insurance coverage with respect to acts taken, and omissions to take action, in their capacities as directors and officers of Falmouth prior to the effective time of the merger. These and certain other additional interests of Falmouth's directors and executive officers may cause some of these persons to view the proposed transaction differently than you view it. For more details, see the section entitled "The Merger - Interests of Certain Persons in the Merger" beginning on page 67 of this proxy statement/prospectus.

**The price of INDB common stock might decrease after the merger**

Following the merger, many holders of Falmouth common stock will become stockholders of INDB. The market value of INDB common stock fluctuates based upon general market and economic conditions, INDB's business and prospects, risk factors impacting INDB and other factors. Thus, the value of INDB common stock could decline after the merger. For example, during the twelve-month period ending on \_\_\_\_\_, 2004 (the most recent practicable date prior to the printing of this proxy statement/ prospectus), the closing price of INDB common stock ranged from a low of \$ \_\_\_\_\_ to a high of \$ \_\_\_\_\_ and ended that period at \$ \_\_\_\_\_.

**The market price of shares of INDB common stock may be affected by factors which are different from those affecting shares of Falmouth common stock**

You may acquire shares of INDB common stock in connection with the merger. Some of INDB's current businesses and markets differ from those of Falmouth and, accordingly, the results of operations of INDB after the merger may be affected by factors different from those currently affecting the results of operations of Falmouth. For a discussion of the business of INDB and of certain factors to consider in connection with its business, see the documents incorporated by reference into this proxy statement/ prospectus and referred to under the section entitled "Where You Can Find More Information" beginning on page 114 of this proxy statement/ prospectus. For a discussion of the business of Falmouth and of certain factors to consider in connection with its business, see the section entitled "Information About Falmouth" beginning on page 74 of this proxy statement/ prospectus.

**The tax consequences of the merger for Falmouth stockholders will be dependent upon the merger consideration received**

The tax consequences of the merger to you will depend upon the merger consideration received by you. You generally will not recognize any gain or loss on the exchange of shares of Falmouth common stock solely into shares of INDB common stock. However, you generally will be taxed to the extent you receive cash in exchange for your shares of Falmouth common stock or instead of any fractional share of INDB common stock that you would otherwise be entitled to receive. For a more detailed discussion of the tax consequences of the merger to you, see the section entitled "The Merger - Federal Income Tax Consequences" beginning on page 71 of this proxy statement/ prospectus.

**After the merger, stockholders of Falmouth will have different rights that may be less advantageous than their current rights**

Upon completion of the merger, certain Falmouth stockholders will become INDB stockholders. Differences in Falmouth's certificate of incorporation, by-laws and governing laws and INDB's articles of organization, by-laws and governing laws will result in changes to the rights of Falmouth stockholders when they become INDB stockholders. For more information, see the section entitled "Comparison of the Rights of Stockholders" beginning on page 105 of this proxy statement/ prospectus. A stockholder of Falmouth may conclude that his, her or its rights under INDB's articles of organization, by-laws and governing laws are more limited than his, her or its current rights under Falmouth's certificate of incorporation, by-laws and governing laws.

**INDB may fail to realize the anticipated benefits of the merger**

The success of the merger will depend in part on INDB's ability to realize anticipated cost savings and to combine the businesses of INDB and Falmouth in a manner that does not materially disrupt the existing customer relationships of Falmouth or result in decreased revenues due to loss of customers and that permits growth opportunities to occur. INDB anticipates that it will be able to enhance revenues in Falmouth's market primarily through its broader product offerings and greater expertise in commercial lending. Additionally, INDB hopes to continue its success in growing core deposits. If INDB is not able to

achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

**If the merger is not completed, INDB and Falmouth will each have incurred substantial expenses without realizing the expected benefits**

INDB and Falmouth have incurred substantial expenses in connection with the transactions described in this proxy statement/ prospectus. The completion of the merger depends on the satisfaction of specified conditions including the receipt of regulatory approvals. We cannot guarantee that these conditions will be met. If the merger is not completed, these expenses could have an adverse impact on the financial condition of INDB and/or Falmouth because they would not have realized the expected benefits of the merger.

**Unanticipated costs relating to the merger could reduce INDB's future earnings per share**

INDB believes that it has reasonably estimated the likely costs of integrating the operations of Falmouth into INDB, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of INDB after the merger. If unexpected costs are incurred, the merger could have a significant dilutive effect on INDB's earnings per share. In other words, if the merger is completed and unexpected costs are incurred, INDB's earnings per share could be less than anticipated.

**INDB may be unable to successfully integrate Falmouth's operations and retain key Falmouth employees**

The merger involves the integration of two companies that previously operated independently. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain Falmouth employees who are expected to be retained by INDB. It cannot be assured, however, that INDB will be successful in retaining these employees for the time period necessary to successfully integrate Falmouth's operations with those of INDB. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business and results of operations of the combined company.

**INDB's and Falmouth's allowance for loan losses may not be adequate to cover their actual loan losses**

INDB and Falmouth make various assumptions and judgments about the collectibility of their loan portfolios. Each provides an allowance for probable losses based on a number of factors. If these assumptions are wrong, the allowance for loan losses may not be sufficient to cover losses, which would have an adverse effect on operating results, and might also require an increase in the allowance in the future. In addition, net income would decrease if additional amounts were added to the allowance.

**INDB and Falmouth operate in a highly regulated environment, which means that they and the combined company might be adversely affected by changes in laws and regulations**

INDB and Falmouth are subject to extensive regulation, supervision and examination by state and federal regulatory authorities. Such regulation and supervision govern the activities in which a bank and its holding company may engage, and are intended primarily for the protection of depositors. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and determination of the level of an institution's allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations or legislation, may have a material impact on the combined company's operations.



**Changes in interest rates could adversely affect INDB's, Falmouth's and the combined company's results of operations and financial condition**

INDB's and Falmouth's financial condition are significantly affected by changes in interest rates. Their results of operations depend substantially on their net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense paid on interest-bearing liabilities. Because INDB's and Falmouth's interest-bearing liabilities generally reprice or mature more quickly than their interest-earning assets, an increase in interest rates generally would result in a decrease in their net interest income.

Changes in interest rates also affect the value of INDB's and Falmouth's interest-earning assets, and in particular their securities portfolios. Generally, the value of securities fluctuates inversely with changes in interest rates. At December 31, 2003, INDB's securities available for sale totaled \$527,507,000 and Falmouth's totaled \$36,344,767. Unrealized gains and losses on securities available for sale are reported as a separate component of stockholders' equity. Decreases in the fair value of securities available for sale, therefore, could have an adverse effect on stockholders' equity.

INDB and Falmouth also are subject to reinvestment risk associated with changes in interest rates. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce borrowing costs. Under these circumstances, INDB and Falmouth are subject to risk to the extent that they are unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and securities. Additionally, increases in interest rates may decrease loan demand and make it more difficult for borrowers to repay adjustable rate loans.

**INDB faces significant competition, which may reduce market share and lower profits**

INDB and Falmouth both operate in highly competitive markets in Massachusetts. The level of competition may increase further as a result of the continuing consolidation of the financial services industry. Mergers and acquisitions involving financial services companies have increased significantly, as these companies attempt to improve their competitive position through increased market share, among other factors. Increased competition may reduce INDB's market share with respect to core product offerings and result in lower profits.

**INDB and Falmouth are exposed to litigation that could result in a substantial affect on INDB's business, financial condition and results of operation after the merger**

From time to time, INDB and Falmouth are parties to legal and regulatory proceedings. The results of operations of INDB after the merger may be affected not only by its own legal or regulatory proceedings, but also by those of Falmouth. For a discussion of the business of Falmouth and of certain factors to consider in connection with its business, see the section entitled "Information About Falmouth" beginning on page 74 of this proxy statement/prospectus.

**INDB's level of credit risk is increasing due to the expansion of its commercial lending and its concentration on small businesses and middle market customers with heightened vulnerability to economic conditions**

INDB's commercial real estate loans and commercial business loans have increased significantly from \$442.1 million and \$154.2 million, respectively, at December 31, 2000, to \$564.9 million and \$171.2 million, respectively, at December 31, 2003. INDB's level of credit risk has increased as a result of the growth in its loan portfolio. Commercial real estate loans generally are considered riskier than single-family residential loans because they have larger balances to a single borrower or group of related borrowers. Commercial business loans involve risks because the borrower's ability to repay the loan typically depends primarily on the successful operation of the business or the property securing the loan. Most of its commercial business loans are made to small businesses and middle market customers who may have a heightened vulnerability to economic conditions.

**A significant amount of INDB's loans are concentrated in Massachusetts, and adverse conditions in Massachusetts could negatively impact its operations**

Substantially all of the loans INDB originates are secured by properties located in or are made to businesses which operate in Massachusetts. Because of the current concentration of INDB's loan origination activities in Massachusetts, in the event of adverse economic, political or business developments or natural hazards that may affect Massachusetts and the ability of property owners and businesses in Massachusetts to make payments of principal and interest on the underlying loans, INDB would likely experience higher rates of loss and delinquency on its loans than if its loans were made more geographically diversified, which could have an adverse effect on its results of operations or financial condition.

**There may be risks related to INDB having used Arthur Andersen as its independent auditors**

Until May 15, 2003, Arthur Andersen, LLP served as INDB's independent auditors. In March 2002, Arthur Andersen was indicted on federal obstruction of justice charges arising from the government's investigation of Enron Corporation. Arthur Andersen was subsequently convicted on one charge of obstruction of justice in June 2002. This proxy statement/prospectus incorporates by reference financial statements for INDB, which have been audited by Arthur Andersen and on which Arthur Andersen has issued a report. Pursuant to SEC rules, Arthur Andersen is required to consent to such use of its report. The SEC has informed Arthur Andersen that it will not permit Arthur Andersen to provide such a consent if the company's engagement team leaders are no longer with Arthur Andersen; however, the SEC has issued a temporary rule that permits use of Arthur Andersen's report without Arthur Andersen's consent.

INDB's engagement team leaders are no longer with Arthur Andersen. Therefore, Arthur Andersen will not be permitted to consent to the use of its report and will not be in a position to perform any post-audit review procedures. Should an event have occurred between the date of Arthur Andersen's report and the date of this proxy statement/prospectus that could serve to make inaccurate the statement in Arthur Andersen's report that the financial statements of INDB present fairly, in all material respects, the financial position of INDB as of December 31, 2001 and 2000 and the results of its operations and cash flows for each of the three years ended December 31, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States, an investor might be precluded from bringing a claim against Arthur Andersen.

**INFORMATION ABOUT THE COMPANIES**

**FALMOUTH BANCORP, INC.**

**20 Davis Straits  
Falmouth, Massachusetts 02540  
(508) 548-3500  
www.falmouthbank.com**

Falmouth is a registered bank holding company which owns all of the outstanding capital stock of Falmouth Co-operative Bank, which is doing business as Falmouth Bank. Falmouth's primary business is serving as the holding company of Falmouth Co-operative Bank.

Falmouth Co-operative Bank operated as a Massachusetts-chartered mutual co-operative bank from its incorporation in 1925 until 1996 when it converted from the mutual to stock form of ownership. In 1997, Falmouth Bancorp, Inc. was incorporated to serve as Falmouth Co-operative Bank's holding company.

The business of Falmouth Bank consists of attracting deposits from the general public and local businesses and using these funds to originate primarily residential and commercial real estate loans for property located in Falmouth, Massachusetts and surrounding areas and to invest in United States Government and agency securities. To a lesser extent, Falmouth Bank engages in various forms of consumer and home equity lending. Falmouth Bank's business strategy is to operate as a profitable community bank dedicated to financing home ownership, small business, and consumer needs in its market area and to provide personal, high quality service to its customers. Falmouth Bank conducts its business through an office located in Falmouth, Massachusetts, where it was originally founded, and branches located in East Falmouth and North Falmouth, Massachusetts. Falmouth Bank opened a new branch office in Bourne, Massachusetts, in November 2003.

Falmouth had \$158.1 million in assets and \$137.6 million in deposits at December 31, 2003. Deposits in Falmouth are insured by the Federal Deposit Insurance Corporation and the Share Insurance Fund. Deposits are insured by the Bank Insurance Fund of the FDIC up to FDIC limits (generally \$100,000 per depositor) and by the Share Insurance Fund, a state excess deposit insurer, for the portion of deposits in excess of that insured by the FDIC. Falmouth is a voluntary member of the Federal Home Loan Bank of Boston, which serves principally as a credit source in providing funds for residential mortgage lending.

Please refer to the section entitled "Information About Falmouth" beginning on page 74 of this proxy statement/ prospectus for more information about Falmouth.

**INDEPENDENT BANK CORP.**

**288 Union Street  
Rockland, Massachusetts 02370  
(781) 878-6100  
www.rocklandtrust.com**

INDB is a Massachusetts corporation and is registered with the Board of Governors of the Federal Reserve System as a bank holding company under the Bank Holding Company Act of 1956, as amended. INDB conducts business from its executive offices in Rockland, Massachusetts. INDB's principal assets are all of the capital stock of Rockland Trust Company, a Massachusetts-chartered trust company.

Rockland Trust Company was organized in 1907 as a Massachusetts-chartered trust company. Rockland Trust Company's principal business has been, and continues to be, commercial banking, retail banking and investment management services. Rockland Trust Company derives its revenues from a wide range of banking services, including lending activities, acceptance of demand, savings and time deposits, trust and investment management services, and mortgage banking income. Rockland offers a full range of community banking services through its network of 52 banking offices (including 49 full service branches), seven commercial lending centers, three investment management offices and three residential lending



centers, all of which are located in Plymouth, Norfolk, Barnstable and Bristol Counties of southeastern Massachusetts and Cape Cod.

Rockland Trust Company's investment portfolio consists primarily of U.S. Government and agency obligations, state, county and municipal securities, mortgage-backed securities, Federal Home Loan Bank stock, and corporate debt securities. Individual and business customers have a variety of deposit accounts with Rockland Trust Company, demand deposit accounts, interest checking, money market accounts, savings accounts and time certificates of deposit.

Rockland Trust Company's deposits are insured by the Bank Insurance Fund, as administered by the Federal Deposit Insurance Corporation, up to the maximum amount permitted by law, except that certain deposits that Rockland Trust Company acquired from a savings and loan association are insured by the Savings Association Insurance Fund, also administered by the Federal Deposit Insurance Corporation. Rockland Trust Company is a voluntary member of the Federal Home Loan Bank of Boston, which serves principally as a credit source in providing funds for residential mortgage lending.

For more information on the business of INDB and Rockland Trust Company, please refer to INDB's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Please refer to the section entitled "Where You Can Find More Information" on page 114 of this proxy statement/prospectus in order to find out where you can obtain copies of INDB's Annual Report as well as other documents INDB files with the Securities and Exchange Commission.

**INDB SUB, INC.**

**288 Union Street  
Rockland, Massachusetts 02370  
(781) 878-6100**

INDB Sub, Inc. was formed on January 7, 2004 as a Massachusetts corporation and a wholly-owned subsidiary of INDB. INDB Sub, Inc. was formed solely to effect the merger and has not conducted any business during the period of its existence.

**THE SPECIAL MEETING**

**Time and Place**

A special meeting of stockholders of Falmouth will be held at \_\_\_\_\_, local time, on \_\_\_\_\_, 2004 at 20 Davis Straits, Falmouth, Massachusetts 02540.

**Matters to be Considered**

The special meeting is being held for the following purposes:

to consider and approve the merger agreement and the merger; and

to consider and approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are insufficient votes at the time of the special meeting to approve the merger agreement and approve the merger.

The Falmouth stockholders will also consider any other matters that may be properly submitted to a vote at the special meeting. At the time of mailing this proxy statement/prospectus, the Falmouth board of directors was not aware of any matters other than those listed above that may be presented for action at the special meeting.

A copy of the merger agreement is attached to this proxy statement/prospectus as *Annex A*. Falmouth stockholders are encouraged to read the merger agreement in its entirety and the other information contained in this proxy statement/prospectus carefully before deciding how to vote.



### Shares Outstanding and Entitled to Vote; Record Date

The record date for determining the Falmouth stockholders entitled to vote at the special meeting is \_\_\_\_\_, 2004. Only holders of record of Falmouth common stock as of the close of business on that date are entitled to receive notice of the special meeting and to vote at the special meeting. At the close of business on the record date, there were 917,227 shares of Falmouth common stock outstanding and entitled to vote. Each share of Falmouth common stock entitles the holder to one vote at the special meeting on all matters properly presented at the meeting.

### How to Vote Your Shares

Stockholders of record of Falmouth common stock may vote by mail or by attending the special meeting and voting in person. If you choose to vote by mail, simply complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided. Even if you plan to attend the special meeting, you should complete and return the proxy card to ensure that your vote is counted.

If your shares are held in street name by a bank, broker or other nominee, you should instruct your bank, broker or other nominee to vote your shares, following the directions they provide. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form that is provided by your broker, bank or other nominee and that accompanies this proxy statement/prospectus. If you wish to change your voting instructions after you have returned your voting instructions to your broker, bank or other nominee you must contact your broker, bank or other nominee. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

Any stockholder executing a proxy may revoke it at any time before it is voted by:

delivering, prior to the special meeting, a written notice of revocation addressed to Jeanne E. Alves, Secretary, Falmouth Bancorp, Inc., 20 Davis Straits, Falmouth, Massachusetts 02540;

delivering to Falmouth, prior to the special meeting, a properly executed proxy with a later date; or

attending the special meeting and giving notice of such revocation in person.

Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy. Each proxy returned to Falmouth (and not revoked) by a holder of Falmouth common stock will be voted in accordance with the instructions indicated thereon. If no instructions are indicated, the proxy will be voted **FOR** approval of the merger agreement and the merger and **FOR** the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement and the merger.

At this time, the Falmouth board of directors is unaware of any matters, other than as set forth above, that may be presented for action at the special meeting. If other matters are properly presented, however, the persons named as proxies will vote in accordance with their judgment with respect to such matters.

### Quorum; Votes Required

A quorum, consisting of the holders of a majority of the issued and outstanding shares of Falmouth common stock, must be present in person or by proxy before any action may be taken at the special meeting. Abstentions will be treated as shares that are present for purposes of determining the presence of a quorum but will not be counted for purposes of determining the number of votes cast on a proposal.

The affirmative vote of the holders of a majority of the outstanding shares of Falmouth common stock is required to approve the merger agreement and the merger. The proposal to adjourn the meeting to solicit additional proxies to approve the merger agreement and the merger, if necessary, requires the affirmative vote of the holders of a majority of the shares voting on the matter at the special meeting. Any

other matter properly submitted to stockholders for their consideration at the special meeting would require the affirmative vote of the holders of a majority of the shares voting on the matter at the special meeting, unless a larger vote is required by law or by Falmouth's certificate of incorporation or by-laws. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the special meeting.

Falmouth will count shares of common stock present in person at the meeting but not voting and shares of common stock for which it has received proxies, but with respect to which holders of shares have abstained on any matter, as present at the meeting for purposes of determining the presence or absence of a quorum for the transaction of business. However, such non-voting shares and abstentions will not be counted as votes cast for purposes of determining whether the merger agreement has been approved. Since the merger agreement must be approved by the affirmative vote of at least a majority of the common stock issued and outstanding, such non-voting shares and abstentions will have the same effect as votes against the merger agreement.

Any broker non-votes will not be counted for purposes of determining the number of votes cast on a proposal or treated as present for quorum purposes. Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and with respect to which the broker or nominee does not have discretionary voting power. The proposal to approve the merger agreement and the merger is an item on which brokerage firms may not vote in their discretion on behalf of their clients if such clients have not furnished voting instructions within ten days of the special meeting. Because the proposal to approve the merger agreement and the merger is required to be approved by the holders of a majority of the outstanding shares of Falmouth common stock, broker non-votes will have the effect of voting against the proposal to approve the merger agreement and the merger at the special meeting. Because of the vote required for the proposal to adjourn the special meeting, abstentions and broker non-votes will have no effect on this proposal.

Directors and certain executive officers of Falmouth and Falmouth Bank, who are entitled to vote approximately 24.5% of the outstanding shares of Falmouth common stock as of \_\_\_\_\_, 2004, the record date for the special meeting, have entered into voting agreements with INDB pursuant to which they have agreed to vote all of their shares in favor of the merger agreement and the merger. The voting agreements apply to any additional shares acquired by any of these individuals, including pursuant to the exercise of any stock options. For more information, see the section entitled "The Merger - The Merger Agreement - Other Material Agreements Relating to the Merger - Voting Agreements" beginning on page 66 of this proxy statement/prospectus.

### **Solicitation of Proxies**

The solicitation of proxies from Falmouth stockholders is made by Falmouth on behalf of the board of directors of Falmouth. Falmouth will pay all costs of the solicitation of stockholders, including mailing this proxy statement/prospectus to its stockholders, except that Falmouth and INDB will share equally the cost of printing this proxy statement/prospectus.

In addition to solicitation by mail, the directors, officers and employees of Falmouth and its subsidiaries may solicit proxies from stockholders of Falmouth in person or by telephone, telegram, facsimile, e-mail, other electronic methods or in person without compensation other than reimbursement for their actual expenses. Falmouth may retain outside agencies for the purpose of soliciting proxies, in which case Falmouth will pay the fees and expense of those agencies. Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons and to request authority for the exercise of proxies. Falmouth will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection with any such solicitation. In addition, Falmouth has engaged



Georgeson Shareholder Communications Inc. as its proxy solicitor to solicit proxies on Falmouth's behalf for a fee of \$6,000 plus reasonable out-of-pocket expenses.

#### **Recommendation of the Falmouth Board of Directors**

After careful consideration, Falmouth's board of directors has determined that the merger is advisable, in the best interests of Falmouth stockholders and on terms that are fair to Falmouth stockholders. **The Falmouth board of directors has approved the merger agreement and unanimously recommends that Falmouth stockholders vote FOR the merger agreement and the merger, and FOR the proposal to adjourn the special meeting if necessary.**

**The matters to be considered at the special meeting are of great importance to the stockholders of Falmouth. Accordingly, Falmouth stockholders are urged to read and consider carefully the information presented in this proxy statement/ prospectus, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope.**

**Falmouth stockholders should not send any stock certificates with their proxy cards. A transmittal form with instructions for the surrender of Falmouth stock certificates will be mailed to stockholders at least 25 business days before the merger is expected to be completed. For more information regarding the procedures for exchanging Falmouth stock certificates, see the section entitled "The Merger - The Merger Agreement - Procedures for Exchanging Falmouth Common Stock Certificates" beginning on page 49 of this proxy statement/ prospectus.**

#### **ESOP Participants**

If you are a participant in Falmouth's employee stock ownership plan, you will have received with this proxy statement/ prospectus a voting instruction form that reflects all shares you may vote under the plan. Under the terms of this plan, the trustee, subject to its fiduciary duty, will vote all unallocated shares and allocated shares for which no timely voting instructions are received in the same proportion as shares for which the trustee has received voting instructions from participants.

#### **Recognition and Retention Plan**

Each share outstanding under Falmouth's 1997 Recognition and Retention Plan for Outside Directors, Officers and Employees will be immediately vested upon the approval of the merger by Falmouth stockholders and will be distributed to participants prior to the effective date of the merger. These distributed shares will then be treated the same as all other outstanding shares of Falmouth under the merger agreement. If you are a participant under this plan, you will have received with this proxy statement/ prospectus a voting instruction form that reflects all shares you may vote under the plan. Under the terms of this plan, the trustee, subject to its fiduciary duty, will vote any unallocated shares contained in the plan in the same proportion as shares for which the trustee has received voting instructions from participants.

## THE MERGER

### (Proposal 1)

*The following information describes the material aspects of the merger agreement and the merger. This description does not purport to be complete and is qualified in its entirety by reference to the annexes to this proxy statement/prospectus, including the merger agreement that is attached hereto as Annex A and incorporated by reference herein. All stockholders are urged to read carefully the annexes in their entirety.*

#### General

The merger agreement provides for the merger of INDB Sub, Inc. with and into Falmouth, with Falmouth as the surviving corporation. The surviving corporation will then merge with and into INDB, with INDB as the surviving corporation. The merger agreement also provides for the merger of Falmouth's bank subsidiary, Falmouth Co-operative Bank, with and into INDB's bank subsidiary, Rockland Trust Company, as soon as practicable after completion of the merger. At the effective time of the merger, each share of Falmouth common stock outstanding immediately before the effective time of the merger will be converted into the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional share.

Falmouth stockholders may elect to receive all cash, all stock or a combination of cash and stock, subject to election and allocation procedures set forth in the merger agreement that are intended to ensure that 50% of the shares of Falmouth common stock will be converted into the right to receive shares of INDB common stock and 50% of the shares of Falmouth common stock will be converted into the right to receive cash. Thus, Falmouth stockholders may not receive exactly the form of consideration that they elect. Instead, they may receive a pro rata amount of cash and INDB common stock even if they elect all cash or all stock.

#### Background of the Merger

The board of directors of Falmouth and its senior management have regularly reviewed Falmouth's strategic alternatives and assessed various opportunities for increasing long-term stockholder value, including opportunities for enhancing earnings internally, opportunistic *de novo* branching, and acquiring and/ or affiliating with other financial institutions. These reviews included a periodic assessment by Falmouth's outside financial advisor, Trident, of Falmouth's financial performance and return to stockholders, stock trading patterns and trends in the financial marketplace including merger and acquisition activity.

In July 2003, Trident met with Falmouth's board of directors to review strategic matters. At that meeting, the board extensively explored the prospects of Falmouth's independent business plan compared to the value that stockholders could potentially realize in a sale of Falmouth. No conclusions were reached and the board resolved to continue to review strategic possibilities.

In August 2003, the board held several meetings with Thacher Proffitt & Wood LLP, Falmouth's special legal counsel ( Thacher Proffitt ), to review its strategic options and fiduciary duties in connection with a potential business combination, including the possibility of contacting one or more parties to explore a possible affiliation. The board determined to explore discussions with another financial institution ( Company X ), which had, on an informal basis, previously expressed an interest in affiliating with Falmouth. As a result of these board deliberations, in late August 2003, the board authorized management and Falmouth's advisors to contact Company X.

In early October 2003, Trident contacted Company X to confirm its interest and then proceeded to compile summary public and non-public information about Falmouth, including year-end financial results. On October 15, 2003, Falmouth and Company X executed a confidentiality agreement and the summary information about Falmouth was provided to Company X.

There ensued conversations between Trident and Company X's financial advisors and limited communications between the CEO of Falmouth and the CEO of Company X. On November 13, 2003,

Company X delivered to Trident a non-binding expression of interest, subject to certain conditions including Company X's performance of due diligence, which included a proposal to pay \$38.00 in cash per share for each outstanding share of Falmouth's common stock.

The board of directors of Falmouth met on November 18, 2003 to review Company X's expression of interest and to determine whether to proceed with negotiations with Company X on an exclusive basis. At that meeting on November 18, 2003, senior management of Falmouth, Trident and Thacher Proffitt discussed with the board the background of conversations to date with Company X, Company X's proposal, the state of the market and pricing conditions generally prevailing in the market, based on information provided by Trident. After an extensive discussion of the proposal and an explanation by Thacher Proffitt of the legal duties of the board, the board determined to solicit expressions of interest from other potentially interested parties. The board directed Trident and senior management to contact selected additional institutions to explore whether they had an interest in a potential affiliation with Falmouth.

On November 19 and 20, 2003, Trident initiated contact with six additional financial institutions to explore whether they had an interest in evaluating a potential affiliation with Falmouth. As a result of such contact, three financial institutions, including INDB and two other financial institutions ( Company Y and Company Z ) executed confidentiality agreements with Falmouth and summary information about Falmouth was provided to each.

Based on the summary information regarding Falmouth that was provided to each interested party on December 2, 2003, INDB and Company Y delivered expressions of interest to Trident. Company Y's expression of interest included a proposal to pay \$38.00 per share in cash for each outstanding share of Falmouth common stock outstanding. INDB's expression of interest included a proposal to pay a mixture of cash and stock that included \$35.00 per share for 49% of the outstanding shares of Falmouth common stock and 1.17 shares of INDB common stock per share for 51% of the outstanding shares of Falmouth common stock. On December 1, 2003, the closing price of INDB common stock was \$29.98 per share. Preliminary discussions with Company Z ended with Falmouth receiving no indication of interest.

The board of directors met in executive session on December 4, 2003 to review with senior management of Falmouth, Trident and Thacher Proffitt the three expressions of interest and to determine whether to proceed in negotiating with any of the parties. At the meeting, Trident summarized the three proposals and presented a financial comparison of the terms of each. After an extensive discussion of the proposals and an explanation by Thacher Proffitt of the legal duties and options of the board, the board determined that all three parties should be permitted to meet with management and conduct due diligence and instructed Trident to invite the three parties to conduct due diligence and submit final proposals.

During the week of December 15, 2003, all three parties received updated non-public information on Falmouth. INDB and Company Y also conducted off-site due diligence and had meetings with management of Falmouth. Company X determined not to conduct further due diligence.

On December 18, 2003, Company X delivered a revised expression of interest to Trident, which included a proposal to pay \$39.00 per share in cash for each outstanding share of Falmouth common stock.

On December 19, 2003, Company Y and INDB each delivered to Trident revised expressions of interest. Company Y's expression of interest included a proposal to pay \$39.25 per share for each outstanding share of Falmouth common stock. INDB's expression of interest included a proposal to pay a mixture of cash and stock that included \$38.00 per share in cash for 49% of the outstanding shares of Falmouth common stock and 1.28 shares of INDB stock per share for 51% of the outstanding shares of Falmouth common stock. On December 19, 2003, the closing price of INDB common stock was \$29.75 per share.

On December 22, 2003, the board of directors of Falmouth met in executive session to review with senior management of Falmouth, Trident and Thacher Proffitt, the three revised expressions of interest and to determine whether to proceed in negotiating with any of the parties. At the meeting, Trident

summarized the three revised proposals and presented updated financial comparisons, and the relative potential long-term value of each proposal. Trident further presented an analysis of the financial attributes of a cash proposal versus a proposal comprised of cash and stock, including market risks, tax treatment, the opportunity to receive cash dividends and potential for future appreciation. After an extensive discussion of the proposals and a review by Thacher Proffitt of the legal duties and options of the board, the board determined that INDB's proposal provided the greatest potential for long-term stockholder value to Falmouth's stockholders. As a result, Falmouth's board elected to proceed with merger negotiations with INDB, and on December 23, 2003 entered into an Exclusivity Agreement with INDB, which provided that Falmouth would negotiate exclusively with INDB until January 8, 2004 with respect to a definitive merger agreement and would not discuss with, or solicit any offers or discussions from, third parties concerning a sale, transfer or business combination of Falmouth or of substantially all of the shares or assets of Falmouth.

On December 31 2003, INDB's counsel circulated to counsel for Falmouth an initial draft of the merger agreement. From January 6, 2004 through January 8, 2004, representatives of Thacher Proffitt and Choate, Hall & Stewart, INDB's counsel, met to negotiate the terms of the merger agreement. The open issues discussed included, among other items, the scope of representations and warranties, the mechanics of elections to receive cash or stock, the requirements to receive legal opinions regarding the tax free nature of exchange of Falmouth common stock for INDB common stock, termination rights and price protection in the event the value of INDB's common stock declined prior to the closing of the merger.

On January 8, 2004, Falmouth's board of directors met in a special meeting to discuss the final terms of the transaction with INDB, which included an offer to pay \$38.00 per share for 50% of the outstanding shares of Bank common stock and 1.28 shares of INDB stock per share for 50% of the outstanding shares of Bank common stock. At this meeting Mr. Pasqualucci, together with Thacher Proffitt, updated the board on the status of the negotiations and the material terms that had been resolved, subject to approval by Falmouth's board. Thacher Proffitt reviewed for the board the current terms of the merger agreement, as well as the voting agreement to be entered into by each of the executive officers of Falmouth and members of Falmouth board, and the legal duties of the board to Falmouth's stockholders. Thacher Proffitt also reviewed the remaining issues to be negotiated in the transaction, which included the mechanics of the possible adjustment and related index, environmental representations and warranties and signing closing price. Trident rendered to Falmouth board its oral opinion (subsequently confirmed in writing) that as of the date of its opinion and based upon and subject to the considerations described in its opinion, INDB's offer was fair from a financial point of view to Falmouth's stockholders. Accordingly, Falmouth's board of directors unanimously approved the merger agreement and the transactions contemplated thereby.

On January 8, 2004, the parties executed the merger agreement, and both parties issued a press release the morning of January 9, 2004 publicly announcing the transaction.

#### **Falmouth's Reasons for the Merger; Recommendation of Falmouth's Board of Directors**

In reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, Falmouth's board of directors consulted with senior management and Falmouth's financial and legal advisors and considered a number of factors, including but not limited to:

A review of the historical performance of Falmouth and INDB;

The current and prospective environment in which Falmouth operates;

The merger consideration offered and the belief of the board of directors of Falmouth that the merger consideration is a fair amount and that the mixture of stock and cash is favorable and will result in long-term value for Falmouth's stockholders;

The fact that stockholders of Falmouth would have the opportunity to elect to receive shares of INDB common stock or cash (subject to the requirement that 50% of the outstanding common stock of Falmouth will be exchanged for cash and 50% will be exchanged for shares of INDB common stock);

The fact that the transaction is expected to be tax-free to Falmouth's stockholders to the extent that Company stockholders receive INDB common stock in exchange for shares of Company common stock;

The fact that INDB's common stock is substantially more liquid than Falmouth's common stock and has a favorable dividend yield;

The ability of INDB to pay the merger consideration;

The compatibility of the corporate cultures of INDB and Falmouth;

The business and prospects of INDB;

The geographic fit of the branch networks of Falmouth and those of INDB;

The anticipated effect of the acquisition on employees of Falmouth (including the fact that Falmouth employees who do not continue as employees of INDB will be entitled to receive severance benefits as further described under "The Merger - Certain Employee Matters");

The effect on Falmouth's customers;

Advice from Falmouth's financial advisors, Trident, that the merger consideration is fair to Falmouth's stockholders from a financial point of view;

The terms of the merger agreement, including but not limited to the representations and warranties of the parties, the covenants, the consideration, the benefits to our employees, employee and executive termination benefits, and the adequacy of the fiduciary out;

The fact that the merger agreement contains limited closing conditions and the likelihood of obtaining approvals; and

A review of the prospects of Falmouth remaining independent.

Based on the factors described above, the board of directors of Falmouth determined that the transaction was desirable and in the best interests of Falmouth's stockholders and unanimously approved the merger agreement. **The board of directors of Falmouth unanimously recommends a vote FOR approval of the merger agreement and the transactions contemplated thereby.**

#### **Opinion of Falmouth's Financial Advisor**

*Acquisition - General.* Pursuant to an engagement letter dated September 30, 2003 between Falmouth and Trident, Falmouth retained Trident to render an opinion with respect to the fairness, from a financial point of view, of the merger consideration to be received by Falmouth stockholders in connection with a sale of Falmouth. Trident is a nationally recognized specialist in the financial services industry and is regularly engaged in evaluations of similar businesses and in advising institutions with regard to mergers and acquisitions, as well as raising debt and equity capital for such institutions. Falmouth selected Trident to render a fairness opinion based upon Trident's qualifications, expertise and reputation in such capacity.

Trident delivered a written opinion, dated January 8, 2004 that the merger consideration was fair to Falmouth stockholders, from a financial point of view, as of the date of such opinion. Neither Falmouth nor its Board imposed any limitations on Trident with respect to the investigations made or the procedures followed in rendering its opinion.

**The full text of Trident's written opinion to the Falmouth board, dated January 8, 2004, which sets forth the assumptions made, matters considered and extent of review by Trident, is attached as Annex C and is incorporated herein by reference. It should be read carefully and in its entirety in conjunction with this document. The following summary of Trident's opinion is qualified in its entirety by reference to the full text of the opinion. Trident's opinion is addressed to the Falmouth board and does not constitute a recommendation to any stockholder of Falmouth as to how such stockholder should vote at the Falmouth special meeting described in this document.**

Trident, in connection with rendering its opinion:

(i) Reviewed Falmouth's Annual Reports to Shareholders and Annual Reports on Form 10-KSB for each of the years ended September 30, 2003, September 30, 2002 and September 30, 2001, including the audited financial statements contained therein and the quarterly reports on Form 10-QSB for the quarters ended December 31, 2002, March 31, 2003 and June 30, 2003;

(ii) Reviewed INDB's Annual Reports to Shareholders and Annual Reports on Form 10-K for each of the years ended December 31, 2002 and December 31, 2001, including the audited financial statements contained therein and the quarterly report on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003;

(iii) Reviewed certain other information, primarily financial in nature, relating to the respective businesses, earnings, assets and prospects of Falmouth and INDB provided to Trident or publicly available;

(iv) Participated in meetings and telephone conferences with members of senior management of Falmouth and INDB concerning the financial condition, business, assets, financial forecasts and prospects of the respective companies, as well as other matters Trident believed relevant to its inquiry;

(v) Reviewed certain stock market information for Falmouth common stock and INDB common stock, and compared it with similar information for certain companies, the securities of which are publicly traded;

(vi) Compared the results of operations and financial condition of Falmouth and INDB with that of certain companies which Trident deemed to be relevant for purposes of the opinion;

(vii) Reviewed the financial terms, to the extent publicly available, of certain merger and acquisition transactions which it deemed to be relevant for purposes of the opinion;

(viii) Reviewed the merger agreement and certain related documents; and

(ix) Performed such other reviews and analyses, as Trident deemed appropriate.

The oral and written opinions provided by Trident to Falmouth were necessarily based upon economic, monetary, financial market and other relevant conditions as of the dates thereof.

In connection with its review and arriving at its opinion, Trident relied upon the accuracy and completeness of the financial information and other pertinent information provided by Falmouth and INDB to Trident for purposes of rendering its opinion. Trident did not assume any obligation to independently verify any of the provided information as being complete and accurate in all material respects. With regard to the financial forecasts established and developed for Falmouth with the input of its management, Trident assumed that these materials had been reasonably prepared on bases reflecting the best available estimates and judgments of Falmouth as to the future performance of Falmouth and that the projections provided a reasonable basis upon which Trident could formulate its opinion. Falmouth does not publicly disclose such internal management projections of the type utilized by Trident in connection with Trident's role as financial advisor to Falmouth. Therefore, such projections cannot be assumed to have been prepared with a view towards public disclosure. The projections were based upon numerous variables and assumptions that are inherently uncertain, including, among others, factors relative to the general economic and competitive conditions facing Falmouth. Accordingly, actual results could vary significantly from those set forth in the respective projections.

Trident does not claim to be an expert in the evaluation of loan portfolios or the allowance for loan losses with respect thereto and therefore assumes that such allowances for Falmouth are adequate to cover such losses. In addition, Trident does not assume responsibility for the review of individual credit files and did not make an independent evaluation, appraisal or physical inspection of the assets or individual properties of Falmouth, nor was Trident provided with such appraisals. Furthermore, Trident assumes that the merger will be consummated in accordance with the terms set forth in the merger agreement, without any waiver of any material terms or conditions by Falmouth, and that obtaining the necessary regulatory

approvals for the merger will not have an adverse effect on either separate institution or the combined entity. Moreover, in each analysis that involves per share data for Falmouth, Trident adjusted the data to reflect full dilution, *i.e.*, the effect of the exercise of outstanding options utilizing the treasury stock method. In particular, Trident assumes that the merger will be recorded as a purchase in accordance with generally accepted accounting principles.

In connection with rendering its opinion to Falmouth's board, Trident performed a variety of financial and comparative analyses, of which the analyses necessitating the primary weight of Trident's opinion are briefly summarized below. Such summary of analyses does not purport to be a complete description of the analyses performed by Trident. Moreover, Trident believes that these analyses must be considered as a whole and that selecting portions of such analyses and the factors considered by it, without considering all such analyses and factors, could create an incomplete understanding of the scope of the process underlying the analyses and, more importantly, the opinion derived from them. The preparation of a financial advisor's opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analyses or a summary description of such analyses. In its full analysis, Trident also included assumptions with respect to general economic, financial market and other financial conditions. Furthermore, Trident drew from its past experience in similar transactions, as well as its experience in the valuation of securities and its general knowledge of the banking industry as a whole. Any estimates in Trident's analyses were not necessarily indicative of actual future results or values, which may significantly diverge more or less favorably from such estimates. Estimates of Falmouth valuations do not purport to be appraisals, nor to necessarily reflect the prices at which companies or their respective securities actually may be sold. None of the analyses summarized below were assigned a greater significance by Trident than any other in deriving its opinion.

*Comparable Transaction Analysis:* Trident reviewed and compared actual information for groups of comparable pending and completed thrift merger transactions (through January 7, 2004) it deemed pertinent to an analysis of the merger. The pricing ratios for the merger were compared to the average and median ratios of (i) price to last twelve months earnings, (ii) price to tangible book value ( TBV ), (iii) capital adjusted price to TBV, (iv) TBV premium to core deposit ratio ( TBV Prem./Core Deposits ), and (v) transaction premium to current trading price for each of the following 12 comparable transaction groups:

All thrift acquisitions in the United States announced within the preceding 12 months ( Recent Median );

All thrift acquisitions in the United States announced within the preceding 90 days ( Last 90 Days Median );

All pending thrift acquisitions in the United States that have been announced, but have yet to close ( All Pending Median );

All New England thrift acquisitions announced within the preceding 12 months ( New England Recent Median );

All Massachusetts thrift acquisitions announced within the preceding 12 months ( Massachusetts Recent Median );

All thrift acquisitions in the United States announced within the preceding 12 months involving acquired thrifts with assets of \$100-\$250 Million ( Assets \$100mm-\$250mm Median );

All thrift acquisitions in the United States announced within the preceding 12 months with a total deal size of \$15-\$50 Million ( Deal Size \$15mm-\$50mm Median );

All thrift acquisitions in the United States announced within the preceding 12 months involving acquired thrifts with returns on average assets of 50bp-100bp ( ROAA 50bp-100bp Median );

All thrift acquisitions in the United States announced within the preceding 12 months involving acquired thrifts with returns on average equity of 5.0%-9.0% ( ROAE 5.0%-9.0% Median );

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All thrift acquisitions in the United States announced within the preceding 12 months involving acquired thrifts with tangible capital of 9.0%-12.0% ( Tangible Capital 9%-12.0% Median );

All thrift acquisitions in the United States announced within the preceding 12 months involving acquired thrifts with non performing assets of 0.0%-0.2% ( NPAs 0.0%-0.2% Median );

Guideline thrift acquisitions announced since February 2000 involving acquired thrifts with asset sizes, capital levels, profitability and market areas similar to Falmouth ( Guideline Median )

The following table represents a summary analysis of the comparable transactions analyzed by Trident based on the announced transaction values:

	No. of Trans.	Median Price to		Capital Adj. d.	TBV	Premium/
		LTM EPS(1)	Tang. Book	Price/ Tang. Book	Premium/ Core Deposits	Premium/ Trading Price
Recent Median	48	19.9x	181.8%	211.6%	14.6%	22.1%
Last 90 Days Median	10	23.2x	193.2%	261.7%	12.9%	15.1%
All Pending Median	27	22.4x	237.0%	268.1%	18.9%	20.9%
New England Recent Median	10	19.9x	267.1%	319.0%	23.2%	11.1%
Massachusetts Recent Median	6	19.9x	285.2%	323.1%	23.2%	11.1%
Assets \$100mm-\$250mm Median	7	22.4x	169.7%	172.9%	12.9%	13.5%
Deal Size \$15mm-\$50mm Median	9	26.4x	141.6%	159.2%	7.5%	19.2%
ROAA 50bp-100bp Median	15	19.4x	202.5%	206.5%	14.9%	22.7%
ROAE 5.0%-9.0% Median	10	22.4x	165.1%	249.4%	19.0%	30.0%
Tangible Capital 9%-12% Median	12	23.9x	174.2%	222.8%	16.9%	23.1%
NPAs 0.0%-0.2% Median	18	21.7x	165.1%	241.8%	17.7%	21.2%
Guideline Median	9	22.4x	160.1%	210.7%	11.1%	44.1%
Falmouth(2)		42.3x	207.9%	271.5%	14.5%	29.4%

(1) Last 12 months earnings per share

(2) Falmouth results exclude \$276,959 in after-tax extraordinary charges related to a tax liability associated with Falmouth Capital Corporation. Premium to Falmouth trading price of 29.4% is based on a 10-day trading average as of December 15, 2003.

Trident selected nine thrift acquisition transactions (the Guideline Transactions ) that were believed to be most relevant based on the similarity of the sellers to Falmouth in asset size, capital level, profitability, and market area characteristics. The Guideline Transactions are listed in the following table:

### *Buyer/Seller*

Banknorth Group Inc./Foxborough Savings Bank

First Niagara Finl Group (MHC)/Finger Lakes Bancorp Inc.

Abington Bancorp Inc./Massachusetts Fincorp Inc.

Norway Bancorp MHC/First Coastal Corp.

Liberty Bank/Hometown Bank

Berkshire Bancorp Inc./GSB Financial Corp.



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NewMil Bancorp Inc./Nutmeg Federal S&LA

Union Bankshares Co./Mid-Coast Bancorp Inc.

Sound Federal Bancorp (MHC)/Peekskill Financial Corp.

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A summary of the pricing multiples for the Guideline Transactions is listed below:

	Low	High	Median	Falmouth
Price / LTM EPS	15.1x	29.0x	22.4x	42.3x
Price / TBV	139.1%	301.0%	160.1%	207.9%
Capital Adjusted Price/ TBV	157.0%	500.0%	210.7%	271.5%
Premium / Core Deposits	6.3%	35.1%	11.1%	14.5%
Premium / Trading Price	- 1.1%	164.6%	44.1%	29.4%(3)

(3) Premium to Falmouth trading price of 29.4% is based on an FCB 10-day trading average as of December 15, 2003.

The value of the transaction indicates that the merger consideration paid to Falmouth stockholders falls within the range of similar transactions, represented by the Guideline Transactions, based on all methods of merger valuation used by Trident in its comparable merger transaction analyses.

*Discounted Earnings Analysis:* Trident calculated a present value of Falmouth's forward earnings using internal projections for the five-year period through the calendar year ended December 31, 2008. This analysis utilized a range of discount rates of 10.0%-15.0%, assumed annual asset growth of 2.5% and earnings growth of 5.0%, utilized a range of terminal earnings multiples of 20.4x-24.4x calendar year 2008 net income, and a target tangible capital ratio of 9.0%. The analyses resulted in a range of present values for Falmouth stockholders of between \$19.80 and \$26.80 per share. This analysis was based on estimates by Trident in determining the terminal earnings multiples used in projecting Falmouth's acquisition value and is not necessarily indicative of actual values or actual future results and does not purport to reflect the prices at which any securities may trade at the present or at any time in the future. Trident noted that the discounted earnings analysis was included because it is a widely used valuation methodology, but noted that the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, terminal multiples, discount rates and target tangible capital ratios.

Based on the aforementioned analyses and Trident's experience with numerous mergers involving thrift institutions, it is Trident's opinion that the merger consideration to be received by Falmouth stockholders in the merger is fair from a financial point of view.

**No institution used as a comparison in the above analyses is identical to Falmouth, or the combined entity, and no other transaction is identical to the merger. Accordingly, an analysis of the results of the foregoing is not purely mathematical; rather, such analyses involve complex considerations and judgments concerning differences in financial, market and operating characteristics of the companies and other factors that could affect the trading characteristics of the companies to which Falmouth, and the combined entity are being compared.**

Trident's opinion is based on economic and market conditions and other circumstances existing on, and information made available as of January 8, 2004. In addition, Trident's opinion is, in any event, limited to the fairness, as of the date thereof, from a financial point of view, of the merger consideration, to Falmouth shareholders, and does not address the underlying business decision by Falmouth's board to effect the Merger and does not constitute a recommendation to any Falmouth shareholder as to how such shareholder should vote with respect to the merger. This opinion does not represent an opinion as to what the value of Falmouth common stock may be at the effective time of the merger, or as to the prospects of Falmouth's business or INDB's business.

For its financial advisory services provided to Falmouth, Trident will be paid a total fee of 1.25% of the aggregate merger consideration, of which \$120,000 has been received to date with the balance of the total fee to be paid to Trident at the time of closing of the merger. In addition, Falmouth has agreed to reimburse Trident for all reasonable out-of-pocket expenses, incurred by it on Falmouth's behalf, provided such expenses shall not exceed \$25,000 without Falmouth's prior consent. Falmouth also agreed to indemnify Trident against certain liabilities, including any which may arise under the federal securities laws.

Trident is a member of all principal securities exchanges in the United States and in the conduct of its broker-dealer activities may have from time to time purchased securities from, and sold securities to, Falmouth and INDB. As a market maker, Trident may also have purchased and sold the securities of Falmouth for Trident's own account and for the accounts of its customers.

### **INDB's Reasons for the Merger**

The INDB board of directors unanimously approved the merger agreement and the merger because it determined that the combined company would have the potential to realize a stronger competitive position, particularly in southeastern Massachusetts, and improved long-term operating and financial results, including revenue and earning enhancements. INDB believes the merger is consistent with its expansion strategy within Massachusetts to connect INDB's south shore and Cape Cod branch locations and will enhance its competitive position in the markets it currently serves.

After taking into account these and other factors, the INDB board of directors determined that the merger agreement and the merger were in the best interests of INDB and its stockholders and that INDB should enter into the merger agreement and complete the merger.

### **Post-Closing Capitalization**

Based on, among other things, the number of outstanding shares of Falmouth common stock calculated as of the date of this proxy statement/ prospectus, and assuming that 50% of such shares are exchanged for cash consideration, INDB and Falmouth estimate that INDB will issue approximately 587,026 shares of its common stock to Falmouth stockholders in the merger and that following the merger INDB will have approximately 15,075,879 shares of its common stock outstanding. Falmouth stockholders will own approximately 3.85% of that total, and the remaining approximately 96.15% will be owned by INDB's stockholders as of immediately prior to the merger.

These amounts are estimates, however, and may change at the completion of the merger as a result of, among other things, (1) the number of shares of Falmouth common stock outstanding immediately prior to the effective time of the merger and (2) INDB's ability to adjust the exchange ratio under certain circumstances. For more information, see the section entitled "The Merger Agreement Merger Consideration and Election and Exchange Procedures Allocation Procedures" beginning on page 46 of this proxy statement/ prospectus.

### **Accounting Treatment**

INDB will use the purchase method of accounting to account for the merger. The total purchase price will be allocated to the assets acquired and liabilities assumed, based on their estimated fair market value at the time that the merger is consummated. To the extent that the purchase price exceeds the fair market value of the net tangible assets acquired, INDB will allocate the excess purchase price to all identifiable intangible assets. Any remaining excess will be allocated to goodwill. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," issued in July 2001 and effective for fiscal years beginning January 1, 2002, the goodwill resulting from the merger will not be amortized, but instead will be reviewed for impairment at least annually, and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. However, core deposit and other finite-lived intangibles recorded by INDB in connection with the merger will be amortized to expense over their estimated useful lives. The financial statements of INDB issued after the merger will reflect the results attributable to the acquired operations of Falmouth beginning on the date of consummation of the merger. The unaudited per share pro forma consolidated condensed combined financial information contained in the section entitled "Summary Comparative Historical and Pro Forma Per Share Data" on page 18 of this proxy statement/ prospectus has been prepared using the purchase method of accounting.

### **Restrictions on Resale of INDB Common Stock by Affiliates**

The shares of INDB common stock issued pursuant to the merger have been registered under the Securities Act and, thus, will be freely transferable, except for shares issued to any Falmouth stockholder who may be deemed to be an affiliate of INDB for purposes of Rule 144 promulgated under the Securities Act or an affiliate of Falmouth for purposes of Rule 145 promulgated under the Securities Act. Affiliates will include persons (generally executive officers, directors and 10% stockholders) who control, are controlled by or are under common control with (1) INDB or Falmouth at the time of the Falmouth special meeting or (2) INDB at or after the consummation of the merger.

Rule 145 will restrict the sale of INDB common stock received in the merger by affiliates of Falmouth and certain of their family members and related interests. Generally speaking, during the one-year period following the effective time of the merger, those persons who are affiliates of Falmouth at the time of the Falmouth special meeting, provided they do not become affiliates of INDB at or following the consummation of the merger, may publicly resell any INDB common stock received by them in the merger, subject to certain limitations as to, among other things, the amount of INDB common stock sold by them in any three-month period and as to the manner of sale. After the one-year period, such affiliates generally may resell their shares without such restrictions. Persons who are affiliates of INDB after the consummation of the merger may publicly resell the INDB common stock received by them in the merger subject to similar limitations (except that the restrictions do not lapse after the one-year period) and subject to certain filing requirements specified in Rule 144.

The ability of affiliates to resell shares of INDB common stock received in the merger under Rules 144 or 145 as summarized herein generally will be subject to INDB's having satisfied its reporting requirements under the Securities Exchange Act for specified periods prior to the time of sale. Affiliates also would be permitted to resell INDB common stock received in the merger pursuant to an effective registration statement under the Securities Act or another available exemption from the Securities Act registration requirements. Neither the registration statement of which this proxy statement/prospectus is a part nor this proxy statement/prospectus covers any resales of INDB common stock received by persons who may be deemed to be affiliates of INDB or Falmouth in the merger.

Falmouth has agreed to use its reasonable best efforts to cause each person who may be deemed to be an affiliate of it for purposes of Rule 145 to deliver to INDB prior to the date of the special meeting a written agreement intended to ensure compliance with the Securities Act.

### **Delisting and Deregistration of Falmouth Common Stock Following the Merger**

When the merger is completed, Falmouth common stock will be delisted from the American Stock Exchange and will be deregistered under the Securities Exchange Act.

### **Listing of INDB Common Stock to be Issued in the Merger**

INDB has agreed to use its reasonable best efforts to enable all shares of INDB common stock that will be issued in connection with the merger to be listed on The Nasdaq National Market, subject to official notice of issuance.

### **Falmouth Stockholders Will Have Dissenters' Rights**

Under the Delaware General Corporation Law, each Falmouth stockholder has the right to object to the merger and demand in writing that Falmouth pay the fair value of his or her shares provided such stockholder complies with all statutory procedures. Determination of fair value is based on all relevant factors. Stockholders who elect to exercise appraisal rights must comply with all of the procedures to preserve those rights. A copy of Section 262 of the Delaware General Corporation Law, which sets forth the appraisal rights, is attached as *Annex D* to this document.

Section 262 sets forth the procedures a stockholder requesting appraisal must follow. These procedures are complicated and must be followed completely. Failure to comply with the procedures may

cause the appraisal rights to terminate. The following information is only a summary of the required procedures and is qualified in its entirety by the provisions of Section 262. Please review Section 262 for the complete procedures. Notice of your appraisal rights will not be given other than as described in this document and as required by the Delaware General Corporation Law.

Section 262 generally requires the following:

*Written Demand for Appraisal.* A dissenting stockholder must deliver a written demand for appraisal to Falmouth before the taking of the vote at the special meeting. A proxy or a vote against the transaction will not alone constitute demand for appraisal. You should read the paragraphs below for more details on making a demand for appraisal.

*Refrain from Voting for the Merger Proposal.* You must not vote in favor of the transaction or the merger agreement. You are not required to vote against the merger agreement to exercise your right to appraisal; however, if you vote in favor of the transaction or the merger agreement, your right to appraisal will terminate, even if you previously filed a written demand for appraisal.

*Continuous Ownership of Falmouth Shares.* You must continuously hold your shares of Falmouth common stock from the date you make the demand for appraisal through the closing of the transaction.

A written demand for appraisal of Falmouth common stock is only effective if it is signed by or for the stockholder of record who owns the shares at the time the demand is made. The demand must be signed as the stockholder's name appears on his or her stock certificate(s). Any person who is a beneficial owner of Falmouth common stock, but not a stockholder of record, must have the stockholder of record for his or her shares sign a demand for appraisal on his or her behalf.

A stockholder who owns Falmouth common stock in a fiduciary capacity, such as a trustee, guardian or custodian, must disclose the fact that he or she is signing the demand for appraisal in that capacity.

If a stockholder owns Falmouth common stock with one or more other persons, such as in a joint tenancy or tenancy in common, all of the owners must sign, or have signed for them, the demand for appraisal. An authorized agent, which could include one or more of the owners, may sign the demand for appraisal for a stockholder of record; however, the agent must expressly disclose who the stockholder of record is and that he or she is signing the demand as that stockholder's agent.

A record owner, such as a broker, who holds Falmouth common stock as a nominee for others, may exercise a right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising that right for other beneficial owners. In such a case, the record owner should specify in the written demand the number of shares as to which he or she wishes to demand appraisal. If the record owner does not specify the number of shares, we will assume that the written demand covers all the shares of Falmouth common stock that are in the record owner's name.

If you wish to exercise appraisal rights, you should address the written demand to Falmouth Bancorp, Inc., 20 Davis Straits, Falmouth, MA 02540, Attention: Jeanne Alves, Secretary. It is important that Falmouth receive all written demands before the vote concerning the merger agreement is taken. As explained above, this written demand should be signed by, or on behalf of, the stockholder of record. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares of common stock owned, and that the stockholder is thereby demanding appraisal of such stockholder's shares.

*Written Notice.* Within ten days after the closing of the transaction, INDB (as parent of the surviving corporation of the transaction) must give written notice that the transaction has become effective to each stockholder who has fully complied with the conditions of Section 262.

*Petition with the Chancery Court.* Within 120 days after the closing of the transaction, either INDB or any stockholder who has complied with the conditions of Section 262 may file a petition in the Delaware Court of Chancery. This petition should request that the Chancery Court determine the value of

the shares of Falmouth common stock held by all of the stockholders who are entitled to appraisal rights. A stockholder who intends to exercise his or her rights of appraisal should file a petition in the Chancery Court. Neither Falmouth nor INDB has any intentions at this time to file a petition. Because Falmouth has no obligation to file a petition, if no stockholder files such a petition within 120 days after the closing of the transaction, then the dissenting stockholders will lose their rights of appraisal.

*Withdrawal of Demand.* Stockholders who change their minds and decide they no longer want appraisal may withdraw their demands for appraisal at any time within 60 days after the closing of the transaction. Stockholders may also withdraw their demands for appraisal after 60 days after the closing of the transaction, but only with the written consent of INDB. Any stockholder who withdraws his or her demand for appraisal or otherwise fails to perfect his or her appraisal rights, then his or her shares will be converted into the right to receive the merger consideration as determined by INDB.

*Request for Appraisal Rights Statement.* A stockholder who has complied with the conditions of Section 262 will be entitled to receive a statement from INDB (as parent of the surviving corporation of the transaction) setting forth the number of shares for which appraisal rights have been exercised and the number of stockholders who own those shares. In order to receive this statement, a stockholder must send a written request to INDB within 120 days after the closing of the transaction. After the effective date of the transaction, INDB will mail the statement to the stockholder requesting it either ten days after receiving the request or, if later, ten days after the last date for stockholders to perfect their appraisal rights.

*Chancery Court Procedures.* If a stockholder properly files a petition for appraisal in the Chancery Court and delivers a copy to INDB, such stockholder will then have 20 days to provide the Chancery Court with a list of the names and addresses of all stockholders who have demanded appraisal and have not reached an agreement with INDB as to the value of their shares. If so ordered by the court, the Register in Chancery will then send notice to all of the stockholders on such list of the time and place set for a hearing on the petition. At such hearing, the Chancery Court shall determine whether the stockholders have fully complied with Section 262 of the Delaware General Corporation Law and whether they are entitled to appraisal under that section. The Chancery Court may also require stockholders to submit their stock certificates to the Registry in Chancery so that it can note on the certificates that an appraisal proceeding is pending. Stockholders who do not follow the Chancery Court's directions may be dismissed from the proceeding.

*Appraisal of Shares.* After the Chancery Court determines which stockholders are entitled to appraisal rights, the Chancery Court will appraise such shares of Falmouth common stock. To determine the fair value of the shares, the Chancery Court will consider all relevant factors except for any appreciation or depreciation resulting from the anticipation or accomplishment of the transaction. After the Chancery Court determines the fair value of the shares, it will direct Falmouth to pay that value to the stockholders who are entitled to appraisal. The Chancery Court can also direct Falmouth to pay a fair rate of interest on that value if the Chancery Court determines that interest is appropriate. In order to receive the fair value for their shares, Falmouth stockholders must surrender their stock certificates to INDB.

The Chancery Court could determine that the fair value of shares of Falmouth stock is more than, the same as, or less than the merger consideration. In other words, stockholders who demand appraisal rights could receive less consideration than they would under the merger agreement.

*Costs and Expenses of Appraisal Proceeding.* The costs and expenses of the appraisal proceeding may be assessed against Falmouth and the stockholders participating in the appraisal proceeding, as the Chancery Court deems equitable under the circumstances. Stockholders can request that the Chancery Court determine the amount of interest, if any, that Falmouth should pay on the value of Falmouth common stock owned by stockholders entitled to the payment of interest. They may also request that the Chancery Court allocate the expenses of the appraisal action incurred by any stockholder pro rata against the value of all of the shares entitled to appraisal.

*Loss of Stockholder's Rights.* If a stockholder demands appraisal, after the closing of the transaction he or she will not be entitled to:

vote the shares of stock, for any purpose, for which he or she has demanded appraisal;

receive payment of dividends or any other distribution with respect to the shares, except for dividends or distributions, if any, that are payable to holders of record as of a record date before the effective time of the transaction; or

receive the payment of the consideration provided for in the merger agreement.

A dissenting stockholder can regain these rights if no petition for an appraisal is filed within 120 days after the closing of the transaction, or if the dissenting stockholder delivers to Falmouth a written withdrawal of the demand for an appraisal and his or her acceptance of the merger, either within 60 days after the closing of the transaction or with the written consent of Falmouth. As explained above, these actions will also terminate the stockholder's appraisal rights. However, an appraisal proceeding in the Chancery Court cannot be dismissed without the Chancery Court's approval. The Chancery Court may condition its approval upon any terms that it deems just.

**A stockholder who fails to strictly comply with the procedures set forth in Section 262 of the Delaware General Corporation Law will lose his or her appraisal rights. Consequently, we strongly urge any stockholder who wishes to exercise his or her appraisal rights to consult a legal advisor before attempting to exercise appraisal rights.**

## **The Merger Agreement**

The following describes certain aspects of the proposed merger, including material provisions of the merger agreement. The following description of the merger agreement is not complete and is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached as *Annex A* to this proxy statement/ prospectus and is incorporated by reference into this proxy statement/ prospectus. We urge you to read the merger agreement carefully and in its entirety for a complete understanding of the terms of the merger and related transactions.

### ***Merger Consideration and Election and Exchange Procedures***

*Merger Consideration.* Upon consummation of the merger, each outstanding share of Falmouth common stock will be converted into the right to receive either \$38.00 in cash or 1.28 shares of INDB common stock, plus cash in lieu of any fractional shares. Stockholders may elect to receive all cash, all stock or a combination of cash and stock, subject to the election, allocation and proration procedures, as well as INDB's option to increase the exchange ratio under certain circumstances, set forth in the merger agreement. For a more detailed description of these provisions of the merger agreement, see the sections entitled *Election Procedures* and *Allocation Procedures* beginning on pages 48 and 49, respectively of this proxy statement/ prospectus. No fractional shares of INDB common stock will be issued in connection with the merger. In lieu of the issuance of any fractional shares, INDB will pay to each former stockholder of Falmouth who otherwise would be entitled to receive a fractional share of INDB common stock an amount in cash, without interest, determined by multiplying the fraction of a share of INDB common stock which such holder would otherwise be entitled to receive pursuant to the merger agreement by \$38.00 in cash.

**The form of the consideration ultimately received by Falmouth stockholders will depend upon the election, allocation and proration procedures, as well as INDB's option to increase the exchange ratio under certain limited circumstances, described below, and the choices of other Falmouth stockholders. Accordingly, no guarantee can be given that the choice of any given stockholder of Falmouth will be fully honored.**

Because the tax consequences of receiving cash will be different from the tax consequences of receiving stock, you should carefully read the information set forth in the section entitled "The Merger - Federal Income Tax Consequences" beginning on page 71 of this proxy statement/prospectus. Even though you elect to receive all cash or all stock, you may receive a pro rata amount of cash and stock. Therefore, until the merger is consummated and the allocation procedures have been completed, you will not know the tax consequences of the merger to you.

As described in the section entitled "Elections" beginning on page 48 of this proxy statement/prospectus, Falmouth stockholders will have the opportunity to elect the form of consideration to be received for all shares of Falmouth common stock held by them, subject to allocation and proration procedures set forth in the merger agreement. The merger agreement provides that 50% of the shares of Falmouth common stock are to be converted into the right to receive cash and the remaining 50% to be converted into the right to receive shares of INDB common stock, except that the number of shares of Falmouth common stock that will be converted into the right to receive stock may be increased if Choate, Hall & Stewart or Thacher Proffitt reasonably determines it is necessary to render its opinion that the merger will be treated as a reorganization for federal income tax purposes. For a more detailed description of these provisions of the merger agreement, see the section entitled "The Merger - Federal Income Tax Consequences" beginning on page 68 of this proxy statement/prospectus. In addition, Falmouth may give notice of its intent to terminate the merger agreement if the average closing price of INDB common stock during the 14 trading days ending on and including the date (the determination date) on which the last required approval of the merger and bank merger is received, excluding the two highest and the two lowest closing prices, (the average closing price) is (1) less than \$23.20 (80% of the closing price of the INDB common stock on the date of the merger agreement, or \$29.00) and (2) underperforms a peer group of companies by more than 20% during the same 14 day period. If INDB receives such notice, INDB may elect to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price. If INDB elects to increase the exchange ratio in these circumstances, Falmouth would thereafter no longer have the right to terminate the merger agreement for this reason. If INDB does not elect to increase the exchange ratio in these circumstance, Falmouth may terminate the merger.

Assuming that 50% of the outstanding shares of Falmouth are converted into the right to receive cash, at \$38.00 per share, the aggregate cash consideration would amount to \$17,427,332 based on the number of shares of Falmouth common stock outstanding on February 20, 2004. Furthermore, assuming that 50% of the outstanding shares of Falmouth are converted into the right to receive INDB common stock, at an exchange ratio of 1.28, the aggregate stock consideration would amount to 587,026 shares of INDB common stock, based on the number of shares of Falmouth common stock outstanding on March 31, 2004.

The market price of the INDB common stock at the effective time of the merger, or at the time that Falmouth stockholders who are entitled to receive INDB common stock in the merger actually receive stock certificates evidencing those shares, may be higher or lower than either recent prices or the price of the INDB common stock at the date of the merger agreement and the value of INDB shares issuable in exchange for each share of Falmouth common stock may be higher or lower than the cash price per share.

The market price of INDB common stock is subject to change at all times based on INDB's financial condition and operating results, market conditions and other factors. On January 8, 2004, the business day immediately preceding public announcement of the merger, the closing per share sale price of the INDB common stock was \$29.00, and on \_\_\_\_\_, 2004, the most recent business day prior to the printing of this proxy statement/prospectus, the closing per share sale price of the INDB common stock was \$ \_\_\_\_\_. For further information concerning the historical prices of the INDB common stock, see the section entitled "Summary - Comparative Per Share Market Price Data and Dividend Information" beginning on page 20 of this proxy statement/prospectus. You are urged to obtain current market prices for the INDB common stock in connection with voting your shares on the merger agreement and the merger at the special meeting and making your election decision.



## Edgar Filing: INDEPENDENT BANK CORP - Form S-4

*Elections.* At least 25 business days before the merger is expected to be completed, the exchange agent will send you an election form, which will permit you to:

elect to receive INDB common stock in exchange for all shares of Falmouth common stock held by you, plus cash in lieu of any fractional share interest (stock election shares);

elect to receive cash in exchange for all shares of Falmouth common stock held by you (cash election shares);

elect to receive INDB common stock (stock election shares) in exchange for some of your Falmouth shares of common stock and cash (cash election shares) in exchange for the remainder of your Falmouth shares of common stock; or

indicate that you make no election with respect to the consideration to be received by you in exchange for your shares of Falmouth common stock (no-election shares).

Shares of Falmouth common stock held by Falmouth stockholders who either do not submit a properly completed election form in a timely fashion or revoke their election form prior to the deadline for the submission of the election form set forth in the election instructions and do not resubmit a properly completed election form by the election form deadline will be treated as no-election shares. Any dissenting shares held by Falmouth stockholders who perfect their dissenters rights pursuant to section 262 of the Delaware General Corporation Law, a copy of which is attached as *Annex D* to this document, will be deemed to have made cash elections for all such shares and under no circumstances will such shares be reallocated as stock election shares pursuant to the allocation procedures described below. However, should a stockholder fail to comply fully with the procedures for perfecting rights of appraisal or withdraw his or her demand for appraisal, then his or her shares will be converted into the right to receive INDB common stock and/or cash, as determined by INDB.

*Election Procedures.* All elections will be required to be made on the election form that will be sent to you by the exchange agent. To make an effective election with respect to your shares of Falmouth common stock, you must, in accordance with the election form:

properly complete and return to the exchange agent the letter of transmittal and election form to be provided to you;

deliver your stock certificates representing such shares (or an appropriate guarantee of delivery of such certificates) with the letter of transmittal and election form; and

deliver with the transmittal and election form any other required documents prior to the deadline for returning these documents.

Participants in each of Falmouth's Recognition and Retention Plan and Employee Stock Ownership Plan will be mailed voting instruction forms to be delivered to the trustee that reflect all shares each participant may vote under the plan.

The deadline for surrendering all documentation required for an effective election (the election deadline date) will be set forth in the election instructions and will be 20 business days following the mailing of the letter of transmittal and election form to you, although the date may be extended by mutual agreement of INDB and Falmouth.

**You should not return your Falmouth stock certificates with the enclosed proxy. Stock certificates should be forwarded to the exchange agent in accordance with the instructions and letter of transmittal that will be sent to you by the exchange agent.**

**If you have a particular preference as to the form of consideration to be received for your shares of Falmouth common stock, you should make an election because shares as to which an election has been made will be given priority in allocating such consideration over shares as to which an election has not been made. Neither the Falmouth board of directors nor its financial advisor makes any recommendation as to whether Falmouth stockholders should elect to receive the cash consideration or the stock**

consideration in the merger. You must make your own decision with respect to such election, bearing in mind the tax consequences of the election you choose. For a more detailed discussion of these considerations, see the section entitled **The Merger Federal Income Tax Consequences** beginning on page 71 of this proxy statement/prospectus.

Even if you have no preference, it is suggested that you return your letter of transmittal and election form, together with your stock certificate(s), by the election deadline date indicating that you have no preference so that you may receive the merger consideration allocable to you promptly following completion of the exchange procedures and after the merger is consummated. For a more detailed description of these procedures, see the section entitled **Procedures for Exchanging Falmouth Common Stock Certificates** beginning on page 49 of this proxy statement/prospectus.

*Allocation Procedures.* Your ability to receive the form of consideration that you request is subject to allocation procedures that are designed to ensure that 50% of the shares of Falmouth common stock will be converted into the right to receive shares of INDB common stock and 50% of the shares of Falmouth common stock will be converted into the right to receive cash, subject to specified exceptions described below.

If the cash elections total more than the aggregate cash consideration, all stock elections and no-election shares will be converted to stock election shares and a sufficient number of shares from among the holders of cash election shares (excluding shares of Falmouth common stock held by dissenting stockholders) will be converted, on a pro rata basis, into stock election shares, so that the total cash paid equals the aggregate cash consideration.

If the cash elections total less than the aggregate cash consideration, all cash election shares will be converted into the right to receive cash and a sufficient number of shares will be converted into cash election shares, first from among the holders of no-election shares and then, if necessary, from among the holders of stock election shares, on a pro rata basis, so that the total cash paid equals the aggregate cash consideration.

If the cash elections equal the aggregate cash consideration, then all stock election shares and all no election shares will be converted into the right to receive the stock consideration.

If less than all of the aggregate stock conversion shares are converted into the right to receive shares of INDB common stock at the adjusted exchange ratio, then the exchange agent will allocate the shares of Falmouth common stock on a pro rata basis between those to be converted into the right to receive shares of INDB common stock at the adjusted exchange ratio and those to be converted into the right to receive the alternative per share cash consideration.

Upon consummation of the merger, any shares of Falmouth common stock that are owned by Falmouth as treasury stock or that are held directly or indirectly by INDB, other than in satisfaction of a debt previously contracted, will be canceled and retired and no payment will be made with respect to those shares and such shares will not be considered for purposes of the foregoing allocation procedures.

#### ***Procedures for Exchanging Falmouth Common Stock Certificates***

Falmouth stockholders who surrender their stock certificates and properly complete and deliver the letter of transmittal and election form prior to the election deadline date, or any extension of such time period, will automatically receive the merger consideration allocated to them as a result of the merger promptly following completion of the allocation procedures and after the closing of the merger. The exchange agent will complete the allocation within five business days after the election deadline date. Other stockholders will receive the merger consideration allocated to them as soon as practicable after their stock certificates have been surrendered with appropriate documentation to the exchange agent or other steps have been taken to surrender the evidence of their stock interest in Falmouth in accordance with the instructions accompanying the letter of transmittal.

*Stockholders should not send in any stock certificates until they receive the appropriate transmittal materials from the exchange agent. At least 25 business days prior to the date on which the merger is expected to be completed, the exchange agent will mail to each holder of record of Falmouth common stock a notice and letter of transmittal and instructions for use in effecting the surrender of the certificates in exchange for the merger consideration allocated to them. Upon surrender of a Falmouth stock certificate, together with a duly executed letter of transmittal, and upon acceptance by the exchange agent, the holder of such certificate will be entitled to receive, after the closing of the merger, such merger consideration allocated to the holder and the certificate for Falmouth common stock so surrendered will be canceled. No interest will be paid or accrued on any cash constituting merger consideration (including cash in lieu of fractional shares).*

No stock certificates representing fractional shares of INDB common stock will be issued upon the surrender of Falmouth stock certificates. In lieu of the issuance of any fractional shares, INDB will pay to each former stockholder of Falmouth who otherwise would be entitled to receive a fractional share of INDB common stock an amount in cash, without interest, determined by multiplying the fraction of a share of INDB common stock which such holder would otherwise be entitled to receive pursuant to the merger agreement by \$38.00 in cash.

Falmouth stockholders who receive shares of INDB common stock in the merger will receive dividends on INDB common stock or other distributions only if they have surrendered their Falmouth stock certificates and are record holders of INDB common stock as of the record date of such dividend. After surrender of their Falmouth stock certificates, Falmouth stockholders will be entitled to receive, if any, all previously withheld dividends and distributions, without interest.

After completion of the merger, no transfers of Falmouth common stock issued and outstanding immediately prior to the completion of the merger will be allowed. Falmouth stock certificates that are presented for transfer after the completion of the merger will be canceled and converted into the right to receive the appropriate merger consideration.

INDB will issue a INDB stock certificate in a name other than the name in which a surrendered Falmouth stock certificate is registered only if the stockholder presents the exchange agent with all documents required to show and effect the unrecorded transfer of ownership of the shares of Falmouth common stock formerly represented by such Falmouth stock certificate, and the stockholder either pays to the exchange agent any applicable stock transfer taxes, shows that the stockholder has paid any applicable stock transfer taxes or shows that no stock transfer tax is payable.

If your Falmouth stock certificate has been lost, stolen or destroyed, you may be required to deliver an affidavit of loss and indemnity agreement and/or a bond as a condition to receiving any INDB stock certificate to which you may be entitled.

#### ***Falmouth Stock Options***

At the effective time of the merger, each outstanding option to purchase shares of Falmouth common stock granted under Falmouth's stock option plans, whether or not exercisable, will cease to represent a right to acquire shares of Falmouth common stock. If any such stock option is not exercised, or otherwise cancelled, prior to the effective time of the merger, such holder will be entitled to receive a cash payment from Falmouth equal to the amount the per share cash consideration of the merger (\$38.00) exceeds the per share exercise price of such option, subject to any required withholding of taxes.

#### ***Recognition and Retention Plan***

Each share outstanding under Falmouth's 1997 Recognition and Retention Plan for Outside Directors, Officers and Employees will be immediately vested upon approval of the merger by Falmouth's stockholders and distributed to participants immediately prior to the effective time of the merger. These distributed shares will then be treated the same as all other outstanding shares of Falmouth under the merger agreement.

***Employee Stock Ownership Plan***

Under the terms of the merger agreement, Falmouth's employee stock ownership plan (the "ESOP") will be terminated as of the effective date of the merger. This will result in all participants in the ESOP becoming 100% vested in their ESOP accounts. In addition, following the termination of the ESOP and the complete repayment of the ESOP loan balance, any surplus assets will be allocated to the accounts of plan participants including the officers of Falmouth (it is anticipated that approximately 17,375 shares will be allocated to the accounts of participating Falmouth employees).

***Conditions to Completion of the Merger***

The obligations of INDB and Falmouth to complete the merger are subject to the satisfaction or waiver of each of the following conditions:

Falmouth stockholders must have approved the merger agreement and the merger by the requisite vote;

all regulatory approvals required to consummate the merger and the bank merger must have been obtained and be in full force and effect and all statutory waiting periods in respect thereof must have expired, and no required approval can contain any condition, restriction or requirement that INDB's board of directors reasonably determines in good faith would, individually or in the aggregate, materially reduce the benefits of the merger and the bank merger to such a degree that INDB would not have entered into the merger agreement had such conditions, restrictions or requirements been known at that time;

no statute, rule, regulation, judgment, decree, injunction or other order may have been enacted, issued, promulgated, enforced or entered by a governmental authority that prohibits the consummation of the merger or the bank merger;

INDB's registration statement on Form S-4, of which this proxy statement/prospectus forms a part, must have been declared effective under the Securities Act, and no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated by the Securities and Exchange Commission and not withdrawn and all required "blue sky" approvals shall have been obtained;

the shares of INDB to be issued in connection with the merger must be listed on the NASDAQ; and

INDB must have received an opinion of Choate, Hall & Stewart and Falmouth must have received an opinion of Thacher Proffitt to the effect that each of the merger and bank merger will constitute a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

INDB's obligations to complete the merger are subject to the satisfaction and waiver of each of the following additional conditions:

the representations and warranties of Falmouth in the merger agreement that are qualified as to materiality must be true and correct and the representations and warranties that are not so qualified must be true and correct in all material respects, in each case as of January 8, 2004 and as of the closing date of the merger, except:

to the extent that Falmouth's representations and warranties address matters only as of a particular date, they must be true and correct in all material respects as of that date; and

such representations and warranties will be deemed to be true and correct except to the extent that any failures of such representations or warranties to be true and correct, individually or in the aggregate, and without giving effect to any qualification as to materiality set forth in such representations or warranties, would have a material adverse effect on Falmouth;

Falmouth must have performed in all material respects all obligations required to be performed by it at or prior to consummation of the merger;

INDB must have received a certificate from specified officers of Falmouth with respect to compliance with the foregoing conditions to the obligations of INDB;

Falmouth must have obtained all consents and approvals required to be obtained in connection with the merger agreement;

no event has occurred that, individually or in the aggregate, has, or could reasonably be expected to have, a material adverse effect on Falmouth, without including the impact of:

changes in banking and similar laws, rules or regulations of general applicability or interpretations thereof by governmental authorities;

changes in generally accepted accounting principles or regulatory accounting requirements applicable to financial institutions and their holding companies generally;

changes in economic conditions affecting financial institutions generally, including but not limited to, changes in general levels of interest rates generally;

direct effects of compliance with the merger agreement on the operating performance of Falmouth, including expenses incurred by Falmouth in consummating the transactions contemplated by the merger agreement; and

the effects of any action or omission taken with the prior consent of INDB or as otherwise contemplated by the merger agreement, the bank merger agreement and the voting agreements; and

INDB shall have received such certificates of Falmouth's officers or others and such other documents to evidence fulfillment of the conditions to its obligations as INDB may reasonably request.

Falmouth's obligations to complete the merger are subject to the satisfaction or waiver of each of the following conditions:

the representations and warranties of INDB and INDB Sub, Inc. in the merger agreement that are qualified as to materiality must be true and correct and the representations and warranties that are not so qualified must be true and correct in all material respects, in each case as January 8, 2004 and as of the closing date of the merger, except:

to the extent that INDB's and INDB Sub, Inc.'s representations and warranties address matters only as of a particular date, they must be true and correct in all material respects as of that date; and

such representations and warranties will be deemed to be true and correct except to the extent that any failure of such representations or warranties to be true and correct, individually or in the aggregate, and without giving effect to any qualification as to materiality set forth in such representations or warranties, would have a material adverse effect on INDB;

INDB and INDB Sub, Inc. must have each performed in all material respects all obligations required to be performed by it at or prior to consummation of the merger;

Falmouth must have received a certificate from specified officers of INDB and INDB Sub, Inc. with respect to compliance with the foregoing conditions to the obligations of Falmouth;

no event has occurred that, individually or in the aggregate, has, or could reasonably be expected to have, a material adverse effect on INDB without including the impact of:

changes in banking and similar laws, rules or regulations of general applicability or interpretations thereof by governmental authorities;

changes in generally accepted accounting principles or regulatory accounting requirements applicable to financial institutions and their holding companies generally; and

changes in economic conditions affecting financial institutions generally, including but not limited to, changes in general levels of interest rates generally; and

Falmouth shall have received such certificates of INDB s and INDB Sub, Inc. s officers or others and such other documents to evidence fulfillment of the conditions to its obligations as Falmouth may reasonably request.

***Regulatory Approvals***

Consummation of the merger is subject to prior receipt of all required approvals of and consents to the merger and the bank merger by all applicable federal and state regulatory authorities.

*Federal Reserve Board.* The merger is subject to the prior approval of or waiver from the Federal Reserve Board under Section 3 of the Bank Holding Company Act of 1956, as amended. Pursuant to the Bank Holding Company Act, the Federal Reserve Board may not approve the merger if:

such transaction would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States; or

the effect of such transaction, in any section of the United States, may be to substantially lessen competition, or tend to create a monopoly, or in any manner restrain trade,

unless in each case the Federal Reserve Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. In every case, the Federal Reserve Board is required to consider the financial and managerial resources and future prospects of the bank holding company or companies and the banks concerned and the convenience and needs of the communities to be served. Under the Community Reinvestment Act of 1977, the Federal Reserve Board also must take into account the record of performance of each participating bank holding company in meeting the credit needs of the entire community, including low-and moderate-income neighborhoods, served by each bank holding company and its subsidiaries. In addition, the Bank Holding Company Act requires that the Federal Reserve Board take into account the record of compliance of each bank holding company with applicable state community reinvestment laws. Moreover, under Section 327 of the USA PATRIOT Act of 2001, the Federal Reserve Board, when considering the application seeking approval of the merger, must take into account the effectiveness of INDB and Falmouth in combating money laundering activities. Furthermore, applicable regulations require publication of notice of an application for approval of the merger and an opportunity for the public to comment on the application in writing and to request a hearing.

Any transaction approved by the Federal Reserve Board may not be completed until 30 days after such approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds and seek divestiture of certain assets and liabilities. With the approval of the Federal Reserve Board and the U.S. Department of Justice, the waiting period may be reduced to no less than 15 days.

The Federal Reserve Board regulations provide that the approval of the Federal Reserve Board is not required for certain acquisitions by bank holding companies if the acquisition has a component that will be approved by a federal supervisory agency under the Bank Merger Act and certain other requirements are met. Under these regulations, the acquiring bank holding company must submit a notice to the Federal Reserve Board at least ten days prior to the transaction and no application for approval of the proposed acquisition under the Bank Holding Company Act will be required unless the Federal Reserve Board informs the proposed acquiror to the contrary prior to expiration of the ten day period. INDB believes that the proposed merger and bank merger satisfy these requirements and, accordingly, will submit a notice

requesting a waiver from the requirements of the Bank Holding Company Act to the Federal Reserve Board.

*FDIC.* The parties currently intend to merge Falmouth's banking subsidiary, Falmouth Co-operative Bank, into INDB's banking subsidiary, Rockland Trust Company, as soon as practicable after the merger. The bank merger is subject to the prior approval of the Federal Deposit Insurance Corporation under the Bank Merger Act. The FDIC will review the bank merger under statutory criteria that are substantially the same as those required to be considered by the Federal Reserve Board in evaluating transactions for approval under Section 3 of the Bank Holding Company Act, as discussed above, except that the FDIC will not conduct an independent antitrust analysis of the bank merger if the Federal Reserve Board does so. Applicable regulations require publication of notice of the applications for approval of the bank merger and an opportunity for the public to comment on the applications in writing and to request a hearing.

Any transaction approved by the FDIC may not be completed until 30 days after such approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds and seek divestiture of certain assets and liabilities. With the approval of the FDIC and the U.S. Department of Justice, the waiting period may be reduced to no less than 15 days.

*State Approvals.* The merger is subject to the prior approval of the Massachusetts Board of Bank Incorporation under Sections 2 and 4 of Chapter 167A of the Massachusetts General Laws. Massachusetts law requires that the Massachusetts Board of Bank Incorporation find that the merger would not unreasonably affect competition among banking institutions and that it would promote public convenience and advantage. In making such a determination, the Massachusetts Board of Bank Incorporation must consider, among other things, a showing of net new benefits, including initial capital investments, job creation plans, consumer and business services, commitments to maintain and open branch offices within the statutorily delineated local communities of INDB and such other matters as the Massachusetts Board of Bank Incorporation may deem necessary or advisable. The Massachusetts Board of Bank Incorporation will hold a public hearing regarding the merger and will set a period for the public to submit written comments on the merger to the Massachusetts Board of Bank Incorporation.

In addition, Massachusetts law provides that the Massachusetts Board cannot approve the merger until it has received notice from the Massachusetts Housing Partnership Fund that arrangements satisfactory to the Massachusetts Housing Partnership Fund have been made for the proposed acquiror to make a sum equal to 0.9% of its assets located in Massachusetts available for call by the Massachusetts Housing Partnership Fund for a period of ten years for purposes of funding various affordable housing programs. Massachusetts law provides that such funds shall bear interest at rates approved by the Massachusetts Commissioner of Banks, which shall be based upon the cost (not to include lost opportunity costs) incurred in making funds available to the Massachusetts Housing Partnership Fund.

The merger of Rockland Trust Company and Falmouth Co-operative Bank is subject to the prior approval of the Massachusetts Commissioner of Banks under Section 36 of Chapter 172 of the Massachusetts General Law. The factors considered by the Commissioner in deciding whether to approve the bank merger are similar to the factors considered by the Massachusetts Board in deciding whether to approve the merger of INDB and Falmouth, as described above. Massachusetts law provides that the Massachusetts Commissioner of Banks cannot approve the merger until it has received notice from the Co-operative Central Bank that arrangements satisfactory to the Co-operative Central Bank, which insures the excess deposits of Massachusetts-chartered co-operative banks, have been made relating to the excess deposit insurance provided to Falmouth Co-operative Bank excess depositors or notice has been provided to such depositors regarding the termination of such excess deposit insurance.

*Status of Applications.* INDB and Falmouth filed both the Massachusetts Board of Bank Incorporation application and the application with the Massachusetts Commissioner of Banks on February 13, 2004 and filed by the beginning of April, 2004 all remaining required applications and notices with applicable regulatory authorities in connection with the merger and the bank merger. There can be no assurance that all requisite approvals will be obtained, that such approvals will be received on a timely basis or that such approvals will not impose conditions or requirements that INDB's board of directors

reasonably determines in good faith would, individually or in the aggregate, so materially reduce the benefits of the transactions contemplated by the merger agreement to INDB that, had such condition or requirement been known at the time of the merger agreement, INDB would not have entered into the merger agreement. If any such condition or requirement is imposed, INDB may elect not to consummate the merger. For a more detailed description see the section entitled "Conditions to Completion of the Merger" beginning on page 51 of this proxy statement/prospectus.

Regulatory approval does not constitute an endorsement or recommendation of the merger nor does it address the fairness of the merger consideration to the stockholders of Falmouth.

***Business Pending the Merger***

Under the terms of the merger agreement, Falmouth agreed that, unless INDB consents in writing, until the effective time of the merger, Falmouth, Falmouth Co-operative Bank and their respective subsidiaries will, among other things, carry on their respective businesses in the usual, regular and ordinary course, in a manner consistent with prudent banking practice and in compliance with their past practices, including the operation in the same geographic markets serving the same market segments and maintaining of its current loan, deposit, banking, products and service programs on substantially the same terms and conditions.

Falmouth has also agreed that, unless INDB otherwise consents in writing (which consent shall not be unreasonably withheld), and except as provided below, until the effective time of the merger, each of Falmouth and Falmouth Co-operative Bank and its respective subsidiaries will comply with specified restrictions relating to the operation of its business, including restrictions related to the following:

using reasonable best efforts to preserve its business organization and to keep available the present services of its employees and preserve for itself and INDB the goodwill of the customers of Falmouth and its subsidiaries and others with whom business relations exist;

taking any action that would materially adversely affect or materially delay the ability of Falmouth to obtain any necessary approvals of governmental authority required under the merger agreement or the bank merger agreement or perform its covenants and agreements under the merger agreement;

issuing or authorizing the creation of any additional shares of capital stock or rights to acquire such stock, other than pursuant to stock options and other rights to acquire Falmouth common stock outstanding on the date of the merger agreement and disclosed to INDB;

declaring any dividend on its capital stock, other than a regular, quarterly cash dividend not in excess of \$0.13 per share, and causing its dividend payment schedule to be coordinated with INDB's dividend payment schedule so that the holders of Falmouth common stock or INDB common stock will not receive two dividends, or fail to receive one dividend, for any quarter with respect to their Falmouth common stock and/or INDB common stock and any Falmouth common stock any such holder receives in the merger;

directly or indirectly adjusting, splitting, combining, redeeming, reclassifying, purchasing or otherwise acquiring any shares of its capital stock or any securities or obligations convertible into, or exchangeable for, any shares of its capital stock, other than pursuant to stock options and other rights to acquire Falmouth common stock outstanding on the date of the merger agreement and disclosed to INDB;

entering into, terminating, amending or modifying material contracts, except in the ordinary course of business consistent with past practice, as required by law or as otherwise permitted under the merger agreement;

hiring any person, except (1) to satisfy an existing contractual obligation, (2) to fill any new vacancy (provided such person's employment must be terminable at will) or (3) persons whose salary and bonus on an annual basis is less than \$75,000;



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subject to specified exceptions, entering into, establishing, adopting, renewing or amending any employee benefit plan, except that the restrictions on renewals apply only to those employee benefit plans with a term greater than one year and for which a fully earned premium has been or will be or is required to be paid at the commencement of the coverage period or such renewal coverage period;

selling assets or deposits or canceling or releasing any indebtedness of a person or any claims held by any person, except in the ordinary course of business consistent with past practice;

except as contemplated by the merger agreement or disclosed to INDB, entering into or amending an employment, consulting or severance agreement with, or increasing the rate of compensation of, its directors, officers or employees except:

for normal individual increases, provided that such increases may not exceed 3% for any one individual or 3% in the aggregate for all employees of Falmouth;

as required by law; and

for grants of awards to newly-hired employees in a manner consistent with past practice;

taking a deed or title to, commence operation on, or participate in management of environmental matters at any commercial real estate without first obtaining a Phase I environmental assessment if such environmental assessment indicates material amounts of hazardous substances;

renewing, amending or allowing to expire, lapse or terminate any insurance policy disclosed to INDB;

acquiring all or a portion of the assets, business, deposits or properties any other entity, other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously incurred in good faith, except in the ordinary course of business consistent with past practice;

making any material investment, or committing to make any such material investment, in any other person or entity other than a wholly owned subsidiary of Falmouth other than in the ordinary course of business and consistent with past practice and in any event, regardless of whether consistent with past practice, with initial lives greater than five years, purchase premiums of greater than 1.5% or collateralized by mortgages with maturity greater than 180 months or which would be considered high risk;

making capital expenditures in excess of \$25,000 individually or \$100,000 in the aggregate;

amending its, or any of its subsidiaries', certificate of incorporation or by-laws (or equivalent documents);

changing its method of accounting;

making payment in excess of \$25,000 individually or \$150,000 in the aggregate to settle a litigation claim or entering into a litigation settlement that would impose a material restriction on Falmouth;

entering into derivatives contracts, except in the ordinary course of business consistent with past practice;

incurring indebtedness or assuming, guaranteeing, endorsing or becoming responsible for obligations of any person, or renewing such arrangements, in excess of \$200,000 individually or \$1,000,000 in the aggregate, except in the ordinary course of business consistent with past practice;

making or changing any tax elections or tax return or settling any material tax liability or agreeing to any material adjustment of any tax attribute or filing any claim for a material refund of taxes in excess of \$50,000;

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other than in the ordinary course of business and consistent with existing lending policies and practices, making any commercial, commercial real estate or commercial and industrial loan;

making any cash contributions to charitable organizations, except as consistent with past practice;

restructuring or materially changing its investment securities portfolio or its gap position or the manner in which the portfolio is classified or reported;

making any new or additional equity investment in real estate or committing to make any such investment other than in connection with foreclosures, settlements in lieu of foreclosure or troubled loan or debt restructurings in the ordinary course of business consistent with past practice or as required by agreements or instruments already in existence;

changing in any material respect its loan or investment policies and procedures;

entering into, renewing, amending or terminating any agreement related to the leasing of office space, operations space or branch space (1) other than in the ordinary course of business consistent with past practices and (2) regardless of whether in the ordinary course of business consistent with past practice, involving an aggregate payment of more than \$10,000 or having a term of one year or more;

committing any act or omission that constitutes a material breach or default by Falmouth or any of its subsidiaries under any agreement with any governmental authority or under any material contract or license;

taking any action that would, or is reasonably likely to, result in:

preventing or impeding the merger from qualifying as a reorganization under the Internal Revenue Code;

any of the representations and warranties of Falmouth not being true and correct in any material respect at or prior to the effective time of the merger;

any of the conditions to the merger set forth in the merger agreement not being satisfied;

a material violation of any provision of the merger agreement or the bank merger agreement, except in each case as may be required by applicable law and regulation; or

entering into any contract with respect to or agreeing to do any of the foregoing.

The agreements relating to the conduct of Falmouth's business in the merger agreement are complicated and not easily summarized. You are urged to carefully read Article IV of the merger agreement attached hereto as *Annex A*.

Under the terms of the merger agreement, INDB has also agreed that, unless Falmouth consents in writing, until the effective time of the merger, INDB and its subsidiaries, including INDB Sub, Inc. will, among other things, carry on their respective businesses in the usual, regular and ordinary course, in a manner consistent with past practices.

INDB has also agreed that, unless Falmouth otherwise consents in writing, and except as permitted or contemplated by the merger agreement, until the effective time of the merger, INDB and its respective subsidiaries will not:

take any action that is reasonably likely to prevent or impede the merger from qualifying as a reorganization under the Internal Revenue Code;

take any action that is reasonably likely to result in:

any of the representations and warranties of INDB not being true and correct in any material respect at or prior to the effective time of the merger;

any of the conditions to the merger set forth in the merger agreement not being satisfied; or



a material violation of any provision of the merger agreement or the bank merger agreement, except in each case as may be required by applicable law and regulation;

amend its articles of organization or by-laws in a manner that would materially and adversely affect the benefits of the merger to Falmouth's stockholders; or

enter into any contract with respect to or agree to do any of the foregoing.

***Board of Directors Covenant to Recommend the Merger Agreement***

Pursuant to the merger agreement, the Falmouth board of directors is required to recommend that Falmouth stockholders approve the merger agreement at all times prior to and during the meeting of Falmouth stockholders at which the merger agreement is to be considered by them, except as described in the next section entitled No Solicitation.

***No Solicitation***

Falmouth has agreed that neither it, nor any of its subsidiaries nor any of their respective officers, directors, employees agents or representatives will, directly or indirectly, solicit, encourage or otherwise facilitate (including by way of furnishing confidential information or data) any inquiries regarding or the making of any proposal or offer with respect to:

a merger, reorganization, tender or exchange offer, recapitalization, reorganization, liquidation, share exchange, consolidation or similar transaction involving Falmouth or any subsidiary;

the disposition, by a sale, lease, exchange or otherwise, of the assets of Falmouth or any subsidiary representing 15% or more of the consolidated assets of Falmouth and its subsidiaries; or

the issuance, sale or other disposition (including by merger, consolidation or share exchange) of securities representing 15% or more of the voting power of Falmouth or any of its subsidiaries.

Any such proposal or offer meeting this criteria is referred to as an acquisition proposal.

Falmouth has also agreed that neither it nor any of its subsidiaries nor any of Falmouth's or any subsidiary's respective officers, directors, employees, agents or representatives will, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an acquisition proposal or enter into any definitive agreement, arrangement or understanding with respect to an acquisition proposal or requiring it to abandon, terminate or fail to consummate the merger or any other transactions contemplated by the merger agreement. However, until the date of Falmouth's special meeting of stockholders, neither Falmouth nor its board of directors is prevented from:

providing information in response to a request by a person who has made an unsolicited bona fide written acquisition proposal if the Falmouth board of directors receives from the person requesting information an executed confidentiality agreement to the extent one has not already been entered into with such person and Falmouth (and Falmouth is required to enforce and not waive any provision of any confidentiality agreement entered into with that person);

engaging in any negotiations or discussions with any person who has made an unsolicited bona fide written acquisition proposal; or

recommending such an acquisition proposal to the stockholders of Falmouth;

if and only to the extent that (1) the Falmouth board of directors determines in good faith, after consultation with outside legal counsel and by majority vote of the entire board of directors, that such action would be required in order for its directors to comply with their fiduciary duties under applicable law; (2) with respect to the first two bullet points above, the Falmouth board of directors also determines

in good faith, after consultation with its financial advisor, that the acquisition proposal is reasonably likely to lead to a superior proposal; and (3) with respect to the last bullet point referred to above:

the Falmouth board of directors also determines in good faith, after consultation with its financial advisors and by majority vote of the entire board of directors, that the acquisition proposal is a superior proposal;

the Falmouth board of directors has given INDB five business days prior written notice of its intention to recommend the acquisition proposal to the Falmouth stockholders;

the Falmouth board of directors has considered changes to the exchange ratio and to the merger agreement, if any, proposed by INDB; and

the Falmouth board of directors has determined in good faith, and by a majority vote of the entire board, after consultation with Falmouth's outside legal counsel and financial advisor, that such unsolicited proposal remains a superior proposal even after the changes proposed by INDB.

Under the terms of the merger agreement, a superior proposal is a bona fide acquisition proposal for 100% of the outstanding securities of Falmouth that is reasonably likely to be consummated, taking into account all legal, financial and regulatory aspects of the proposal (including any termination fee, expense reimbursement provisions and conditions to consummation) and the person making the proposal and that, if consummated, is reasonably likely to result in a transaction more favorable to Falmouth's stockholders from a financial point of view than the merger.

Nothing in the merger agreement will prevent Falmouth and the Falmouth board of directors from complying with its disclosure obligations under Rule 14d-9 or Rule 14e-2 promulgated under the Securities Exchange Act with regard to an acquisition proposal.

Falmouth also agreed that it would:

immediately cease and terminate any existing activities, discussions or negotiations with any parties regarding any acquisition proposal conducted prior to the execution of the merger agreement;

notify INDB immediately if any inquiries, proposals or offers are received by, any information is requested from, or any discussions or negotiations are sought to be initiated or continued with any officer, director, employee, agent or representative of Falmouth relating to an acquisition proposal; and

promptly advise INDB following the receipt of any acquisition proposal and the substance of such acquisition proposal, including the identity of the person making such acquisition proposal, and keep INDB apprised of any related developments, discussions and negotiations of the acquisition proposal on a current basis.

#### ***Other Material Covenants***

In addition to other customary covenants, INDB and Falmouth agreed to the covenants set forth below.

*Regulatory Filings.* INDB and Falmouth, and each of their respective subsidiaries, have agreed to cooperate and use their reasonable best efforts to (1) promptly prepare all documentation, (2) effect all filings and to obtain all necessary or advisable permits, consents, approvals and authorizations necessary or advisable to consummate the merger and the bank merger and (3) comply with the terms and conditions of all such permits, consents, approvals and authorizations.

INDB and Falmouth have each also agreed to consult with the other, subject to applicable laws, with respect to all written information submitted to, and all permits, consents, approvals and authorizations sought from, any third party or any governmental authority in connection with the merger and with respect to obtaining all permits, consents, approvals and authorizations of all third parties and governmental

authorities necessary or advisable to consummate the merger and bank merger and to act reasonably and as promptly as practicable in doing so.

INDB and Falmouth have also each agreed to furnish the other with all information concerning itself, its subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other parties or any of their respective subsidiaries to any third party or governmental authority.

*Press Releases.* INDB and Falmouth have agreed to consult with each other before issuing any press release with respect to the merger, bank merger or the merger agreement and to not issue any such press release or make any such public statements without the prior consent of the other party, which consent will not be unreasonably withheld.

*Access; Information.* Each of INDB and Falmouth have agreed to afford the other access to its books, records, properties, and personnel upon reasonable notice and subject to applicable laws relating to the exchange of information. INDB and Falmouth have also agreed to hold in confidence such information.

*Certain Policies.* Falmouth and its subsidiaries have agreed, consistent with generally accepted accounting principles, the rules and regulations of the Securities and Exchange Commission and applicable banking laws and regulations, to modify or change its loan, other real estate owned, accrual, reserve, tax, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of INDB.

*Notification of Certain Matters.* Falmouth, INDB and INDB Sub, Inc. have agreed to give prompt notice to each other of any fact, event or circumstance known to it that:

if it had been known as of the date of the merger agreement, would have been required to have been included in Falmouth's disclosure schedule to the merger agreement;

is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any material adverse effect with respect to the merger agreement; or

would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement.

*ALCO Management.* Falmouth and Falmouth Co-operative Bank have agreed to manage their assets and liabilities in accordance with their existing asset and liability management policy in effect as of the date of the merger agreement, which they also have agreed not to amend or modify without the express written consent of INDB. INDB and Falmouth have agreed to consult on investment programs to be administered by Falmouth Co-operative Bank.

*System Conversion.* Representatives of INDB and Falmouth have agreed to meet on a regular basis to discuss and plan for the conversion of Falmouth's data processing and related electronic informational systems to those used by INDB and its subsidiaries, which planning includes, but is not limited to, discussion of Falmouth Bank's third party service provider arrangements, non-renewal of personal property leases and software licenses used by Falmouth Bank in connection with its systems operations. Falmouth is not obligated to take any such action prior to the effective time of the merger and, unless Falmouth otherwise agrees, no conversion shall take place prior to the effective time of the merger.

*Deposit Incentive Plan.* Falmouth has agreed that it will consult with INDB in the development and implementation of policies and programs to retain deposits and Falmouth and INDB will adopt and implement a deposit incentive plan for management and branch staff of Falmouth Bank (the "Deposit Incentive Plan") on such terms and conditions as may be mutually agreed upon by Falmouth and INDB and set forth in the Deposit Incentive Plan. The Deposit Incentive Plan is designed to provide an incentive to Falmouth's management and branch staff to retain and/or increase the deposits held by Falmouth Bank. Any such Deposit Incentive Plan shall be funded by INDB.

***Representations and Warranties of the Parties***

The merger agreement contains representations and warranties of Falmouth and INDB relating to their respective businesses that are customary in merger transactions. For detailed information concerning these representations and warranties, reference is made to Articles V and VI of the merger agreement included as *Annex A* hereto. Such representations and warranties generally must remain accurate in all material respects through the completion of the merger. For additional detail regarding this requirement, see the section entitled "Conditions to Completion of the Merger" beginning on page 51 of this proxy statement/prospectus.

***Closing and Effective Time of the Merger***

INDB and Falmouth expect to complete the merger when all of the conditions to completion of the merger contained in the merger agreement have been satisfied or waived. The merger will become effective upon the filing of articles of merger with the Secretary of State of the Commonwealth of Massachusetts, unless a different date and time is specified as the effective time in such document. The articles of merger will be filed only after the satisfaction or waiver of all conditions to the merger set forth in the merger agreement on a date selected by INDB that is no later than five business days after such satisfaction or waiver or on such other date as INDB and Falmouth may mutually agree upon.

A closing will take place immediately prior to the effective time of the merger or on such other date as INDB and Falmouth may mutually agree upon.

***Termination and Amendment***

The merger agreement may be terminated in accordance with its terms at any time prior to completion of the merger:

by mutual consent as determined by majority vote of the entire board of directors of each of INDB and Falmouth;

by either INDB or Falmouth (as determined by a vote of a majority of the respective board of directors) if the merger is not consummated by September 30, 2004 or such later date as INDB and Falmouth may have agreed upon in writing, unless the failure to consummate the merger arises out of or results from the knowing action or inaction of the party seeking to terminate the merger agreement or of any of Falmouth's directors and executive officers that are parties to the voting agreements, which action or inaction is in violation of the merger agreement or, in the case of certain Falmouth directors or executive officers, in violation of his or her voting agreement;

by either party (as determined by a vote of a majority of the respective board of directors) if any required regulatory approvals for consummation of the merger or the bank merger shall have been denied by a final nonappealable order or an application shall have been permanently withdrawn at the request of a governmental authority;

by a non-breaching party (as determined by a vote of a majority of the respective board of directors) if the other party (1) materially breaches any representations or warranties contained in the merger agreement and such breach would constitute a failure of the closing conditions set forth under the first bullet point in the second paragraph or the first bullet point in the third paragraph, as the case may be, under the section entitled "Conditions to Completion of the Merger" on page 51, or (2) materially breaches any covenants or undertakings contained in the merger agreement, in each case of both (1) and (2) if such breach has not been cured within 30 days after receipt of notice thereof from the terminating party;

by either party if the stockholders of Falmouth do not approve the merger agreement at a meeting of its stockholders duly called for such purpose, provided that Falmouth cannot terminate the merger agreement under this condition if it has breached its obligation to recommend the merger

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agreement to its stockholders as more fully described in the section entitled "Conditions to Completion of the Merger" on page 51;

by INDB, prior to the Falmouth special meeting:

if Falmouth shall have materially breached the covenants described under the section entitled "No Solicitation" on page 58;

if the Falmouth board of directors shall have failed to recommend that the stockholders of Falmouth approve the merger agreement and the merger or shall have withdrawn, modified or changed such recommendation in a manner which is adverse to INDB, including without limitation recommending an acquisition proposal in compliance with the procedures described under "No Solicitation" on page 58; or

if Falmouth materially breaches its covenants requiring the calling and holding of a meeting of stockholders to consider the merger agreement; and

by INDB, if a third party commences a tender offer or exchange offer for 15% or more of the outstanding Falmouth common stock and the Falmouth board of directors recommends that Falmouth stockholders tender their shares in the offer or otherwise fails to recommend that they reject the offer within a specified period.

Falmouth, by vote of a majority of its entire board of directors, may seek to terminate the merger agreement by providing notice to INDB no later than the end of the second business day following the date on which the last required governmental approval of the merger and the bank mergers is received (without regard to any waiting period in respect thereof) (the determination date) if both of the following conditions are applicable:

the average closing price of the INDB common stock is less than 80% of \$29.00 (the signing closing price) (\$23.20); and

the number obtained by dividing the average closing price by the signing closing price is less than the number obtained by (i) dividing the final index price by the initial index price and (ii) multiplying such quotient by 0.80.

For purposes of this section, final index price means, as applied to each company comprising the NASDAQ Bank Index: (i) the sum of the arithmetic mean of the daily closing sales prices of a share of common stock of such company, as reported on the consolidated transaction reporting system for the market or exchange on which such common stock is principally traded, for the same 14 trading days used in calculating the average closing price, multiplied by (ii) the appropriate weight ascribed to such company as specified in *Annex C* to the merger agreement. For purposes of this section, initial index price means the sum of each per share closing price of common stock of the indexed companies multiplied by the applicable weight, as such prices were reported on the consolidated transactions reporting system for the market or exchange on which such common stock is principally traded, on January 8, 2004.

If both of the foregoing conditions are applicable, Falmouth has the right to terminate the merger agreement, which would not require any action on the part of Falmouth stockholders. The Falmouth board of directors has made no decision as to whether it would exercise its right to terminate the merger agreement under such circumstances. Any such decision would be made by the Falmouth board of directors in light of the circumstances existing at the time that the Falmouth board of directors has the opportunity to make an election, if any. Before making any determination to terminate the merger agreement, the Falmouth board of directors would consult with its financial and other advisers and would consider all financial and other information it deemed relevant to its decision. In this regard, the Falmouth board of directors may consider many of the same factors that it considered in determining whether to approve and adopt the merger agreement, including the principal factors discussed under "The Merger - Falmouth's Reasons for the Merger" beginning on page 36 of this proxy statement/prospectus. In particular, the Falmouth board of directors may analyze, among other factors, whether the then current consideration to be received in the merger would deliver more value to Falmouth stockholders than the



value that could be expected in the event Falmouth were to continue as an independent company, which would occur if the Falmouth board of directors were to exercise Falmouth's right to abandon the merger and INDB determined not to increase the exchange ratio as described below. In addition, Falmouth's board of directors would consider whether, in light of market and other industry conditions existing at the time of such decision, the exchange ratio remains fair from a financial point of view to the holders of shares of Falmouth common stock. There can be no assurance that the Falmouth board of directors would exercise its right to terminate the merger agreement if each of the conditions set forth above were applicable. If Falmouth elected not to exercise its right to terminate the merger agreement, which it can do without any action on the part of Falmouth stockholders, the exchange ratio would remain 1.28.

If Falmouth elects to exercise its right to terminate the merger agreement, it must give notice to INDB no later than the end of the second business day next following the date of the last governmental approval. During the five-day period after receipt of such notice, INDB has the option to increase the consideration payable to Falmouth stockholders by adjusting the exchange ratio in the manner described below. INDB is under no obligation to adjust the exchange ratio and there can be no assurance that it would do so. Any such decision would be made by INDB in light of the circumstances existing at the time INDB has the opportunity to make such an election. If INDB elects to adjust the exchange ratio, it must give Falmouth prompt notice of that election and the adjusted exchange ratio, in which case Falmouth will not have any right to terminate the merger agreement as a result of the circumstances described above.

Falmouth's ability to terminate the merger agreement based on a decrease in the market price of the INDB common stock reflects the parties' agreement that Falmouth stockholders would assume the risk of a decline in value of the INDB common stock (equal to up to a 20% decline from the signing closing price) but that they would assume the risk of a more significant decline (greater than 20%) only if the INDB common stock also underperformed a peer group of companies (the NASDAQ Bank Index) by more than 20% during a designated measurement period. The premise of this agreement is that declines in value of the INDB common stock that are in accordance with an index of publicly-traded banking stocks are indicative of a broad-based change in market and economic conditions affecting financial institutions generally, rather than factors which are specifically attributable to the value of the INDB common stock.

The operation and effect of the provisions of the merger agreement dealing with a decline in the market price of the INDB common stock may be illustrated by the following three scenarios:

(1) One scenario is that the INDB average closing price is below the INDB signing price of \$29.00 but it is not less than \$23.20. Under such circumstances the INDB average closing price would not be less than 80% of the INDB signing closing price. As a result, there would be no adjustment to the exchange ratio and Falmouth would be obligated to consummate the merger regardless of the change in the comparable company index value (assuming all other conditions to Falmouth's obligations were satisfied or waived).

(2) A second scenario is that INDB closing price declines to less than \$23.20 and the index value also declines but the percentage decline in the price of the INDB common stock is not more than twenty percentage points greater than the percentage decline in the NASDAQ Bank Index value. Under such circumstances there would be no adjustment to the exchange ratio and Falmouth would be obligated to consummate the merger (assuming all other conditions to Falmouth's obligations were satisfied or waived).

(3) A third scenario is that the INDB closing price declines to less than \$23.20 and the percentage decline in the price of the INDB common stock is more than twenty percentage points greater than the percentage decline in the NASDAQ Bank Index value. Under such circumstances, Falmouth would have the right but not the obligation to terminate the merger agreement unless INDB, upon receipt of such termination notice, elected to increase the exchange ratio to a number equal to a quotient (rounded to the nearest one ten-thousandth) obtained by dividing (A) the product of the INDB signing closing price (\$29.00), 0.8 and the exchange ratio (as then in effect) by (B) the INDB average closing price.

Falmouth's right to terminate the merger agreement, and the subsequent increase, if any, in the exchange ratio by INDB, is based on the signing closing price of the INDB common stock, which is \$29.00.

In the event of termination, the merger agreement will become void, except that certain provisions thereof relating to expenses will survive any such termination and any such termination will not relieve any breaching party from liability for its gross negligence or willful breach of any provision of the merger agreement.

The parties may amend the merger agreement at any time before the merger actually takes place provided that no amendment may be made that changes in kind or reduces in amount the merger consideration without further approval of the Falmouth stockholders.

### ***Termination Payments***

The merger agreement requires Falmouth to pay INDB \$1,500,000 in cash if:

without INDB's prior written consent, Falmouth enters into an agreement to effect, or consummates, a change in control transaction;

the merger agreement is terminated by INDB as a result of Falmouth's breach of the covenants that Falmouth's board of directors will recommend the merger and that Falmouth's board will recommend that stockholders tender their shares in a third party tender offer, as discussed more fully under the section entitled "Termination and Amendment" on page 61; or

the merger agreement is terminated by INDB or by Falmouth if Falmouth's stockholders do not approve the merger agreement at a meeting duly called for such purpose, in circumstances where Falmouth's board has not publicly recommended a vote in favor of the merger or has withdrawn, modified or amended such recommendation in a manner adverse to INDB.

Each of the events described in the above three bullet points is referred to in the merger agreement as a payment event.

Falmouth's obligation to make this payment terminates upon the earliest of:

the effective time of the merger;

the date that is 12 months after termination or expiration of the merger agreement following the occurrence of one of the events described in the merger agreement as a time extension event; or

the date on which the merger agreement is terminated in accordance with its terms, provided that the termination occurs prior to a payment event or a time extension event.

For the purposes of the merger agreement, a time extension event is one of the following:

the commencement of a tender offer or the filing of a registration statement with respect to a tender offer;

the acquisition by a person or group of, or the contractual right to acquire, beneficial ownership of 15% or more of the then outstanding shares of Falmouth common stock;

following the public announcement of an acquisition proposal, the failure of the Falmouth stockholders to approve the merger agreement; or

following the occurrence of an acquisition proposal,

the failure to hold, or the cancellation of, the meeting at which the Falmouth stockholders were to have approved the merger prior to termination of the merger agreement;

the withdrawal or modification of the Falmouth board of directors' recommendation with respect to the merger agreement and the merger in a manner adverse to INDB; or



the willful or intentional breach by Falmouth of any representation, warranty, covenant or obligation contained in the merger agreement if such breach would entitle INDB to terminate the merger agreement.

The termination payments agreed to by Falmouth are intended to increase the likelihood that the merger will be completed in accordance with the terms of the merger agreement and to compensate INDB if the merger is not completed. The existence of the Falmouth termination payment could significantly increase the cost to a potential other acquirer of acquiring Falmouth. Consequently, the Falmouth termination payment may discourage persons who otherwise might be interested in making a competing proposal to acquire Falmouth, even if those persons were prepared to pay consideration that had more value than the merger consideration to be received under the merger agreement.

#### ***Alternative Structure***

Notwithstanding any provision of the merger agreement to the contrary, INDB may at any time modify the structure of the acquisition of Falmouth, with Falmouth's written consent, which consent will not be unreasonably withheld or delayed, provided that:

the merger consideration to be paid to Falmouth stockholders is not thereby changed in kind or reduced in amount as a result of such modification;

such modification will not, in the opinion of counsel to INDB and Falmouth, adversely affect the tax treatment of Falmouth stockholders as a result of receiving the merger consideration; and

such modification will not materially delay or jeopardize receipt of any required approvals of governmental authorities.

#### ***Expenses and Fees***

In general, each party will be responsible for all expenses incurred by it in connection with the negotiation and consummation of the transactions contemplated by the merger agreement except that the expenses of printing the proxy statement/prospectus, which forms a part of this document, shall be shared equally between Falmouth and INDB.

#### ***Definition of Material Adverse Effect***

Under the terms of the merger agreement, a *material adverse effect* is defined to mean, with respect to any person or entity, any change or effect that:

is or would be reasonably likely to be material and adverse to the financial position, results of operations or business of such person or entity and its subsidiaries, taken as a whole; or

would materially impair the ability of any person or entity to perform their respective obligations under the merger agreement or the bank merger agreement or otherwise materially impede the consummation of the merger or bank merger.

A *material adverse effect* will not however, include the impact of

changes in banking and similar laws, rules or regulations of general applicability or interpretations thereof by governmental authorities;

changes in GAAP or regulatory accounting requirements applicable to financial institutions and their holding companies generally; and

changes in economic conditions affecting financial institutions generally, including but not limited to, changes in general levels of interest rates.

***Other Material Agreements Relating to the Merger***

*Voting Agreements.* As a condition to the willingness of INDB and INDB Sub, Inc. to enter into the merger agreement, each of nine directors and six executive officers of Falmouth and Falmouth Bank, who together held approximately 24.5% of the outstanding shares of Falmouth common stock as of February 20, 2004, executed a voting agreement with INDB dated as of January 8, 2004.

In the voting agreements, these Falmouth stockholders agreed to vote (or cause to be voted), or deliver (or cause to be delivered) a written consent covering, all of the shares each such stockholder is entitled to vote at the special meeting:

in favor of adoption and approval of the merger agreement and any transaction contemplated thereby, including the merger;

against any proposal for any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation or agreement of Falmouth under the merger agreement or of the specific stockholder under the voting agreement;

against approval of any acquisition proposal; and

against any agreement or transaction that is intended, or which could reasonably be expected, to materially impede, interfere with, delay, postpone, discourage or materially and adversely affect consummation of the merger or any of the transactions contemplated by the merger agreement.

Furthermore, each of these stockholders agreed not to:

subject to specified exceptions, sell, transfer, assign or otherwise dispose of (including by creation of a lien), or enter into any contract, option, commitment or other arrangement or understanding with respect to the sale, transfer, assignment or other disposition of, any of its shares or newly acquired shares until after the special meeting of Falmouth stockholders;

solicit, initiate or knowingly encourage the submission of, any inquiries, proposals or offers from any person relating to a proposal regarding an acquisition proposal;

enter into any agreement with respect to an acquisition proposal (other than the merger agreement);

solicit proxies or become a participant in a solicitation (as such terms are defined in Regulation 14A under the Securities Exchange Act) with respect to an acquisition proposal (other than the merger agreement) or otherwise encourage or assist any party in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit the timely consummation of the merger in accordance with the terms of the merger agreement;

initiate a stockholders' vote or action by consent of Falmouth's stockholders with respect to an acquisition proposal; or

except by reason of the voting agreement, become a member of a group (as such term is used in Section 13(d) of the Securities Exchange Act) with respect to any voting securities of Falmouth that takes any action in support of an acquisition proposal.

Furthermore, each of these stockholders has granted INDB an irrevocable proxy to vote his or her shares at the special meeting if the stockholder does not fulfill his or her obligation to vote his or her shares.

The voting agreements terminate on the earlier to occur of:

the effective time of the merger;

the termination of the merger agreement; or

upon mutual written agreement of the parties to the applicable voting agreement.

The form of voting agreement is attached to this proxy statement/prospectus as *Annex B*. You are urged to read *Annex B* in its entirety.

#### **Directors and Officers of INDB and Rockland Trust Company following the Merger and the Bank Merger**

After completion of the transaction, the directors of INDB and Rockland Trust Company will be those persons serving as directors of INDB and Rockland Trust Company, respectively, immediately prior to the merger and the bank merger. The officers of INDB and Rockland Trust Company will be those persons serving as officers of INDB and Rockland Trust Company, respectively, immediately prior to the merger and the bank merger.

#### **Interests of Certain Persons in the Merger**

When you are considering the recommendation of the Falmouth board of directors with respect to approving the merger agreement and the merger, you should be aware that some directors and executive officers of Falmouth may be deemed to have interests in the merger in addition to their interests as stockholders generally. The Falmouth board of directors was aware of these factors and considered them, among other matters, in approving the merger agreement and the merger. These interests are described below.

##### ***Agreements with Executive Officers of Falmouth***

*Santo P. Pasqualucci Consulting Agreement.* Pursuant to the terms of a consulting agreement to be entered into by Santo P. Pasqualucci, Falmouth's President and Chief Executive Officer, and Rockland Trust Company, Mr. Pasqualucci will be hired as a consultant to Rockland Trust Company for one year, as of the effective time of the merger. Mr. Pasqualucci's consulting agreement provides for a consulting fee of \$75,000, plus reasonable out of pocket business expenses.

*Settlement Agreements.* Pursuant to a settlement agreement with INDB, Falmouth and Falmouth Bank, Santo P. Pasqualucci will receive a payment of \$553,632.88 in full settlement of his rights under his existing employment agreement with Falmouth. Pursuant to a settlement agreement with INDB, Falmouth and Falmouth Bank, George E. Young will receive a payment of \$273,030.87 plus the continuation of certain insurance coverages for a two year period in full settlement of his rights under an existing change of control agreement with Falmouth and Falmouth Bank.

*Stock Options.* The merger agreement provides that at the effective time of the merger each outstanding option to purchase shares of Falmouth common stock, whether or not exercisable, will cease to represent a right to acquire shares of Falmouth common stock. If any such stock option is not exercised, or otherwise cancelled, prior to the effective time of the merger, holders of such options shall receive a cash payment equal to the excess of the per share cash consideration of the merger over the per share exercise price of each option, subject to any required withholding taxes. All options that are currently unvested will vest upon the approval of the merger by Falmouth's stockholders. For a more detailed description see the section entitled "The Merger Agreement - Falmouth Stock Options" beginning on page 50 of this proxy statement/prospectus.

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The following table shows the number of stock options held by certain executive officers and non-employee directors of Falmouth and by all executive officers of Falmouth as a group as of February 20, 2004 and the value that will be received by each if such options are cashed out.

Name	Options	Amount to be Realized Upon Cashout
Peter A. Frizzell, DMD	0	0
Ronald Garcia	6,000	130,500
Wayne C. Lamson	2,631	58,763
Gardner L. Lewis	4,219	101,737
John J. Lynch, Jr.	4,460	105,593
Eileen C. Miskell	1,043	23,528
Robert H. Moore	250	4,000
Henry D. Newman, III	0	0
William E. Newton	4,219	101,737
Santo P. Pasqualucci	60,146	1,416,010
George E. Young	6,297	133,501
All executive officers as a group (7 persons)	76,343	1,753,999

*Recognition and Retention Plan.* Each share outstanding under the 1997 Recognition and Retention Plan for Outside Directors, Officers and Employees of Falmouth and its subsidiaries will be immediately vested upon approval of the merger by Falmouth's stockholders and distributed to participants immediately prior to the effective time of the merger. These distributed shares will then be treated the same as all outstanding shares of Falmouth under the merger agreement. For a more detailed description see the section entitled "The Merger Agreement - Recognition and Retention Plan" beginning on page 50 of this proxy statement/prospectus.

The following table shows the number of unvested restricted stock awards held by certain executive officers of Falmouth and by all executive officers and non-employee directors of Falmouth as a group as of February 20, 2004.

Name	Restricted Stock
Peter A. Frizzell, DMD	0
Ronald Garcia	790
Wayne C. Lamson	316
Gardner L. Lewis	316
John J. Lynch, Jr.	858
Eileen C. Miskell	316
Robert H. Moore	316
Henry D. Newman, III	0
William E. Newton	316
Santo P. Pasqualucci	2,154
George E. Young	1,318
All executive officers as a group (7 persons)	5,210

*Employee Stock Ownership Plan.* Pursuant to the terms of the merger agreement, Falmouth will file with the Internal Revenue Service a request for a determination letter for termination of the ESOP with such termination to be effective upon the consummation of the merger. Upon the termination of the ESOP, any unvested benefits thereunder shall immediately vest. Upon the receipt of a favorable determination letter for termination of the ESOP from the Internal Revenue Service, the account balances in the ESOP shall be distributed to participants and beneficiaries in accordance with applicable law and

the ESOP. In connection with the termination of the ESOP, and prior to any final distribution to participants, the trustee of the ESOP will utilize funds in the ESOP suspense account resulting from the exchange of unallocated shares for the acquisition consideration to repay the outstanding loan to the ESOP, and any remaining amounts in the ESOP suspense account will be allocated to the accounts of participating Falmouth employees in accordance with applicable law and the ESOP. As of April 6, 2004, the ESOP held approximately 21,823 unallocated shares of Falmouth common stock in the suspense account and the outstanding principal balance of the loan to the ESOP was approximately \$169,021. It is anticipated that approximately 17,375 shares will be allocated to the accounts of participating Falmouth employees in connection with the termination of the ESOP.

*Indemnification and Insurance.* The merger agreement provides that INDB will indemnify all persons who were directors, officers and employees of Falmouth or any of its subsidiaries prior to the merger for acts or omissions occurring prior to the completion of the merger to the same extent those persons were indemnified under Falmouth's certificate of incorporation and by-laws in effect on the date of the merger agreement, including matters related to the negotiation, execution and performance of the merger agreement.

The merger agreement provides that INDB will use its reasonable best efforts to purchase, through INDB's representatives, an extended reporting period endorsement under Falmouth's existing directors' and officers' liability insurance coverage for Falmouth's directors and officers in a form reasonably acceptable to the Falmouth which shall provide such directors and officers with coverage for six years following the effective time of the merger of not less than the existing coverage under, and have other terms no materially less favorable on the whole to the insured persons than the directors' and officers' liability insurance coverage presently maintained by Falmouth, provided that INDB may substitute therefor policies providing for comparable coverage and containing terms and conditions no less favorable than those in effect on the date hereof, and provided further that in no event shall INDB be required to expend in any one year an amount in excess of 150% of the annual premiums currently paid by Falmouth for such insurance (the "Insurance Amount"). If INDB is unable to maintain or obtain the insurance called for by these provisions as a result of the preceding provision, INDB shall use its reasonable best efforts to obtain as much comparable insurance as is available for the Insurance Amount with respect to acts or omissions occurring prior to the effective time of the merger by such directors and officers in their capacities as such.

Other than as set forth above, no director or executive officer of Falmouth has any direct or indirect material interest in the merger, except insofar as ownership of Falmouth common stock might be deemed such an interest. For more information regarding such ownership, see the section entitled "Information About Falmouth - Security Ownership of Certain Beneficial Owners and Management" beginning on page 101 of this proxy statement/prospectus.

### **Certain Employee Matters**

The merger agreement contains certain agreements of the parties with respect to various employee matters, which are briefly described below.

As soon as administratively practicable after the effective time of the merger, INDB will take all reasonable action so that employees of Falmouth and its subsidiaries will:

receive employee benefits which are no less favorable than those generally afforded to other employees of INDB and its subsidiaries holding similar positions; and

be entitled to participate in the INDB employee benefit plans of general applicability to the same extent as similarly-situated employees of INDB and its subsidiaries.

For purposes of determining eligibility to participate in, the vesting of benefits and for all other purposes (but not for accrual of benefits) under the INDB employee benefit plans, INDB will recognize years of service with Falmouth and its subsidiaries to the same extent as such service was credited for such purpose by Falmouth.



If employees of Falmouth or any of its subsidiaries become eligible to participate in a medical, dental or health plan of INDB, INDB will cause each such plan to:

waive any preexisting condition limitations to the extent such conditions are covered under the applicable medical, health or dental plans of INDB;

waive any waiting period limitation or evidence of insurability requirement that would otherwise be applicable to such employee on or after the effective time of the merger to the extent such employee had satisfied any similar limitation or requirement under an analogous plan prior to the effective time of the merger; and

provide full credit under such plans for any deductibles, co-payments and out-of-pocket expenses incurred by the employees and their beneficiaries during the portion of the calendar year prior to such participation.

Employees of Falmouth or its subsidiaries (other than employees who are a party to an employment agreement, a severance agreement or a special termination agreement) whose employment is involuntarily terminated other than for cause within two years after the effective time of the merger will be entitled to receive severance payments equal to the greater of (a) two weeks salary plus commissions at employee's existing rate as of the effective time of the merger times the number of years of service with Falmouth or Falmouth Co-operative Bank or (b) one month's salary plus commissions at the employee's rate as of the time of termination, up to a maximum severance payment equal to 26 weeks salary plus commissions.

### **Bank Merger**

Pursuant to the merger agreement, Falmouth Co-operative Bank will be merged with and into Rockland Trust Company as soon as practicable following consummation of the merger.

### **Federal Income Tax Consequences**

The following is a summary of the material United States federal income tax consequences of the merger generally applicable to stockholders of Falmouth who are United States persons as defined for United States federal income tax purposes and who hold their shares of Falmouth common stock as a capital asset.

For United States federal income tax purposes, a United States person is:

a United States citizen or resident alien as determined under the Internal Revenue Code;

a corporation or partnership (as defined by the Internal Revenue Code) that is organized under the laws of the United States or any state;

an estate, the income of which is subject to United States federal income taxation regardless of its source; and

a trust if a court within the United States is able to exercise primary supervision over its administration and at least one United States person is authorized to control all of its major decisions.

This summary of the material federal income tax consequences of the merger is based on the Internal Revenue Code, Treasury Regulations and judicial and administrative determinations, as each is in effect as of the date of this proxy statement/prospectus. All of the foregoing are subject to change at any time, possibly with retroactive effect, and all are subject to differing interpretation. No advance ruling has been sought or obtained from the Internal Revenue Service regarding the United States federal income tax consequences of the merger. The statements in this proxy statement/prospectus, and the opinions of counsel that the merger will constitute a reorganization described in Section 368(a) of the Internal Revenue Code that are described below are not binding on the Internal Revenue Service or a court. As a result, neither Falmouth nor INDB can assure you that the tax considerations or such opinions will not be challenged by the Internal Revenue Service or sustained by a court if so challenged.

This summary does not address aspects of United States taxation other than United States federal income taxation. It does not address all aspects of United States federal income taxation that may apply to Falmouth stockholders who are subject to special rules under the Internal Revenue Code, including, without limitation, rules that apply to persons who acquired shares of Falmouth common stock as a result of the exercise of employee stock options, tax-exempt organizations, financial institutions, broker-dealers, insurance companies, persons having a functional currency other than the United States dollar, persons who hold their Falmouth shares as part of a straddle, wash sale, hedging or conversion transaction and certain United States expatriates. In addition, the summary and the opinions described here do not address the state, local or foreign tax consequences of the merger.

**You are urged to consult and rely on your own tax advisor with respect to the United States federal, state and local, and foreign tax consequences of the merger based upon your particular circumstances.**

The merger is expected to qualify as a reorganization described in Section 368(a) of the Internal Revenue Code. It is a condition to the obligations of each of INDB and Falmouth to effect the merger that INDB shall have received an opinion from its counsel, Choate, Hall & Stewart, and that Falmouth shall have received an opinion from its counsel, Thacher Proffitt, to the effect that the merger will constitute a reorganization described in Section 368(a) of the Internal Revenue Code. Such opinions will be based upon facts existing at the effective time of the merger, and in rendering such opinions counsel will require and rely upon factual representations and assumptions that will be provided by INDB and Falmouth.

As a result of the treatment of the merger as a reorganization described in Section 368(a) of the Internal Revenue Code, neither INDB nor Falmouth will recognize any taxable gain or loss as a result of the merger, and the federal income tax consequences of the merger to a Falmouth stockholder generally will depend on whether the stockholder receives cash, INDB common stock or a combination thereof in exchange for the stockholder's shares of Falmouth common stock.

*Receipt of Solely INDB Common Stock (plus any cash in lieu of a fractional share).* A Falmouth stockholder who receives solely INDB common stock in exchange for all of such stockholder's shares of Falmouth common stock in the merger will not recognize gain or loss on the exchange, except to the extent the stockholder receives cash in lieu of a fractional share interest in INDB common stock. A Falmouth stockholder who receives cash in lieu of a fractional share will be treated as if such stockholder had received a fractional share and then exchanged such fractional share for cash in a redemption by INDB. A Falmouth stockholder will generally recognize capital gain or loss on such a deemed redemption of the fractional share in an amount equal to the difference between the amount of cash received and the stockholder's tax basis in the fractional share. Such capital gain or loss will be long-term capital gain or loss if the Falmouth common stock exchanged was held for more than one year.

*Receipt of Solely Cash.* A Falmouth stockholder who receives solely cash in exchange for all of such stockholder's shares of Falmouth common stock pursuant to the merger or as a result of perfecting his or her dissenter's rights generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the stockholder's aggregate tax basis for the shares of Falmouth common stock exchanged, which gain or loss will be long-term capital gain or loss if the shares of Falmouth common stock were held for more than one year.

*Receipt of Both INDB Common Stock and Cash.* A Falmouth stockholder who receives both INDB common stock and cash consideration in exchange for all of such stockholder's shares of Falmouth common stock generally will recognize gain, but not loss, to the extent of the lesser of:

(1) the total amount of cash received by such stockholder, and

(2) the difference between (a) the sum of the fair market value of the INDB common stock received in the merger plus the total amount of cash received in the merger, and (b) the stockholder's aggregate tax basis in the shares of Falmouth common stock surrendered in the merger.

Any gain so recognized will be capital gain, provided that the cash consideration received is neither essentially equivalent to a dividend within the meaning of Section 302 of the Internal Revenue Code nor has the effect of a distribution of a dividend within the meaning of Section 356(a)(2) of the Internal Revenue Code. Such capital gain will be long-term capital gain if the shares of Falmouth common stock exchanged were held for more than one year.

*Basis.* A Falmouth stockholder who receives shares of INDB common stock in the merger will have a tax basis in such shares equal to such stockholder's aggregate tax basis in the Falmouth shares being exchanged, *decreased* by (a) the amount of any cash received by the stockholder and (b) the amount of loss to the stockholder which was recognized on such exchange, and *increased* by (x) the amount which was treated as a dividend and (y) the amount of gain to the stockholder which was recognized on such exchange (not including any portion of such gain that was treated as a dividend).

*Holding Period.* The holding period of INDB common stock received will include the holding period of the shares of Falmouth common stock being exchanged.

*Backup Withholding.* A non-corporate holder of Falmouth common stock may be subject to information reporting and backup withholding on any cash payments he or she receives. Such a Falmouth stockholder will not be subject to backup withholding, however, if he or she:

furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding on the substitute Form W-9 or successor form included in the election form/letter of transmittal; or

is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Falmouth stockholder's United States federal income tax liability, provided such stockholder furnishes the required information to the Internal Revenue Service.

*Reporting Requirements.* A Falmouth stockholder who receives INDB common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with his, her or its United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

### **Operations of INDB After the Merger**

INDB expects to achieve cost savings, revenue enhancements and other operating synergies subsequent to the merger. The cost savings and operating synergies in 2004 and 2005 are expected to be derived primarily from the integration of back-office operations, including savings relating to audits, legal fees, other professional services and insurance expenses. In addition, because Falmouth will be merged into INDB, the costs associated with Falmouth operating as a publicly held entity also will be eliminated. The estimated savings for 2005 are higher than for 2004 since completion of the merger is not expected to occur until the second quarter of 2004. INDB also anticipates that it will be able to increase revenues from the Falmouth franchise by selling products and services to Falmouth customers that are not currently offered by Falmouth. INDB has not formally estimated these revenue enhancements, however, and has not included them in its financial analysis of the merger.

Because of the uncertainties inherent in merging two financial institutions, changes in the regulatory environment and changes in economic conditions, no assurances can be given that any particular level of cost savings, revenue enhancements and other operating synergies will be realized, that any such cost savings, revenue enhancements and other operating synergies will be realized over the time period currently anticipated or that such cost savings, revenue enhancements and other operating synergies will not be offset, to some degree, by increases in other expenses, including expenses related to the integration of the two companies.

INDB anticipates that the acquisition of Falmouth will be accretive to its earnings upon operational integration.

Although management of INDB has performed substantial financial analysis of the proposed merger, identification of all cost savings and potential revenue enhancements associated with the merger has not been completed. Moreover, no assurances can be given that any cost savings or any revenue enhancements will be realized at any given time in the future.

The estimated cost savings that are expected to be realized by the combined company do not reflect estimated pre-tax merger-related costs, which will be recorded as INDB's goodwill. These costs primarily relate to professional fees, exit costs associated with contract terminations and other expenses required to be accrued in accordance with accounting principles generally accepted in the United States of America. Additionally, the estimated cost savings do not reflect any other non-recurring expenses that may be incurred during the merger and integration period, which are not capitalizable to goodwill. In evaluating the cost savings and other potential benefits of the merger, the INDB board of directors considered the amount of the transaction costs which are necessary to realize future annual savings resulting from consolidation of support functions and economies of scale.

## INFORMATION ABOUT FALMOUTH

### Description of the Business

#### *General*

Falmouth Bancorp, Inc., a Delaware corporation, is the holding company for Falmouth Co-operative Bank, a Massachusetts-chartered stock co-operative bank, which is doing business as Falmouth Bank. At December 31, 2003, there were 916,727 shares outstanding and at September 30, 2003, there were 913,727 shares outstanding. Falmouth's sole business activity is ownership of Falmouth Bank. Falmouth also makes investments in long and short-term marketable securities and other liquid investments. The business of Falmouth Bank consists of attracting deposits from the general public and local businesses and using these funds to originate primarily residential and commercial real estate loans located in Falmouth, Massachusetts and surrounding areas and to invest in United States Government and Agency securities and investment-grade corporate bonds. To a lesser extent, Falmouth Bank engages in various forms of consumer and home equity lending. Falmouth's common stock trades on the American Stock Exchange under the symbol FCB. Falmouth had total consolidated assets of \$166.1 million as of September 30, 2003 and \$158.1 as of December 31, 2003.

Falmouth Bank conducts its business through an office located in Falmouth, Massachusetts, where it was originally founded in 1925 as a Massachusetts chartered mutual co-operative Bank, and branches located in East Falmouth and North Falmouth, Massachusetts. Falmouth Bank opened a new branch office in Bourne, Massachusetts in November 2003. Falmouth Bank's deposits are currently insured up to applicable limits by the Bank Insurance Fund of the Federal Deposit Insurance Corporation ( FDIC ) and the Share Insurance Fund of the Co-operative Central Bank of Massachusetts.

#### *Business Strategy*

Falmouth Bank's business strategy is to operate as a profitable and independent community bank dedicated primarily to financing home ownership and consumer needs in its market area and to provide quality service to its customers. Falmouth Bank has implemented this strategy by: (i) closely monitoring the needs of customers and providing quality service; (ii) emphasizing consumer-oriented banking by originating residential mortgage loans and consumer loans, and by offering checking accounts and other financial services and products; (iii) focusing on expanding lending activities to produce moderate increases in loan originations; (iv) maintaining asset quality; (v) maintaining capital in excess of regulatory requirements; and (vi) producing stable earnings.

Falmouth Bank serves its primary market area, the Massachusetts communities of Falmouth and Mashpee located in the Cape Cod region of Massachusetts, through its offices in Falmouth, North Falmouth and East Falmouth. Falmouth Bank expanded its market area in November 2003 opening a branch office in the Massachusetts community of Bourne. Falmouth Bank continues to offer traditional retail and commercial banking services as well as electronic services such as its toll free Voice Response System ON CALL, which enables its customers to access current balance information and transfer funds between accounts by telephone, its new Internet Banking and Bill Paying product on its web site at [www.FalmouthBank.com](http://www.FalmouthBank.com), and three on-site, as well as three off-site ATMs. Falmouth Bank competes with fifteen branches of financial institutions (including national banks, savings banks, savings and loans and credit unions), which are headquartered outside its market area. Falmouth Bank is the only independent financial institution headquartered in Falmouth.

To a lesser extent, Falmouth Bank also makes commercial real estate loans, commercial and industrial, and consumer loans, including passbook loans, automobile, home equity and other consumer loans. Falmouth Bank originates both fixed-rate and adjustable-rate loans and emphasizes the origination of residential real estate mortgage loans with adjustable interest rates, and makes other investments which allow Falmouth Bank to more closely match the interest rate and maturities of its assets and liabilities.

***Market Area***

Falmouth Bank considers its primary market area to be the communities of Falmouth and Mashpee in Barnstable County, which is located in the Cape Cod region of Massachusetts, approximately 72 miles south of Boston. The year-round population of Barnstable County is over 200,000. The majority of Falmouth Bank's lending has been in Falmouth and Mashpee. The Cape Cod region is a major recreational resort/retirement community, with seasonal tourism being the most significant economic activity. Falmouth's year-round population of 32,660 (2000 census) increases to a summer population of approximately 75,000. Falmouth is the second most populous and second largest town on the Cape. Visitors find accommodations in the many motels, hotels and inns in the area. Falmouth has approximately 44 miles of ocean and lake shoreline. There are nine harbors and inlets, some with docking and most with mooring facilities. Two major harbors offer access, via ferry, to the island of Martha's Vineyard with service to the island of Nantucket during the summer months from Woods Hole. In addition to swimming, boating, fishing and other forms of water recreation, Falmouth also has four public and two private golf courses.

The major employers in the Falmouth area are the Woods Hole Oceanographic Institute, with approximately 800 employees, Falmouth Hospital, with 750 employees and Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, with 500 employees. Other major employers include Marine Biological Laboratories.

***Employees***

At December 31, 2003, Falmouth Bank employed 33 full-time and 6 part-time employees. Falmouth Bank's employees are not represented by a collective bargaining agreement, and Falmouth Bank considers its relationship with its employees to be good.

***Lending Activities***

*General.* The principal lending activity of Falmouth Bank is the origination of conventional mortgage loans for the purpose of purchasing or refinancing owner-occupied, one- to four-family residential properties in its designated community reinvestment area of the Massachusetts towns of Falmouth and Mashpee. To a lesser extent, Falmouth Bank also originates consumer loans including home equity and passbook loans and commercial loans. Falmouth Bank also originates and retains in its loan portfolio adjustable-rate loans and fixed-rate loans with maturities of up to 30 years. Traditionally, fixed-rate loans with terms of up to 30 years are originated and sold in the secondary market. Loan originations for the year ended September 30, 2003, achieved the level of \$111.2 million and were primarily single-family residential loans. During this period, Falmouth Bank was ranked by *Banker and Tradesman* as one of the largest producers of residential mortgage loans in the Falmouth market. The mortgage market in the Falmouth area was vigorous in both the purchase money and refinance categories during fiscal 2003. Falmouth Bank is a qualified seller/ servicer for the Federal National Mortgage Association ( FNMA ) and was servicing \$68.1 million in loans for FNMA and \$1.9 million for other investors at September 30, 2003. For all tables presented under Information About Falmouth , total loans and loans, net include loans held-for-sale.

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*Loan Portfolio.* The following table presents selected data relating to the composition of Falmouth Bank's loan portfolio by type of loan on the dates indicated.

At September 30,										
	2003		2002		2001		2000		1999	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)										
Residential mortgage loans	\$ 50,525	58.06%	\$ 69,694	69.40%	\$ 94,084	79.63%	\$ 88,647	79.50%	\$ 67,709	81.02%
Commercial real estate loans	15,702	18.04	11,845	11.80	10,406	8.81	11,865	10.64	8,488	10.16
Consumer loans	403	.46	439	.44	546	.46	527	.47	577	.69
Home equity loans	15,451	17.75	13,251	13.20	8,486	7.18	7,143	6.41	4,621	5.53
Commercial loans	4,943	5.69	5,179	5.16	4,634	3.92	3,331	2.98	2,175	2.60
<b>Gross loans</b>	<b>87,024</b>	<b>100.00%</b>	<b>100,408</b>	<b>100.00%</b>	<b>118,156</b>	<b>100.00%</b>	<b>111,513</b>	<b>100.00%</b>	<b>83,570</b>	<b>100.00%</b>
Less:										
Deferred loan (cost), net of origination fees	(257)		(297)		(362)		(190)		(19)	
Unadvanced principal	3,201		4,756		5,019		5,216		2,533	
Allowance for loan losses	761		939		945		755		569	
<b>Loans, net</b>	<b>\$ 83,319</b>		<b>\$ 95,010</b>		<b>\$ 112,554</b>		<b>\$ 105,732</b>		<b>\$ 80,487</b>	

*One- to Four-Family Residential Real Estate Lending.* The primary emphasis of Falmouth Bank's lending activity is the origination of conventional mortgage loans secured by one- to four-family residential dwellings located in Falmouth Bank's primary market area. As of September 30, 2003, loans on one- to four-family residential properties accounted for 58.1% of Falmouth Bank's loan portfolio and totaled \$50.5 million.

Falmouth Bank's mortgage loan originations are for terms of up to 30 years, amortized on a monthly basis with interest and principal due each month. Residential real estate loans often remain outstanding for significantly shorter periods than their contractual terms allow as borrowers may refinance or prepay loans at their option, without penalty. Conventional residential mortgage loans granted by Falmouth Bank customarily contain due-on-sale clauses that permit Falmouth Bank to accelerate the indebtedness of the loan upon transfer of ownership of the mortgaged property.

Falmouth Bank makes conventional mortgage loans and it uses standard FNMA documents to allow for the sale of loans in the secondary mortgage market. Falmouth Bank's lending policies generally limit the maximum loan-to-value ratio on mortgage loans secured by owner-occupied properties to 95% of the lesser of the appraised value or purchase price of the property, with the condition that private mortgage insurance is required on loans with a loan-to-value ratio in excess of 80%.

Falmouth Bank also offers adjustable-rate mortgage loans with terms of up to 30 years. Adjustable-rate loans offered by Falmouth Bank include loans which reprice every one, three, five and seven years and provide for an interest rate which is based on the interest rate paid on United States Treasury securities of a corresponding term, plus a margin of 2.75%. Falmouth Bank currently offers adjustable-rate loans with initial rates below those that would prevail under the foregoing computations, based upon Falmouth Bank's determination of market factors and competitive rates for adjustable-rate loans in its market area. For adjustable-rate loans, borrowers are qualified at the initial rate plus an anticipated upward adjustment of 200 basis points.

Falmouth Bank retains substantially all of the adjustable-rate mortgages it originates. Falmouth Bank's adjustable-rate mortgages include caps on increases or decreases of 2% per year, and 6% over the life of the loan (2% per yearly adjustment, and 5% over the life of the loan for five-year adjustable-rate loans). The retention of adjustable-rate mortgage loans in Falmouth Bank's loan portfolio helps reduce Falmouth Bank's

exposure to increases in interest rates. However, there are unquantifiable credit risks resulting from potential increased costs to the borrower as a result of repricing of adjustable-rate mortgage



loans. It is possible that during periods of rising interest rates, the risk of default on adjustable-rate mortgage loans may increase due to the upward adjustment of interest cost to the borrower.

During the year ended September 30, 2003, Falmouth Bank originated \$8.6 million in adjustable-rate mortgage loans and \$78.1 million in fixed-rate mortgage loans for its portfolio. Approximately 57.1% of all loan originations during fiscal 2003 were the refinancing of loans already in Falmouth Bank's loan portfolio. At September 30, 2003, Falmouth Bank's loan portfolio included \$29.0 million in adjustable-rate one- to four-family residential mortgage loans, or 34.5% of Falmouth Bank's total loan portfolio, and \$33.3 million in fixed-rate one- to four-family residential mortgage loans, or 39.6% of Falmouth Bank's total loan portfolio.

Falmouth Bank engages in a limited amount of construction lending generally for the construction of single-family residences. Most are construction/permanent loans structured to become permanent loans upon the completion of construction. All construction loans are secured by first liens on the property. Loan proceeds are disbursed as construction progresses and inspections warrant. Loans involving construction financing present a greater risk than loans for the purchase of existing homes, since collateral values and construction costs can only be estimated at the time the loan is approved. Due to the small amount of construction loans in Falmouth Bank's portfolio, the risk in this area is limited.

*Commercial Real Estate Loans.* At September 30, 2003, Falmouth Bank's commercial real estate loan portfolio totaled \$15.7 million, or 18.7% of total loans. Falmouth Bank's largest loan is a commercial loan with an outstanding commitment of \$1.5 million at September 30, 2003 secured by a lumber company located in Falmouth, Massachusetts.

Commercial real estate lending entails additional risks compared with one-to four-family residential lending. For example, commercial real estate loans typically involve large loan balances to single borrowers or groups of related borrowers and the payment experience on such loans is typically dependent on the successful operation of a real estate project and/or the collateral value of the commercial real estate securing the loan. At September 30, 2003, all of Falmouth Bank's commercial real estate loans were performing.

*Home Equity Loans.* Falmouth Bank also originates home equity loans, which are loans, secured by available equity based on the appraised value of one- to four-family residential property. Home equity loans will be made for up to 80% of the tax assessed or appraised value of the property (less the amount of the first mortgage). Home equity loans have an adjustable interest rate which ranges from 0% to 1% above the prime rate as reported in The Wall Street Journal and have terms of twenty years or less. At September 30, 2003, Falmouth Bank had \$33.7 million in home equity loans with unused credit available to existing borrowers of \$18.2 million.

*Consumer Loans.* Falmouth Bank's consumer loans consist of passbook loans, and other consumer loans, including automobile loans. At September 30, 2003, the consumer loan portfolio totaled \$403,000 or .48% of total loans. Consumer loans generally are offered for terms of up to five years at fixed interest rates. Consumer loans do not exceed \$15,000 individually. Management expects to continue to promote consumer loans as part of its strategy to provide a wide range of personal financial services to its customers and as a means to increase the yield on Falmouth Bank's diversified loan portfolio.

Falmouth Bank makes loans up to 90% of the amount of the depositor's savings account balance. The interest rate on the loan is 4.0% higher than the rate being paid on regular savings accounts and 3% higher than the rate being paid on certificates of deposit. Falmouth Bank also makes other consumer loans, which may or may not be secured. The terms of such loans usually depend on the collateral. At September 30, 2003, the total amount of passbook and other consumer loans, including overdraft lines of credit, was \$201,000.

Falmouth Bank makes loans for automobiles, both new and used, directly to the borrowers. The loans are generally limited to 80% of the purchase price or the retail value listed by the National Automobile Dealers Book. The terms of the loans are determined by the age and condition of the collateral. Collision

insurance policies are required on all these loans. At September 30, 2003, the total amount of automobile loans was \$202,000.

Consumer loans generally are originated at higher interest rates than residential mortgage loans but also tend to have a higher credit risk than residential loans due to the loan being unsecured or secured by rapidly depreciable assets. Despite this risk, Falmouth Bank's level of consumer loan delinquencies generally has been low. No assurance can be given, however, that Falmouth Bank's delinquency rate on consumer loans will continue to remain low in the future, or that Falmouth Bank will not incur future losses on these activities.

*Commercial Loans.* Falmouth Bank employs a commercial loan officer with over 20 years of experience in commercial lending in the Falmouth market. Falmouth Bank is pursuing, on a selective basis, the origination of commercial loans to meet the working capital and short-term financing needs of established local businesses. Unless otherwise structured as a mortgage on commercial real estate, such loans are generally being limited to terms of five years or less. Substantially all such commercial loans have variable interest rates tied to the prime rate as reported in The Wall Street Journal. Whenever possible, Falmouth Bank collateralizes these loans with a lien on commercial real estate, or alternatively, with a lien on business assets and equipment and the personal guarantees from principals of the borrower. Commercial loans do not presently comprise a significant portion of Falmouth Bank's loan portfolio. At September 30, 2003 Falmouth Bank's non-real estate commercial loan portfolio totaled \$4.9 million or 5.9% of Falmouth Bank's loan portfolio.

Commercial business loans generally are considered to involve a higher degree of risk than residential mortgage loans because the collateral may be in the form of intangible assets and/ or inventory subject to market obsolescence. Commercial loans also may involve relatively large loan balances to single borrowers or groups of related borrowers, with the repayment of such loans typically dependent on the successful operation and income stream of the borrower. Such risks can be affected significantly by economic conditions. In addition, commercial business lending generally requires substantially greater oversight efforts compared to residential real estate lending.

*Loan Commitments.* Falmouth Bank makes a 60-day loan commitment to borrowers. At September 30, 2003, Falmouth Bank had \$3.2 million in loan commitments outstanding for the origination of one- to four-family residential real estate loans.

*Loan Solicitation Origination and Loan Fees.* Falmouth Bank originates loans through its main office located in Falmouth, Massachusetts and branch offices located in East Falmouth, North Falmouth and Bourne. Loan originations are derived from a number of sources, including Falmouth Bank's existing customers, referrals, realtors, advertising and walk-in customers at Falmouth Bank's offices.

Falmouth Bank has one full-time residential loan originator who is compensated with commission. The originator meets with applicants at their convenience and location and is in regular contact with real estate brokers, attorneys, accountants, building contractors, developers and others in Falmouth Bank's local market area. Falmouth Bank increased its advertising in locally distributed newspapers and has utilized local radio advertising to increase its market share of residential loan originations.

Upon receipt of a loan application from a prospective borrower, a credit report and verifications are ordered to verify specific information relating to the loan applicant's employment, income and credit standing. For all mortgage loans, an appraisal of real estate intended to secure the proposed loan is obtained from an independent fee appraiser who has been approved by Falmouth Bank's Board of Directors. Fire, casualty and sometimes flood insurance are required on all loans secured by improved real estate.

Insurance on other collateral is required, unless waived by the loan committee. The Board of Directors of Falmouth Bank has the responsibility and authority for the general supervision over the loan policies of Falmouth Bank. The Board has established written lending policies for Falmouth Bank. All applications for residential and commercial real estate mortgages and commercial business loans must be

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ratified by Falmouth Bank's Board of Directors. In addition, certain designated officers of Falmouth Bank have limited authority to approve consumer loans.

Interest rates charged by Falmouth Bank on all loans are primarily determined by competitive loan rates offered in its market area and Falmouth Bank generally charges an origination fee on new mortgage loans. The origination fees, net of direct origination costs, are deferred and amortized into income over the life of the loan.

*Loan Maturities.* The following table sets forth certain information at September 30, 2003 regarding the dollar amount of loans maturing in Falmouth Bank's portfolio based on their contractual terms to maturity, including scheduled repayments of principal. Demand loans, loans having no stated schedule of repayments and any stated maturity, and overdrafts are reported as due in one year or less.

	At September 30, 2003(1)		
	Real Estate	Consumer and Other	Total Loans
	(In thousands)		
Total loans scheduled to mature:			
In one year or less	\$ 6,410	\$ 1,924	\$ 8,334
After one year through five years	12,756	945	13,701
Beyond five years	59,245	2,800	62,045
<b>Total</b>	<b>\$ 78,411</b>	<b>\$ 5,669</b>	<b>\$ 84,080</b>
Loan balance by type scheduled to mature after one year:			
Fixed	\$ 41,819	\$ 1,238	\$ 43,057
Adjustable	\$ 30,182	\$ 2,507	\$ 32,689

(1) Net of unearned income and unadvanced principal.

*Originations and Sales of Loans.* The following table sets forth information with respect to originations and sales of loans during the periods indicated.

	Years Ended September 30,				
	2003	2002	2001	2000	1999
	(In thousands)				
Beginning balance(1)	\$ 95,949	\$ 113,499	\$ 106,487	\$ 81,056	\$ 78,182
Mortgage loan originations(2)	96,411	65,782	44,141	39,853	28,279
Consumer loan originations	12,130	12,573	8,999	5,318	4,323
Commercial loan originations	2,644	3,914	1,519	1,619	2,249
Less:					
Amortization and payoffs(3)	(58,324)	(62,992)	(38,734)	(21,299)	(24,193)
Transfers to other real estate owned (OREO)					
<b>Net loans originated</b>	<b>52,861</b>	<b>19,277</b>	<b>15,925</b>	<b>25,491</b>	<b>10,658</b>
<b>Total loans sold</b>	<b>(64,730)</b>	<b>(36,827)</b>	<b>(8,913)</b>	<b>(60)</b>	<b>(7,784)</b>
Ending balance(1)	\$ 84,080	\$ 95,949	\$ 113,499	\$ 106,487	\$ 81,056

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(1) Net of unearned income and unadvanced principal.

(2) Includes residential and commercial real estate loans.

(3) Includes unadvanced principal.

*Non-Performing Assets, Asset Classification and Allowances for Losses.* Loans are reviewed on a regular basis and are placed on a non-accrual status when, in the opinion of management, the collection of

principal and interest is doubtful. The level established for the provision for loan losses is determined by management in its effort to maintain an allowance for loan losses that is adequate for the size and composition of its loan portfolio and reflects Falmouth Bank's historical record of loan losses. Each element of the allowance is reviewed by type of loan which consists of 1-4 family residential mortgages, representing 52.4% of the total loans used for the allowance for loan losses general reserve calculation; home equity lines of credit, representing 18.5%; 1-4 family construction loans to the extent the funds have been advanced, representing 3.5%; commercial real estate loans, representing 19.1%; non-real estate commercial loans, representing 6.0%; and other consumer loan types, representing 0.5%. All commercial loans are reviewed individually on a monthly basis, as are all other loans that are 60 or more days delinquent, have high loan-to-value ratios or are involved in litigation that could jeopardize the value of the property or ability to repay the loan. As of September 30, 2003, Falmouth Bank had one delinquent residential real estate loan, two delinquent consumer loans and no non-performing loans. Loans with deviations in their quality are monitored on Falmouth Bank's watch list and are assigned specific reserve allocations, such as commercial loans and construction loans, which are weighted heavier than owner occupied 1-4 family residential loans and warrant increased provisions on an on-going basis. Falmouth Bank's non-real estate commercial loans totaled \$4.9 million at September 30, 2003, as compared to \$5.2 million at September 30, 2002.

Real estate acquired by Falmouth Bank as a result of foreclosure is classified as real estate owned until such time as it is sold. When such property is acquired, it is recorded at the lower of the unpaid principal balance or its fair value. Any required write-down of the loan to its fair value is charged to the allowance for loan losses.

At September 30,					
	2003	2002	2001	2000	1999
(Dollars in thousands)					
Loans 30-89 days past due (not included in non-performing loans)	\$ 81	\$ 100	\$	\$	\$ 57
Loans 30-89 days past due as a percent of total loans	.10%	.10%	%	%	.07%
Non-performing loans:					
(90 days past due)	\$	\$	\$	\$	\$
OREO	\$	\$	\$	\$	\$
Total non-performing assets	\$	\$	\$	\$	\$
Non-performing loans as a percent of total loans	%	%	%	%	%
Non-performing assets as a percent of total assets	%	%	%	%	%

During the year ended September 30, 2003, no gross interest income would have been recorded on loans accounted for on a non-accrual basis if the loans had been current throughout the period.

No interest on such loans was included in income during the respective periods. At September 30, 2003, management was not aware of any loans not currently classified as non-accrual, 90 days past due or restructured but which may be so classified in the near future because of concerns over the borrower's ability to comply with repayment terms.

Federal and state regulations require each banking institution to classify its asset quality on a regular basis. In addition, in connection with examinations of such banking institutions, federal and state examiners have authority to identify problem assets and, if appropriate, classify them. An asset is classified substandard if it is determined to be inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. As a general rule, Falmouth Bank will classify a loan as substandard if Falmouth Bank can no longer rely on the borrower's income as the primary source for repayment of the indebtedness and must look to secondary sources such as guarantors or collateral. An asset is classified as doubtful if full collection is highly questionable or improbable. An asset is classified as loss if it is considered uncollectible, even if a partial recovery could be expected in the future. The regulations also provide for a special mention designation, described as assets which do not currently

expose a banking institution to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving management's close attention. Assets classified as substandard or doubtful require a banking institution to establish general allowances for loan losses. If an asset or portion thereof is classified loss, a banking institution must either establish specific allowances for loan losses in the amount of the portion of the asset-classified loss, or charge off such amount. Examiners may disagree with a banking institution's classifications and amounts reserved. If a banking institution does not agree with an examiner's classification of an asset, it may appeal this determination to the FDIC Regional Director. At September 30, 2003, Falmouth Bank had no assets classified as special mention or doubtful, no assets designated as substandard, and none classified as loss.

In originating loans, Falmouth Bank recognizes that credit losses will occur and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan, general economic conditions and, in the case of a secured loan, the quality of the security for the loan. It is management's policy to maintain an adequate general allowance for loan losses based on, among other things, Falmouth Bank's and the industry's historical loan loss experience, evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. Further, after properties are acquired following loan defaults, additional losses may occur with respect to such properties while Falmouth Bank is holding them for sale. Falmouth Bank increases its allowances for loan losses and losses on real estate owned by charging provisions for losses against Falmouth Bank's income. Specific reserves also are recognized against specific assets when warranted.

Results of recent examinations by bank regulators indicate that these regulators may be applying more conservative criteria in evaluating real estate market values, requiring significantly increased provisions for potential loan losses. While Falmouth believes it has established its existing allowances for loan losses in accordance with generally accepted accounting principles, there can be no assurance that regulators, in reviewing Falmouth Bank's loan portfolio, will not request Falmouth Bank to increase its allowance for loan losses, thereby negatively affecting Falmouth Bank's financial condition and earnings.

Bank regulatory agencies, including the FDIC, have a policy statement regarding maintenance of an adequate allowance for loan and lease losses and an effective loan review system. This policy includes an arithmetic formula for checking the reasonableness of an institution's allowance for loan loss estimate compared to the average loss experience of the industry as a whole. Examiners will review an institution's allowance for loan losses and compare it against the sum of (i) 50% of the portfolio that is classified doubtful; (ii) 15% of the portfolio that is classified as substandard; and (iii) for the portions of the portfolio that have not been classified (including those loans designated as special mention), estimated credit losses over the upcoming twelve months given the facts and circumstances as of the evaluation date. This amount is considered neither a floor nor a safe harbor of the level of allowance for loan losses an institution should maintain, but examiners will view a shortfall relative to the amount as an indication that they should review management's policy on allocating these allowances to determine whether it is reasonable based on all relevant factors.

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The following table analyzes activity of Falmouth Bank's allowance for loan losses for the periods indicated.

	Year Ended September 30,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
Average loans, net	\$ 85,333	\$ 106,785	\$ 111,573	\$ 94,315	\$ 77,657
Period-end total loans(1)	\$ 84,080	\$ 95,949	\$ 113,499	\$ 106,487	\$ 81,056
Allowance for loan losses at beginning of period	\$ 939	\$ 945	\$ 755	\$ 569	\$ 527
Loans charged-off		6		4	
Recoveries	2			1	
(Benefit) Provision charged to operations	(180)		190	189	42
Allowance for loan losses at end of period	\$ 761	\$ 939	\$ 945	\$ 755	\$ 569
Ratios:					
Allowance for loan losses as a percentage of period end total loans	.91%	.98%	.83%	.71%	.70%
Allowance for loan losses as a percentage of non-performing loans					
Net charge-offs to average loans, net		.01%			
Net charge-offs to allowance for loan losses		.64%		.40%	

(1) Net of unearned income and unadvanced principal.

The following table sets forth a breakdown of the allowance for loan losses by loan category at the dates indicated. Management believes that the allowance can be allocated by category only on an approximate basis. These allocations are not necessarily indicative of future losses and do not restrict the use of the allowance to absorb losses in any loan category.

	At September 30,									
	2003		2002		2001		2000		1999	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
(Dollars in thousands)										
Real estate mortgage:										
Residential	\$ 211	55.57%	\$ 330	65.56%	\$ 532	78.79%	\$ 436	78.53%	\$ 282	80.42%
Commercial	330	19.64	310	14.78	201	9.17	181	11.14	171	10.47
Commercial loans, other	99	5.90	162	5.39	119	4.08	76	3.13	62	2.70
Consumer, including home equity loans	121	18.89	137	14.27	93	7.96	62	7.20	54	6.41
Total allowance for loan losses	\$ 761	100.00%	\$ 939	100.00%	\$ 945	100.00%	\$ 755	100.00%	\$ 569	100.00%

***Investment Activities***

*General.* Falmouth Bank is required to maintain an amount of liquid assets appropriate for its level of net withdrawals from savings accounts and current borrowings. Generally, it has been Falmouth Bank's policy to maintain a liquidity portfolio in excess of regulatory requirements. At September 30, 2003, Falmouth Bank's liquidity ratio was 53.1%. Liquidity levels may be increased or decreased depending upon the yields on investment alternatives, management's judgment as to the attractiveness of the yields then available in relation to other opportunities, management's expectations of the level of yield that will be



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available in the future and management's projections as to the short-term demand for funds to be used in Falmouth's loan origination and other activities.

Interest income from investments in various types of liquid assets provides a significant source of revenue for Falmouth Bank. In the late 1980s, Falmouth Bank maintained its conservative underwriting standards in an effort to avoid asset quality problems and chose instead to invest excess liquidity in its investment portfolio. Falmouth Bank's short-term investments include United States Treasury securities and United States Agency securities, commercial paper, equity securities, short-term corporate debt securities and overnight federal funds. The balance of the securities investments maintained by Falmouth Bank in excess of regulatory requirements reflects management's historical objective of maintaining liquidity at a level that assures the availability of adequate funds, taking into account anticipated cash flows and available sources of credit, for meeting withdrawal requests and loan commitments and making other investments.

Falmouth Bank purchases securities through a primary dealer of United States Government obligations or such other securities dealers authorized by the Board of Directors and requires that the securities be delivered to the safekeeping agent (Investors Bank & Trust Company) before the funds are transferred to the broker or dealer. Falmouth Bank purchases investment securities pursuant to an investment policy established by the Board of Directors.

All securities and investments are recorded on the books of Falmouth Bank in accordance with accounting principles generally accepted in the United States of America (GAAP). Falmouth Bank does not purchase securities and investments for trading. Available-for-sale securities are reported at fair value with unrealized gains or losses reported as a separate component of net worth. All purchases of securities and investments conform to Falmouth Bank's interest rate risk policy.

The following table sets forth the scheduled maturities, average yields, amortized cost and market value for Falmouth Bank's investment securities at September 30, 2003.

September 30, 2003

	One Year or Less		One to Five Years		Five to Ten Years		More than Ten Years		Total Investment Portfolio		
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Market Value
(Dollars in thousands)											
U.S. Government Obligations	\$ 5,536	0.94%	\$	%	\$	%	\$	%	\$ 5,536	0.94%	\$ 5,534
Mortgage-backed Securities			32	7.74	352	7.49	118	7.27	502	7.45	531
Corporate Notes and Bonds	53,094	1.99	8,993	1.99					62,088	1.99	62,045
<b>Total</b>	<b>\$58,630</b>	<b>3.22%</b>	<b>\$9,025</b>	<b>3.77%</b>	<b>\$352</b>	<b>7.49%</b>	<b>\$118</b>	<b>7.27%</b>	<b>68,126</b>	<b>1.94</b>	<b>68,110</b>
Marketable Equity Securities									1,703	1.47	1,626
FHLB Stock									878	3.81	878
<b>Total Investment Portfolio</b>									<b>\$70,707</b>	<b>1.96%</b>	<b>\$70,614</b>

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The following tables set forth information regarding the investment portfolio at the dates indicated.

September 30, 2003

	Available-for-Sale			Held-to-Maturity		
	Amortized Cost	Market Value	Percent(1)	Amortized Cost	Market Value	Percent(2)
(Dollars in thousands)						
Investment securities(3):						
U.S. government obligations	\$ 5,536	\$ 5,534	14.9%	\$	\$	%
Other bonds and obligations	29,688	29,643	79.7	32,400	32,401	99.5
Marketable equity securities	1,703	1,626	4.4			
Mortgage-backed securities(4)	352	376	1.0	150	155	.5
<b>Total Investment Portfolio</b>	<b>\$37,279</b>	<b>\$37,179</b>	<b>100.0%</b>	<b>\$32,550</b>	<b>\$32,556</b>	<b>100.0%</b>

September 30,

	2003		2002		2001	
	Carrying Amount	Percent	Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)						
Investment securities at carrying amount(3):						
U.S. government obligations	\$ 5,534	7.9%	\$14,506	31.0%	\$ 4,581	23.7%
Other bonds and obligations	62,043	89.0	29,447	63.0	10,722	55.5
Marketable equity securities	1,626	2.3	1,984	4.2	2,630	13.6
Mortgage-backed securities(4)	526	0.8	836	1.8	1,398	7.2
<b>Total Investment Portfolio</b>	<b>\$69,729</b>	<b>100.0%</b>	<b>\$46,773</b>	<b>100.0%</b>	<b>\$19,331</b>	<b>100.0%</b>

(1) As a percentage of total market value.

(2) As a percentage of total amortized cost.

(3) Does not include federal funds sold of \$4 million or Federal Home Loan Bank Stock of \$878,000.

(4) Consists of GNMA, FHLMC and FNMA certificates.

**Deposit Activity and Other Sources of Funds**

*General.* Deposits are the primary source of Falmouth Bank's funds for lending and other investment purposes. In addition to deposits, Falmouth Bank derives funds from principal repayments and interest payments on loans and investments as well as other sources arising from operations in the production of net earnings. Loan repayments and interest payments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of funds from other sources, or on a longer-term basis for general business purposes.

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*Deposits.* Deposits are attracted principally from within Falmouth Bank's primary market area through the offering of a broad selection of deposit instruments, including passbook savings, NOW accounts, demand deposits, money market accounts and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the time periods the funds must remain on deposit and the interest rate.

Falmouth Bank's policies are designed primarily to attract deposits from local residents and businesses rather than to solicit deposits from areas outside its primary market. Falmouth Bank does not accept deposits from brokers due to the volatility and rate sensitivity of such deposits. Interest rates paid, maturity terms, service fees and withdrawal penalties are established by Falmouth Bank on a periodic basis. Determination of rates and terms are predicated upon funds acquisition and liquidity requirements, rates paid by competitors, growth goals and federal regulations.

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The following table sets forth the various types of deposit accounts at Falmouth Bank and the balances in these accounts at the dates indicated.

At September 30,										
2003		2002		2001		2000		1999		
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
(Dollars in thousands)										
Savings deposits	\$ 25,406	17.5%	\$ 21,463	16.3%	\$ 18,683	15.3%	\$ 19,380	17.2%	\$ 17,782	19.1%
NOW accounts	14,863	10.2	9,540	7.2	9,637	7.9	10,095	9.0	9,389	10.1
Money market deposits	31,386	21.6	26,049	19.8	19,413	15.9	16,462	14.7	14,188	15.3
Total	71,655	49.3	57,052	43.3	47,733	39.1	45,937	40.9	41,359	44.5
Demand deposits	20,426	14.0	17,552	13.3	16,147	13.2	14,243	12.6	8,091	8.7
Certificates of deposit	53,454	36.7	57,113	43.4	58,296	47.7	52,194	46.5	43,436	46.8
Total deposits	\$ 145,535	100.0%	\$ 131,717	100.0%	\$ 122,176	100.0%	\$ 112,374	100.0%	\$ 92,886	100.0%

For more information on Falmouth Bank's deposit accounts, see Note 6 of the Notes to Consolidated Financial Statements beginning on page F-19.

The following table indicates the amount of Falmouth Bank's certificates of deposit of \$100,000 or more by time remaining until maturity at September 30, 2003.

Maturity Period	Certificates of Deposit
(In thousands)	
Within three months	\$ 2,638
After three but within six months	3,272
After six but within twelve months	3,712
After twelve months	3,461
Total	\$ 13,083

The following table sets forth the deposit activity of Falmouth Bank for the periods indicated.

Years Ended September 30,					
	2003	2002	2001	2000	1999
(In thousands)					
Deposits	\$ 809,151	\$ 675,994	\$ 551,960	\$ 448,303	\$ 344,310
Withdrawals	797,522	669,546	546,278	432,244	335,933
Net increase before interest credited	11,629	6,448	5,682	16,059	8,377
Interest credited	2,189	3,093	4,120	3,429	2,990

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Net increase in deposits	\$ 13,818	\$ 9,541	\$ 9,802	\$ 19,488	\$ 11,367
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***Borrowings***

Savings deposits historically have been the primary source of funds for Falmouth Bank's lending and investment activities and for its general business activities. Falmouth Bank is authorized, however, to use advances from the FHLB of Boston to supplement its supply of lendable funds and to meet deposit withdrawal requirements. Advances from the FHLB are secured by Falmouth Bank's stock in the FHLB and a portion of Falmouth Bank's mortgage loans. Falmouth Bank had \$2.6 million of FHLB advances outstanding at September 30, 2003.

The FHLB of Boston functions as a central reserve bank providing credit for savings institutions and certain other financial institutions. As a member, Falmouth Bank is required to own capital stock in the FHLB and is authorized to apply for advances on the security of such stock and certain of its home

mortgages and other assets (principally, securities which are obligations of, or guaranteed by the United States) provided certain standards related to creditworthiness have been met.

### Competition

Falmouth Bank experiences substantial competition both in attracting and retaining savings deposits and in the making of mortgage and other loans. Direct competition for savings deposits primarily comes from larger commercial banks and other savings institutions located in or near Falmouth Bank's primary market area that generally have significantly greater financial and technological resources than Falmouth Bank. Additional significant competition for savings deposits comes from credit unions, money market funds and brokerage firms. The primary factors in competing for loans are interest rates and loan origination fees and the range of services offered by the various financial institutions. Competition for origination of real estate loans normally comes from commercial banks, other thrift institutions, mortgage bankers, mortgage brokers and insurance companies. Management considers Falmouth Bank's competitors in its market area to consist of 15 branches of financial institutions headquartered outside of its market area. Falmouth Bank is the only independent financial institution headquartered in Falmouth.

### Description of Property

The following table sets forth certain information at September 30, 2003 regarding Falmouth office facilities, and certain other information relating to the properties at that date.

	Year Completed or Acquired	Square Footage	Net Book Value at September 30, 2003
<b>Main Office:</b>			
20 Davis Straits Falmouth, MA 02540	1978	10,696	\$276,369
<b>Branch Offices:</b>			
North Falmouth, MA 78 County Rd N. Falmouth, MA 02556	1998	1,706	\$525,520
East Falmouth, MA 397 E. Falmouth Hwy E. Falmouth, MA 02536	1998	2,380	\$718,308
Bourne, MA 172 Clay Pond Road Bourne, MA	Under Construction	2,000	\$ 60,995

At September 30, 2003, the net book value of Falmouth's computer equipment and other furniture, fixtures and equipment at its offices totaled \$330,702. For more information, see Note 5 of the Notes to Consolidated Financial Statements.

### Legal Proceedings

Although Falmouth Bank and Falmouth, from time to time, are involved in various legal proceedings in the normal course of business, there are no material legal proceedings to which Falmouth Bank or Falmouth, its directors or its officers is a party or to which any of its property is subject as of December 31, 2003.

### Market for Falmouth's Common Stock and Related Stockholder Matters

Falmouth Bancorp, Inc.'s common stock is traded on the American Stock Exchange and quoted under the symbol FCB. The table below shows the high and low sales price during the periods indicated.

At December 31, 2003, Falmouth's common stock closed at \$36.25. At December 31, 2003, there were 916,727 shares of Falmouth's common stock outstanding, which were held of record by approximately



944 stockholders, not including persons or entities that hold the stock in nominee or street name through various brokerage firms.

The Board of Directors considers paying dividends, dependent on the results of operations and financial condition of Falmouth, tax considerations, industry standards, economic conditions, regulatory restrictions and other factors. There are significant regulatory limitations on Falmouth's ability to pay dividends depending on the dividends it receives from Falmouth Bank, which are subject to regulations and Falmouth Bank's continued compliance with all regulatory capital requirements and the overall health of the institution.

Quarter Ended	Price Range		Dividends
	High	Low	
Fiscal year ended September 30, 2002:			
First Quarter ended December 31, 2001.	20.30	20.00	\$.12
Second Quarter ended March 31, 2002.	22.50	20.50	.12
Third Quarter ended June 30, 2002.	30.01	22.65	.13
Fourth Quarter ended September 30, 2002	27.75	22.25	.13
Fiscal year ended September 30, 2003:			
First Quarter ended December 31, 2002.	26.75	23.00	\$.13
Second Quarter ended March 31, 2003.	26.20	24.50	.13
Third Quarter ended June 30, 2003.	26.25	24.50	.13
Fourth Quarter ended September 30, 2003	31.85	25.50	.13
Fiscal year ended September 30, 2004:			
First Quarter ended December 31, 2003.	38.00	28.00	\$.13
Second Quarter ended March 31, 2004.	39.00	36.00	\$.13

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Falmouth's financial statements and the notes thereto beginning on page F-2 of this proxy statement/prospectus.

### General

The business of Falmouth Bank consists of attracting deposits from the general public and using these funds to originate mortgage loans secured by one-to four-family residences located primarily in Falmouth, Massachusetts and surrounding areas and to invest in investment securities. To a lesser extent, Falmouth Bank engages in various forms of consumer and home equity lending. Falmouth Bank's profitability depends primarily on its net interest income, which is the difference between the interest income it earns on its loans and investment portfolios and its cost of funds, which consists mainly of interest paid on deposits. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on these balances. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income.

Falmouth Bank's level of non-interest income and expense also affects Falmouth Bank's profitability. Non-interest income, or other income, consists primarily of service fees, net gains on sale of loans and gains on investment securities. Non-interest expense, or operating expenses, consists of salaries and benefits, deposit insurance premiums paid to the Federal Deposit Insurance Corporation ( FDIC ), occupancy related expenses and other operating expenses.

The operations of Falmouth Bank, and banking institutions in general, are influenced significantly by general economic conditions and related monetary and fiscal policies of financial institutions' regulatory agencies. Deposit flows and the cost of funds are influenced by interest rates on competing investments



and general market rates of interest. Lending activities are affected by the demand for financing real estate and other types of loans, which in turn are affected by the interest rates at which such financing may be offered and other factors affecting loan demand and the availability of funds.

### ***Critical Accounting Policies***

The Notes to Falmouth's Audited Consolidated Financial Statements included in this proxy statement/ prospectus beginning on page F-7 contain a summary of Falmouth's significant accounting policies. Falmouth believes its policies with respect to the methodology for our determination of the allowance for loan losses, the valuation of mortgage servicing rights and asset impairment judgments, and other than temporary declines in the value of our securities, involve a higher degree of complexity and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could cause reported results to differ materially. The Audit Committee and Falmouth's Board of Directors periodically review these critical policies and their application.

### ***Comparison of Financial Condition at December 31, 2003 and September 30, 2003.***

Falmouth's total assets decreased by \$8.0 million, or 4.8%, from \$166.1 million at September 30, 2003 to \$158.1 million at December 31, 2003. Total deposits decreased \$8.0 million or 5.5%, from \$145.5 million at September 30, 2003 to \$137.6 million at December 31, 2003. This decrease was due, in part, to seasonal withdrawals from demand deposits accounts, money market accounts and certificates of deposit; and, in part, to a recent upward trend in the equities market during the period. Total net loans were \$87.7 million or 63.7% of total deposits at December 31, 2003, as compared to \$83.3 million or 57.2% of total deposits at September 30, 2003, representing an increase of \$4.4 million for the quarter. This increase was due, in part, to Falmouth Bank's decision to selectively retain some of its current higher yielding loan production for portfolio rather than selling it on the secondary market. Investment securities were \$61.9 million or 39.2% of total assets at December 31, 2003, as compared to \$70.6 million or 42.5% of total assets at September 30, 2003. Investment securities decreased \$8.7 million or 12.32%, in part, due to maturing and called investment securities. The proceeds were used to fund loans held for investment and deposit outflows.

Borrowed funds from the Federal Home Loan Bank of Boston decreased \$21,000 from \$2.6 million at September 30, 2003 to \$2.6 million at December 31, 2003. The decrease was the result of normal amortization of long term borrowings combined with a short-term advance of \$4,000 that was the result of normal cash management operations with FHLB.

Stockholders' equity was \$17.9 million at December 31, 2003, and \$17.7 million at September 30, 2003. The change in stockholders' equity was due to an increase in accumulated other comprehensive income of \$101,000, changes in capital due to annual entries effecting Falmouth Bank's Employee Stock Ownership Plan, Employee Stock Option Plan and the Employee Recognition and Retention Plan of \$129,000, offset, in part, by and the payment of a cash dividend of \$119,000. The ratio of stockholders' equity to total assets was 11.3% at December 31, 2003, and the book value per share of common stock was \$19.48 at December 31, 2003, compared to 10.7% and \$19.43, respectively, at September 30, 2003.

The ratio of the allowance for loan losses to total loans was 0.86% at December 31, 2003. Management believes the allowance is adequate based upon, among other things, past loss experience, prevailing economic conditions, and the level of credit risk in the loan portfolio. However, Falmouth Bank, during its regular reviews of delinquencies and its loan portfolio, may provide additional provisions as deemed necessary to maintain a sufficient allowance for the loan loss to total loan ratio.

*Net Income.* Falmouth's net income for the three months ended December 31, 2003 was \$1,000, as compared to \$375,000 for the three months ended December 31, 2002. The decrease in net income of \$374,000 was due, in part, to a decrease in interest and dividend income of \$316,000 that was offset, in part, by a decrease in interest expense of \$255,000. Other key factors included a decrease in other income of \$200,000, an increase in other expenses of \$240,000 and a decrease in income taxes of \$126,000. The

increase in other expenses was related, in part, to costs associated with potential merger activities, which totaled \$91,000 in added legal and professional fees for the three-month period ended December 31, 2003. The additional costs associated with the proposed plan of merger are expected to continue to rise sharply in the next two quarters. The annualized return on average assets (ROA) for the three months ended December 31, 2003 was 0.00%, a decrease of 96 basis points, as compared to 0.96% for the same period of the prior year.

*Interest and Dividend Income.* Total interest and dividend income for the three months ended December 31, 2003 was \$1.6 million, a decrease of \$316,000, as compared to \$1.9 million for the three month period ended December 31, 2002. The decrease was attributable to a decrease in interest and fees on loans of \$242,000, which was the result of continuing historically low interest rates and a decrease in loans held for investment, and a decrease in interest on debt securities, dividends on equity securities and other interest of \$74,000.

*Interest Expense.* Total interest expense for the three months ended December 31, 2003 was \$462,000 as compared to \$718,000 for the same period of the prior year, a decrease of \$256,000. The decrease in interest expense was primarily due to declining short term interest rates, partially offset by a \$3.4 million growth in interest bearing deposits for the twelve months ended December 31, 2003.

*Net Interest and Dividend Income.* Net interest and dividend income was \$1.1 million for the three-month period ended December 31, 2003 and \$1.2 million for the three months ended December 31, 2002. The \$60,000 decrease was the result of a \$316,000 decrease in interest and dividend income, offset by a \$255,000 decrease in interest expense. The net interest margin for the three months ended December 31, 2003 was 2.86%, a decrease of 28 basis points, as compared to 3.14% for the three months ended December 31, 2002. The decrease in net interest margin was primarily the result of a decrease in the yield on interest earning assets.

*Provision for Loan Losses.* Although net loans increased by \$4.3 million for the three months ended December 31, 2003, primarily in 1-4 family residential loans, Falmouth made no additional provision to its allowance for loan losses during the quarter ended December 31, 2003 because management believed the provision to be adequate. Although the provision was deemed adequate based on Falmouth's delinquency and loan loss record, management believes that additional provisions may be added as the loan portfolio is expected to expand slightly. The expected expansion in the loan portfolio is the result of Falmouth's intent to place additional loans in portfolio and sell fewer 1-4 family residential loans in the secondary market.

Falmouth's allowance for loan loss was 0.86% of total loans at December 31, 2003 as compared to 0.91% at September 30, 2003. On December 31, 2003 Falmouth had no loans 60 or more days delinquent, no small commercial loans overdue and no non-performing loans.

The allowance for loan losses is maintained at a level determined to be adequate by management to absorb future charge-offs of