HARRODSBURG FIRST FINANCIAL BANCORP INC
Form S-4/A
March 29, 2004
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As filed with the Securities and Exchange Commission on March 29, 2004

Registration No. 333-113163

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1 TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HARRODSBURG FIRST FINANCIAL BANCORP, INC.

(exact name of registrant as specified in its charter)

Delaware

(state or other jurisdiction of incorporation or organization)

6035

(Primary Standard Industrial Classification Code Number)

61-1284899

(IRS Employer Identification No.)

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

(Address, including zip code, and telephone number,

including area code, of registrants principal executive offices)

Arthur L. Freeman

Chairman and Chief Executive Officer

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies to:

Felicia C. Battista, Esquire **Patton Boggs LLP** **2550 M Street, N.W.** **Washington, D.C. 20037** **(202) 457-6000**	**N. William White** **President and Chief Executive Officer** **Independence Bancorp** **3801 Charlestown Road** **New Albany, Indiana 47151** **(812) 944-1400**	**John W. Tanselle, Esquire** **Kreig Devault LLP** **Indiana Square, Suite 2800** **Indianapolis, Indiana 46204-2079** **(317) 636-4341**

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

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. ¨

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

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration 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)(2)**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee(1)(2)**
Common Stock, Par Value $0.10 per share	990,000	N/A	$12,783,500	$1,620*

(1) Represents the maximum number of shares of Harrodsburg First Financial Bancorp, Inc. (Harrodsburg) common stock, estimated to be issuable upon the consummation of the merger of Independence Bancorp (Independence), an Indiana corporation, with and into Harrodsburg, based on the number of shares of Independence common stock, no par value per share, outstanding or reserved for issuance under various plans, immediately prior to the merger and the exchange of each such share of Independence common stock for 1.0 share of Harrodsburg common stock. Pursuant to Rules 457(f) under the Securities Act of 1933, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the aggregate market value of the estimated number of shares of Independence Common Stock to be converted into the right to receive Harrodsburg Common Stock in the merger (757,000 shares), based upon the value of the average price ($9.50) of shares of Independence Common Stock.

(2) The maximum number of shares of common stock issuable upon awards to be granted under the Harrodsburg 2004 Stock Option Plan consists of 233,000 shares. Pursuant to Rule 457(h) under the 1933 Securities Act, the shares are being based upon the average of the high and low selling prices of Harrodsburg common stock reported on the Nasdaq National Market on February 24, 2004, of $24.00 per share.

* Previously Paid.

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 Commission, acting pursuant to Section 8(a), may determine.

Harrodsburg First Financial Bancorp, Inc. **Independence Bancorp**

Merger Proposed   Your Vote Is Very Important

The Boards of Directors of Harrodsburg First Financial Bancorp, Inc. and Independence Bancorp have agreed to merge and are seeking your approval of this important transaction.

Upon completion of the merger, Independence shareholders will receive 1.0 share of Harrodsburg common stock in exchange for each share of Independence common stock they own. Harrodsburg shareholders will continue to own their existing shares.

On March 22, 2004, the closing price of Harrodsburg common stock was $22.49. Harrodsburg stock price will fluctuate between now and the completion of the merger. Harrodsburg common stock is listed on the Nasdaq National Market under the symbol HFFB. Independence common stock is not publicly traded.

The merger cannot be completed unless the shareholders of each company adopt the merger agreement by the affirmative vote of a majority of the total outstanding shares entitled to vote. Harrodsburg and Independence each have scheduled an annual meeting to vote on the matters necessary to complete the merger and other annual voting matters.

We are asking the **Harrodsburg** shareholders to:

- Adopt the merger agreement and approve the issuance of Harrodsburg common stock;
- Ratify the Harrodsburg 2004 Stock Option Plan;
- Elect two directors of Harrodsburg; and
- Ratify the appointment of auditors.

The annual meeting of Harrodsburg shareholders will be held:

Monday, May 10, 2004

3:00 p.m. local time

Ragged Edge Community Theatre

111 South Main Street

Harrodsburg, Kentucky

We are asking **Independence** shareholders to:

Adopt the merger agreement; and

Elect three directors of Independence.

The annual meeting of Independence shareholders will be held:

Tuesday, May 11, 2004

5:00 p.m. local time

Independence Bancorp

3801 Charlestown Road

New Albany, Indiana

Whether or not you plan to attend your shareholder meeting, please take the time to vote by signing, dating and mailing your enclosed proxy card. **Regardless of the number of shares you own, your vote is very important. Please act today.**

Both Boards of Directors have approved the merger and recommend you vote **FOR** adoption of the merger agreement.

We encourage you to read this document carefully.

Thank you for your continued interest and support.

/s/ Arthur L. Freeman	/s/ N. William White
Arthur L. Freeman	***N. William White***
Chairman and Chief Executive Officer	***President and Chief Executive Officer***
Harrodsburg First Financial Bancorp, Inc.	***Independence Bancorp***

Neither the SEC nor any state securities regulator has approved the Harrodsburg common shares to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense. These securities are not savings or deposit accounts or other obligations of any bank or nonblank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund or any other governmental agency.

This document is dated as of March 31, 2004 and is first being mailed to shareholders on or about March 31, 2004.

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HARRODSBURG FIRST FINANCIAL BANCORP, INC.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 10, 2004

Notice is hereby given that the annual meeting of shareholders of Harrodsburg First Financial Bancorp, Inc. will be held at the Ragged Edge Community Theatre, located at 111 South Main Street, Harrodsburg, Kentucky on Monday, May 10, 2004, at 3:00 p.m., local time.

A proxy card and proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon:

1. The adoption of an Agreement and Plan of Reorganization between Harrodsburg First Financial Bancorp, Inc., First Financial Bank, Independence Bancorp and Independence Bank, dated January 22, 2004, and the approval of the issuance of shares of Harrodsburg common stock in the merger;

2. The ratification of the Harrodsburg 2004 Stock Option Plan;

3. The election of two directors of Harrodsburg; and

4. The ratification of the appointment of BKD, LLP as auditors of Harrodsburg for the fiscal year ending September 30, 2004.

and such other business as may properly come before the meeting or any adjournment thereof. The Board of Directors is not aware of any such other business.

Any action may be taken on the foregoing proposals at the meeting on the date specified above, or on any date or dates to which the meeting may be adjourned. Only shareholders of record at the close of business on March 22, 2004 are entitled to vote at the meeting or any adjournments or postponements.

YOUR VOTE IS VERY IMPORTANT

You are requested to complete and sign the enclosed proxy card which is solicited on behalf of the board of directors, and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

Remember, if your shares are held in the name of a broker, only your broker can vote your shares on the merger agreement and only after receiving your instructions. Please contact the person responsible for your account and instruct him/her to execute a proxy card on your behalf. You should also sign, date and mail your proxy at your earliest convenience.

Please review the document accompanying this notice for more complete information regarding the matters proposed for your consideration at the annual meeting. Should you have any questions or require assistance, please call Arthur L. Freeman at (859) 734-5452.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Arthur L. Freeman

Arthur L. Freeman

Chairman of the Board and Chief Executive Officer

Harrodsburg, Kentucky

March 31, 2004

The Board of Directors of Harrodsburg unanimously recommends that you vote FOR each of the proposals. Your support is appreciated.

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INDEPENDENCE BANCORP

3801 Charlestown Road

New Albany, Indiana 47151

(812) 944-1400

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 11, 2004

Notice is hereby given that the annual meeting of shareholders of Independence Bancorp will be held at its headquarters, located at 3801 Charlestown Road, New Albany, Indiana on Tuesday, May 11, 2004, at 5:00 p.m., local time.

A proxy card and proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon:

1. The adoption of an Agreement and Plan of Reorganization between Harrodsburg First Financial Bancorp, Inc., First Financial Bank, Independence Bancorp and Independence Bank, dated January 22, 2004; and

2. The election of three directors of Independence.

and such other business as may properly come before the meeting or any adjournment or postponement thereof. The Board of Directors is not aware of any such other business.

Any action may be taken on the foregoing proposal at the meeting on the date specified above, or on any date or dates to which the meeting may be adjourned. Only shareholders of record at the close of business on March 22, 2004 are entitled to vote at the meeting or any adjournments or postponements.

YOUR VOTE IS VERY IMPORTANT

You are requested to complete and sign the enclosed proxy card which is solicited on behalf of the board of directors, and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

Remember, if your shares are held in the name of a broker, only your broker can vote your shares and only after receiving your instructions. Please contact the person responsible for your account and instruct him/her to execute a proxy card on your behalf. You should also sign, date and mail your proxy at your earliest convenience.

Please review the document accompanying this notice for more complete information regarding the matter proposed for your consideration at the annual meeting. Should you have any questions or require assistance, please call N. William White at (812) 944-1400.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ N. William White

N. William White

President and Chief Executive Officer

New Albany, Indiana

March 31, 2004

The Board of Directors of Independence recommends that you vote FOR the adoption of the merger agreement. Your support is appreciated.

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G	Harrodsburg s 2004 Omnibus Stock Option Plan
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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE MEETINGS

Q: Why do Harrodsburg and Independence want to merge?

A: Our companies are proposing a strategic alliance because we believe that by combining we can create a strong franchise in the southern Indiana and greater Louisville and central Kentucky market areas, that will provide significant long-term benefits to our shareholders and customers alike.

Q: What will happen to outstanding shares of Independence and Harrodsburg common stock?

A: Upon completion of the merger, each outstanding share of Independence common stock will be converted into 1.0 share of Harrodsburg common stock, with fractional shares paid in cash. Outstanding shares of Harrodsburg common stock will remain outstanding with no change. After the merger, shares of Harrodsburg common stock will represent the combined assets and business of Harrodsburg and Independence.

Q: What will the combined company be called and will the shares continue to trade on the Nasdaq National Stock Market?

A: Upon the completion of the merger of Harrodsburg and Independence, the combined company will be called 1st Independence Financial Group, Inc. The shares of 1st Independence Financial Group, Inc. will trade on the Nasdaq National Stock Market under the symbol FIFG.

Q: Is the merger taxable?

A: Harrodsburg and Independence each expect the merger to be tax-free. Harrodsburg s legal counsel will deliver an opinion to Harrodsburg and Independence at the closing of the merger that neither Harrodsburg, Independence, Harrodsburg shareholders, nor the Independence shareholders should recognize any gain or loss for U.S. federal income tax purposes in the merger, except with respect to any cash that Independence shareholders will receive instead of fractional shares.

We describe the material federal income tax consequences of the transaction in more detail on page 64. The tax consequences to you will depend on the facts of your own situation. Please consult your tax advisor for a full understanding of the tax consequences that the merger will have on you.

Q: Am I entitled to appraisal rights?

A: Independence shareholders are entitled to appraisal rights in connection with the merger. Harrodsburg shareholders are not entitled to appraisal rights in connection with the merger.

Q: When do you expect the merger to be completed?

A: We expect to complete the merger in the early third quarter of 2004. However, because the merger is subject to governmental approvals, we cannot predict the exact timing.

Q: Should I send in my stock certificates now?

A: No. After we complete the merger, Harrodsburg will send instructions to Independence shareholders whose shares are to be converted in the merger. These instructions will explain how to exchange your Independence stock certificates for 1st Independence Financial Group, Inc. stock certificates. Harrodsburg shareholders will keep their current stock certificates.

Q: How do I vote?

A: Please mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at your shareholders meeting. In order to assure that your vote is counted, please give your proxy as instructed on your proxy card even if you currently plan to attend the meeting in person. If you sign and send in your proxy card and do not indicate how you want to vote, we will count your proxy card as a vote in favor of each proposal submitted at your shareholders meeting.

Q: Why is the Harrodsburg 2004 Stock Option Plan being ratified?

A: The merger agreement requires the exchange of stock options to certain individuals from Independence. There are currently not sufficient shares available under the current Harrodsburg stock option plan to make these grants. The Harrodsburg board of directors is recommending the issuance of these additional shares solely because Harrodsburg has agreed to exchange the options of Independence s employees, executive officers and directors under the merger agreement.

Q: Can I change my vote?

A. Yes. You can change your vote at any time prior to your shareholders meeting by submitting a later-dated signed proxy card or by attending the meeting and voting in person.

Q: If my shares are held in street name by a broker, will the broker vote the shares for me on the merger?

A: No. You must instruct your broker to vote your shares on the merger, following the directions provided to you by your broker. Your failure to instruct your broker to vote on the merger will be the equivalent of voting against the merger.

Q: Who do I call if I have questions about the meetings or the merger?

A: If you are a shareholder of Harrodsburg, you can contact Arthur L. Freeman at (859) 734-5452 to answer your questions about the merger.

If you are a shareholder of Independence, you can contact N. William White at (812) 944-1400 to answer your questions about the merger.

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SUMMARY

This section highlights selected information in this document and may not contain all of the information important to you. To understand the merger more fully and for a more complete description of the legal terms of the merger, you should read this entire document carefully, including Appendices, and the documents to which we refer to in this document. A list of the documents that we incorporate by reference appears on page 98 under the heading Where You Can Find More Information.

THE COMPANIES

Harrodsburg First Financial Bancorp, Inc.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

Headquartered in Harrodsburg, Kentucky, Harrodsburg First Financial Bancorp, Inc. (Harrodsburg) is the publicly traded parent company of First Financial Bank (First Financial). Harrodsburg has two full service banking offices in Harrodsburg and Lawrenceburg, Kentucky. Additionally, Harrodsburg owns a majority interest in Citizens Financial Bank, Inc., which has one full service banking office in Glasgow, Kentucky. Harrodsburg currently owns 22.5% of Independence Bancorp. As of December 31, 2003, Harrodsburg had total consolidated assets of $173.7 million, deposits of $141.5 million and shareholders equity of $21.2 million.

Independence Bancorp

3801 Charlestown Road

New Albany, Indiana

(812) 944-1400

Privately held Independence Bancorp (Independence) has a presence in southern Indiana and Louisville, Kentucky. Independence, formed in 1998, has four full service banking offices, located in New Albany, Jeffersonville, and Marengo, Indiana and one in Louisville, Kentucky. Independence also operates Independence Mortgage Group, a division of Independence Bank, in both Louisville, Kentucky and southern Indiana. As of December 31, 2003, Independence had total consolidated assets of $108.8 million, deposits of $79.8 million and shareholders equity of $8.5 million.

THE MERGER AND THE MERGER AGREEMENT

(page 51)

The Agreement and Plan of Reorganization is attached to this document as Appendix A. Please read the merger agreement carefully. It is the legal document that governs the merger.

What Independence Shareholders Will Receive (page 51)

As a result of the merger, Independence shareholders (except for Harrodsburg) will receive, for each share of Independence common stock, 1.0 share of Harrodsburg common stock. Harrodsburg will not issue any fractional shares. Independence shareholders will receive a check for any fractional share in an amount equal to the share fraction multiplied by the average closing price of Harrodsburg common stock on the five trading days before Harrodsburg completes the merger.

On March 22, 2004, the latest available date prior to the mailing of this document, the closing share price of Harrodsburg common stock as reported on the Nasdaq National market was $22.49. Applying the 1.0 exchange ratio to the Harrodsburg closing price on that date, each holder of Independence common stock (except Harrodsburg) would be entitled to receive Harrodsburg common stock with a market value of approximately $22.49 for each share of Independence common stock. The value of Harrodsburg common stock, however, is likely to change between now and completion of the merger. You should obtain current price quotes for Harrodsburg common stock. See Selected Historical and Pro Forma Financial Data on page 6.

Ownership of Harrodsburg After the Merger

Harrodsburg will issue approximately 690,000 shares of Harrodsburg common stock to Independence shareholders in the merger. The shares of Harrodsburg common stock to be issued to Independence shareholders in the merger will represent approximately 36% of the outstanding Harrodsburg common stock after the merger. This information does not take into account outstanding Harrodsburg or Independence stock options or shares of Independence stock already owned by Harrodsburg.

Board of Directors Following the Merger (page 75)

Following the merger, the board of directors of the combined company will consist of ten members, five of which have been chosen from among Harrodsburg s current directors and five of which have been chosen from among Independence s current directors.

Interests of Harrodsburg s and Independence s Officers and Directors in the Merger (page 67)

You should be aware that a number of Harrodsburg and Independence directors and executive officers may have interests in the merger that are different from, or in addition to, their interest as shareholders. These interests exist because of the rights that these directors and executive officers have under the terms of their benefit and compensation plans and also, in the case of the executive officers, under the terms of various agreements. Additionally, these interests arise from provisions of the merger agreement relating to appointments to the Harrodsburg board, employment arrangements and employee benefits after the merger, the exchange of stock options and indemnification and insurance after the merger.

The members of Harrodsburg s and Independence s boards of directors knew about and considered these additional interests when they approved the merger agreement.

Our Reasons and Recommendations for the Merger (pages 53 and 55)

Harrodsburg and Independence believe that the merger will:

- create a strong franchise with an expanded core market area;
- create opportunities for significant operational benefits and financial cost savings and revenue enhancements through the integration of Harrodsburg and Independence s operations;
- strengthen the combined company s competitive and capital position in the financial services industry, which is rapidly changing and growing more competitive;
- widen the combined company s product range through a broadened customer base with similar demographics;
- enable shareholders of both companies to participate in the future growth of the combined businesses of Harrodsburg and Independence; and
- provide customers of both companies with a broader range of products and services.

Harrodsburg s board of directors believes the merger is in its shareholders best interests and unanimously recommends that Harrodsburg s shareholders vote **FOR** the proposal to adopt the merger agreement and approve the issuance of shares of Harrodsburg common stock in the merger.

Independence s board of directors believes the merger is in its shareholders best interests and recommends that Independence s shareholders vote **FOR** the proposal to adopt the merger agreement.

You should note, however, that achieving these objectives is subject to particular risks and uncertainties, including possible difficulties in combining the operations of the two companies, in achieving anticipated cost savings and other financial and operating benefits from the merger and in the introduction and acceptance of new products and services into Harrodsburg s and Independence s market areas. See Disclosure Regarding Forward-Looking Information. To review our reasons for the merger in greater detail, as well as how we came to agree on the merger, please see pages 51 through 56.

Opinions of Financial Advisors (pages 56 and 60)

Harrodsburg. Among other factors considered in deciding to approve the merger, the Harrodsburg board of directors received the opinion of its financial advisor, Keefe, Bruyette & Woods, Inc., to the effect that, as of January 22, 2004, the date the parties signed the merger agreement, the exchange ratio was fair to the holders of Harrodsburg common stock from a financial point of view. We have attached a copy of the opinion to this document as Appendix B. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Keefe, Bruyette & Woods, Inc., in providing its opinion.

Independence. Among other factors considered in deciding to approve the merger, the Independence board of directors received the opinion of its financial advisor, David A. Noyes & Company, that, as of January 22, 2004, the date the parties signed the merger agreement, the exchange ratio was fair to the holders of Independence common stock from a financial point of view. We have attached a copy of the opinion to this document as Appendix C. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by David A. Noyes & Company in providing its opinion.

Material Federal Income Tax Consequences of the Merger

(page 64)

The Merger is structured so that Harrodsburg, Independence, and the holders of Harrodsburg and Independence common stock should not recognize any income, gain or loss for federal income tax purposes as a result of the merger, except for any gain or loss related to cash received by Independence shareholders for fractional shares.

It is a condition to closing the merger that each company receive an opinion of counsel that the merger will be a tax-free reorganization for federal income tax purposes.

Tax matters are very complicated and the tax consequences that the merger will have on you will depend on the facts of your own situation. You should consult your tax advisors for a complete description of the tax consequences of the merger to you.

Market Price of Common Stock (page 74)

Shares of Harrodsburg common stock are traded on the Nasdaq National Market and shares of Independence common stock are not publicly traded. On January 21, 2004, the last trading day before Harrodsburg announced the merger, Harrodsburg common stock closed at $23.42 per share. On March 22, 2004,

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the latest available date prior to the meeting of this document, Harrodsburg common stock closed at $22.49 per share.

Shareholders Appraisal Rights (page 72)

Under Delaware law, Harrodsburg shareholders do not have a right to an appraisal of the value of their shares in connection with the merger.

Under Indiana law, Independence shareholders have a right to an appraisal of the value of their shares in connection with the merger.

To dissent and receive the appraised fair value of their shares, Independence shareholders must follow the procedures outlined in Appendix E, including, without limitation:

- make a proper demand for appraisal in accordance with the Indiana law as more fully described on pages 70 through 71; and
- not vote in favor of the merger in person or by proxy.

What We Must Do to Complete the Merger (page 64)

The completion of the merger depends on a number of conditions being met. In addition to compliance with the merger agreement, these conditions include:

- adoption of the merger agreement by Harrodsburg and Independence shareholders;
- approval of the merger by federal and state regulatory authorities;
- receipt of opinion regarding the federal income tax consequences of the merger; and
- the absence of any injunction or legal restraint blocking the merger or government proceeding preventing the completion of the merger.

As long as the law allows the parties to do so, Harrodsburg and Independence could decide to complete the merger even though one or more of the conditions in the merger agreement has not been met. Harrodsburg and Independence cannot be certain when (or if) the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Accounting Treatment (page 66)

The merger will be accounted for as a purchase transaction. This means that, for accounting and financial reporting purposes, we will treat the fair market value of the consideration received by Independence shareholders that is in excess of the fair market value of Independence as goodwill, on Harrodsburg s financial statements. In accordance with Statement of Financial Accounting Standard No. 142, this goodwill will not need to be amortized in the future, but, goodwill will be evaluated annually for impairment. Outstanding stock options exchanged in the merger will be accounted for in accordance with APB No. 25.

Termination of the Merger Agreement (page 70)

Harrodsburg and Independence can mutually agree at any time to terminate the merger agreement prior to completing the merger. In addition, either of Harrodsburg or Independence may terminate the merger agreement if:

either Harrodsburg or Independence violates a material provision of the merger agreement and does not cure the violation within 30 days;

any required approval of shareholders or regulatory authorities is not received;

the merger has not been completed by August 31, 2004;

either Harrodsburg s or Independence s board of directors withdraws their recommendation to approve the merger agreement or modify or qualify their recommendation in a manner adverse to the other party;

either Harrodsburg or Independence recommends to its shareholders to tender their respective shares to a third party;

if either Harrodsburg or Independence enters into another agreement with someone else in connection with a superior proposal.

Material Differences in the Rights of Stockholders (page 77)

The rights of Harrodsburg shareholders are governed by Delaware law and Harrodsburg s certificate of incorporation and bylaws. The rights of Independence shareholders are governed by Indiana law and Independence s articles of incorporation and bylaws. Upon our completion of the merger, Independence shareholders will become shareholders of Harrodsburg and their rights will be governed by Delaware law and by Harrodsburg s certificate of incorporation and bylaws. There are differences between the rights of the shareholders of Harrodsburg and Independence. Some of these differences include the requirements to amend the certificate of incorporation and the bylaws, the procedures surrounding potential business combinations and dissenter s rights of appraisal. These differences, among others, are discussed in detail beginning on page 77.

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THE SHAREHOLDER MEETINGS

Harrodsburg Shareholders

The Harrodsburg annual meeting has been called for May 10, 2004, at 3:00 p.m., local time, at the Ragged Edge Community Theatre, located at 111 South Main Street, Harrodsburg, Kentucky. At this meeting Harrodsburg shareholders will be asked to:

1. Adopt the merger agreement and approve the issuance of shares of Harrodsburg common stock in the merger. Consummation of the merger is subject to Harrodsburg shareholders approving this proposal.

2. Ratify the Harrodsburg 2004 Stock Option Plan.

3. Elect two directors.

4. Ratify the appointment of BKD, LLP as auditors for fiscal 2004.

Record Date. You can vote at the Harrodsburg annual meeting if you owned Harrodsburg common stock at the close of business on March 22, 2004. You can cast one vote for each share of Harrodsburg common stock you owned at that time.

Vote Required. Adoption of the merger agreement will require the affirmative vote of a majority of the outstanding Harrodsburg common stock entitled to vote. Ratification of the Harrodsburg 2004 Stock Option Plan and ratification of the appointment of BKD, LLP as the auditors for fiscal 2004 will require the affirmative vote of a majority of the shares of Harrodsburg common stock present and voting on these matters. Directors shall be elected by a plurality of the votes cast.

Proxies. You can vote your shares at the Harrodsburg annual meeting by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before it is voted either by sending to Harrodsburg a revocation notice or a new proxy or by attending the Harrodsburg annual meeting and voting in person. Simply attending the Harrodsburg annual meeting will not revoke your proxy.

Independence Shareholders

The Independence annual meeting has been called for May 11, 2004 at 5:00 p.m., local time, at Independence s headquarters, located at 3801 Charlestown Road, New Albany, Indiana. At this meeting, Independence shareholders will be asked to:

1. Adopt the merger agreement; and

2. Elect three directors.

Record Date. You can vote at the Independence annual meeting if you owned Independence common stock at the close of business on March 22, 2004. You can cast one vote for each share of Independence common stock you owned at that time.

Vote Required. Adoption of the merger agreement will require the affirmative vote of a majority of the outstanding Independence common stock entitled to vote. Directors shall be elected by a plurality of the votes cast.

Proxies. You can vote your shares at the Independence annual meeting by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before it is voted either by sending to Independence a revocation notice or a new proxy or by attending the Independence annual meeting and voting in person. Simply attending the Independence annual meeting will not revoke your proxy.

SHARE OWNERSHIP OF MANAGEMENT AND DIRECTORS

On March 22, 2004, the record date for the Harrodsburg annual meeting, executive officers and directors of Harrodsburg and their affiliates beneficially owned and were entitled to vote approximately 126,000 shares (does not include unexercised options) of Harrodsburg common stock, or approximately 10% of the Harrodsburg shares outstanding on that date. The Harrodsburg executive officers and directors have entered into shareholder agreements with Independence whereby they have agreed to vote at the Harrodsburg annual meeting approximately 126,000 shares of Harrodsburg common stock owned or controlled by them in favor of the proposal to adopt the merger agreement and in favor of the proposal to ratify the Harrodsburg 2004 Stock Option Plan.

On March 22, 2004, the record date for the Independence annual meeting, executive officers and directors of Independence and their affiliates beneficially owned and were entitled to vote approximately 269,000 shares (does not include unexercised options) of Independence common stock, or approximately 30% of the Independence shares outstanding on that date. The Independence executive officers and directors have entered into shareholder agreements with Harrodsburg whereby they have agreed to vote at the Independence annual meeting approximately 269,000 shares of Independence common stock owned or controlled by them in favor of the proposal to adopt the merger agreement. Additionally, Harrodsburg owns 200,000 shares of Independence and will vote those shares in favor of the merger.

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SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present (1) selected historical financial data of Harrodsburg, (2) selected historical financial data of Independence and (3) selected unaudited pro forma consolidated financial data of Harrodsburg, which reflect the merger.

Selected Consolidated Historical Financial Data of Harrodsburg

Set forth below are highlights from Harrodsburg s consolidated financial data as of and for the years ended September 30, 1999 through 2003 and Harrodsburg s unaudited consolidated financial data as of and for the three months ended December 31, 2003. The results of operations for the three months ended December 31, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. Harrodsburg s management prepared the unaudited information on the same basis as it prepared Harrodsburg s audited consolidated financial statements. In the opinion of Harrodsburg s management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Harrodsburg s consolidated financial statements and related notes included in Harrodsburg s Annual Report on Form 10-KSB for the year ended September 30, 2003, and Harrodsburg s Quarterly Report on Form 10-QSB for the quarter ended December 31, 2003, which are incorporated by reference in this proxy statement/prospectus and from which this information is derived. See Where You Can Find More Information on page 98.

	At December 31,	At September 30,				
	2003	2003	2002	2001	2000	1999
		(Dollars in Thousands)				
Selected Consolidated Financial Data:						
Assets	$ 173,845	$ 173,609	$ 153,052	$ 136,541	$ 117,393	$ 110,416
Loans receivable, net	118,260	117,655	113,352	105,081	100,881	89,062
Investments	38,883	38,039	21,328	17,450	10,994	11,240
Cash and interest-bearing deposits	7,531	9,134	12,448	10,896	3,031	8,350
Deposits[1]	141,563	141,745	121,920	102,961	86,473	82,018
FHLB advances	2,772	2,707	5,000	7,000	3,500	
Subordinated preferred securities	5,000	5,000				
Minority interests	1,779	1,764	1,662	1,849		
Stockholders equity	21,287	20,772	22,066	22,305	25,241	26,220

	For the three months ended December 31,	For the Years Ended September 30,				
	2003	2003	2002	2001	2000	1999
		(Dollars in Thousands)				
Operating Data:						
Interest income	$ 2,219	$ 8,674	$ 8,737	$ 8,744	$ 8,051	$ 7,745
Interest expense	1,089	4,343	4,741	5,187	4,150	3,813
Net interest income	1,130	4,331	3,996	3,557	3,901	3,932

Provision for loan losses	29	428	241	40	15	35
Net interest income after provision for loan losses	1,101	3,903	3,755	3,517	3,886	3,897
Non-interest income	184	934	486	178	113	116
Non-interest expense	1,011	3,733	3,306	2,679	2,261	1,728
Income before income tax expense and minority interests	274	1,104	935	1,016	1,738	2,285
Income tax (expense) benefit	(75)	311	(494)	(394)	(591)	(777)
Minority interests	(16)	(108)	229	63		
Net income	183	1,307	670	685	1,147	1,508
Basic earnings per share	.16	1.05	.54	.52	.76	.94
Diluted earnings per share	.16	1.05	.54	.52	.76	.94

(1) Includes Federal Home Loan Bank stock, and term deposits with the Federal Home Loan Bank.

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	At or for the three months ended December 31,	At or for the Years Ended September 30,				
	2003*	2003	2002	2001	2000	1999
Performance Ratios:						
Return on average assets (net income divided by average total assets)	.42%	.80%	.46%	.56%	1.02%	1.36%
Return on average equity (net income divided by average equity)	3.48%	6.31%	3.02%	3.06%	4.49%	5.49%
Average interest-earning assets to average interest-bearing liabilities	1.09	112.03	116.00	123.25	128.80	133.86
Net interest rate spread	1.87%	2.46%	2.34%	1.95%	2.46%	2.43%
Net yield on average interest-earning assets	2.81%	2.80%	2.89%	2.95%	3.55%	3.63%
Dividend payout		59.79	110.90	108.63	113.08	87.74
Capital Ratios:						
Average equity to average assets (average equity divided by average total assets)	12.10	12.69	15.32	18.16	22.64	24.80
Equity to assets at period end	12.24	11.96	14.42	16.34	21.50	23.75
Asset Quality Ratios:						
Net interest income after provisions for loan losses to total noninterest expenses	108.86	104.55	113.58	131.28	171.87	225.58
Non-performing loans to total loans	.56	.35	.33	.21	.51	.32
Non-performing loans to total assets	.38	.24	.25	.16	.44	.25

* Percents are annualized.

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Selected Consolidated Historical Financial Data of Independence

Set forth below are highlights from Independence s consolidated financial data as of and for the years ended December 31, 2000 through 2003. Independence commenced its operations on June 10, 1999. You should read this information in conjunction with Independence s consolidated financial statements and related notes included in this proxy statement/prospectus beginning on page 19.

	At or For the Year Ended December 31,			
	2003	**2002**	**2001**	**2000**
	(Dollars in thousands)			
Selected Consolidated Financial Data:				
Assets	$ 108,775	$ 89,565	$ 65,465	$ 54,966
Loans held for sale	1,818	8,084		
Loans receivable, net	91,427	65,180	53,249	43,973
Investments	2,607	2,588	2,949	5,069
Cash and cash equivalents	8,391	10,663	6,648	3,139
Deposits	79,833	75,006	53,146	43,572
FHLB advances and other borrowings	19,648	6,416	5,879	5,881
Minority interests (1)			700	700
Stockholders equity	8,492	7,697	5,367	4,471
Operating Data:				
Interest income	5,804	4,798	4,664	3,911
Interest expense	1,969	2,032	2,559	1,990
Net interest income	3,835	2,766	2,105	1,921
Provision for loan losses	361	292	123	212
Net interest income after provision for loan losses	3,474	2,474	1,982	1,709
Non-interest income	3,200	1,317	359	175
Non-interest expense	5,397	3,271	2,198	1,850
Income before income tax expense and minority interests	1,277	520	143	34
Income tax (expense)	(473)	(215)	(37)	(43)
Minority interests (1)		(56)	(56)	(53)
Net income (loss)	804	249	50	(62)
Performance and Capital Ratios:				
Return on average assets (net income divided by average total assets)	.79%	.33%	.08%	(.14)%
Return on average equity (net income divided by average equity)	9.93	3.81	1.02	(1.39)
Average equity to average assets (average equity divided by average total assets)	7.81	8.59	8.20	9.41
Asset Quality Ratios:				
Net interest income after provisions for loan losses to total noninterest expenses	64.37	75.63	90.17	92.38
Non-performing loans to total loans	.27	1.36	.36	1.23
Non-performing loans to total assets	.23	.99	.29	.99

(1) At December 31, 2002, Independence liquidated Independence Bank s minority interest holders as a result of calling $700,000 of 8% non-cumulative junior preferred stock.

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UNAUDITED HISTORICAL AND PRO FORMA PER SHARE DATA

The following table shows information about Harrodsburg and Independence s earnings per common and diluted share, dividends per share and book value per share, reflecting the merger (which we refer to as pro forma information) as of and for the three months ended December 31, 2003 and the twelve months ended September 30, 2003. The pro forma and equivalent pro forma comparative per share data for Independence has been computed utilizing these periods. In presenting the comparative pro forma information for certain time periods, the parties assumed that they have been merged through those periods.

The information listed as equivalent pro forma was obtained by multiplying the pro forma amounts by the exchange ratio of 1.0. This information is presented to reflect the fact that Independence shareholders will receive 1.0 share of Harrodsburg common stock for each share of Independence common stock exchanged in the merger. Harrodsburg shareholders will not exchange their shares. Harrodsburg expects that it will incur merger and integration charges as a result of combining the companies. Harrodsburg also anticipates that the merger will provide financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of Harrodsburg under one set of assumptions, does not reflect these expenses or 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 the companies been combined. See Pro Forma Financial Statements, beginning on page 44.

The summary historical financial data of Independence has been derived from its financial statements which are included in this proxy statement/prospectus beginning on page 19. The summary historical financial data of Harrodsburg has been derived from historical financial information that Harrodsburg has included in prior filings with the Securities and Exchange Commission. Historical financial information for Harrodsburg can be found in its Annual Report on Form 10-KSB for the year ended September 30, 2003 and in its Quarterly Report on Form 10-QSB for the three months ended December 31, 2003. See Where You Can Find More Information, beginning on page 98.

When you read the summary financial information provided in the following tables, you also should read the more detailed financial information included in the historical financial information for Independence which is set forth herein and for Harrodsburg which is included in the other documents of Harrodsburg previously referenced. See Where You Can Find More Information, beginning on page 98.

	Three Months Ended December 31, 2003	Twelve Months Ended September 30, 2003[1]
Net Income Per Common Share:		
Historical:		
Harrodsburg:		
Basic	$ .16	$ 1.05
Diluted	$ .16	$ 1.05
Independence:		
Basic	$ .12	$ .91
Diluted	$ .12	$ .90
Pro forma combined:		
Basic	$ .06	$ .90
Diluted	$ .06	$ .89
Equivalent pro forma amount of Independence [2]		
Basic	$ .06	$ .90

Diluted	$	.06	$	.89

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	Three Months Ended December 31, 2003	Twelve Months Ended September 30, 2003[1]
Dividends Per Common Share: [4]		
Historical:		
Harrodsburg Financial Corp	$	$ .60
Independence		
Equivalent pro forma amount of Independence [3]		$ .60
Book Value Per Common Share (at period-end):		
Historical:		
Harrodsburg	$ 17.41	$ 16.98
Independence	9.55	9.40
Pro forma combined	19.98	19.68
Equivalent pro forma amount of Independence [2]	19.98	19.68

(1) Harrodsburg s year end is September 30 and Independence s year end is December 31. The pro forma information presented above for the twelve months ended September 30, 2003 includes Harrodsburg s historical income statement information for its fiscal year ended September 30, 2003 and Independence s historical income statement information for its fiscal year December 31, 2003.

(2) The equivalent pro forma per share data for Independence is computed by multiplying pro forma combined Harrodsburg and Independence information by 1.0, the share exchange ratio.

(3) The equivalent pro forma cash dividends per common share represent the historical cash dividends per common share declared by Harrodsburg and assume no change will occur, multiplied by 1.0, the share exchange ratio.

(4) Independence does not currently pay dividends to its shareholders. For the three months ended December 31, 2003, Harrodsburg did not declare or pay a dividend.

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RISK FACTORS

Prior to deciding whether or not to approve the transaction, shareholders of Harrodsburg and Independence should be aware of and consider the following risks and uncertainties that are applicable to the merger and the combined company, in addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption Cautionary Statement Concerning Forward-Looking Statements, beginning on page 13.

Upon completion of the merger, the combined company will be called 1st Independence Financial Group, Inc. (1st Independence Financial) and the resulting institution will be called 1st Independence Bank.

Risks Relating to the Merger

The exchange ratio is fixed and will not be adjusted to reflect any changes in the market value of Harrodsburg prior to the effective time of the Merger.

The precise value of the merger consideration to be paid to you will not be known at the time of the meetings. The merger agreement provides that 1.0 share of Harrodsburg common stock will be issued in the merger in exchange for each share of Independence common stock. This exchange ratio is fixed and will not be adjusted to reflect any changes in the value of Harrodsburg common stock between the date of the merger agreement and the effective time of the merger. The market value for the Harrodsburg common stock could fluctuate depending on any number of reasons, including those specific to Harrodsburg and those that influence trading prices of equity securities generally. There are no termination rights in the merger agreement that would permit Independence to terminate the merger if the value of Harrodsburg s common stock falls.

Your interests will be diluted by the merger.

After the merger, Independence s shareholders will own less than a majority of the outstanding voting stock of Harrodsburg and could therefore be outvoted by Harrodsburg shareholders if they all voted together as a group on any issue that is presented to Harrodsburg s shareholders. Harrodsburg s shareholders will own approximately 64% of Harrodsburg s outstanding voting stock, but the majority of the senior management positions of Harrodsburg and half of Harrodsburg s initial board of directors will be comprised of individuals who formerly served as officers or directors of Independence. There is no single individual shareholders of Harrodsburg or Independence who controls in excess of 8.5% of either company s common stock.

Some directors and executive officers of Harrodsburg and Independence will receive benefits in the merger in addition to the merger consideration received by all other shareholders of Independence.

Some officers of Harrodsburg or Independence will receive employment agreements in connection with the merger. In addition, five of the members of Harrodsburg s current board of directors and five of the members of Independence s board of directors will together serve as the entire board of directors of Harrodsburg after the completion of the merger. They will also serve on the board of the combined bank subsidiary and receive payments for their service. Accordingly, our directors and some of our executive officers may have interests in the merger that are different from, or in addition to, yours. See The Merger Interests of Certain Persons In The Merger That Are Different From Your Interests on page 67.

Post Merger Risks

Difficulties in combining the operations of Harrodsburg and Independence may prevent 1st Independence Financial from achieving the expected benefits from its acquisitions.

1st Independence Financial may not be able to achieve fully the strategic objectives and operating efficiencies it hopes to achieve in the merger. The success of the merger will depend on a number of factors, including (but not limited to), Harrodsburg s ability to:

- integrate the operations of Harrodsburg and Independence;

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- maintain existing relationships with depositors of Harrodsburg and Independence to minimize withdrawals of deposits after the merger;

- maintain and enhance existing relationships with borrowers to limit unanticipated credit losses from loans of Independence;

- control the incremental non-interest expense from the combined operations to maintain overall operating efficiencies;

- retain and attract qualified personnel; and

- compete effectively in the communities served by Harrodsburg and Independence and in nearby communities.

These factors could contribute to 1st Independence Financial not achieving the expected benefits from the merger within the desired time frames, if at all.

1st Independence Financial s stock price may be volatile.

The trading price of 1st Independence Financial s common stock may be volatile. The market for 1st Independence Financial s common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, changes in expectations of future financial performance, changes in estimates of securities analysts, governmental regulatory action, banking industry reform measures, share illiquidity, and other factors, many of which are beyond 1st Independence Financial s control.

Furthermore, the stock market in general, and the market for banks and bank holding companies in particular, has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of the combined company s common stock, regardless of actual operating performance.

Future sales of shares of 1st Independence Financial common stock could negatively affect its market price.

Upon completion of the merger, the combined company will have approximately 1.9 million outstanding shares of common stock. Future sales of substantial amounts of 1st Independence Financial s common stock (including shares issued upon the exercise of stock options) by Harrodsburg s or Independence s current shareholders, or the perception that such sales could occur, could adversely affect the market price of 1st Independence Financial s common stock. We make no prediction as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on market price of 1st Independence Financial s common stock.

1st Independence Financial is extensively regulated.

The operations of 1st Independence Financial and 1st Independence Bank are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on them. Policies adopted by the entities can affect 1st Independence Financial s business operations and the availability, growth and distribution of 1st Independence Financial s investments, borrowings and deposits. In addition, federal authorities will periodically conduct examinations of 1st Independence Financial and 1st Independence Bank and may impose various requirements or sanctions.

1st Independence Financial s ability to pay dividends to its shareholders will be dependent upon its ability to receive distributions from 1st Independence Bank. Certain statutes and regulations restrict 1st Independence Bank s ability to pay dividends or make other distributions on its capital stock and thus limit the transfer of funds to 1st Independence Financial.

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Legislative and Regulatory Proposals May Unfavorably Affect 1st Independence Financial

Proposals to change the laws governing financial institutions are frequently raised in Congress and before bank regulatory authorities. Changes in applicable laws or policies could materially affect 1st Independence Financial s business, and the likelihood of any major changes in the future and their effects are impossible to determine. Moreover, it is impossible to predict the ultimate form any proposed legislation might take or how it might affect 1st Independence Financial.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document and the documents incorporated herein by reference contain forward-looking statements by Harrodsburg and Independence within the meaning of the federal securities laws. These forward-looking statements include information about the financial condition, results of operations and businesses of Harrodsburg and Independence. This document also includes forward-looking statements about the consummation and anticipated timing of the merger, the exchange ratio and the tax-free nature of the merger. In addition, any of the words believes, expects, anticipates, estimates, plans, projects, predicts and similar expressions indicate forward-looking statements. These forward-looking statemen involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- estimated cost savings from the merger may not be fully realized within the expected time frame;
- deposit attrition, customer loss or revenue loss following the merger may be greater than expected;
- competitive pressure among depository and other financial institutions may increase significantly;
- costs or difficulties related to the integration of the businesses of Harrodsburg and Independence may be greater than expected;
- changes in the interest rate environment may reduce interest margins;
- general economic or business conditions, either nationally or in the states or regions in which Harrodsburg and Independence do business, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit;
- legislation or changes in regulatory requirements, including changes in accounting standards, may adversely affect the businesses in which Harrodsburg and Independence are engaged;
- adverse changes may occur in the securities markets; and
- competitors of Harrodsburg and Independence may have greater financial resources and develop products and technology that enable those competitors to compete more successfully than Harrodsburg and Independence.

Management of Harrodsburg and Independence each believes that the forward-looking statements about their respective company are reasonable; however, you should not place undue reliance on them. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of Harrodsburg following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond Harrodsburg s and Independence s ability to control or predict.

All subsequent written and oral forward-looking statements attributable to Harrodsburg or Independence or any person acting or their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Neither Harrodsburg nor Independence undertakes any obligation to update publicly any forward-looking statements to reflect events, circumstances or new information after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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Further information on other factors that could affect the financial results of Harrodsburg after the merger is included in the Securities and Exchange Commission filings incorporated by reference in this proxy statement/prospectus.

INTRODUCTION

Harrodsburg is furnishing this joint proxy statement-prospectus to holders of Harrodsburg common stock, $0.10 par value per share, in connection with the proxy solicitation by Harrodsburg s board of directors. Harrodsburg s board of directors will use the proxies at the annual meeting of shareholders of Harrodsburg to be held on May 10, 2004, and at any adjournments or postponements of the meeting. However, no proxy with instructions to vote against the proposal to approve the merger agreement will be voted in favor of any adjournment or postponement of the annual meeting.

Independence is furnishing this joint proxy statement-prospectus to holders of Independence common stock, no par value per share, in connection with the proxy solicitation by Independence s board of directors. Independence s board of directors will use the proxies at the annual meeting of stockholders of Independence to be held on May 11, 2004, and at any adjournments or postponements of the meeting. However, no proxy with instructions to vote against the proposal to approve the merger agreement will be voted in favor of any adjournment or postponement of the annual meeting.

Shareholders will be asked at their respective meetings to vote to adopt the Agreement and Plan of Reorganization, dated as of January 22, 2004, among Harrodsburg, First Financial, Independence and Independence Bank. Pursuant to the merger agreement, Independence will merge into Harrodsburg and each of the outstanding shares of Independence common stock will be converted into 1.0 share of Harrodsburg common stock. Independence shareholders will receive cash for any fractional shares. Outstanding shares of Harrodsburg common stock will remain outstanding with no change. Additionally, Harrodsburg shareholders will ratify the 2004 stock option plan, elect two directors and ratify the appointment of auditors and Independence shareholders will elect three directors.

INFORMATION ABOUT THE COMPANIES

Harrodsburg First Financial Bancorp, Inc.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

Harrodsburg is the publicly traded parent company of First Financial. Harrodsburg has two full service banking offices in Harrodsburg and Lawrenceburg, Kentucky. Additionally, Harrodsburg also owns a majority interest in Citizens Financial Bank, Inc. (Citizens), which has one full service banking office in Glasgow, Kentucky. On December 31, 2002, Harrodsburg purchased 200,000 shares of Independence Bancorp for $2.0 million and currently owns 22.5% of the outstanding shares of Independence.

First Financial operates a traditional savings bank business, attracting deposit accounts from the general public and using those deposits, together with other funds, primarily to originate and invest in loans secured by one- to four-family residential real estate, non-residential real estate, and commercial loans. To a lesser extent, First Financial also originates multi-family real estate loans and consumer loans.

Citizens commenced operations on July 17, 2001, and operates as a commercial bank, attracting deposit accounts from the general public and using those deposits, together with other funds primarily to originate residential and non-residential, commercial and consumer loans.

First Financial is a federally chartered stock savings bank and is subject to examination and regulation by the Office of Thrift Supervision, its chartering agency, and the Federal Deposit Insurance Corporation. Citizens is subject to examination regulation by the Federal Deposit Insurance Corporation and the Kentucky Department of Financial Institutions. First Financial s and Citizens deposits are insured by Savings Association Insurance Fund and the Bank Insurance Fund, respectively. Both banks are members and own capital stock in the Federal Home Loan Bank of

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Cincinnati. Harrodsburg is a registered bank holding company subject to regulation under the Bank Holding Company Act of 1956, as amended and is subject to the regulation and supervision by the Board of Governors of the Federal Reserve System. Additionally, Harrodsburg is also subject to examination by the Kentucky Department of Financial Institutions.

Additional information about Harrodsburg and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See Where You Can Find More Information. on page 96.

Independence Bancorp

3801 Charlestown Road

New Albany, Indiana 47151

(812) 944-1400

Privately held Independence, is the parent company of Independence Bank. Independence formed in 1998, has three full service banking offices located in New Albany, Jeffersonville, and Marengo, Indiana and one in Louisville, Kentucky. Independence also operates Independence Mortgage Group, a division of Independence Bank in both Louisville, Kentucky and southern Indiana. Additionally, on December 31, 2002, Harrodsburg purchased 200,000 shares of Independence for $2.0 million and currently owns 22.5% of Independence.

Independence Bank operates as a commercial bank, attracting deposit accounts from the general public and using those deposits, together with other funds primarily to originate commercial loans, real estate mortgage loans and home equity lines of credit.

Independence Bank is subject to examination and regulation by the Federal Deposit Insurance Corporation and the Indiana Department of Financial Institutions. Independence Bank s deposits are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation and is a member of the Federal Home Loan Bank of Indianapolis. Independence is a registered bank holding company subject to regulation under the Bank Holding Company Act of 1956, as amended, and is subject to the regulation and supervision by the Board of Governors of the Federal Reserve System. Additionally, Independence is also subject to examination by the Indiana Department of Financial Institutions.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF INDEPENDENCE

The following discussion should be read in conjunction with Independence s Consolidated Financial Statements and related notes in this proxy statement/ prospectus.

Overview

Independence is a bank holding company headquartered in New Albany, Indiana, which provides a full range of deposit and loan products through its wholly owned subsidiary, Independence Bank, a state-chartered commercial bank. All references to Independence generally refer to the consolidated entity including Independence Bank, unless the context indicates otherwise.

At December 31, 2003, total assets and liabilities increased $19.2 million and $18.4 million, respectively to $108.8 million and $100.3 million, respectively, as compared to fiscal 2002. For the fiscal year ended December 31, 2003, net income was $804,000 or $.90 per diluted share, as compared to $249,000 or $.36 cents per diluted share for same period in 2002. Set forth below is a detailed discussion of the changes to Independence s Consolidated Financial Statements as of December 31, 2003.

Additionally, on January 22, 2004, Independence, Independence Bank, Harrodsburg and First Financial entered into a strategic alliance and signed a definitive agreement to merge their companies in a tax-free transaction. For further information, reference is made to Note 16 to the Consolidated Financial Statements.

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Asset/Liability Management

Independence Bank, like many other financial institutions, is vulnerable to an increase in rates to the extent that interest-bearing liabilities generally mature or reprice more rapidly than interest-earning assets. Historically, the lending activities of commercial banks, such as Independence Bank, emphasized the origination of short to intermediate variable rate loans, secured by various types of collateral that are more closely matched with the deposit maturities and repricing of interest-earning assets occurs closer to the same general time period. While having interest-bearing liabilities that reprice more frequently than interest-earning assets is generally beneficial to net interest income during a period of declining interest rates, such an asset/liability mismatch is generally detrimental during periods of rising interest rates.

To reduce the effect of interest rate changes on net interest income Independence Bank has adopted various strategies to enable them to improve matching of interest-earning asset maturities to interest-bearing liability maturities. The principal elements of these strategies include:

- Originate variable rate commercial loans instituting interest rate floors;
- Originate one-to-four family residential mortgage loans with adjustable rate features or fixed rate loans with short maturities;
- Lengthen the maturities of our liabilities when it would be cost effective through the pricing and promotion of higher rate certificates of deposit and utilization of Federal Home Loan Bank advances or other borrowings;
- Attract low cost checking and transaction accounts, which tend to be less interest rate sensitive when interest rates rise;
- Maintain interest-bearing deposits, federal funds, and U.S. government securities with short to intermediate terms to maturities; and
- Maintain an investment portfolio that provides a stable cash flow, thereby providing investable funds in varying interest rate cycles.

Independence Bank measures its interest rate risk exposure to rate movements using an overnight upward and downward shift (shock) in the Treasury yield curve. As of December 31, 2003, if interest rates increased 300 basis points and decreased 100 points, respectively, net interest margins would increase by 3.6% and 2.5%, respectively.

Financial Condition

At December 31, 2003, total assets increased $19.2 million to $108.8 million from $89.6 million in fiscal 2002. The increase in total assets in 2003 is primarily due to commercial and home equity loan growth of $26.2 million, increases in premises and equipment of $716,000, offset by a $6.3 million decrease in loans held for sale.

At December 31, 2003, loans held for sale decreased $6.3 million to $1.8 million from $8.1 million in fiscal 2002. Such decreases in loans held for sale were primarily due to a slowdown in the mortgage refinance market attributable to a less favorable interest rate environment.

Loans receivable, net increased $26.2 million to $91.4 million at December 31, 2003 from $65.2 million in fiscal 2002. The growth in the loan portfolio in fiscal 2003 was primarily due to increases in commercial loans of approximately $21.5, real estate mortgage loans of approximately $1.5 million, and home equity lines of credit of approximately $3.9 million. The growth in the commercial loan portfolio reflects the strong loan demand for small business and middle market loans in the southern Indiana and greater Louisville market areas. Home equity and real estate mortgage increases reflect a strong market presence of Independence Bank s mortgage division that was opened for a full year.

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At December 31, 2003, premises and equipment increased $716,000 to $1.8 million from $1.1 million in fiscal 2002. In fiscal 2003, Independence Bank opened the St. Matthews branch, a full service branch, located in the greater Louisville, Kentucky market area.

At December 31, 2003, total liabilities increased $18.4 million to $100.3 million from $81.9 million in fiscal 2002. Increases in 2003 reflect net deposit increases of $4.8, increases in federal funds purchased of $7.6 million, increases in federal home loan bank advances of $2.0 million, and an increase in subordinated debentures of $4.0 million.

Interest bearing deposits in fiscal 2003 increased $6.8 million offset by a decrease in noninterest bearing deposits $2.0 million. These increases in interest bearing deposits reflect the competitively priced product lines within the local market areas for Independence Bank. Noninterest bearing deposits decreased $2.0 primarily due to a decline in closing attorneys real estate escrow balances held by Independence Bank.

In fiscal 2003, federal funds purchased increased $7.6 million and Federal Home Loan Bank borrowings increased $2.0 million. Independence Bank utilizes federal funds purchased lines of credit to meet overnight liquidity needs and utilizes short term variable rate Federal Home Loan Bank advances to fund short term liquidity needs. The rate on federal funds purchased lines of credit are tied to the Federal Reserve Federal Funds rate while the Federal Home Loan Bank variable advances are tied to market rates.

In March of 2003, a trust was formed by Independence that issued $4.0 million of 4.32% floating rate trust preferred securities in 2003 as part of a pooled offering of such securities. Independence issued subordinated debentures to the trust in exchange for the proceeds of the offering, which represents the sole asset of the trust. Please refer to Note 9 to the Consolidated Financial Statements.

Stockholders equity increased by $795,000 to $8.5 million at December 31, 2003 compared to $7.7 million at December 31, 2002. The total proceeds of common shares purchased by Directors through options exercised were $18,000 during 2003. Additional decreases to stockholders equity included a decrease in the net unrealized appreciation on investment securities available-for-sale for $27,000, which was offset by net income of $804,000 during fiscal year 2003.

Comparison Of The Results Of Operations For The Years Ended December 31, 2003 And 2002

Net Income

Net income for the year ended December 31, 2003 increased $555,000 to $804,000 from $249,000 for the same period in 2002. The increase in net income for the 2003 period is primarily due to increases in net interest income and non-interest income offset by increases in noninterest expenses.

Net Interest Income

For the year ended December 31, 2003, net interest income after provision increased $1.0 million to $3.8 million from $2.8 million for the same period in 2002. The increase in interest income for the 2003 year end was due to the increase in commercial and home equity loan volume.

Provision for Loan Losses

For the year ended December 31, 2003, the provision for loan losses increased $69,000 to $361,000 from $292,000 for the same period in 2002. The increase in the loan loss provision in 2003 was related to the continued growth of the Independence s loan portfolio, which increased by a net $26.2 million during the year ended December 31, 2003. The allowance for loan losses is maintained at a level that represents management s best estimates of losses in the loan portfolio at the balance sheet date. However, there can be no assurance that the allowance for losses will be adequate to cover losses, which may be realized in the future and that additional provisions for losses will not be required.

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Non-Interest Income

Non-interest income for December 31, 2003 increased $1.9 million to $3.2 million from $1.3 million for the same period in 2002. Such increase in fiscal 2003 was primarily due to an increase in gains on sales of loans on the secondary mortgage market of $1.8 million.

Non-Interest Expense

For the year ended December 31, 2003, non-interest expense increased $2.1 million to $5.4 million from $3.3 million for the same period in 2002. Salaries and benefits increased $1.5 million due to commissions paid associated with the increase in non-interest income increase from gains on sales of loans and increased staffing levels associated with opening of the St. Matthews branch.

Income Tax Expense

For the year ended December 31, 2003, Independence income tax expense totaled $473,000 compared to an income tax expense of $215,000 for the year ended December 31, 2002. Such increase in tax expense for the 2003 period was the direct result of an increase in income.

Liquidity

Independence Bank s primary sources of funds are deposits and proceeds from principal and interest payments of loans. Additional sources of liquidity are advances from the FHLB of Indianapolis and other borrowings, such as Federal Funds purchased or the issuance of subordinated preferred securities. At December 31, 2003, FHLB advances totaled $7.4 million. Independence utilizes FHLB advances during periods when management believes that such advances provide a lower cost source of funds at a lower cost than deposit accounts, and when management desires liquidity in order to help expand the loan portfolio. Additionally, cash and cash equivalents totaled $8.4 million at December 31, 2003.

Independence s s operating activities produced positive cash flows for the fiscal years ended December 31, 2003 and negative cash flows for 2002. Net cash from operating activities for 2003 totaled $7.8 million, as compared to a $7.4 million deficit for 2002. The increase in operating cash flows in year 2003 resulted primarily from increased secondary market loan sales.

Net cash used in investing activities for 2003 totaled $28.1 million, as compared to $12.4 million in fiscal 2002. The increase in cash used in investing activities was attributable to portfolio loan growth.

Net cash from financing activities for the year ended December 31, 2003 totaled $18.1 million, as compared to $23.7 million for 2002. The decrease of $5.6 million of funds from financing activities primarily reflects a $17.0 slower deposit growth and a $2.0 million prior year sale of common stock offset by proceeds received of $7.6 million in federal funds purchased, $2.0 million in FHLB advances, and $4.0 million from the issuance of subordinated debentures. The $2.0 million prior year sale of common stock reflects Harrodsburg s purchase of 200,000 shares of

Independence common stock in 2002.

At December 31, 2003, Independence Bank had $14.7 million in certificates of deposits due within one year and $4.4 million due between one and three years. Management believes, based on past experience, that the Banks will retain much of the deposits or replace them with new deposits or borrowings. Additionally, at December 31, 2003, Independence Bank had $22.6 million in outstanding commitments to make loans at market rates. Independence Bank intends to fund these commitments with short-term investments proceeds from loan repayments, and increased deposits.

REPORT OF INDEPENDENT AUDITORS

[LOGO]

Board of Directors

Independence Bancorp

New Albany, Indiana

We have audited the accompanying consolidated balance sheets of Independence Bancorp as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Bancorp as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Crowe Chizek and Company LLC

Louisville, Kentucky

January 30, 2004

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INDEPENDENCE BANCORP

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

December 31

	2003	2002
ASSETS		
Cash and due from banks	$ 8,391	$ 6,153
Federal funds sold		4,510
Total cash and cash equivalents	8,391	10,663
Securities available for sale	2,278	2,058
Securities held to maturity	329	530
Loans held for sale	1,818	8,084
Loans, net	91,427	65,180
Premises and equipment	1,767	1,051
Federal Home Loan Bank stock, at cost	626	445
Goodwill	947	947
Core deposit intangibles	14	25
Interest receivable and other assets	1,178	582
Total assets	$ 108,775	$ 89,565
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Noninterest-bearing	$ 7,554	$ 9,588
Interest bearing	72,279	65,418
Total deposits	79,833	75,006
Federal funds purchased	7,577	
Securities sold under agreements to repurchase	671	258
Note payable		758
Federal Home Loan Bank advances	7,400	5,400
Subordinated debenture	4,000	
Interest payable and other liabilities	802	446
Total liabilities	100,283	81,868
Stockholders equity		
Common stock, no par value, 5,000,000 shares authorized, 889,670 and 887,670 shares issued and outstanding	7,672	7,654
Retained earnings (accumulated loss)	778	(26)
Accumulated other comprehensive income	42	69
Total stockholders equity	8,492	7,697
Total liabilities and stockholders equity	$ 108,775	$ 89,565

See accompanying notes.

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INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands)

Years ended December 31

	2003	2002
Interest income		
Loans, including fees	$ 5,573	$ 4,518
Securities: taxable	81	142
tax exempt	37	50
Federal funds sold and other	113	88
	5,804	4,798
Interest expense		
Deposits	1,611	1,681
Federal Home Loan Bank advances and other	224	351
Subordinated debenture	134	
	1,969	2,032
Net interest income	3,835	2,766
Provision for loan losses	361	292
Net interest income after provision for loan losses	3,474	2,474
Noninterest income		
Gain on sales of loans	2,820	1,047
Service charges and fees	184	190
Other income	196	80
	3,200	1,317
Noninterest expenses		
Salaries and employee benefits	3,359	1,832
Occupancy and equipment expenses	641	491
Legal and professional fees	211	117
Amortization of intangibles	11	28
Other	1,175	803
	5,397	3,271
Income before income taxes and minority interest	1,277	520
Income tax expense	(473)	(215)
Minority interest		(56)
Net income	$ 804	$ 249
Earnings per share:		
Basic	$ 0.91	$ 0.36
Diluted	0.90	0.36

See accompanying notes.

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INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in Thousands)

Years ended December 31

	Common Stock	Retained Earnings (Accumulated Loss)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance at January 1, 2002	$ 5,604	$ (275)	$ 38	$ 5,367
Sale of stock (205,000 shares)	2,050			2,050
Comprehensive loss:				
Net income		249		249
Change in net unrealized gain on securities, net			31	31
Total comprehensive income				280
Balance at December 31, 2002	7,654	(26)	69	7,697
Exercise of stock options (2,000 shares), including tax benefit ($2)	18			18
Comprehensive loss:				
Net income		804		804
Change in net unrealized gain on securities, net			(27)	(27)
Total comprehensive income				777
Balance at December 31, 2003	$ 7,672	$ 778	$ 42	$ 8,492

See accompanying notes.

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INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

Years ended December 31

	2003	2002
Cash flows from operating activities		
Net income	$ 804	$ 249
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	361	292
Depreciation and amortization	207	168
Security amortization (accretion), net	8	7
Gain on sale of loans	(2,820)	(1,047)
Net change in:		
Loans held for sale	9,086	(7,037)
Interest receivable and other assets	(199)	(69)
Interest payable and other liabilities	356	73
Net cash from operating activities	7,803	(7,364)
Cash flows from investing activities		
Purchases of securities available for sale	(1,191)	(2,504)
Proceeds from sales of securities available for sale		1,500
Proceeds from maturities of securities available for sale	924	1,176
Proceeds from maturities of securities held to maturity	200	227
Purchase of FHLB stock	(181)	(159)
Net change in loans	(26,990)	(12,223)
Purchase of premises and equipment, net	(912)	(385)
Net cash from investing activities	(28,150)	(12,368)
Cash flows from financing activities		
Net change in deposits	4,827	21,860
Net change in federal funds purchased	7,577	
Net change in repurchase agreements	413	37
Proceeds from FHLB advances	2,000	
Repayment of note payable	(758)	
Note payable advance		500
Proceeds from issuance of subordinated debenture	4,000	
Sale of common stock		2,050
Proceeds from exercise of stock options	16	
Retirement of minority interest		(700)
Net cash from financing activities	18,075	23,747
Net change in cash and cash equivalents	(2,272)	4,015
Cash and cash equivalents, beginning of year	10,663	6,648
Cash and cash equivalents, end of year	$ 8,391	$ 10,663
Supplemental disclosures of cash flow information		

Cash paid during the year for:		
Interest	$ 1,981	$ 2,055
Income taxes	234	83
Supplemental noncash disclosures		
Transfers from loans to repossessed assets	$ 382	$

See accompanying notes.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Independence Bancorp (the Company) and its subsidiaries, Crawford Financial Corp. (inactive) and Independence Bank (the Bank). The Company is a bank holding company whose principal activity is the ownership and management of the Bank. The Bank operates under a state bank charter and provides full banking services, including trust services. Independence Mortgage Group, a division of the Bank, was created during 2002 for the purpose of engaging in mortgage banking operations. As a state bank, the Bank is subject to regulation by the Department of Financial Institutions, State of Indiana, and the Federal Deposit Insurance Corporation.

Nature of Operations: The Company, through its bank subsidiary, conducts basic commercial banking and mortgage banking operations with customers located primarily in Floyd, Clark and Crawford County, Indiana and Louisville, Kentucky. Operations consist of generating commercial, mortgage and consumer loans and accepting deposits from customers. The loan portfolio is diversified and the ability of debtors to repay loans is not dependent upon any single industry. The majority of the Company s loans are secured by specific items of collateral including business assets, real property, and consumer assets.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses is particularly subject to change.

Cash Flows: Cash and cash equivalents includes cash, deposits with other financial institutions under 90 days, and federal funds sold. Net cash flows are reported for loan, deposit, and short-term borrowings.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. These securities are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income. Securities are written down to fair value when a decline in fair value is not temporary. Gains and losses on sales are determined using the amortized cost of the specific security sold. Interest income includes amortization of purchase premiums and discounts.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Banking Activities: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market value. To deliver closed loans to the secondary market and to control its interest rate risk prior to sale, the Company enters into best efforts contracts. The aggregate market value of mortgage loans held for sale considers the price of the sales contracts. No servicing is retained on loans sold into the secondary market.

Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. The accrual of interest on impaired loans is discontinued when, in management s opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectible. Interest income is subsequently recognized only to the extent cash payments are received. Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management s judgment, should be charged-off.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Premises and Equipment, net: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using both straight-line and accelerated methods over the estimated useful lives of the premises and equipment. Leasehold improvements are amortized over the lesser of the estimated useful life or the lease term on a straight-line basis.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets: Goodwill results from prior business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Upon adopting new accounting guidance on January 1, 2002, the Company ceased amortizing goodwill. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Intangible assets consist of core deposit intangibles arising from whole bank acquisitions. The core deposit intangibles are being amortized on an accelerated basis over seven years.

Long-term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees in accordance with FASB Interpretation No. 45 are recorded at fair value.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Benefit Plans: Profit sharing and 401k plan expense is the amount contributed to the Plans as determined by Board decision.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Compensation: Employee compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in net income, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation.*

	2003	2002
Net income as reported	$ 804	$ 249
Deduct: Stock-based compensation expense determined under fair value based method	35	29
Pro forma net income	$ 769	$ 220
Basic earnings per share as reported	$ 0.91	$ 0.36
Pro forma basic earnings per share	0.87	0.32
Diluted earnings per share as reported	0.90	0.36
Pro forma diluted earnings per share	0.86	0.32

The pro forma effects are computed using option pricing models, using the following weighted-average assumptions as of grant date.

	2003	2002
Risk-free interest rate	3.94%	4.81%
Expected option life	10 years	10 years
Weighted-average fair value of options granted, per share	$ 3.25	$ 3.82

No assumption was made for estimated volatility since it was not feasible to determine this assumption for a non-public entity whose stock was not actively traded. There is no dividend yield assumption since the Company has not historically paid dividends or indicated that dividends would be paid in the future.

Income Taxes: Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax liabilities and assets are recorded for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amounts expected to be realized. The Company files consolidated income tax returns with its subsidiaries.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives: The Company only uses derivative instruments in its mortgage banking activities as described in Note 3.

Earnings Per Common Share: Basic earnings per common share are net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity. Since there were no security sales gains on losses during the period, the only component is the change in unrealized gains and losses on securities available for sale.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

Minority Interest: The minority interest consists of callable preferred stock in the Bank. The Bank s existing articles of incorporation state that the callable preferred stock may be called at the option of the Bank at any time at the par value thereof, plus any declared but unpaid dividend, pursuant to such procedures as the Board of Directors may specify. During 2002, the Company retired the minority interest.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 2 - SECURITIES

Year-end securities by category are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2003				
Available for sale				
U. S. Government and federal agency	$ 500	$ 2	$	$ 502
State and municipal	485	24		509
Mortgage-backed	1,230	40	(3)	1,267
Total available for sale	$ 2,215	$ 66	$ (3)	$ 2,278
Held to maturity				
State and municipal	$ 327	$ 18	$	$ 345
Mortgage-backed	2			2
Total held to maturity	$ 329	$ 18	$	$ 347
2002				
Available for sale				
State and municipal	$ 300	$ 20	$	$ 320
Mortgage-backed	1,655	83		1,738
Total available for sale	$ 1,955	$ 103	$	$ 2,058
Held to maturity				
State and municipal	$ 527	$ 19	$	$ 546
Mortgage-backed	3	1		4
Total held to maturity	$ 530	$ 20	$	$ 550

There were no sales of securities during 2003, and proceeds from the sale of securities during 2002 totaled $1,500 with no gross gains or losses.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 2 SECURITIES (Continued)

Contractual maturities of securities held to maturity and available for sale at year-end 2003 were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 5	$ 5	$	$
Due from one to five years	247	257	685	687
Due from five to ten years	20	22		
Due after ten years	55	61	300	324
Mortgaged-backed securities	2	2	1,230	1,267
Total	$ 329	$ 347	$ 2,215	$ 2,278

Securities pledged at year-end 2003 and 2002 had a carrying value of $1,174 and $1,477 were pledged to secure FHLB advances and for other purposes as permitted or required by law.

At year-end 2003 and 2002, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders equity.

Securities with unrealized losses at year-end 2003 not recognized in income are as follows:

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

Mortgage-backed and other asset backed	$ 445	$ (3)	$	$	$ 445	$ (3)

All of the securities are backed by the U. S. Government and its agencies. There are no concerns of credit loss and there is nothing to indicate that full principal will not be received. Management considers the unrealized losses to be market driven and no loss will be incurred unless the securities are sold. While these securities are held in the available for sale portfolio, the current intent and ability is to hold them to maturity. The Company does not have a history of actively trading securities, but keeps the securities available for sale should liquidity or other needs develop that would warrant the sale of securities.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 3 LOANS

Loans at year-end were as follows:

	2003	2002
Commercial	$ 60,094	$ 38,959
Real estate mortgage	21,095	19,556
Installment and other	11,234	7,338
	92,423	65,853
Allowance for loan losses	(996)	(673)
Loans, net	$ 91,427	$ 65,180

Certain directors and executive officers and companies in which they have beneficiary ownership were loan customers of the Bank. Total loans to these persons were approximately $2,621 and $2,116 at year-end 2003 and 2002.

Activity in the allowance for loan losses was as follows:

	2003	2002
Allowance for loan losses		
Beginning balance	$ 673	$ 538
Provision for loan losses	361	292
Loans recoveries	14	15
Loan charged off	(52)	(172)
Ending balance	$ 996	$ 673

As of the year ending 2002, there were no impaired loans.

Impaired loans were as follows.

	2003
Year-end loans with no allocated allowance for loan losses	$
Year-end loans with allocated allowance for loan losses	70
Total	$ 70
Amount of the allowance for loan losses allocated	$ 70

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 3 LOANS (Continued)

	2003
Average of impaired loans during the year	$ 71
Interest income recognized during impairment	2
Cash-basis interest income recognized	

Nonperforming loans were as follows:

	2003	2002
Loans past due over 90 days still on accrual	$ 109	$ 11
Nonaccrual loans	141	875

Nonperforming loans includes both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Loan held for sale activity is as follows:

	2003	2002
Beginning balance	$ 8,084	$
Origination of loan held for sale	179,721	87,096
Sales proceeds	(188,807)	(80,059)
Gain on sales of loans	2,820	1,047
Ending balance	$ 1,818	$ 8,084

No servicing is retained on loans sold into the secondary market. Salaries and employee benefit expense for 2003 and 2002 includes expenses associated with mortgage banking activities of approximately $1,740 and $772.

In conjunction with the mortgage banking activities, the Company enters into commitments to originate and commitments to sell loans, both of which are considered derivatives. The Company s commitments are generally for fixed rate mortgage loans, lasting 45 days and are at market rates when initiated. The Company had commitments to originate $3,247 and $1,556 in loans as of December 31, 2003 and 2002 that it intends to sell. The sales contracts are entered into for amounts and terms offsetting the interest rate risk of loan commitments. Substantially all of the gain on sale generated from mortgage banking activities is recorded when closed loans are delivered into the sales contracts.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 4 PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2003	2002
Land and buildings	$ 550	$ 548
Leasehold improvements	644	195
Furniture and equipment	1,553	1,164
	2,747	1,907
Accumulated depreciation and amortization	(980)	(856)
	$ 1,767	$ 1,051

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

On January 1, 2002, the Company ceased amortization of goodwill. The carrying value of goodwill was $947 on such date. There were no additions and no impairment during 2002.

Acquired intangible assets were as follows as of year-end:

	2003		2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	$ 215	$ 201	$ 215	$ 190
Total	$ 215	$ 201	$ 215	$ 190

Aggregate amortization expense was $11 and $28 for 2003 and 2002.

Estimated amortization expense for each of the next three years:

2004	$ 8
2005	5
2006	1

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 6 LEASES

The Company entered into an agreement in 2000 to lease an office facility from the Company s Chairman under an operating lease for 15 years. After 2005, the base rent is adjusted annually based on U. S. Consumer Price Index - All Urban Consumers (CPI-U) for the prior five-year period. The Company may purchase the facility at any time for $1,187 plus an increase equal to the percentage increase in the CPI-U from January 1, 2001 until the month of the purchase.

A lease was entered into during December 2001 to lease an office building for the Bank s new Jeffersonville, Indiana branch. This three year operating lease is from January 1, 2002 through year-end 2004 with 3 three-year renewal options. The facility may be purchased in the fourth year of the lease for $288 with six months notice.

A lease was entered into during August 2002 to lease an office facility for the Bank s new mortgage lending division. This three year operating lease is from August 1, 2002 to July 31, 2005 with a two-year renewal option.

A lease was entered into during April 2003 to lease an office building for the Bank s new St. Matthews, Kentucky branch. This 15-year lease is from May 1, 2003 through April 30, 2018 with a five year renewal option.

Rent expense for operating leases was $215 and $160 for 2003 and 2002. Rent commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present:

2004	$ 229
2005	189
2006	174
2007	178
2008	180
Thereafter	1,716
Total	$ 2,666

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 7 - DEPOSITS

Time deposits of $100 or more were $19,155 and $17,741 at year-end 2003 and 2002.

Scheduled maturities of total time deposits for the next five years were as follows:

2004	$ 14,676
2005	3,766
2006	299
2007	314
2008	
	$19,055

The Bank held related party deposits of approximately $688 and $846 at year-end 2003 and 2002.

NOTE 8 BENEFIT PLAN

The Company has a 401(k) benefit plan that covers substantially all employees. The Plan allows employee contributions up to 15% of their compensation, which is matched at a discretionary rate determined annually by the Board of Directors. Company contributions for 2003 and 2002 were approximately $17 and $12.

NOTE 9 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER DEBT

Federal Home Loan Bank advances were as follows at year-end:

	2003	2002
Fixed rate advances from 1.59% to 2.32% with final maturities due September 29, 2004 through June 9, 2006.	$ 5,400	$ 5,400
Single maturity advance with a variable rate of 1.11%, maturing June 14, 2004.	2,000	
	$ 7,400	$ 5,400

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 9 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER DEBT (Continued)

The advances were collateralized by $363 and $676 of investment securities and $13,766 and $15,617 of qualifying mortgage loans under a lien arrangement at year-end 2003 and 2002. Advances are subject to cash restrictions or penalties in the event of early repayment.

The Company has a line of credit with an unaffiliated institution. The Company may borrow up to $2,500 ($0 and $758 outstanding at year-end 2003 and 2002) at an interest rate of 4.325% (as of year-end 2003, which adjusts quarterly based on the changes in prime rate) with a maturity date of January 25, 2004. The Company renewed this line of credit at a rate of prime plus .125%, which matures on January 25, 2005. The note payable is secured by all of the Bank s common stock.

At year-end 2003, the Company did not have an outstanding balance in unused lines of credit with the FHLB.

Subordinated Debentures: A trust formed by the Company issued $4,000,000 of 4.32% floating rate trust preferred securities in 2003 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for the proceeds of the offering, which represents the sole asset of the trust. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debentures at maturity or their earlier redemption at the liquidation preference. The subordinated debentures are redeemable at par prior to the maturity date of March 26, 2033 at the option of the Company as defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed twenty (20) consecutive quarters. If payments are deferred, the Company is prohibited from paying dividends to its common stockholders.

Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003, the trust is not consolidated with the Company. Accordingly, the Company does not report the securities issued by the Company and held by the trust, as these are no longer eliminated in consolidation.

No payments on the subordinated debenture are required over the next five years. Required payments on the FHLB advances over the next three years are:

2004	$ 3,400
2005	1,000
2006	3,000

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 10 INCOME TAX

	2003	2002
Income tax expense (benefit)		
Currently payable		
Federal	$ 390	$ 140
State	68	38
Deferred		
Federal	7	22
State	8	15
	$ 473	$ 215

Tax expense is more than obtained by using the statutory federal income tax rate of 34% primarily because of state income taxes as offset by income exempt from federal taxes.

The Company s deferred tax assets and liabilities at year-end 2003 and 2002 are as follows. Deferred tax assets and liabilities are composed primarily of temporary differences related to unrealized gains and losses on securities, the allowance for loan losses and fixed assets. No valuation allowance for the realization of deferred tax assets is considered necessary.

	2003	2002
Deferred tax assets	$ 256	$ 151
Deferred tax liabilities	(258)	(152)
Net deferred tax asset (liability)	$ (2)	$ (1)

NOTE 11 - OFF-BALANCE-SHEET ACTIVITY

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer-financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

(continued)

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 11 - OFF-BALANCE-SHEET ACTIVITY (Continued)

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end. These amounts are exclusive of mortgage banking commitments discussed in Note 3.

	2003	2002
Commitments to make loans (at market rates)	$ 22,576	$ 11,344
Unused lines of credit and letters of credit	1,437	788

The Company extends binding commitments to customers and prospective customers. Commitments to make loans are generally made for periods of 60 days or less. The majority of loan commitments are variable with maturities ranging from one to twenty years.

NOTE 12 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

Banks and holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 12 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

At year-end 2003, the Company and Bank were considered well capitalized under these regulations. Actual and required capital amounts and ratios are presented below at year-end.

	Actual		For Capital Adequacy Purposes		Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
2003						
Total Capital to risk weighted assets						
Consolidated	$ 10,359	11.9%	$ 6,967	8.0%	$ 8,709	10.0%
Bank	11,823	13.6	6,945	8.0	8,682	10.0
Tier 1 (Core) Capital to risk weighted assets						
Consolidated	$ 9,363	10.8%	$ 3,484	4.0%	$ 5,226	6.0%
Bank	10,832	12.5	3,473	4.0	5,209	6.0
Tier 1 (Core) Capital to average assets						
Consolidated	$ 9,363	8.8%	$ 4,304	4.0%	$ 5,380	5.0%
Bank	10,832	10.1	4,293	4.0	5,367	5.0
2002						
Total Capital to risk weighted assets						
Consolidated	$ 7,330	11.5%	$ 5,090	8.0%	$ 6,363	10.0%
Bank	7,741	12.2	5,090	8.0	6,363	10.0
Tier 1 (Core) Capital to risk weighted assets						
Consolidated	$ 6,657	10.5%	$ 2,545	4.0%	$ 3,818	6.0%
Bank	7,068	11.1	2,545	4.0	3,818	6.0
Tier 1 (Core) Capital to average assets						
Consolidated	$ 6,657	7.7%	$ 3,477	4.0%	$ 4,346	5.0%
Bank	7,058	8.1	3,477	4.0	4,346	5.0

The Company is subject to certain regulations on the amount of dividends it may declare without prior regulatory approval. Under these regulations, the amount of dividends that may be paid in any year is limited to that year s net profits, as defined, combined with the retained net profits of the preceding two years, less dividends declared during those periods. During 2004, the bank could, without prior approval, declare dividends of approximately $752 plus any 2004 net income retained to the date of the dividend declaration. However, it is the Bank s policy to not pay dividends.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 13 STOCK OPTIONS

The Company maintains two stock option plans, a director nonqualified stock option plan and an employee incentive stock option plan. The employee incentive stock option plan allows for the granting of incentive or nonqualified stock options. The exercise price of each option type is the greater of eight dollars or 100% of the fair market value of the Company s stock; however, if an incentive stock option is granted under the employee plan to an employee-owner the exercise price is 110% of the fair market value at the date of grant.

The maximum term of all options is ten years and the options vest at an annual rate of 20%. The total shares available for future grant under both plans shall be the total shares of authorized common stock of the Company that is unissued.

A summary of the activity in the plan is as follows:

	2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	52	$ 8.30	50	$ 8.11
Granted	17	10.00	5	10.00
Exercised	(2)	8.00		
Forfeited		8.00	(3)	9.67
Outstanding at end of year	67	$ 8.74	52	$ 8.30
Options exercisable at year-end	27	$ 8.15	19	$ 8.11

Options outstanding at year-end 2003 were as follows:

Exercise Prices	Number	Weighted Average Remaining Contractual Life	Exercisable

$8	42	6.04	25
$10	25	9.11	2
Outstanding at year end	67		27

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amount and estimated fair values of financial instruments were as follows at year-end:

	2003	
	Carrying Amount	**Fair Value**
Financial assets		
Cash and cash equivalents	$ 8,391	$ 8,391
Securities available for sale	2,278	2,278
Securities held to maturity	329	347
Loans held for sale	1,818	1,845
Loans, net	91,427	92,262
Federal Home Loan Bank stock	626	626
Accrued interest receivable	476	476
Financial liabilities		
Deposits	$ 79,833	$ 79,913
Federal funds purchased and repurchase agreements	8,248	8,248
Federal Home Loan Bank advances	7,400	7,346
Subordinated debenture	4,000	4,000
Accrued interest payable	105	105

The methods and assumptions used to estimate fair value are described as follows.

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Carrying amount is the estimated fair value for cash and cash equivalents, Federal Home Loan Bank stock, accrued interest receivable and payable, demand deposits, federal funds purchased, repurchase agreements, and variable rate loans or deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of loans held for sale is based on market quotes. Fair value of Federal Home Loan Bank advances and subordinated debentures is based on current rates for similar financing. The fair value of off-balance-sheet items and derivatives used in mortgage banking is based on the current fees or cost that would be charged to enter into or terminate such arrangements and is not material.

NOTE 15 EARNINGS PER SHARE

The factors used in the earnings per share computation follow.

	2003	2002
Basic		
Net income	$ 804	$ 249
Weighted average common shares outstanding	888	688
Basic earnings per common share	$ 0.91	$ 0.36
Diluted		
Net income	$ 804	$ 249
Weighted average common shares outstanding for basic earnings per common share	888	688
Add: Dilutive effects of assumed exercises of stock options	7	7
Average shares and dilutive potential common shares	895	695
Diluted earnings per common share	$ 0.90	$ 0.36

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INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 16 SUBSEQUENT EVENT

On January 22, 2004, the Company entered into a definitive agreement to merge with Harrodsburg First Financial Bancorp, Inc. (NASDAQ: HFFB). HFFB currently owns approximately 22.5% of the outstanding common stock of Independence Bancorp. The transactions approved by the boards of directors of both companies, is valued at $17.1 million based on HFFB closing price as of January 22, 2004, of $23.42 per share. The transaction will be a one for one exchange of Independence Bancorp stock for Harrodsburg First Financial Bancorp, Inc stock. Outstanding options of the Company at the date of sale will be reinvested into options of HFFB. The transaction is expected to close near July 1, 2004 and is subject to approval by the shareholder of HFFB and the Company as well as regulatory authorities and other conditions customary for transactions of this nature. The Company s executive officers and directors have entered into agreements with HFFB, whereby they have agreed to vote at the annual meeting the shares of the Company s common stock owned or controlled by them in favor of the proposal to adopt the merger agreement, which represents approximately 313 shares or 35% of the shares outstanding. As part of the merger, the executive officers of the Company will be entering into employment contracts with HFFB and the current option holders will receive HFFB options with similar terms to those currently held. Keefe Bruyette & Wood, Inc. served as financial advisor to HFFB and David A. Noyes and Company served as financial advisor to the Company.

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PRO FORMA FINANCIAL INFORMATION

Harrodsburg and Independence

Unaudited Pro Forma Condensed Combined Consolidated Financial Statements

The following Unaudited Pro Forma Condensed Combined Consolidated Statement of Financial Condition combines the historical Consolidated Statement of Financial Condition of Harrodsburg and subsidiaries and the historical Consolidated Statement of Financial Condition of Independence and subsidiaries, giving effect to the consummation of the merger on December 31, 2003, using the purchase method of accounting and giving effect to the related pro forma adjustments described in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements.

The following Unaudited Pro Forma Condensed Combined Consolidated statements of Income for the three months ended December 31, 2003 and the twelve months ended September 30, 2003 combine the historical Consolidated Statements of Income of Harrodsburg and subsidiaries and Independence and subsidiaries giving effect to the merger as if the merger had become effective at the beginning of the period presented, using the purchase method of accounting and giving effect to the related pro forma adjustments described in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Data.

Although pro forma financial information is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States of America, Harrodsburg and Independence believe that pro forma financial information is important because it gives effect to the merger as if the merger had become effective at the beginning of the period presented. The manner in which Harrodsburg and Independence calculate pro forma financial information may differ from similarly titled measures reported by other companies.

The unaudited pro forma condensed combined consolidated financial statements included herein are presented for informational purposes only. This information includes various estimates and may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been consummated on the date or at the beginning of the period indicated or which may be obtained in the future.

The pro forma income statements do not include a non-recurring charge of up to $1.2 million related to the merger in connection with Harrodsburg s potential termination fee under its data processing contract. Harrodsburg is currently negotiating the settlement of payment of such fee with its data processor.

The unaudited pro forma condensed combined consolidated financial statements and accompanying notes should be read in conjunction with and are qualified in their entirety by reference to the historical financial statements and related notes thereto of Harrodsburg and subsidiaries and Independence and subsidiaries appearing elsewhere herein.

These pro forma financial statements do not include the effects of any potential cost savings that management believes will result from operating the Independence banking business as branches and combining certain operations functions. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

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Harrodsburg First Financial Bancorp, Inc.

and Independence Bancorp

Unaudited Pro Forma Condensed Combined

Consolidated Statements of Financial Condition (In Thousands)

As of December 31, 2003

	Harrodsburg Historical	Independence Historical	Pro Forma Adjustments	Pro Forma Combined
Assets				
Cash and due from banks	$ 2,167	$ 8,391	$ (158)	$ 10,400
Interest-bearing deposits in banks	4,517			4,517
Federal funds sold	251			251
Cash equivalents	6,935	8,391	(158)	15,168
Interest-bearing deposits	596			596
Available-for-sale securities	31,940	2,278		34,218
Held-to-maturity securities	4,976	329	14	5,319
Loans held for sale		1,818	21	1,839
Loans receivable	119,272	92,423	609	212,304
Allowance for loan losses	(1,013)	(996)		(2,009)
Premises and equipment, net	2,438	1,767		4,205
Federal Home Loan Bank (FHLB) stock, at cost	1,967	626		2,593
Interest receivable	785	476		1,261
Cash surrender value of life insurance	2,871			2,871
Equity method investment	2,150		(2,150)	
Goodwill	356	947	10,402	11,705
Core deposit intangible		14	455	469
Other assets	572	702	(125)	1,149
Total assets	$ 173,845	$ 108,775	$ 9,068	$ 291,688
Liabilities and Stockholders Equity				
Deposits	$ 141,563	$ 79,833	$ 54	$ 221,450
Federal funds purchased and securities sold under agreements to repurchase		8,248		8,248
FHLB advances	2,772	7,400	(38)	10,134
Trust preferred securities	5,000	4,000		9,000
Deferred Federal income tax	1,243	21	234	1,498
Interest payable and other liabilities	201	781	383	1,365
Total liabilities	150,779	100,283	633	251,695

Minority interests	1,779			1,779
Stockholders Equity				
Common stock	218	7,672	(7,603)	287
Additional paid-in capital	21,342		17,010	38,352
Retained earnings, substantially restricted	11,675	778	(930)	11,523
Unearned ESOP compensation	(565)			(565)
Treasury stock	(14,382)			(14,382)
Accumulated other comprehensive income	2,999	42	(42)	2,999
Total stockholders equity	21,287	8,492	8,435	38,214
Total liabilities and stockholder s equity	$ 173,845	$ 108,775	$ 9,068	$ 291,688

The accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data are an integral part of the pro forma financial data.

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Harrodsburg First Financial Bancorp, Inc.

and Independence Bancorp

Unaudited Pro Forma Condensed Combined

Consolidated Statements of Income (In Thousands)

For the three months ended December 31, 2003

	Harrodsburg Historical	Independence Historical	Pro Forma Adjustments	Pro Forma Combined
Interest and dividend income				
Interest on loans	$ 1,856	$ 1,485	$ (38)	$ 3,303
Interest and dividends on securities	353	28	(2)	379
Other interest and dividend income	10	25		35
Total interest and dividend income	2,219	1,538	(40)	3,717
Interest expense				
Interest on deposits	967	396	(8)	1,355
FHLB advances	32	40	4	76
Trust preferred securities and other	90	34	(4)	120
Total interest expense	1,089	470	(8)	1,551
Net interest income	1,130	1,068	(32)	2,166
Provision for loan losses	29	90		119
Net interest income after provision for loan losses	1,101	978	(32)	2,047
Non-interest income				
Gain on sales of loans		344		344
Loan and other service fees	107	34		141
Earnings in equity method investee	25		(25)	
Increase in cash value of life insurance	45			45
Gain (loss) on sale of investments	(3)			(3)
Gain on sale of premises and equipment				
Other	11	81		92
	185	459	(25)	619
Non-interest expense				
Compensation and benefits	518	707	12	1,237
Occupancy expenses, net	96	180		276
Data processing expenses	83	53	161	297
Professional fees	32	75		107

Marketing	33	43		76
State franchise tax expense	54	33		87
Amortization of intangibles		2	11	13
Other operating expenses	195	183	(10)	368
	1,011	1,276	174	2,461
Income before income tax expense	275	161	(231)	205
Income tax expense	76	52	(54)	74
Net income before minority interests	199	109	(177)	131
Minority interests	(16)			(16)
Net income	$ 183	$ 109	$ (177)	$ 115
Per common share data				
Net income Basic	$ 0.16	$ 0.12		$ 0.06
Net income Diluted	$ 0.16	$ 0.12		$ 0.06
Weighted average shares outstanding Basic	1,162,676	889,670		1,852,346
Weighted average shares outstanding Diluted	1,243,136	896,333		1,932,806

The accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data are an integral part of the pro forma financial data.

Harrodsburg First Financial Bancorp, Inc.

and Independence Bancorp

Unaudited Pro Forma Condensed Combined

Consolidated Statements of Income (In Thousands)

For the twelve months ended September 30, 2003

	Harrodsburg Historical	Independence Historical	Pro Forma Adjustments	Pro Forma Combined
Interest and dividend income				
Interest on loans	$ 7,737	$ 5,573	$ (151)	$ 13,159
Interest and dividends on securities	794	118	(10)	902
Other interest and dividend income	143	113		256
Total interest and dividend income	8,674	5,804	(161)	14,317
Interest expense				
Interest on deposits	4,092	1,611	(30)	5,673
FHLB advances	81	224	17	322
Trust preferred securities and other	170	134	(17)	287
Total interest expense	4,343	1,969	(30)	6,282
Net interest income	4,331	3,835	(131)	8,035
Provision for loan losses	428	361		789
Net interest income after provision for loan losses	3,903	3,474	(131)	7,246
Non-interest income				
Gain on sales of loans		2,820		2,820
Loan and other service fees	398	184		582
Earnings in equity method investee	156		(156)	
Increase in cash value of life insurance	179			179
Gain (loss) on sale of investments	43			43
Gain (loss) on sale of premises and equipment	115	(6)		109
Other	43	196		239
	934	3,194	(156)	3,972
Non-interest expense				
Compensation and benefits	1,933	3,359	47	5,339
Occupancy expenses, net	363	641		1,004
Data processing expenses	384	239	44	667
Professional fees	204	211		415

Marketing	105	100		205
State franchise tax expense	155	131		286
Amortization of intangibles		11	45	56
Other operating expenses	589	699	(42)	1,246
	3,733	5,391	94	9,218
Income before income tax expense	1,104	1,277	(381)	2,000
Income tax expense (benefit)	(311)	473	(11)	151
Net income before minority interests	1,415	804	(370)	1,849
Minority interests	(108)			(108)
Net income	$ 1,307	$ 804	$ (370)	$ 1,741
Per common share data				
Net income Basic	$ 1.05	$ 0.91		$ 0.90
Net income Diluted	$ 1.05	$ 0.90		$ 0.89
Weighted average shares outstanding Basic	1,244,574	887,670		1,934,244
Weighted average shares outstanding Diluted	1,271,954	894,333		1,961,624

The accompanying Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data are an integral part of the pro forma financial data.

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Harrodsburg First Financial Bancorp, Inc. and Independence Bancorp

Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data

Note 1: Basis of Presentation

The Unaudited Pro Forma Condensed Combined Consolidated Financial Data has been prepared assuming the merger will be accounted for under the purchase method and is based on the historical consolidated financial statements of Harrodsburg and the historical consolidated financial statements of Independence which have been adjusted to reflect the historical cost of Independence s assets and liabilities at their fair value. In addition, pro forma adjustments have been included to give effect to events that are directly attributable to the transaction and expected to have a continuing impact on the combined company. Pro forma adjustments for the Pro Forma Condensed Combined Consolidated Statement of Income include amortization of core deposit intangible and other adjustments based on the allocated purchase price of net assets acquired. Pro forma adjustments for the Pro Forma Condensed Combined Consolidated Statements of Financial Condition include amortization of purchase accounting adjustments assuming a September 30, 2003 acquisition date.

The pro forma income statements do not include a non-recurring charge of up to $1.2 million related to the merger in connection with Harrodsburg s potential termination fee under its data processing contract. Harrodsburg is currently negotiating the settlement of payment of such fee with its data processor.

Harrodsburg s year end is September 30 and Independence s year end is December 31. The pro forma income statement information presented above for the twelve months ended September 30, 2003 includes Harrodsburg s historical income statement information for its fiscal year ended September 30, 2003 and Independence s historical income statement information for its fiscal year ended December 31, 2003.

Note 2: Merger Related Charges

Independence:

In connection with the merger, Independence expects to incur pre-tax merger related charges of approximately $127,000. These charges are primarily related to investment banking, legal and accounting fees. An accrual for the merger related charges has been reflected in the unaudited Pro Forma Condensed Combined Consolidated balance sheet as of December 31, 2003.

Harrodsburg:

In connection with the merger, Harrodsburg expects to incur pre-tax merger related charges of approximately $525,000. These charges are expected to include $325,000 in investment banking, legal and accounting fees and $200,000 in direct merger related data processing termination and other fees. The $325,000 in investment banking, legal and accounting fees have been reflected as a component of the purchase price of Independence. For purposes of the unaudited Pro Forma Condensed Combined Consolidated Balance Sheet, the pre-tax merger related charges have been reflected as an accrued liability along with the related tax impact for both charges of $179,000. The merger agreement contains provisions to increase certain officers salaries and to reduce the number of post merger directors. The Unaudited Pro Forma Condensed Combined Consolidated Income Statement adjustments include the impact related salary increases and directors fee decreases.

Note 3: Pro Forma Condensed Combined Consolidated Balance Sheet Adjustments

Under purchase accounting, Independence s assets and liabilities and any identifiable intangible assets are required to be adjusted to their estimated fair values. The estimated fair value adjustments have been determined by Harrodsburg based upon available information. Harrodsburg cannot be sure that such estimated values represent the fair value that would ultimately be determined as of the acquisition date.

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Harrodsburg First Financial Bancorp, Inc. and Independence Bancorp

Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data

Continued

Note 3: Pro Forma Condensed Combined Consolidated Balance Sheet Adjustments, Continued

The following are the pro forma adjustments made to record the transaction and to adjust Independence s assets and liabilities to their estimated fair values at December 31, 2003:

	(In Thousands)
Purchase Price of Independence:	
Market value (based on the average closing price from 1/7/04 through 2/5/04) of Harrodsburg s common stock to be issued, net of issuance costs	$ 17,079
Estimated cost of acquisition to be incurred by Harrodsburg	325
	$ 17,404
Historical net assets of Independence at December 31, 2003	$ 8,492
Existing equity ownership	(1,909)
Purchase accounting historical adjustments	(796)
Accrual of Independence after-tax merger related charges and other adjustments	(127)
Fair value adjustments as of December 31, 2003	
Loans	668
Deposits	(62)
Investments	14
Borrowings	42
Core Deposit intangibles	240
Deferred taxes on purchase accounting adjustments	(239)
Goodwill	11,081
	$ 17,404

The estimated fair value of Independence s premises and equipment approximates its carrying value. Prior to the merger Harrodsburg owned approximately 22.5% or 200,000 of the outstanding shares of Independence, which were recorded as an equity method investment, in the amount of $2,150,000. The Unaudited Pro Forma Condensed Combined Consolidated Statement of Financial Condition as of December 31, 2003 reflects additional core deposit intangible of $241,000 and goodwill of $258,000 as a result of this initial investment.

Note 4: Stockholders Equity

Pursuant to the merger agreement, shareholders of Independence will be entitled to receive, in exchange for each share of the Independence common stock held, one share of Harrodsburg common stock, provided that cash, without interest, is to be paid in lieu of any fractional share. Option holders of Independence options will be entitled to receive, in exchange for each option of Independence common stock held, one option to acquire Harrodsburg stock. Based on the outstanding shares and options of Independence, the shareholders will receive 689,670 shares of stock and 67,200 options to acquire Harrodsburg stock. Approximately 1,912,700 shares of Harrodsburg stock will be outstanding for the combined company after the merger.

Note 5: Average Shares Outstanding

The pro forma weighted average shares outstanding of 1,852,346 is based on the historical Harrodsburg weighted average shares outstanding plus 689,670 shares of stock that would have been issued to Independence shareholders based on the number of Independence shares outstanding at December 31, 2003.

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Harrodsburg First Financial Bancorp, Inc. and Independence Bancorp

Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Data

(Continued)

Note 6: Pro Forma Condensed Combined Statement of Income Adjustments

For purposes of determining the pro forma effect of the Independence acquisition on the statement of income, the following pro forma adjustments have been made as if the acquisition had occurred as of October 1 with respect to each of the periods:

	Three months ended December 31, 2003	Twelve months ended September 30, 2003
	(In Thousands)	
Elimination of equity method income	$ (25)	$ (156)
Yield adjustment for interest income on securities available for sale	(2)	(10)
Yield adjustment for interest income on loans	(38)	(151)
Amortization of core deposit intangibles	(11)	(45)
Yield adjustment for interest expense on deposits	8	30
Data processing related charges and adjustments	(161)	(44)
Director and officer related changes	(2)	(5)
	(231)	(381)
Tax benefit of pro forma adjustments	54	11
	$ (177)	$ (370)

The following assumptions were utilized for purposes of determining the pro forma effect of the Independence acquisition on the statement of income:

	Weighted Average Remaining Term / Useful Life	Method of Amortization or Accretion
Core deposit intangible	10 Years	Accelerated
Investment Securities	84 Months	Interest Method
Loans	48 Months	Interest Method
Deposits	24 Months	Interest Method
FHLB Advances	29 Months	Interest Method

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THE MERGER

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 document, including the merger agreement. You are urged to carefully read the annexes in their entirety.

Overview of the Merger

Harrodsburg currently owns 22.5% of Independence. Upon completion of the merger, Independence will be merged into Harrodsburg. Harrodsburg will be the surviving entity of the merger, but its name will be changed to lst Independence Financial Group, Inc. Each outstanding share of Independence common stock (except for the shares currently owned by Harrodsburg) will be converted into the right to receive 1.0 share of Harrodsburg common stock. After the completion of this strategic alliance, current Harrodsburg shareholders will own approximately 64% of the combined company and current Independence shareholders (other than Harrodsburg) will own approximately 36% of the combined company. Additionally, the combined company will change its year end from September 30 to December 31.

Merger Consideration

Each outstanding share of Independence common stock will be converted into the right to receive 1.0 share of Harrodsburg common stock. No fractional shares of Harrodsburg common stock will be issued in the merger. Instead of a fractional share, you will receive the cash value (without interest) of the fractional share based on the average closing price of Harrodsburg common stock on the five trading days before the merger.

On March 22, 2004, Harrodsburg common stock closed at $22.49 per share. Based on that price, the value of the transaction would have been approximately $15.5 million, which represents 77.5% of the outstanding shares of Independence (excluding stock options). These values, however, may increase or decrease as a result of fluctuations in the market price of Harrodsburg common stock.

Each outstanding option to purchase shares of Independence common stock will be converted into an option to purchase 1.0 shares of Harrodsburg common stock. The terms and conditions of the converted option will be subject to the same terms and conditions as governed by the old options. Fractional shares, if any, will be rounded to the nearest whole share and per share exercise prices will be rounded to the nearest whole cent. Options for approximately 67,000 shares of Independence common stock were outstanding on March 22, 2004.

Background of the Merger

Independence was formed in 1998 for the sole purpose of either starting or acquiring a community bank in southern Indiana. On April 1, 1999 Independence commenced a private offering and raised approximately $5.0 million. On June 10, 1999, Independence acquired Crawford Financial Corporation, a bank holding company owning Marengo State Bank, a state-chartered community bank with one branch office, in Marengo, Indiana. Following the acquisition, the bank s name was changed to Independence Bank and its main office was relocated to New

Albany, Indiana.

Subsequent to Independence s private offering in 1999 and its growth to three offices by 2002, Independence needed an additional capital infusion to continue its business plan objective of growth expansion. Rather than going through the expense of an additional private offering, in August, 2002, N. William White, President and Chief Executive Officer of Independence contacted Arthur L. Freeman, Chairman of the Board and Chief Executive Officer of Harrodsburg to inquire as to whether Harrodsburg was interested in making an equity investment in Independence. Messrs. Freeman and White knew each other for many years as a result of participations in financial services industry professional organizations. Mr. Freeman and the Harrodsburg board were interested in reviewing the potential investment, since as part of its business plan, Harrodsburg wanted to expand its operations. In this regard, in 2001, Harrodsburg acquired a majority interest in Citizens Financial, Inc., a de novo state-chartered commercial bank located in Glasgow, Kentucky. Because of Independence s growth and earnings potential, Harrodsburg believed that an investment in Independence would further increase the earnings of the company.

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On October 15, 2002, Harrodsburg entered into a stock purchase agreement with Independence to purchase a 22.5% equity interest of Independence stock for $2.0 million. Upon completion of due diligence by Harrodsburg and receipt of regulatory approval, Harrodsburg completed the purchase of Independence s stock on December 31, 2002.

During early 2003, Messrs. Freeman and White talked on an informal basis about the possibility of combining the two companies. These discussions focused on the potential benefits of combining but did not address any specific price or other transactions terms. Despite the $2.0 million capital infusion by Harrodsburg in December 2002, Independence was likely in need of additional capital due to its continued execution of its strategic business plan characterized by strong growth in assets, loans and deposits in 2003. In this regard, Independence opened a branch office in Louisville, Kentucky and also formed a mortgage division with offices in Louisville, Kentucky and southern Indiana in August, 2002.

In the late summer and fall of 2003, Messrs. Freeman and White s discussions focused on the possibility of a transaction in greater detail. The parties discussed a potential transaction, including matters relating to the potential fit between the companies, the potential strategic benefits that a combination might offer and the possible terms of the offer. Among other things, the parties discussed the fact that the companies had complementary businesses. Additionally, the parties also noted that as a result of a strategic affiliation the combined company would have better future prospects than either company was to achieve on a stand-alone basis. In this regard, Harrodsburg desired to expand its operations but was hampered by the lack of compatible candidates in its market area in addition to its lack of a seasoned management team to sustain such expansion. Independence was operating in markets in which Harrodsburg would like to expand and Independence had a seasoned management team. Additionally, Independence was constrained by limited capital to continue its growth plan on a long-term basis. In order to sustain its growth plan, Independence recognized that it must either raise additional capital or find a compatible strategic partner with capital levels to support Independence s strategic growth plan. Independence further recognized that an equity offering would dilute the equity ownership of its existing shareholders and such cash infusions would likely sustain the company on a short-term basis given its strategic plans for continued strong growth. Because of Harrodsburg s current investment in Independence, Independence believed that it would be a compatible strategic partner. Harrodsburg not only had the capital to sustain Independence growth plan but also had similar business and operating environments.

During October 2003 to mid December 2003, the parties conducted their respective due diligence reviews with the help of their respective financial advisors and special counsel and negotiated the terms of the merger agreement.

On December 17, 2003, the Harrodsburg board held a regularly schedule board meeting at which the terms and details of the merger proposal were presented to the board and discussed. Mr. Freeman together with representatives of Keefe, Bruyette & Woods, Inc. and Patton Boggs LLP reviewed the terms of the proposed merger with Independence. Following a discussion at that meeting and based upon factors described in the preceding paragraphs, Harrodsburg board of directors authorized Mr. Freeman to pursue a merger with Independence on the basis of the proposal.

On December 18, 2003, the Independence board held a special meeting at which the terms and details of the merger proposal were presented to the board and discussed. Mr. White together with a representative of Kreig Devault LLP reviewed the proposed terms of the merger with Harrodsburg. Following a discussion at that meeting and based upon factors described in the preceding paragraphs, Independence board of directors authorized Mr. White to pursue a merger with Harrodsburg on the basis of the proposal. In January 2003, Mr. Freeman was appointed to the board of directors of Independence. In view of the fact that Mr. Freeman is the Chairman and Chief Executive Officer of Harrodsburg, Mr. Freeman did not participate in this board decision.

On December 19, 2003, Harrodsburg delivered a proposed definitive merger agreement to Independence. From December 19, 2003 through January 21, 2004, the parties, with the help of their financial and legal advisors, further negotiated the terms of the merger including the exchange ratio to be received by Independence s shareholders. Additionally, the parties completed their respective due diligence.

On January 21, 2004, the Harrodsburg board of directors held a regularly scheduled meeting at which Mr. Freeman presented to the board the proposed definitive merger agreement. By telephone conference call, a representative of Keefe, Bruyette & Woods, Inc. made a presentation on the fairness of the proposed transaction to Harrodsburg from a financial perspective. The full text of the Keefe, Bruyette & Woods, Inc. opinion is attached as Appendix B to this joint proxy statement/prospectus. Additionally, by telephone conference call, a representative of

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Patton Boggs LLP reviewed with, and made a detailed presentation to, the Harrodsburg board of directors on the proposed definitive merger agreement and the board of directors fiduciary obligations in the context of a merger involving Harrodsburg and Independence. Following each presentation, a detailed discussion among the Harrodsburg s board of directors and its financial and legal advisors followed. Following these deliberations, the Harrodsburg board of directors unanimously voted to approve the merger agreement and instructed Mr. Freeman to execute the merger agreement and related documents on Harrodsburg s behalf.

On January 22, 2004, the Independence board of directors held a special meeting at which Mr. White presented to the board the proposed definitive merger agreement. A representative of David A. Noyes & Company made a presentation on the fairness of the proposed transaction to Independence from a financial perspective. The full text of the David A. Noyes & Company opinion is attached as Appendix C to this joint proxy statement/prospectus. Additionally, a representative of Kreig Devault LLP reviewed with, and made a detailed presentation to, the Independence board of directors on the proposed definitive merger agreement and the board of directors fiduciary obligations in the context of a merger involving Independence and Harrodsburg. Following each presentation, a detailed discussion among the Independence s board of directors and the financial and legal advisors followed. Following these deliberations, the Independence board of directors voted to approve the merger agreement and instructed Mr. White to execute the merger agreement and related documents on Independence s behalf. Mr. Freeman did not attend the special meeting of Independence nor did he vote to approve the merger agreement as an Independence board member.

On January 22, 2004, Harrodsburg and Independence executed the merger agreement and announced the transaction by a joint press release after the close of their business day.

Harrodsburg s and Independence s Joint Reasons for the Merger

Harrodsburg and Independence believe that the merger will:

- create a strong franchise with assets of approximately $285 million and a market capitalization of approximately $43 million, based on recent market prices as of March 22, 2004;
- improve its net income, earnings per share, return on assets and return on equity;
- create opportunities for significant operational benefits and financial cost savings and revenue enhancements through the integration of Harrodsburg s and Independence s operations;
- strengthen its competitive and capital position in the financial services industry, which is rapidly changing and growing more competitive; and
- provide an additional platform for further growth.

Harrodsburg s Reasons for the Merger

Harrodsburg s board of directors has determined that the terms of the merger and the merger agreement and the issuance of Harrodsburg common stock in connection with the merger are advisable and fair to, and in the best interests of, Harrodsburg and its shareholders. In reaching its determination, the Harrodsburg board considered the opinion of its financial advisor, Keefe, Bruyette & Woods, Inc., with respect to the fairness of the exchange ratio from a financial point of view to Harrodsburg s shareholders. Harrodsburg s board of directors also considered a number of other factors, including that the merger should produce a well capitalized institution with an enhanced retail lending franchise as well as a number of financial benefits that should foster the potential for earnings growth. Additionally, Harrodsburg s board of directors did not assign any specific or relative weights to the factors considered. The material factors considered were as follows:

- Harrodsburg s current ownership of approximately 22.5% of Independence;

- information concerning the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of Independence, individually and as combined with Harrodsburg;

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addition of a seasoned management team to help increase its franchise value;

expand its core market area into the growing markets of southern Indiana and greater Louisville, Kentucky;

the opinion rendered by Keefe, Bruyette & Woods, Inc., that as of January 22, 2004, the date of the merger agreement, the exchange ratio was fair, from a financial point of view, to the holders of Harrodsburg common stock. See Opinion of Keefe, Bruyette & Woods, Inc. for the assumptions made in connection with, and limitations on, such opinion;

the terms of the merger agreement and the other documents executed in connection with the merger, see The Merger ;

the anticipated cost savings available to the combined company as a result of the merger;

the common business philosophy and compatibility of the management and staff of Harrodsburg and Independence;

the current and prospective economic, competitive and regulatory environment facing each institution and financial institutions generally;

the resulting larger financial institution in terms of asset size, deposits, shareholders equity, market capitalization, outstanding shares, number of branches and a broader geographical presence;

the results of the due diligence investigation conducted by Harrodsburg s management, legal counsel and financial advisor, including assessment of credit policies, quality, interest rate risk, litigation and adequacy of loan loss reserves;

the nature of, and likelihood of obtaining, the regulatory approvals that would be required with respect to the merger. See Approvals Needed to Complete the Merger. The Harrodsburg board also considered the nature and scope of the conditions of the merger and the likelihood of these conditions being satisfied;

the expectation that the merger would be tax-free to Harrodsburg and its shareholders for federal income tax purposes, see Federal Income Tax Consequences ;

the prospects for growth and expanded products and services, and other anticipated impacts on depositors, employees, customers and communities served by Harrodsburg and Independence, respectively; and

additional revenue enhancement opportunities including (1) incremental earnings potential through the ability to leverage Harrodsburg s excess capital to support the strong historical asset and deposit growth of the Independence franchise; (2) expansion of small business lending; (3) expanded legal lending limit; and (4) funding the strong loan demand in Independence s markets of southern Indiana and greater Louisville, Kentucky.

Harrodsburg s board of directors unanimously recommends to its shareholders that they vote FOR adoption of the merger agreement and approval of the issuance of shares of Harrodsburg common stock in the merger.

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Independence s Reasons for Merger

The Independence board of directors believes that the merger presents a unique opportunity to combine two strong companies to create a strong franchise in the southern Indiana and the greater Louisville and central Kentucky market areas to significantly enhance shareholder value.

In deciding to approve the merger agreement and the transactions contemplated by such agreements, the Independence board of directors considered the following material factors:

- the Independence board s familiarity with and review of Independence s business, operations, earnings, prospects, financial condition, asset quality, and capital levels;
- the Independence board s review of the business, operations, prospects, earnings, financial condition, asset quality and capital levels of Harrodsburg on both an historical and a prospective basis. The Independence board considered the results of the due diligence investigation conducted by Independence s management and legal and financial advisors, including, among other things, assessments of Harrodsburg s credit policies, asset quality, interest rate risk and adequacy of loan loss reserves;
- Harrodsburg s current ownership of 22.5% of Independence;
- Independence s strategic growth plan. Independence must either raise additional capital or find a compatible strategic partner with capital levels to support its strategic growth plan;
- the common business philosophy and compatibility of the management and staff of Harrodsburg and Independence;
- the resulting larger financial institution in terms of asset size, deposits, shareholders equity, market capitalization, outstanding shares, number of branches and a broader geographical presence;
- the opportunities for expense reductions, operating efficiencies and revenue enhancements in the combined entity, and significantly enhance the combined company s future earnings per share growth rate;
- the respective contributions of each party to the combined entity, including the 36% equity position that the Independence shareholders would have in the combined entity;
- the opinion of David A. Noyes & Company, rendered on January 22, 2004, the date of the merger agreement, that, as of that date and based upon and subject to the procedures followed, assumptions made, matters considered, and limitations on the analyses undertaken, the exchange ratio was fair, from a financial point of view, to the Independence shareholders. See Opinion of David A. Noyes & Company ;
- the complementary nature of the businesses, business strategies, cultures and products of Independence and Harrodsburg, including the fact that Independence s core deposits would enhance the combined organization s deposit mix;

the merger is expected to be tax-free for Independence for federal income tax purposes as well as to Independence shareholders (except for cash paid in lieu of fractional shares), see Federal Income Tax Consequences.

the nature of, and likelihood of obtaining, the regulatory approvals that would be required with respect to the merger. See Approvals Needed to Complete the Merger. The Independence board also

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considered the nature and scope of the conditions to the merger and the likelihood of these conditions being satisfied;

the non-financial terms of the merger agreement, including that Independence will have equal representation on the board of directors of the combined company, that the President and Chief Executive Officer of Independence will be the President of the combined company and President and Chief Executive Officer of the resulting institution, and that the name of the combined company and resulting institution will be 1st Independence Financial Group, Inc. and 1st Independence Bank, respectively; and

the current and prospective economic and competitive environment facing the financial services industry generally, and Independence in particular, including the continued rapid consolidation in the industry and the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and in being able to capitalize on technological developments which significantly impact industry competition.

additional revenue enhancement opportunities including (1) incremental earnings potential through the ability to leverage Harrodsburg s excess capital to support the strong historical asset and deposit growth of the Independence franchise; (2) expansion of small business lending; (3) expanded legal lending limit; and (4) funding the strong loan demand in Independence s markets of southern Indiana and greater Louisville, Kentucky.

The Independence board has determined that the terms of the merger and the merger agreement are fair to, and in the best interests of, Independence and its shareholders. In reaching its determination to approve and deem advisable the merger agreement and the transactions contemplated therein, the Independence board did not assign any relative or specific weights to the various factors considered by it.

Independence s board of directors recommends that the holders of Independence common stock vote FOR adoption of the Merger Agreement.

Opinion of Harrodsburg s Financial Advisor

On November 17, 2003, Keefe, Bruyette & Woods, Inc. (KBW) was retained by Harrodsburg to evaluate Harrodsburg s strategic alternatives as part of a shareholder enhancement program and to specifically evaluate Harrodsburg s potential strategic affiliation with Independence. KBW, as part of its investment banking business, is regularly engaged in the evaluation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, and distributions of listed and unlisted securities. KBW is familiar with the market for common stocks of publicly traded banks, thrifts and bank and thrift holding companies. The Harrodsburg board of directors selected KBW on the basis of the firm s reputation and its experience and expertise in transactions similar to the merger and its prior working relationship with Harrodsburg.

Pursuant to its engagement, KBW was asked to render an opinion as to the fairness to the Harrodsburg shareholders, from a financial point of view, of the merger consideration paid to Independence shareholders. KBW delivered its opinion to the Harrodsburg board of directors that, as of January 22, 2004 the merger consideration is fair, from a financial point of view, to the shareholders of Harrodsburg. No limitations were imposed by the Harrodsburg board of directors upon KBW with respect to the investigations made or procedures followed by it in rendering its opinion. KBW has consented to the inclusion herein of the summary of its opinion to the Harrodsburg board of directors and to the reference to the entire opinion attached hereto as Appendix B.

The full text of the opinion of KBW, which is attached as Appendix B to this Proxy Statement/Prospectus, sets forth certain assumptions made, matters considered and limitations on the review undertaken by KBW, and should be read in its entirety. The summary of the

opinion of KBW set forth in this Proxy Statement/Prospectus is qualified in its entirety by reference to the opinion.

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In rendering its opinion, KBW (i) reviewed the agreement and plan of reorganization, (ii) reviewed publicly available information of both Independence and Harrodsburg that they deemed relevant, (iii) discussed with senior management and the board of directors of Harrodsburg the current position and prospective outlook for Harrodsburg, (iv) discussed with senior management of Independence their operations, financial performance and future plans and prospects, (v) considered historical quotations, levels of activity and prices of recorded transactions in Harrodsburg s and Independence common stock, (vi) reviewed financial and stock market data of other banks in a comparable asset range to Independence, (vii) reviewed financial and stock market data of other banks in a comparable asset range to Harrodsburg, (viii) reviewed certain recent business combinations with banks as the acquired company, which KBW deemed comparable in whole or in part, (ix) performed other analyses which KBW considered appropriate.

Analysis of Recent Comparable Acquisition Transactions.

In rendering its opinion, KBW analyzed certain comparable merger and acquisition transactions of both pending and completed bank transactions. In its analysis KBW compared the acquisition price relative to four industry-accepted ratios: deal price to book value, deal price to tangible book value, deal price to last twelve months earnings and premium to core deposits. The analysis included a comparison of the median, high and low of the above ratios for pending and completed acquisitions, based on the following comparable group: (1) all institutions in the comparable group were banking institutions; (2) all transactions in the comparable group were either announced or completed after March 31, 2003 (3) all transactions in the peer group had an asset size of the selling bank between $75 million and $500 million. As a result of these transaction criteria, the following selling bank institutions were used in analyzing comparable transactions:

Selling institutions in comparable merger and acquisition transactions:

First Capital Bankshares Inc.	Peoples First Inc.
Newton Financial Corp	Millennium Bank
E.N.B. Holding Company, Inc.	First & Ocean Bancorp
Home Towne Heritage Bank	Lakes Region Bancorp Inc.
Caledonia Financial Corp.	Grange National Banc Corp.
Community Bancorp Inc,	CSB Financial Corp.

No company or transaction used as a comparison in this analysis is identical to Independence, Harrodsburg or the merger. Accordingly, an analysis of the results of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which they are being compared.

The information in the following table summarizes the material information analyzed by KBW with respect to the merger. The summary does not purport to be a complete description of the analysis performed by KBW in rendering its opinion. Selecting portions of KBW s analysis or isolating certain aspects of the comparable transactions without considering all analyses and factors could create an incomplete or potentially misleading view of the evaluation process.

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	Price to Book Ratio (%)	Price to Tangible Book Ratio (%)	Price to last 12 months earnings (x)	Core Deposit Premium (%)
Low Value	212.5	248.0	17.1x	15.30
Median Value	279.7	293.2	24.1x	24.70
High Value	301.2	322.6	31.9x	34.60

	Price to Book Ratio (%)	Price to Tangible Book Ratio (%)	Price to last 12 months earnings (x)	Core Deposit Premium (%)
Consideration paid by Harrodsburg*	261.4	306.5	27.6x	19.10

* Transaction multiples based upon the acquisition of 77.5% of Independence shares outstanding and not already owned by Harrodsburg.

KBW viewed the aforementioned comparable group as appropriate in deriving a comparable transaction value based on Independence size, capital base and earnings. In addition, KBW viewed the fact that the comparable group contained 12 transactions as being statistically significant for the purposes of comparison. Given that the value of the consideration on an aggregate basis to be paid in the merger, as of the date of the opinion, is with the range of comparable bank transactions on the basis of price to book value, price to tangible book value, price to last twelve months earnings, and core deposit premium, KBW believes that this analysis supports the fairness, from a financial point of view, to Harrodsburg and its stockholders of the consideration to be paid in the merger.

Contribution Analysis. KBW also analyzed the financial statements of Harrodsburg and Independence to determine if the pro forma ownership of the Harrodsburg shareholders in the combined company s shareholder base was consistent with the financial contribution of Harrodsburg to the combined company, particularly in terms of earnings contribution. The results of the contribution analysis are as follows:

	Acquiror Harrodsburg 09/30/2003	Target Independence 09/30/2003	Pro Forma Combined*	Contribution	
				HFFB	Independence
Assets	173,609	103,679	277,288	63%	37%
Loans, Net	117,655	92,033	209,688	56%	44%
Deposits	141,744	86,282	228,026	62%	38%
Equity	20,772	6,550(1)	27,322	76%	24%
	2004 Est.**	2004 Est.**			
Net interest income	5,107	5,038	10,145	50%	50%
Non-interest income	648	1,963	2,611	25%	75%
Non-interest expense	3,868	5,567	9,435	41%	59%
Net income	1,190	621(1)	1,811	65.7%	34.3%
Basic shares	1,222,978	689,500(1)	1,912,478	64%	36%
Diluted shares	1,283,052	689,500(1)	1,972,552	65.0%	35.0%

* Before merger adjustments

** Based on management estimates

(1) Excludes impact from Harrodsburg existing ownership of 22.5% of Independence.

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The contribution analysis performed by KBW did not take into account any merger adjustments or cost savings as a result of the merger. In addition, KBW relied on management guidance for estimated earnings for 2004 Harrodsburg and Independence. Based on relative earnings contribution of both Harrodsburg and Independence, KBW concluded that the pro forma ownership of Harrodsburg shareholders in the combined company as a result of the consideration paid to the Independence shareholders was in line with the Harrodsburg earnings contribution to the combined company and further supported the fairness of the consideration paid to Independence.

Discounted Dividend Analysis. KBW performed a discounted dividend analysis to estimate a range of present values per share of Independence s common stock. This range was determined by adding (1) the present value, which is a representation of the current value of a sum that is to be received some time in the future, of the estimated future dividends that Independence could generate through Year 5 of their current business plan (as provided to KBW during due diligence) and (2) the present value of the terminal value, which is a representation of the ongoing value of an entity at a specified time in the future of Independence s common stock.

In calculating a terminal value of Independence s common stock, KBW applied terminal multiples in a range of 15.3x 19.3x to year 5 forecasted earnings. The terminal multiple range is driven from the median multiple of 17.3x derived from comparable group of publicly traded banking institutions located in the Midwest region of the United States and having an assets size below $250 million. KBW then extended the potential range downwards to 15.3x and upwards to 19.3x forecasted year five earnings to provide greater flexibility in assessing a range of potential values. In performing this analysis, KBW used the budget provided by the Independence for the 2004 fiscal year as well as the business plan for the following years. The combined dividend stream and terminal value were then discounted back to September 30, 2003 (the date of most recent financial information when the analysis was performed). KBW established a discount range of 9.3% to 13.3% in terms of the cost of equity. This range was based off an 11.3% discount rate as provided by Ibbotsons Associates, Inc. for a composite of small capitalization financial institutions. Ibbotsons Associates, Inc. is a recognized authority on cost of capital analysis and derives discount rates for various industries based on industry type, size and liquidity. The results of KBW s analysis are set forth in the following table:

	Terminal Multiple				
Discount Rate	**15.3x**	**16.3x**	**17.3x**	**18.3x**	**19.3x**
13.3%	$ 19.51	$ 20.64	$ 21.76	$ 22.89	$ 24.02
12.3%	$ 20.38	$ 21.56	$ 22.74	$ 23.92	$ 25.10
11.3%	$ 21.30	$ 22.54	$ 23.77	$ 25.00	$ 26.23
10.3%	$ 22.27	$ 23.56	$ 24.85	$ 26.14	$ 27.43
9.3%	$ 23.30	$ 24.65	$ 26.00	$ 27.35	$ 28.70

In performing this analysis, KBW assumed that 57% of Independence s net income would be paid out to shareholders, which consistent with Harrodsburg s current cash dividend payout ratio to common stockholders. Based on the foregoing criteria and assumptions, KBW determined that the theoretical present value of the Independence s common stock ranged from $19.51 to $28.70 per share. Given that the value of the consideration on a per share basis to be paid in the merger, as of the date of the opinion, is below the midpoint implied theoretical value of 17.3x forecasted future earnings discounted at 11.3% and is within the range of theoretical values for Independence, KBW believes that this analysis supports the fairness, from a financial point of view, to Harrodsburg and its stockholders of the consideration to be paid to Independence in the merger.

The discount dividend analyses of Independence does not necessarily indicate actual values or actual future results and do not purport to reflect the prices at which any securities may trade at the present or at any time in the future. Dividend discount analysis is a widely used valuation methodology, but the results of this methodology are highly dependent upon numerous assumptions that must be made, including earnings growth rates, dividend payout rates, terminal values, projected capital structure, and discount rates.

Based on the above analyses KBW concluded that the consideration was fair, from a financial point of view, to Harrodsburg shareholders. This summary does not purport to be a complete description of the analysis performed by KBW and should not be construed independently of the other information considered by KBW in rendering its opinion. Selecting

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portions of KBW s analysis or isolating certain aspects of the comparable transactions without considering all analysis and factors could create an incomplete or potentially misleading view of the evaluation process.

In rendering its opinion, KBW assumed and relied upon the accuracy and completeness of the financial information provided to it by Harrodsburg and Independence. In its review, with the consent of the Harrodsburg board of directors, KBW did not undertake any independent verification of the information provided to it, nor did it make any independent appraisal or evaluation of the assets or liabilities and potential or contingent liabilities of Harrodsburg or Independence.

The fairness opinion of KBW is limited to the fairness as of its date, from a financial point of view, of the consideration to be paid in the merger and does not address the underlying business decision to effect the merger (or alternatives thereto) nor does it constitute a recommendation to any stockholder of Harrodsburg as to how such stockholder should vote with respect to the merger proposal.

Furthermore, KBW expresses no opinion as to the price or trading range at which shares of the pro forma entity will trade following the consummation of the merger.

KBW is a nationally recognized investment banking firm and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, secondary distributions of listed and unlisted securities and private placements.

In preparing its analysis, KBW made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of KBW and Harrodsburg. The analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses and do not purport to be appraisals or reflect the prices at which a business may be sold.

KBW will receive a fee of $75,000 for services rendered in connection with advising and issuing a fairness opinion regarding the merger. As of the date of the Proxy Statement/Prospectus, KBW has received $35,000 of such fee; the remainder of the fee is due upon approval by shareholders of the merger. During 2003, KBW received fees of $37,000 for the management of a modified dutch auction for Harrodsburg as well as a $150,000 fee for the issuance of a trust preferred security issued by Harrodsburg.

Opinion of Independence s Financial Advisor

At a meeting of the Independence Board on January 22, 2004, at which the terms of the proposed merger were discussed and considered, David A. Noyes & Company (David A. Noyes) rendered its opinion to the Independence Board that, as of that date, the Exchange Ratio was fair to the Independence Stockholders from a financial point of view. The full text of David A. Noyes opinion dated the date hereof is included as Appendix C to this proxy statement.

David A. Noyes, as part of its investment banking business, is regularly engaged in the valuation of commercial bank and thrift securities in connection with mergers and acquisitions, negotiated underwritings and valuations for estate, corporate and other purposes. As specialists in the securities of commercial banking and thrift organizations, David A. Noyes has extensive experience in, and knowledge of, the commercial banking and thrift industries and its participants.

In connection with its opinion, David A. Noyes reviewed, among other things:

the Agreement and Plan of Reorganization

Consolidated Financial Statements and Independent Auditor s Reports for Independence for the three years ended December 31, 2002;

annual reports on Form 10-KSB of Harrodsburg covering the three years ended September 30, 2003;

quarterly reports on Form 10-QSB of Harrodsburg; and

certain other communications from Independence and Harrodsburg to their respective stockholders.

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David A. Noyes also held discussions with members of the senior management of Independence and Harrodsburg regarding the strategic rationale for, and the potential benefits of, the transaction contemplated by the Agreement and the past and current business operations, financial condition and future prospects of their respective companies. In addition, David A. Noyes reviewed the reported price and trading activity for Independence common stock and Harrodsburg common stock, compared certain financial and stock market information for Independence and Harrodsburg with similar information for certain other companies in which securities are publicly traded. David A. Noyes reviewed the financial terms of certain recent business combinations in the banking industry and performed such other studies and analyses as it considered appropriate.

David A. Noyes relied upon the accuracy and completeness of all of the financial and other information reviewed by it and assumed such accuracy and completeness for purposes of rendering this opinion. David A. Noyes is not an expert in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto and assumed, with the Independence board s consent, that such allowances for each of Independence and Harrodsburg are in the aggregate adequate to cover all such losses. Similarly, David A. Noyes assumed, with the Independence board s consent and without independent analysis, that the obligations of Independence and Harrodsburg pursuant to derivatives, swaps, foreign exchange, financial instruments and off-balance sheet lending-related financial instruments will not have an adverse effect which would be relevant to its analysis. In addition, David A. Noyes did not review individual credit files nor did it make an independent evaluation or appraisal of the assets and liabilities of Independence or Harrodsburg or any of their subsidiaries, and it had not been furnished with any such evaluation or appraisal. David A. Noyes s opinion as to the fairness of the exchange ratio addressed the ownership position in Harrodsburg to be received by the Independence shareholders pursuant to the exchange ratio on the terms set forth in the agreement and did not address the future trading or acquisition value for the stock of Harrodsburg. David A. Noyes considered the relative merits of the merger and certain alternative business strategies. David A. Noyes also assumed, with the Independence Board s consent, that the merger will be accounted for as a purchase under generally accepted accounting principles and that obtaining any necessary regulatory approvals and third party consents for the merger or otherwise will not have an adverse effect on Independence or Harrodsburg pursuant to the merger.

David A. Noyes s advisory services and the opinion expressed by it were provided for the information and assistance of the Independence Board in connection with its consideration of the transaction contemplated by the Agreement and such opinion did not constitute a recommendation as to how any Independence shareholder should vote with respect to such transaction.

The following is a brief summary of the material financial analyses considered in a presentation to the Independence Board on January 22, 2004 by David A. Noyes in connection with its oral and written opinions as of such date.

Comparative Financial and Market Performance Analysis. In performing a comparative market performance analysis, David A. Noyes analyzed certain operating performance statistics of Independence Bank relative to a group of selected commercial banks based in Indiana with assets between $75 million and $125 million as of June 30, 2003 (the Noyes Peer Group):

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Noyes Peer Group:

Company Name	City	State
Bank of Evansville	Evansville	IN
Bank of Geneva	Geneva	IN
Bath State Bank	Bath	IN
Bippus State Bank	Huntington	IN
Community State Bank	Avilla	IN
Farmers State Bank	Mentone	IN
First National Bank of Fremont	Fremont	IN
First State Bank of Porter	Porter	IN
First State Bank, Bourbon, Indiana	Bourbon	IN
Fountain Trust Company	Covington	IN
Fowler State Bank	Fowler	IN
Lafayette Community Bank	Lafayette	IN
Napoleon State Bank	Napoleon	IN
North Salem State Bank	North Salem	IN
Ossian State Bank	Ossian	IN
Pacesetter Bank	Hartford City	IN
Peoples Bank	Brownstown	IN
Peoples Trust & Savings Company	Boonville	IN
Peoples Trust Company	Linton	IN
Scott County State Bank	Scottsburg	IN
United Commerce Bank	Bloomington	IN
Wayne Bank & Trust Company	Cambridge City	IN

David A. Noyes analyzed the relative financial performance of Independence Bancorp, the wholly owned operating subsidiary of Independence Bank, by comparing certain financial information of Independence Bancorp with the Noyes Peer Group. Historical financial information used in connection with this analysis was as of, and for the twelve months ended, June 30, 2003:

	Independence Bank	Noyes Peer Group Average	Noyes Peer Group Median
Return on average assets	0.96%	1.00%	0.95%
Return on average equity	9.35%	9.04%	9.01%
Efficiency Ratio	73.62%	69.30%	68.92%
Equity/Assets	11.35%	12.02%	10.35%
Non-performing assets/Assets	0.48%	0.51%	0.38%

Analysis of Other Similar Transactions. David A. Noyes analyzed other similar transactions, in which the seller was a banking company located in Indiana or Kentucky with less than $200 million in assets, announced since January 1, 2000.

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The following similar transactions (M & A Comparables) were analyzed:

Buyer	Seller
Central Bancshares, Inc	Salt Lick Deposit Bank
Community Trust Bancorp	Citizens National Bank & Trust
Citizens Union Bancorp Shelbyville	Dupont State Bank
Citizens Union Bancorp Shelbyville	Larue Bancshares Inc.
First Capital Inc.	Hometown Bancshares Inc.
First Indiana Corp.	MetroBanCorp
First Merchants Corp.	Decatur Bank & Trust
First Merchants Corp.	Francor Financial Inc.
German American Bancorp	Holland Bancorp, Inc.
MainSource Financial Group	First Community Bancshares Inc.
MainSource Financial Group	Peoples Financial Corp.
Peoples Bancorp Inc.	Kentucky Bancshares Inc.
Piper Holdings Inc.	Heritage Bancshares Inc.

The following table illustrates the results of the analysis of the value of the stock to be received at the exchange ratio.

	Independence	M&A Comparables Average	M&A Comparables Median
Price/Book	249%	183%	172%
Price/Tangible Book	281%	189%	184%
Price/Latest Twelve Months Earnings	22.3X	20.9X	22.2X

The foregoing summary does not purport to be a complete description of the analyses performed by David A. Noyes, but describes the material analyses performed thereby. In addition, David A. Noyes believes that its 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 view of the process underlying the analyses and the opinions. The preparation of a financial adviser s opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analyses or summary description. In its analyses, David A. Noyes also took into account its assessment of general economic, market, and financial conditions and its experience in similar transactions, as well as its experience in securities valuation and its knowledge of the banking industry generally. With respect to the comparative financial and market performance and other similar transactions analyses summarized above, no public company utilized as a comparison is identical to Independence or Harrodsburg and such analyses necessarily involve complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the acquisition or public trading values of the companies concerned. Any estimates contained in David A. Noyes analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or its securities actually may be sold. None of the analyses performed by David A. Noyes were assigned a greater significance by David A. Noyes than any other.

Independence has entered into an agreement with David A. Noyes relating to the financial advisory services being provided by David A. Noyes in connection with the merger. Independence has paid Noyes a fee of $42,500. If a transaction is consummated, Independence agrees to pay Noyes a final fee of $32,500 upon consummation. Independence has also agreed to indemnify and hold harmless David A. Noyes, its officers, directors, employees and agents against all claims, losses, actions, judgments, damages or expenses, including, without limiting the generality of the foregoing, reasonable attorneys fees, costs and experts expenses, arising from or relating to the advice and recommendations given and/or the services performed pursuant to this agreement.

If, in connection with its engagement, David A. Noyes becomes involved in any capacity in any action or legal proceeding, Independence has agreed (a) to reimburse David A. Noyes for its reasonable legal fees, disbursements of counsel and other expenses, and (b) to indemnify and hold David A. Noyes harmless against any losses, claims,

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damages, or liabilities, joint or several, to which David A. Noyes may become subject in connection its engagement (other than any loss, claims, damage, or liability that a court having jurisdiction determines by a final judgment to have resulted from David A. Noyes failure to exercise reasonable or ordinary care, malfeasance or recklessness). In the event that this indemnity is unavailable or insufficient to hold David A. Noyes harmless, then Independence will be required to contribute to amounts paid or payable by David A. Noyes in respect of such losses, claims, damages, and liabilities in such proportion as appropriately reflects the relative benefits received by, and fault of, Independence and David A. Noyes in connection with the matters as to which such losses, claims, damages, or liabilities relate and other equitable considerations. The agreements of Independence extend to and inure to the benefit of each person, if any, who may be deemed to control David A. Noyes.

Aside from services in connection with this transaction, including earlier evaluations of strategic alternatives, Noyes has not had any previous relationship with Independence, and no compensation has been received other than as described above.

What We Must Do To Complete The Merger

The completion of the merger depends on a number of conditions being met by Harrodsburg and Independence. The conditions described below are subject to the satisfaction or waiver of the following conditions specified in the merger agreement.

Harrodsburg and Independence must:

- obtain shareholders approval from both companies;
- fulfill their obligations under the merger agreement;
- avoid any material breach of their representations and warranties;
- obtain a tax opinion from legal counsel;
- obtain regulatory approvals or nonobjection from the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision; the Indiana Department of Financial Institutions, and the Kentucky Department of Financial Institutions;
- obtain Nasdaq stock market approval to list the 1st Independence Financial shares to be issued in the merger;
- not have in effect any order, decree, or injunction of a court or agency of competent jurisdiction which would prevent the completion of the merger transactions;
- do nothing that would have or result in any material adverse effect on the other party; and
- receive certain officer s certificates from each other regarding the satisfaction of the merger agreement s conditions.

You can find details of the conditions to the merger in Article 6 of Appendix A. Harrodsburg and Independence cannot guarantee that all of these conditions will be satisfied or waived.

Federal Income Tax Consequences

General. The following is a description of the material federal income tax consequences of the merger to shareholders of Independence. Patton Boggs LLP, legal counsel to Harrodsburg, will issue a tax opinion at the effective time of the merger confirming the federal income tax consequences described below. The federal income tax laws are complex and the tax consequences of the merger may vary depending upon each shareholder s individual circumstances or tax status. Accordingly, this description is not a complete description of all of the consequences of the merger and, in

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particular, may not address federal income tax considerations that may affect the treatment of shareholders subject to special treatment under United States federal income tax law (including, for example, foreign persons, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, holders who acquired their shares of Independence common stock pursuant to the exercise of an employee stock option or right or otherwise as compensation and holders who hold Independence common stock as part of a hedge, straddle or conversion transaction). In addition, no opinion is expressed with respect to the tax consequences of the merger under applicable foreign, state or local laws or under any federal tax laws other than those pertaining to the income tax. This description is based on laws, regulations, rulings and judicial decisions as in effect on the date of this proxy statement/prospectus, without consideration of the particular facts or circumstances of any holder of Independence common stock. These authorities are all subject to change and any such change may be made with retroactive effect. No assurance can be given that, after any such change, this description would not be different.

Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult your own tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

The Merger. Both the merger and the subsidiary merger, when consummated in accordance with the terms of the merger agreement, will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended to the date of this proxy statement/prospectus (the Code). Accordingly, Harrodsburg, First Financial, Harrodsburg shareholders, Independence and Independence Bank will not recognize any taxable gain or loss as a result of the merger or the bank merger.

The federal income tax consequences of the merger to the Independence shareholders who exchange their shares for Harrodsburg common stock are as follows:

- the Independence shareholders will not recognize gain or loss on the exchange except with receipt of cash in lieu of fractional shares. See below for the tax consequences of receiving cash in lieu of fractional shares.

- the Independence shareholders tax basis in the Harrodsburg common stock received and any fractional shares deemed received pursuant to the merger will equal such shareholder s tax basis in the shares of Independence common stock being exchanged; and

- the holding period of Harrodsburg common stock received will include the holding period of the shares of Independence common stock being exchanged.

Cash in Lieu of Fractional Shares. No fractional shares of Harrodsburg common stock will be issued in the merger. An Independence shareholder who receives cash in lieu of a fractional share will be treated as having received such fractional share pursuant to the merger and then as having exchanged such fractional share for cash in a redemption by Harrodsburg. An Independence shareholder should generally recognize capital gain or loss on such a deemed redemption of the fractional share in an amount determined by the excess of the amount of cash received and the shareholder s tax basis in the fractional share. Any capital gain or loss will be long-term capital gain or loss if the Independence common stock exchanged was held for more than one year.

Closing Tax Opinion. It is a condition precedent to the obligations of Harrodsburg and Independence to effect the merger that they receive an opinion from Patton Boggs LLP, dated as of the effective time of the merger, that each of the merger and the subsidiary merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Such opinion will be based upon facts existing at the effective time of the merger and the subsidiary merger, and in rendering such opinion, counsel will require and rely upon facts, representations and assumptions that will be provided by Harrodsburg, Independence and others.

Harrodsburg and Independence will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger and the subsidiary merger, and as a result there can be no assurance that the Internal Revenue Service will agree with any of the conclusions described herein.

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Backup Withholding. Non-corporate holders of Independence common stock may be subject to information reporting and backup withholding imposed at a rate of 29% (for 2004) on any cash payments they receive. Independence shareholders will not be subject to backup withholding, however, if they:

- furnish a correct taxpayer identification number and certify that they are not subject to backup withholding on the substitute Form W-9 or successor form included in the election form/letter of transmittal they will receive; or

- are otherwise exempt from backup withholding.

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

Reporting Requirements. Independence shareholders who receive Harrodsburg 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 their 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.

Accounting Treatment of the Merger

The merger will be accounted for under the purchase method of accounting under GAAP. Under this method, Independence s assets and liabilities as of the date of the merger will be recorded at their respective fair values and added to those of Harrodsburg. Any difference between the purchase price for Independence and the fair value of the identifiable net assets acquired (including core deposit intangibles) will be recorded as goodwill. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, issued in July 2001, 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. Core deposit and other intangibles with definite useful lives recorded by Harrodsburg in connection with the merger will be amortized to expense. The financial statements of Harrodsburg issued after the merger will reflect the results attributable to the acquired operations of Independence beginning on the date of completion of the merger. Additionally, outstanding stock options exchanged in the merger will be accounted for in accordance with APB No. 25, Accounting for Stock Issued to Employees.

Approvals Needed to Complete the Merger

In addition to the approval of the merger agreement by Harrodsburg and Independence shareholders, completion of the merger and the transactions contemplated by the merger agreement is subject to the prior approval or notice of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Indiana Department of Financial Institutions, and the Kentucky Department of Financial Institutions. In reviewing applications under the Bank Holding Company Act and the Bank Merger Act, the Federal Reserve Board and the Federal Deposit Insurance Corporation must consider, among other factors, the financial managerial resources and future prospects of the existing and resulting institutions, and the convenience and needs of the communities to be served. In addition, the Federal Reserve Board and the Federal Deposit Insurance Corporation may not approve a transaction if it will result in a monopoly or otherwise be anti-competitive.

Under the Community Reinvestment Act of 1977, the Federal Reserve Board and the Federal Deposit Insurance Corporation must take into account the record of performance of First Financial and Independence Bank in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by each institution. First Financial and Independence Bank each received a satisfactory rating during their respective last Community Reinvestment Act examinations.

In addition, a period of up to 30 days must expire following approval by each of the Federal Deposit Insurance Corporations and the Federal Reserve Board, within which period the United States Department of Justice may file objections to the merger under the federal anti-trust laws. Although the companies believe that the likelihood of such

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action by the Department of Justice is remote in this merger, there can be no assurance that the Department of Justice will not initiate such proceeding. If such proceeding is instituted or challenge is made, the companies cannot ensure a favorable result.

The companies are not aware of any other regulatory approvals required for completion of the merger, except as described above. Should any other approvals be required, it is presently contemplated that such approvals would be sought. There can be no assurance that any other approvals, if required, will be obtained.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the consideration to be received by Independence shareholders. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

Subsidiary Merger

In connection with the merger, First Financial and Independence Bank have also entered into a plan of merger pursuant to which First Financial and Independence Bank will merge their operations. The bank merger is to occur at the same time as the merger of Harrodsburg and Independence and the resulting institution will become a Kentucky state-chartered bank. In order to facilitate the bank merger and its conversion to a Kentucky state-chartered bank, I-Bank, Inc. (I-Bank) was formed. I-Bank is an interim Kentucky state-chartered bank and is wholly owned by Independence Bank. First Financial Bank will merge with and into Independence Bank and Independence Bank will simultaneously merge with and into I-Bank, as the resulting institution. The resulting institution, a Kentucky state-chartered bank, will be named 1st Independence Bank. The plan of merger may be terminated by mutual consent of the parties at any time and will be terminated automatically in the event the merger agreement is terminated.

Interests Of Certain Persons In The Merger That Are Different From Your Interests

Some members of Harrodsburg s and Independence s management and Harrodsburg s and Independence s boards have interests in the merger in addition to their interests as Harrodsburg shareholders or Independence shareholders. The Harrodsburg board and the Independence board were aware of these interests and considered them, among other matters, in approving the merger agreement.

New Employment Agreements. Upon the effective time of the merger, the new combined company, 1st Independence Financial and the resulting institution, 1st Independence Bank, will enter into employment agreements with Arthur L. Freeman, N. William White, R. Michael Wilbourn and Alan D. Shepard.

Mr. Freeman, Chairman of the Board and Chief Executive Officer of Harrodsburg and First Financial, will serve as the Chairman of the Board and Chief Executive Officer of 1st Independence Financial and the Chairman of the Board of 1st Independence Bank. Mr. White, President and Chief Executive Officer of Independence and Independence Bank will serve as the President of 1st Independence Financial and President and Chief Executive Officer of 1st Independence Bank. Mr. Wilbourn, Executive Vice President and Chief Financial Officer of Independence, will serve as Executive Vice President and Chief Financial Officer of 1st Independence Financial and 1st Independence Bank. Additionally, Mr. Shepard, Executive Vice President of Independence, will serve as Executive Vice President, and senior lending officer of 1st Independence Financial and 1st Independence Bank.

For Messrs. Freeman and White (collectively referred to as Executives), each employment agreement initially provides for a base salary of $130,000 and an initial term of three years, with automatic one year extensions on each anniversary of the effective date of each agreement unless either of Messrs. Freeman, White, 1st Independence Financial or 1st Independence Bank gives the other notice of its desire to terminate the automatic extension. Upon such termination, each agreement would expire at the end of the current three year term.

Each employment agreement, as with respect to each Executive, will terminate upon the death or termination of employment due to disability of the Executive, in the event of certain regulatory actions, or upon notice by either 1st Independence Financial, 1st Independence Bank, Mr. Freeman (as to his agreement) or Mr. White (as to his agreement), with or without cause. An Executive s employment agreement will be suspended in the event of the regulatory suspension of his employment.

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If an Executive is terminated by 1st Independence Financial or 1st Independence Bank without cause (which is defined in each employment agreement) or if an Executive terminates his employment for just cause (as defined in each Agreement to mean that 1st Independence Financial Group or 1st Independence Bank commits a breach of its obligations under the respective employment agreement and does not timely cure the breach), 1st Independence Financial and 1st Independence Bank will be obligated to pay or provide to the terminated Executive his base salary in effect at the time of termination for the duration of the term of the Agreement in addition to providing health and life insurance and any other retirement and compensation benefit plan coverages in place at the time of termination of employment. Additionally, each Agreement obligates 1st Independence Financial and 1st Independence Bank under such circumstances to also provide the Executive and his immediate family continued health and if applicable, life insurance coverage through the remaining term of the employment agreement.

If an Executive s employment is terminated by either 1st Independence Financial or 1st Independence Bank for cause (as defined in each employment agreement) or by the Executive for any reason other than just cause (as described above), the Executive shall be entitled to receive his salary and applicable benefits only through the effective date of the termination of his employment.

If an Executive s employment is involuntarily terminated within two years after a change of control (as defined in each employment agreement), of 1st Independence Financial or 1st Independence Bank then the terminated Executive shall be entitled to receive an amount equal to the product of 2.99 times the Executive s base amount as defined in Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the Code) and any proposed or final regulations thereunder, less the value of any benefits provided or rights accelerated by the change of control, as determined pursuant to Section 280G of the Code.

Each employment agreement also includes a covenant which will limit the ability of the Executive to compete with 1st Independence Financial or 1st Independence Bank in an area encompassing a thirty mile radius from his respective principal home residence.

The employment agreements with Messrs. Wilbourn and Shepard will be materially consistent as the Executive agreements described above, except that Messrs. Wilbourn and Shepard s shall each receive a base salary of $105,000 and will not be provided coverage under an executive life insurance policy.

Stock Options. Options to acquire Independence common stock have been issued pursuant to the Independence stock option plan. The merger agreement provides that the outstanding options at the time the merger takes effect will be converted into options to purchase one share of common stock of the combined company, 1st Independence Financial. The terms of the new options will be determined as follows:

- the right to purchase shares of Independence common stock pursuant to the old option will be converted in a new option with the right to purchase that same number of shares of 1st Independence Financial common stock;
- the option exercise price per share of 1st Independence Financial common stock will be the previous option exercise price per share of Independence common stock; and
- in all other material respects the new option will be subject to the same terms and conditions as governed the old option on which it was based, including the length of time within which the option will vest and may be exercised.

As of March 22, 2004, there were options outstanding for approximately 67,000 shares of Independence common stock that would be converted in the merger as described above. Such options were issued to employees and directors of Independence. See Ratification of the 2004 Option

Plan.

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The following persons who are directors and/or executive officers of Independence before the merger will receive the following options:

Name and Title	Option Grants
Lee Buchanan, Director	3,000
Matthew C. Chalfant, Director	6,750
Steven R. Manecke, Director	5,000
Charles Moore II, Director	3,400
Ronald C. Receveur, Director	3,400
Lawrence Very, Director	3,400
N. William White, Director and Executive Officer	14,000
R. Michael Wilbourn, Executive Officer	5,000
Alan D. Shepard, Executive Officer	5,500
	49,450

Advisory Directors. Following the merger, 1st Independence Financial intends to establish an advisory board that will appoint Lee E. Buchanan, Lawrence Very, Anne Marie Galligan, and Tharold Beaver, former directors of Independence and Independence Bank. The advisory board members will receive $500 per month for a period of 24 months.

Indemnification and Insurance. The merger agreement provides that, for a period of three years after the completion of the merger, Harrodsburg will indemnify the directors and officers of Independence and Independence Bank against certain liabilities to the fullest extent that Harrodsburg is permitted to indemnify its directors and executive officers. Furthermore, Harrodsburg has also agreed to use its reasonable best efforts to provide, for a period of three years, subject to certain limitations, directors and officers liability insurance coverage for persons who were covered by such insurance maintained by Independence and Independence Bank on the date of the merger agreement.

Directorship. Following the merger, 1st Independence Financial board of directors will consist of ten members, five of which are current board members of Harrodsburg and five of which are current board members of Independence. See Management and Operations After the Merger.

Other Provisions of the Merger

Although the completion of the merger requires shareholder approval, many provisions of the merger agreement became effective immediately upon its signing. Your vote was not required to make these provisions binding obligations of Harrodsburg and Independence.

Representations and Warranties. Each party has made representations and warranties to the other party with respect to various matters, including its financial statements, capital structure, business, loans, investments, regulatory filings and benefit plans. These representations and warranties must be true and correct upon both signing of the merger agreement and the completion of the merger. A party can terminate the merger agreement if the other party s representations and warranties are not true and correct, resulting in a material adverse effect on that other party. If the merger is completed, or if the merger agreement is terminated for some unrelated reason, the representations and warranties become void. You can find details of these obligations in Article 4 of Appendix A.

Cooperation and Conduct of Business. Each party has agreed to cooperate in completing the merger and to avoid extraordinary transactions between the signing of the merger agreement and the completion of the merger. In addition, we have agreed not to solicit or encourage a competing transaction to acquire us. However, we can furnish information to or negotiate with someone who makes an unsolicited written bona fide proposal if our advisors determine that it is our boards of directors fiduciary duty to do so. These provisions also become void if the merger agreement is terminated, except for those related to confidentiality and shared expenses. You can find details of these obligations in Articles 5 and 6 of Appendix A.

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Waiver. Section 8.3 of Article 8 to Appendix A allows either Harrodsburg or Independence to waive (to the extent permitted by law) any condition or obligation of the other party.

Termination. The merger agreement may be terminated by mutual agreement of the parties (even after shareholder approval), or by Harrodsburg or Independence under any of the following circumstances:

- in response to a material breach which is not cured within 30 days;
- if the merger is not completed by August 31, 2004;
- if any required regulatory or shareholder approval is not obtained;
- if either Harrodsburg s or Independence s board of directors withdraws their recommendation to approve the merger agreement or modifies or qualifies their recommendation in a manner adverse to the other party;
- if either Harrodsburg or Independence enters into another agreement with someone else, in connection with a superior proposal (as defined in the agreement); or
- if either Harrodsburg s or Independence s board of directors determines, after consultation with its advisors, that it is their fiduciary duty to accept such a superior proposal.

You can find details of the termination provisions in Section 7.1 of Article 7 to Appendix A.

Termination Fees. If the merger is terminated, Harrodsburg or Independence may be obligated to pay the other party the following fees:

- Independence will be required to pay Harrodsburg $300,000 if the representations and warranties it has made to Harrodsburg in connection with the merger agreement are not true or correct, or, Independence fails to cooperate with Harrodsburg to complete the merger;
- Harrodsburg will be required to pay Independence $300,000 if the representations and warranties it has made to Independence in connection with the merger agreement are not true or correct, or Harrodsburg fails to cooperate with Independence to complete the merger;
- Independence will be obligated to pay Harrodsburg up to $800,000 if Independence s board of directors withdraws or changes its recommendation to approve the merger agreement in a manner adverse to Harrodsburg, Independence s board recommends to its shareholders to tender their respective shares to a third party, or Independence enters into or (determines it must enter into) another merger agreement because it receives a superior proposal (as defined in the agreement); or

Harrodsburg will be obligated to pay Independence up to $800,000 if Harrodsburg s board of directors withdraws or changes its recommendation to approve the merger agreement in a manner adverse to Independence, Harrodsburg s board recommends to its shareholders to tender their respective shares to a third party, or Harrodsburg enters into or (determines it must enter into) another merger agreement because it receives a superior proposal (as defined in the agreement).

You can find details of the termination fee provision in Section 7.2 to Article 7 of Appendix A.

Exchange of Certificates

Harrodsburg will appoint an exchange agent to handle the exchange of Independence stock certificates for 1st Independence Financial stock certificates and the payment of cash for any fractional share. Promptly after the merger is completed, the exchange agent will send to each holder of Independence common stock a letter of transmittal for use in the exchange and instructions explaining how to surrender Independence certificates to the exchange agent. Holders of

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Independence common stock that surrender their certificates to the exchange agent, together with a properly completed letter of transmittal, will receive the appropriate merger consideration. Holders of unexchanged shares of Independence common stock will not be entitled to receive any dividends or other distributions payable by 1st Independence Financial after the effective time until their certificates are surrendered. However, when those certificates are surrendered for shares of 1st Independence Financial common stock, any unpaid dividends or distributions will be paid, without interest.

No stock certificates representing fractional shares of 1st Independence Financial common stock will be issued upon the surrender of Independence stock certificates. In lieu of the issuance of any such fractional share, Harrodsburg will pay to each former shareholder of Independence who otherwise would be entitled to receive a fractional share of Harrodsburg common stock an amount in cash, without interest, determined by multiplying the fraction of a share of Harrodsburg common stock which such holder would otherwise be entitled to receive pursuant to the merger agreement by the average share price of the Harrodsburg common stock for the 5 trading-day period prior to the close of the merger.

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

Harrodsburg will only issue a 1st Independence Financial stock certificate in a name other than the name in which a surrendered Independence stock certificate is registered if you present the exchange agent with all documents required to show and effect the unrecorded transfer of ownership of the shares of Independence common stock formerly represented by such Independence stock certificate, and show that you paid any applicable stock transfer taxes.

If your Independence stock certificate has been lost, stolen or destroyed, you may be required to deliver an affidavit and a lost certificate bond as a condition to receiving any Harrodsburg stock certificate to which you may be entitled.

As noted above, you should not send your stock certificate to Harrodsburg or Independence until you have received the letter of transmittal. However, if you cannot locate your stock certificate, please contact N. William White at Independence at (812) 944-1400, to make suitable arrangements in advance of the closing of the merger and the exchange of stock certificates.

Independence common stock certificates should not be returned with the enclosed proxy and should not be forwarded to the exchange agent until you receive the transmittal form.

Harrodsburg stock certificates will not be exchanged as part of the merger. Harrodsburg stock certificates will be exchanged for 1st Independence Financial certificates upon a subsequent transfer, or if a Harrodsburg shareholder specifically requests that 1st Independence Financial s transfer agent make the exchange.

Effective Time of the Merger

The merger will be consummated if the merger agreement is approved by Harrodsburg shareholders, Independence shareholders, Harrodsburg and Independence obtain all required consents, and all other conditions to the merger are either satisfied or waived. The merger will become effective on the date and at the time that the certificate of merger and articles of merger are filed with the Secretaries of State of the States of Delaware and Indiana, respectively, or such late date or time as may be indicated in such certificates. It is currently anticipated that the merger will occur in the second quarter of 2004. Harrodsburg and Independence each has the right to terminate the merger agreement if the merger is not completed by August 31, 2004.

Resale of 1st Independence Financial Common Stock By Affiliates of Independence

The 1st Independence Financial common stock issued pursuant to the merger will be freely transferable under the Securities Act of 1933, except for shares issued to any Independence shareholder who may be deemed to be an affiliate of Independence for purposes of Rule 144 promulgated under the Securities Act of 1933 or an affiliate of Independence for purposes of Rule 145 promulgated under the Securities Act of 1933. Affiliates will include persons (generally executive officers, directors and 10% shareholders) who control, are controlled by or are under common control with (1) Independence at the time of the annual meeting or (2) 1st Independence Financial at or after the effective time of the merger.

Rule 145 will restrict the sale of 1st Independence Financial common stock received in the merger by affiliates and certain of their family members and related interests. Generally speaking, during the year following the effective time of the merger, those persons who are affiliates of Independence at the time of the annual meeting, provided they are not affiliates of 1st Independence Financial at or following the effective time of the merger, may publicly resell any 1st Independence Financial common stock received by them in the merger, subject to certain limitations as to, among other things, the amount of Harrodsburg common stock sold by them in any three-month period and as to the manner of sale. After the one-year period, such affiliates may resell their shares without such restrictions so long as there is adequate current public information with respect to 1st Independence Financial as required by Rule 144. Persons who are affiliates of 1st Independence Financial after the effective time of the merger may publicly resell the 1st Independence Financial common stock received by them in the merger subject to similar limitations and subject to certain filing requirements specified in Rule 144.

The ability of affiliates to resell shares of 1st Independence Financial common stock received in the merger under Rules 144 or 145 as summarized herein generally will be subject to 1st Independence Financial s having satisfied its reporting requirements under the Securities Exchange Act of 1934 for specified periods prior to the time of sale. Affiliates also would be permitted to resell 1st Independence Financial common stock received in the merger pursuant to an effective registration statement under the Securities Act of 1933 or another available exemption from the Securities Act of 1933 registration requirements. Neither the registration statement of which this proxy statement/prospectus is a part nor this proxy statement/prospectus cover any resales of 1st Independence Financial common stock received by persons who may be deemed to be affiliates of Independence in the merger.

Independence has agreed in the merger agreement to cause each person who may be deemed to be an affiliate of it for purposes of Rule 145 to deliver to Harrodsburg a letter of agreement intended to ensure compliance with the Securities Act of 1933.

Shareholders Appraisal Rights

All of the Independence shareholders have the right under Indiana law to dissent from the merger and to demand and obtain cash payment of the appraised fair value of their shares of Independence common stock under the circumstances described below. Harrodsburg s shareholders, whose rights are governed by Delaware law, do not have the right to dissent from the merger and receive cash for the value of their shares, since Harrodsburg s shares of common stock are quoted on the Nasdaq National Market.

The appraised value that Independence shareholders obtain for their shares by dissenting may be less than, equal to or greater than the value of the 1st Independence Financial common stock you will receive under the merger agreement. If you fail to comply with the procedural requirements of Chapter 44 of the Indiana Business Corporation Law (the IBCL), you will lose your rights to dissent and seek payment of the appraised value of the shares.

The following is a summary of the IBCL, which specifies the procedures applicable to dissenting shareholders. This summary is not a complete statement of the law regarding the right of Independence s shareholders to dissent under Indiana law, and if you are considering dissenting, please review the provisions of the IBCL carefully. The text of the IBCL is attached to this joint proxy statement/prospectus as Appendix E. Independence shareholders should be aware of the following:

To be entitled to dissent and seek appraisal you must:

- before the vote is taken at the annual meeting of Independence shareholders, deliver to Independence written notice of your intent to demand payment for your shares if the merger is effectuated, and

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not vote in favor of the merger in person or by proxy at the Independence annual meeting of shareholders.

If the merger is approved by the Independence shareholders, Harrodsburg will send a notice of dissenters rights to those Independence shareholders satisfying the above conditions within ten days after the shareholder approval. The notice will state the procedures that must be followed to exercise dissenters rights in accordance with the IBCL.

AN INDEPENDENCE SHAREHOLDER WHO DOES NOT DELIVER WRITTEN NOTICE OF INTENT TO DEMAND PAYMENT AND EITHER VOTES AGAINST THE MERGER OR REFRAINS FROM VOTING WILL BE CONSIDERED NOT TO BE ENTITLED TO RIGHTS UNDER THE IBCL.

Independence shareholders who execute and return the enclosed proxy but do not specify a choice on the merger proposal will be deemed to have voted in favor of the merger and, accordingly to have waived their dissenters rights, unless they revoke the proxy prior to its being voted.

Upon consummation of the merger, Harrodsburg will pay each dissenting Independence shareholder who has complied with all requirements of the IBCL and of the notice, its estimate of the fair value of the shares. Dissenters can object to the fair value by stating their estimate of the fair value and demanding payment of the additional amount claimed as fair value within 30 days after Harrodsburg makes or offers payments for the dissenters shares. Harrodsburg can elect to agree to the dissenters fair value demand or can commence an action in the Circuit or Superior Court of Floyd County, Indiana, within 60 days after receiving the demand for payment for a judicial determination of the fair value. The court can appoint appraisers to determine the fair value. The costs of the proceeding, including compensation and expenses of the appraisers, counsel for the parties, and experts, will be assessed against all parties to the action in such amounts as the court finds equitable. Each dissenter made a party to the action will be entitled to receive the amount, if any, by which the court finds the fair value of the dissenters shares, plus interest, exceeds the amount paid by Harrodsburg.

TO PERFECT RIGHTS OF DISSENT, AN INDEPENDENCE SHAREHOLDER MUST NOT VOTE IN FAVOR OF THE MERGER AND MUST DELIVER A WRITTEN DEMAND FOR PAYMENT IN ACCORDANCE WITH THE REQUIREMENTS OF THE IBCL. THIS SUMMARY OF THE DISSENTERS RIGHTS OF INDEPENDENCE SHAREHOLDERS DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY THE STATUTORY PROVISIONS ATTACHED TO THIS JOINT PROXY STATEMENT/PROSPECTUS AS APPENDIX E. ANY INDIVIDUAL CONSIDERING EXERCISING RIGHTS OF DISSENT SHOULD CAREFULLY READ AND CONSIDER THE INFORMATION DISCLOSED IN APPENDIX E AND CONSULT WITH AN INDEPENDENT INVESTMENT ADVISOR BEFORE EXERCISING RIGHTS OF DISSENT.

Expenses of the Merger

The merger agreement provides that each of Harrodsburg and Independence will bear and pay all costs and expenses incurred by it in connection with the transactions contemplated by the merger agreement, including fees and expenses of its own financial consultants, accountants and counsel, except that the expenses of printing this document will be shared equally between Harrodsburg and Independence.

Listing of the 1st Independence Financial Common Stock

Harrodsburg has agreed to cause the shares of 1st Independence Financial common stock to be issued in the merger to be approved for quotation on the Nasdaq National Market before the completion of the merger. The shares will be traded under the symbol FIFG.

Shareholder Agreements

As a condition and an inducement to Harrodsburg s and Independence s entering into the merger agreement, the directors and executive officers of Harrodsburg and Independence, respectively have entered into shareholder agreements with Independence and Harrodsburg, respectively. Under the shareholder agreements, the directors and

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executive officers have agreed to vote their shares in favor of approval of the merger agreement and not to vote any of their shares in favor of any other acquisition proposal (as defined in the merger agreement). A copy of the form of shareholder agreement executed by each of these directors and executive officers is attached to this form of shareholder agreement executed by each of these directors and executive officers is attached to this document as Appendix D. These persons have also agreed to take all reasonable actions to consummate the merger and not to sell or otherwise transfer any Harrodsburg or Independence shares owned by them.

MARKET PRICES AND DIVIDENDS

The Harrodsburg common stock currently is traded on the Nasdaq National Market under the symbol HFFB. The Independence common stock is not publicly traded.

As of March 22, 2004, there were 1,222,978 shares of Harrodsburg common stock outstanding, which were held by approximately 400 holders of record; and as of the record date for the annual meeting, there were 889,670 shares of Independence common stock outstanding, which were held by approximately 110 holders of record. Such numbers of shareholders do not reflect the number of individuals or institutional investors holding stock in nominee name through brokerage firms and others.

The following table sets forth during the periods indicated the high and low sales prices of the Harrodsburg common stock as reported on the Nasdaq National Market and the dividends declared per share of Harrodsburg common stock.

	Market Price		Dividends Declared
	High	**Low**	**Per Share**
2004			
Quarter ended March 31 (through March 22, 2004)	$ 25.00	$ 21.05	$ .30
Quarter ended December 31	22.85	18.81	
2003			
Quarter ended September 30	20.75	16.50	0.30
Quarter ended June 30	17.63	14.55	
Quarter ended March 31	15.14	12.44	0.30
Quarter ended December 31	13.75	10.75	
2002			
Quarter ended September 30	12.49	10.95	0.30
Quarter ended June 30	13.52	11.00	
Quarter ended March 31	12.03	11.00	0.30
Quarter ended December 31	12.11	10.82	

Independence shareholders should obtain current market quotations for Harrodsburg common stock as the market price of Harrodsburg s common stock will fluctuate between the date of this proxy statement/prospectus, the date of the meetings, the date on which the merger is completed and the date you receive your 1st Independence Financial common stock after the completion of the merger. Because the number of shares of 1st Independence Financial common stock that Independence shareholders will elect to receive is fixed and because the market price of 1st Independence Financial common stock will fluctuate, the value of the shares of 1st Independence Financial common stock that Independence shareholders would receive may increase or decrease prior to and after the merger.

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MANAGEMENT AND OPERATIONS AFTER THE MERGER

Consolidation of Operations

Upon consummation of the merger, the combined company, 1st Independence Financial, will be headquartered in Harrodsburg, Kentucky. The resulting institution, 1st Independence Bank, will be headquartered in New Albany, Indiana. 1st Independence Bank will have six full service banking offices located in Harrodsburg, Lawrenceburg and Louisville, Kentucky and New Albany, Jeffersonville and Marengo, Indiana. Additionally, 1st Independence Bank will have a mortgage division, Independence Mortgage Group, located in both Louisville, Kentucky and southern Indiana. All of such offices will remain open after the merger. The fiscal year end of 1st Independence Financial shall be December 31.

Directors After the Merger.

Name	Age	Year Became a Director Of Harrodsburg (H) or Independence(I)	Principal Occupation During Last Five Years
Arthur L. Freeman	52	1999(H)	Chairman and CEO of Harrodsburg and First Financial
Jack L. Coleman, Jr.	50	1991(H)	Partner and Majority Shareholder of Colemans Lumber Yard
Thomas Les Letton	51	1985(H)	President of The Letton Company
James W. Dunn	53	2002(H)	Retired
W. Dudley Shryock	47	1998(H)	Certified Public Accountant
N. William White	38	1998(I)	President and CEO of Independence and Independence Bank
Matthew C. Chalfant	40	1998(I)	President of Forms America
Charles Moore II	41	1999(I)	Entrepreneur
Ronald C. Receveur	48	1999(I)	Dentist
Steven R. Manecke	48	1998(I)	Certified Public Accountant/Consultant

Officers After the Merger. Upon completion of the merger, the executive officers of 1st Independence Financial and 1st Independence Bank will be as follows:

Arthur L. Freeman   Chairman of the Board and Chief Executive Officer of 1st Independence Financial and Chairman of the Board of 1st Independence Bank;

N. William White   President of 1st Independence Financial and President and Chief Executive Office of 1st Independence Bank;

R. Michael Wilbourn   Executive Vice President and Chief Financial Officer of 1st Financial Group and 1st Independence Bank; and

Alan D. Shepard	Executive Vice President and senior lending officer of 1st Independence Financial and 1st Independence Bank.

Messrs. White, Wilbourn, and Shepard are currently executive officers of Independence and Independence Bank. See Interests of Certain Persons In The Merger That Are Different From Your Interests.

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Certain Beneficial Owners and Management

The following table sets forth, as of the record date, persons or groups who beneficially own more than 5% of the Independence common stock and the beneficial ownership of each director of Independence, and all executive officers and directors of Independence as a group. Other than as noted below, management knows of no person or group that owns more than 5% of the outstanding shares of common stock at the record date.

Name and Address of Beneficial Owner**	Amount and Nature of Beneficial Owner[(1)]	Percent of Shares of Common Stock Outstanding (%)
Lee Buchanan	12,600	1.4
Matthew C. Chalfant[(2)] P.O. Box 1072 New Albany, IN 47151	64,438	7.2
Tharold Beaver[(2)]	20,000	2.3
Anne Marie Galligan	6,000	*
Arthur L. Freeman		
Stephen R. Manecke	21,250	2.4
Charles Moore II[(2)] 101 E. Riverside Drive Jeffersonville, IN	76,149	8.5
Ronald C. Receveur	41,150	4.6
Lawrence Very	13,400	1.5
N. William White	40,625	4.5
Alan D. Shepard	11,750	1.3
R. Michael Wilbourn	6,000	*
All directors and executive officers of Independence as a group (10 persons)	313,362	33.4

(1) The share amounts also include shares of common stock that the following persons may acquire through the exercise of stock options within 60 days of the record date: Lee Buchanan - 3,000; Matthew C. Chalfant - 6,750; Stephen R. Manecke - 5,000; Charles Moore II - 3,400; Ronald C. Receveur - 3,400; Lawrence Very - 3,400; N. William White - 14,000; Alan D. Shepard - 5,500; and R. Michael Wilbourn - 5,000.

(2) In regard to Independence s annual meeting, Messrs. Chalfant, Beaver and Moore, respectively, have been nominated by the board of directors to each serve for a term of three years, if the merger is not completed. Messrs. Chalfant, Beaver and Moore currently serve as directors of Independence. Mr. Beaver is the owner of Utility Cleaning Company headquartered in Marengo, Indiana. For Messrs. Chalfant s and Moore s principal occupation during the last five years, please refer to the heading Directors After the Merger on page 75.

* Less than 1% of the shares outstanding.

** Addresses of beneficial owners that hold over 5% of the shares outstanding.

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COMPARISON OF THE RIGHTS OF SHAREHOLDERS

In the merger, Independence shareholders will exchange their shares of Independence for shares of Harrodsburg. Harrodsburg is a Delaware corporation governed by Delaware law and its certificate of incorporations and bylaws, while Independence is an Indiana corporation governed by Indiana law and its articles of incorporation and bylaws. After the merger, the rights of former Independence shareholders will be governed by the Harrodsburg certificate of incorporation and bylaws. Immediately prior to the completion of the merger, Harrodsburg s current certificate of incorporation will be amended and restated to reflect the new name of the combined company, ʹ1 Independence Financial Group, Inc. The discussion below of the provisions of Harrodsburg certificate of incorporation refers in each case, to Harrodsburg s amended and restated certificate of incorporation.

There are significant differences between the rights of shareholders of Harrodsburg and Independence. The following is a summary of the material differences in shareholder rights under the different state laws and the different companies certificate or articles of incorporation and bylaws. The following summary is not intended to be a complete statement of all differences of the rights of Harrodsburg s and Independence s shareholders. For a complete understanding of all of the differences of these rights, you may wish to review the relevant provisions of the law and the documents discussed below. We will send you a copy of the certificate/articles of incorporation and bylaws of Harrodsburg and Independence without charge at your request.

Capitalization

Harrodsburg. The authorized capital stock of Harrodsburg consists of 5,000,000 shares of common stock, par value ($.10) per share, and 500,000 shares of serial preferred stock, par value $.10 per share.

Independence. The authorized capital stock of Independence Bancorp consists of 5,000,000 shares of common stock, no par value. No preferred stock or other class of stock is authorized.

Voting Rights

Harrodsburg. Each holder of Harrodsburg common stock has the right to cast one vote for each share of Harrodsburg common stock held of record on all matters submitted to a vote of shareholders of Harrodsburg. Harrodsburg s certificate of incorporation provides that holders of common stock who own or may be considered to own more than 10% of the outstanding shares of common stock can only vote their stock up to the 10% limit.

Independence. Each holder of Independence common stock has the right to cast one vote for each share of Independence common stock held of record on all matters submitted to a vote of shareholders of Harrodsburg.

Size, Classification And Terms Of Board Of Directors

Harrodsburg. Delaware law provides that a corporation can have one or more directors, as provided in its certificate of incorporation or bylaws. Harrodsburg s certificate of incorporation provides that the board of directors of Harrodsburg shall consist of no fewer than three and no more than 15 members. Currently, the Harrodsburg board consists of 7 members.

Harrodsburg s certificate of incorporation and bylaws provide that the board of directors of Harrodsburg will be divided into three classes of directors as nearly equal as possible, and the members of each class shall be elected for three years.

Harrodsburg s certificate of incorporation provides that vacancies may be filled by a vote of two-thirds of directors remaining in office, whether or not a quorum, and any director chosen to fill a vacancy will hold office for a term expiring at the next annual meeting of shareholders.

Harrodsburg s bylaws provide that no person seventy (70) years of age or older shall be eligible for election, re-election, appointment, or reappointment to the board of directors.

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Under Delaware law, shareholders do not have cumulative voting rights for the election of directors unless the corporation s certificate of incorporation so provides. Harrodsburg s certificate of incorporation does not provide for cumulative voting.

Independence. Indiana law provides that a corporation can have one or more directors, as provided in its articles of incorporation or bylaws. Independence s bylaws provide that the board of directors of Independence shall consist of 10 members. Currently, the Independence board consists of 10 members.

Independence s articles of incorporation provides that the board of directors of Independence will be divided into three classes of directors as nearly equal as possible, and the members of each class shall be elected for three years.

Independence s bylaws provides that vacancies may be filled by a vote of a majority of directors remaining in office and any director chosen to fill a vacancy will hold office for a term expiring at the next annual meeting of shareholders.

The articles of incorporation of Independence provide that during the entire term of office of a director, each director must: (i) reside with a distance of not to exceed one hundred (100) miles of the main office of the corporation; and (ii) own, in his or her own right or as agent or nominee for a corporate shareholder, un-pledged shares of the capital stock of the corporation having an aggregate fair market value, as determined by the board of directors, of at least sixty thousand dollars ($60,000). Any director who ceases to meet these qualifications shall cease to be a director thirty (30) days after receiving written notice from the corporation of such disqualification, unless such director again qualifies as a director and provides evidence satisfactory to the corporation of such qualification within such thirty (30) day period.

Under Indiana law, the articles of incorporation may provide for cumulative voting rights for those shareholders entitled to vote at an election for directors. Independence Bancorp s articles of incorporation do not provide for cumulative voting rights.

Removal of Directors

Harrodsburg. Harrodsburg s certificate of incorporation provides that no member of the board of directors of the corporation may be removed except for cause, and then only by the affirmative vote of at least eighty percent (80%) of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors at a meeting of shareholders called for that purpose.

Independence. The articles of incorporation of Independence provides that any member of the board of directors may be removed from office at any time without cause by the affirmative vote of at least eighty percent (80%) of the outstanding shares of capital stock entitled to vote in the election of directors at a meeting of shareholders called for that purpose.

Amendment of Certificate/Articles and Bylaws

Harrodsburg. Delaware law provides that the board of directors may propose amendments to a corporation s certificate of incorporation. Proposed amendments must be approved by the affirmative vote of the holders of a majority of shares entitled to vote, and a majority of each class entitled to vote thereon as a separate class, unless the certificate of incorporation requires a larger percentage. Additionally, Delaware law requires that, subject to specified exceptions, amendments must be approved by a separate vote of a class or series of stock whether or not entitled to vote thereon by the certificate of incorporation, if, among other things, the amendment would adversely affect the rights or preferences of such class or series.

Although Harrodsburg s certificate of incorporation provides generally that amendments to the Harrodsburg certificate may be approved by a majority vote of the aggregate vote that the holders of the Harrodsburg s capital stock are entitled to cast on the amendment, a vote of at least 80% of the outstanding shares of capital stock eligible to be cast by shareholders at a meeting for election of directors is required for: (1) meetings of shareholders; (2) special meetings of shareholders; (3) shareholder proxies; (4) shareholder nominations and proposals; (5) size and classification of the board of directors; (6) removal of directors; (7) limitations on voting rights; (8) approval and evaluation of certain business combinations; (9) fair price requirements in certain business combinations, (10) liability of directors and officers; (11) indemnification; (12) amendment of the Harrodsburg by-laws; and (13) amendment of the 80% shareholder approval requirement itself.

Independence. Indiana law provides that the board of directors may propose amendments to a corporation s articles of incorporation. Proposed amendments must be approved by the affirmative vote of the holders of a majority of shares entitled to vote, and a majority of each class entitled to vote thereon as a separate class, unless the articles of incorporation requires a larger percentage. Additionally, Indiana law requires that, subject to specific exceptions, amendments must be approved by a separate vote of a class or series of stock whether or not entitled to vote thereon by the articles of incorporation, if, among other things, the amendment would adversely affect the rights or preferences of such class or series.

Although Independence s articles or incorporation provides generally that the amendments to the Independence articles may be approved by a majority vote of the aggregate vote that the holders of Independence s capital stock are entitled to cast on the amendment, a vote of at least 80% of the aggregate vote of capital stock entitled to cast on amendments is required for: (1) qualifications of directors, (2) removal of directors, (3) terms of directors, and (4) voting rights and evaluations on certain business combination.

Indiana law provides that only a corporation s board of directors may amend or repeal its bylaws, unless the corporation s articles of corporation provides for shareholder vote. Independence s articles or incorporation provides that Independence bylaws may be amended by a majority vote of the directors, without the consent of shareholders.

Action by Written Consent

Harrodsburg. Under Delaware law, unless a corporation s certificate of incorporation provides otherwise, any action required to be taken at any annual or special shareholders meeting may be taken without a meeting, without prior notice and without a vote if approved by written consent of shareholders with not less than the minimum number of votes necessary to take the action at a meeting at which all shares entitled to vote on the action were present and voted. Harrodsburg s certificate of incorporation prohibits shareholder action by written consent.

Independence. Under Indiana law, any action required to be taken at any annual or special shareholders meeting may be taken without a meeting if approved by all the shareholders entitled to vote on the action. Independence s bylaws provide that any action required to be taken at a shareholders meeting may be taken without a meeting, if approved by all shareholders of Independence entitled to vote on such action.

Calling Special Meetings of Shareholders

Harrodsburg. Harrodsburg s certificate of incorporation provides that special meetings of the shareholders, may be called only by a majority of the board of directors, or by a committee of the board of directors, pursuant to a resolution.

Independence. Independence s bylaws provide that special meetings of the shareholders may be called by the board of directors, the president, or holders of record of not less than one-fourth of all the shares outstanding and entitled by the articles of incorporation to vote on the business for which the meeting is being called.

Shareholder Proposal and Nomination Procedures

Harrodsburg. Under Harrodsburg bylaws, a shareholder proposal or nomination will be considered at an annual meeting if a shareholder has given timely notice to the secretary of the board of directors not less than 60 days prior to the first anniversary of the preceding year s annual meeting.

Independence. The Independence s articles of incorporation provides that any shareholder proposal or nomination will be considered at an annual or special meeting if the shareholder has given timely notice to Independence s President not less than 10 days nor more than 60 days prior to the date of any shareholders meeting;

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provided, however, that in the event that less than 20 days notice is given to shareholders, notice by the shareholder to be timely must be received not later than the close of business on the seventh day following the day on which such notice of the date of the annual or special meeting was mailed.

Dividends

Harrodsburg. Harrodsburg s ability to pay dividends on its common stock is governed by Delaware corporate law. Under Delaware corporate law, unless there are restrictions in the corporation s certificate of incorporation, dividends may be declared from the corporation s surplus, or, if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding years. Dividends may not be declared, however, if the corporation s capital is less than the amount of all capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

Substantially all of the funds available for the payment by Harrodsburg of dividends come from the operations of its respective bank subsidiaries. There are various statutory limitations on the ability of these bank subsidiaries to pay dividends to Harrodsburg.

Independence. Under Indiana law, a board of directors may authorize and the corporation may make distributions to its stockholders, subject to restriction by the articles of incorporation, provided that no distribution may be made if, after giving it effect, the corporation would not be able to pay its debts as they become due in the usual course of business or the corporation s assets would be less than the sum of its total liabilities plus the amount needed, if the corporation were dissolved at the time of the distribution, to satisfy preferential rights, upon dissolution, of stockholders whose preferential rights are superior to those receiving the distribution.

Substantially all of the funds available for the payment by Independence of dividends come from the operations of its respective bank subsidiary. There are various statutory limitations that will limit the ability of Independence s bank subsidiary to pay dividends to Independence. Independence currently does not pay dividends to its shareholders.

Indemnification

Harrodsburg. Under Delaware law, directors, officers, employees and agents of a corporation may be indemnified against expenses (including attorneys fees), judgments, fines and amounts paid in settlement under certain circumstances. In certain types of actions, suits or proceedings, whether they are civil, criminal, administrative or investigative (other than an action by, or in the right of the corporation, *i.e.,* a derivative action), such individuals may be indemnified against individual liability if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. A similar standard applies in the case of derivative actions, except that indemnification only extends to expenses (including attorneys fees) resulting from the defense or settlement of such actions. In the case of derivative actions, Delaware law requires court approval before there can be any indemnification when the person seeking indemnification has been found liable to the corporation. To the extent that a person otherwise eligible to be indemnified is successful on the merits or otherwise of any claim or defense, indemnification is required for expenses (including attorneys fees) actually and reasonably incurred.

Expenses incurred by a director, officer, employee or agent of a corporation in defending a proceeding may be paid by the corporation in advance of the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount of any advance if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized by Delaware law.

Harrodsburg s certificate and bylaws provide for the indemnification of its directors and officers, and of any person serving at the request of Harrodsburg as a director, officer or partner of another enterprise, to the fullest extent permitted by Delaware law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling Harrodsburg under the provisions described above.

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Harrodsburg has been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933, and is therefore unenforceable.

Independence. Independence is subject to Indiana law with respect to indemnification. Indiana law is substantially the same as Delaware law in this area and Independence s articles of incorporation contain substantially the same provisions governing indemnification as does Harrodsburg s certificate of incorporation. However, since Independence is not a public company, it would not be subject to above prohibitions under the Securities Act of 1933.

Business Combinations With Interested Parties

Harrodsburg. Delaware law generally prohibits a stockholder that owns 15% or more of a Delaware corporation s outstanding voting stock (which we refer to as an interested stockholder) from engaging in specified business combinations involving the corporation during the three years after the time the person became an interested stockholder unless, among other things:

- prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder.
- upon the consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting outstanding at the time the transaction commenced; or
- at or subsequent to such time, the business combination is approved by the board of directors and by the stockholders at a meeting by a vote of at least two-thirds of the outstanding voting stock not owned by interested stockholders.

The business combinations subject to such restriction include, with specified exceptions, mergers, consolidations, sales of assets, issuances of stock and transactions providing a financial benefit with or to the interested stockholder. Harrodsburg s certificate of incorporation contains an election, as permitted by Delaware law, to be exempt from such requirements.

The certificate of incorporation of Harrodsburg requires special approval for certain business combination transactions with a principal shareholder. Harrodsburg defines a principal shareholder as a person or company, combined with its respective affiliates, that beneficially owns 10% or more of the outstanding company s voting stock. Harrodsburg s certificate of incorporation defines a business combination to include mergers, consolidations, sales of assets, issuance of stock, and transactions providing a financial benefit with or to the interested shareholder.

With exceptions, Harrodsburg s certificate of incorporation requires that these types of transactions be approved by the affirmative vote of not less than 80% of all of its outstanding voting stock, including the stock held by the interested party. In general, this special voting requirement applies to any merger or consolidation of the company with any interested party, any transaction which has the effect of increasing the proportionate interest of any interested party in the company s equity securities or any liquidation or dissolution of the company proposed by or on behalf of an interested party.

Harrodsburg s special voting requirements described above will not apply to any business transaction if the transaction has been approved by two-thirds of Harrodsburg s board of directors prior to the interested party s acquisition of beneficial ownership of 10% or more of Harrodsburg s common stock. These special voting requirements will not apply to any business transaction involving Harrodsburg if after a person becomes an interested party the transaction is approved by 66 2/3% of those members of the Harrodsburg s board of directors who have no interest in the business transaction; or certain fair price and procedural requirements are met.

The provisions in Harrodsburg s certificate dealing with interested parties may not be amended without the approval of holders of not less than 80% of Harrodsburg s voting stock.

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Independence. Indiana law contains a business combination provision that is similar to Delaware law. Since, Independence shares are not registered under the Securities Exchange Act of 1934, such provision does not apply to Independence.

Additionally, Indiana law also contains a control share statute that generally prohibits (1) control share acquisition, (2) the disgorgement of profits by certain controlling persons, (3) business transactions with interested stockholders, and (4) the ability of shareholders to put their stock following a control transaction. The control statute applies to Independence.

Independence s articles of incorporation provides that any business combination must be approved by the affirmative vote of at least 80% of the voting stock that is eligible to be cast, which is not approved and recommended by the vote of at least 80% of the Independence s board of directors. All other business combinations require the majority of the votes eligible to be cast.

Fair Price Provisions

Harrodsburg. The Harrodsburg certificate of incorporation requires that any merger or business combination of Harrodsburg or any of its subsidiaries with a principal shareholder or any other corporation that is or would be an affiliate of a principal shareholder, requires the affirmative vote of at least eighty percent (80%) of the voting power of the then-outstanding stock of Harrodsburg entitled to vote, except in cases which either (i) certain price criteria and procedural requirements are satisfied, or (ii) the transaction is recommended to the shareholders by two-thirds of the continuing director. A principal shareholder is defined under the Harrodsburg certificate of incorporation as any person who or which:

- is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the then outstanding stock of Harrodsburg entitled to vote; or
- is an affiliate of Harrodsburg and at any time within the two-year period immediately prior to the date of any such business combination was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of Harrodsburg entitled to vote; or
- is an assignee of or has otherwise succeeded to any shares of stock of Harrodsburg entitled to resale which were at any time within the two-year period immediately prior to the date of any such business combination beneficially owned by an such shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

A continuing director is defined under Harrodsburg s certificate of incorporation as those members of Harrodsburg s board who is not affiliated with a principal shareholder and was a director of Harrodsburg prior to the time the principal shareholder became a principal shareholder.

Independence. Neither Independence s articles of incorporation or bylaws contain a fair price provision.

RATIFICATION OF THE 2004 OPTION PLAN

Harrodsburg shareholders are being asked to ratify the 2004 Stock Option Plan. The Harrodsburg board of directors adopted and ratified the 2004 Option Plan on February 17, 2004 and March 15, 2004, respectively, by unanimous consent, subject to approval by the shareholders of Harrodsburg at the annual meeting. The ratification of the 2004 stock option plan provides for authorizing the issuance of an additional 300,000 shares of Harrodsburg s common stock upon the exercise of stock options to be awarded to officers, directors, employees and other persons. The Harrodsburg board of directors is recommending the issuance of these additional shares solely because Harrodsburg has agreed to exchange the options of Independence s employees, executive officers and directors under the merger agreement. See The Merger Interests Of Certain Persons In The Merger That Are Different From Your Interests for a discussion of who will receive the awards and the amount of the awards. The number of shares available under the plan reflects the total grants agreed to in the merger agreement in addition to additional

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shares to be issued to officers, directors, employees and other persons from time to time. Currently, there are no plans to grant additional options under the plan except for the 67,000 shares that are to be exchanged in accordance with the merger agreement.

The Harrodsburg board of directors unanimously recommends that Harrodsburg shareholders vote FOR the ratification of the 2004 Option Plan.

Purpose Of The 2004 Option Plan

The purpose of the 2004 Option Plan is to enable Harrodsburg to attract officers and other key employees and consultants and to provide them with appropriate incentives and rewards for superior performance. The 2004 Option Plan affords Harrodsburg the ability to respond to changes in the competitive and legal environments by providing Harrodsburg with greater flexibility in key employee and executive compensation. The 2004 Option Plan is intended to encourage stock ownership by recipients by providing for or increasing their proprietary interests in Harrodsburg, thereby encouraging them to remain in the company s employment. The 2004 Option Plan has been prepared to comply with all applicable tax and securities laws, including Section 16(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and state and federal tax laws.

Description Of The 2004 Option Plan

The following general description of certain features of the 2004 Option Plan is qualified in its entirety by reference to the governing plan document which is attached to this proxy statement/prospectus as Appendix G.

General

Officers, directors, employees and other persons who are designated by the compensation committee will be eligible to receive, at no cost to them, awards under the 2004 Option Plan (the 2004 Optionees). Each award granted pursuant to the 2004 Option Plan shall be evidenced by an instrument in such form as the compensation committee shall from time to time approve. It is anticipated that awards granted under the 2004 Option Plan would constitute either incentive stock options (options meeting the requirements under Section 422 of the Internal Revenue Code of 1986, as amended (Code), non-qualified stock options, or performance awards. Option shares may be paid for in cash, shares of Common Stock, or a combination of both. Harrodsburg will receive no monetary consideration for the granting of awards under the 2004 Option Plan. Further, Harrodsburg will receive no consideration other than the option exercise price per share for common stock issued to 2004 Optionees upon the exercise of their options.

Shares issuable under the 2004 Option Plan may be from authorized but unissued shares, treasury shares or shares purchased in the open market. An award which expires, becomes unexercisable, or is forfeited for any reason prior to its exercise or the lapse of any applicable restrictions will again be available for issuance under the 2004 Option Plan. No award or any right or interest therein is assignable or transferable except by will or the laws of descent and distribution. The 2004 Option Plan shall continue in effect for a term of ten years from the 2004 Option Plan effective date.

Types of Options and Awards

The compensation committee may grant incentive stock options, non-qualified stock options, or performance awards. In general, if a 2004 Optionee ceases to serve as an employee of Harrodsburg for any reason other than death, retirement or disability, an exercisable Incentive Stock Option may continue to be exercisable for three months but in no event after the expiration date of the option, except as may otherwise be determined by the compensation committee at the time of the award. In the event of the death of a 2004 Optionee during employment or termination of employment due to disability, an exercisable incentive stock option will continue to be exercisable for one year, to the extent exercisable by the 2004 Optionee immediately prior to the 2004 Optionee s death or termination of employment due to disability but only if, and to the extent that, a 2004 Optionee was entitled to exercise such incentive stock options on the date of death or termination of employment due to disability. Upon the retirement of a 2004 Optionee, the incentive stock options shall be immediately exercisable for the lesser of one year or the remaining term of such options. In the event of death, termination of employment due to disability, retirement or other termination of service of a 2004 Optionee, exercisable non-qualified stock options shall remain exercisable for six (6) months from such date or if less, for the remaining term of such options.

The exercise price for the purchase of common stock subject to an option may not be less than one hundred percent (100%) of the fair market value of the common stock covered by the option on the date of grant of such option (in regard to incentive stock options issued to a 10% shareholder, may not be less than one hundred ten percent (110%) of the fair market value of the common stock). No more than $100,000 of incentive stock options can become exercisable for the first time in any one year for any one person. The Compensation Committee may impose additional conditions upon the right of a 2004 Optionee to exercise any option granted hereunder which are not inconsistent with the terms of the 2004 Option Plan or the requirements for qualification as an incentive stock option, if such option is intended to qualify as an incentive stock option.

No shares of common stock shall be issued upon the exercise of an option until full payment therefore has been received by Harrodsburg, and no 2004 Optionee shall have any of the rights of a stockholder of Harrodsburg until shares of common stock are issued to such 2004 Optionee.

The 2004 Option Plan provides that the board of directors of Harrodsburg may authorize the compensation committee to direct the execution of an instrument providing for the modification, extension or renewal of any outstanding option, provided that no such modification, extension or renewal shall confer on the 2004 Optionee any right or benefit which could not be conferred on the 2004 Optionee by the grant of a new option at such time, and shall not materially decrease the 2004 Optionee s benefits under the option without the 2004 Optionee s consent, except as otherwise provided under the 2004 Option Plan.

Award Grants Under the 2004 Option Plan

The board of directors or the compensation committee shall from time to time determine the officers, directors, employees and other persons who shall be granted options, or performance awards under the 2004 Option Plan, the number of options or performance shares to be granted to any individual, and with respect to options, whether the options granted will be incentive stock options and/or non-qualified stock options. In selecting 2004 Optionees and in determining the number of options to be granted, the Harrodsburg board or the compensation committee may consider the nature of the services rendered by each such individual, each individual s current and potential contribution to Harrodsburg and such other factors as may be deemed relevant. The 2004 Optionees may, if otherwise eligible, be granted additional options.

Options may be granted to newly appointed or elected non-employee directors within the sole discretion of the 2004 option committee, and the exercise price shall be equal to the fair market value of such common stock on the date of grant. The options granted to non-employee directors on the 2004 Plan effective date will vest 25% as of the date of grant, and thereafter at the rate of 25% as of each one year anniversary of the grant during such period of service as a director. Such options granted to non-employee directors will remain exercisable for up to ten years from the date of grant.

Effect of Sale Event and Other Adjustments

Subject to any required action by the shareholders of Harrodsburg, within the sole discretion of the board or pursuant to the board s delegation of authority or the compensation committee, the aggregate number of shares of common stock for which options may be granted hereunder or the number of shares of common stock represented by each outstanding option will be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of common stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend or any other increase or decrease in the number of shares of common stock effected without the receipt or payment of consideration by Harrodsburg. Subject to any required action by the stockholders of Harrodsburg, in the event of any change in control, recapitalization, merger, consolidation, exchange of shares, spin-off, reorganization, tender offer, partial or complete liquidation or other extraordinary corporate action or event, the compensation committee, in its sole discretion, shall have the power, prior to or subsequent to such action or events, to (i) appropriately adjust the number of shares of common stock subject to options, the exercise price per share of such option, and the consideration to be given or received by Harrodsburg upon the exercise of any outstanding options; (ii) cancel any or all previously granted options, provided that appropriate consideration is paid to the 2004

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Optionee in connection therewith; and/or (iii) make such other adjustments in connection with the 2004 Option Plan as the compensation committee, in its sole discretion, deems necessary, desirable, appropriate or advisable. However, no action may be taken by the compensation committee which would cause Incentive Stock Options granted pursuant to the 2004 Option Plan to fail to meet the requirements of Section 422 of the Code without the consent of the 2004 Optionee.

The compensation committee will at all times have the power to accelerate the exercise date of all options granted under the 2004 Option Plan. In the case of a sale event of Harrodsburg as determined by the compensation committee in accordance with the terms of the 2004 Option Plan, all outstanding options shall become immediately exercisable. A sale event means the consummation of (i) a dissolution or liquidation of Harrodsburg, (ii) the sale of all or substantially all of the assets of Harrodsburg to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of Harrodsburg s outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity immediately upon completion of such transaction, or (iv) any other transaction, regardless of the form of the transaction, in which the owners of Harrodsburg s outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the relevant entity after the transaction.

In the event of a sale event, the compensation committee and the board of directors will take one or more of the following actions to be effective as of the date of such change in control: (i) provide that such options shall be assumed, or equivalent options shall be substituted, (Substitute Options) by the acquiring or succeeding company (or an affiliate thereof), provided that: (A) any such substitute options exchanged for incentive stock options shall meet the requirements of Section 424(a) of the Code, and (B) the shares of stock issuable upon the exercise of such Substitute Options shall constitute securities registered in accordance with the Securities Act of 1933, as amended (1933 Act) or such securities shall be exempt from such registration in accordance with Sections 3(a)(2) or 3(a)(5) of the 1933 Act (collectively, Registered Securities), or in the alternative, if the securities issuable upon the exercise of such substitute options shall not constitute registered securities, then the 2004 Optionee will receive upon consummation of the change in control a cash payment for each option surrendered equal to the difference between (1) the fair market value of the consideration to be received for each share of common stock in the change in control times the number of shares of common stock subject to such surrendered options, and (2) the aggregate exercise price of all such surrendered options, or (ii) in the event of a transaction under the terms of which the holders of the common stock of the Company will receive upon consummation thereof a cash payment (the Merger Price) for each share of common stock exchanged in the change in control transaction, to make or to provide for a cash payment to the 2004 Optionees equal to the difference between (A) the Merger Price times the number of shares of common stock subject to such options held by each 2004 Optionee (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such surrendered options in exchange for such surrendered options.

The compensation committee shall have the power reserved to it in the governing document of the 2004 Option Plan to make adjustments in the number of shares subject to options and canceling options, and make similar adjustments necessitated in connection with the occurrence of an extraordinary corporate action.

Amendment and Termination of the 2004 Option Plan

The board of directors may alter, suspend or discontinue the 2004 Option Plan, except that no action of the board shall increase the maximum number of shares of common stock issuable under the 2004 Option Plan, materially increase the benefits accruing to 2004 Optionees under the 2004 Option Plan or materially modify the requirements for eligibility for participation in the 2004 Option Plan unless such action of the Board shall be subject to approval or ratification by the stockholders of Harrodsburg.

Possible Dilutive Effects of the 2004 Option Plan

The common stock to be issued upon the exercise of options awarded under the 2004 Option Plan may either be from authorized but unissued shares of common stock or shares purchased in the open market. Because the stockholders of Harrodsburg do not have preemptive rights, to the extent that Harrodsburg funds the 2004 Option Plan, in whole or in part, with authorized but unissued shares, the interests of current stockholders may be diluted.

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Federal Income Tax Consequences

The following is a brief summary of certain of the Federal income tax consequences of certain transactions under the 2004 Option Plan. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

Non-qualified stock options. Non-qualified stock options granted under the Option Plan do not qualify as incentive stock options and will not qualify for any special tax benefits to the 2004 Optionee. A 2004 Optionee generally will not recognize any taxable income at the time he or she is granted a non-qualified option. However, upon its exercise, the 2004 Optionee will recognize ordinary income for federal income tax purposes measured by the excess of the then fair market value of the shares over the exercise price. The income realized by the 2004 Optionee will be subject to income and other employee withholding taxes. The 2004 Optionee s basis for determination of gain or loss upon the subsequent disposition of shares acquired upon the exercise of a non-qualified stock option will be the amount paid for such shares plus any ordinary income recognized as a result of the exercise of such option. Upon disposition of any shares acquired pursuant to the exercise of a non-qualified stock option, the difference between the sale price and the 2004 Optionee s basis in the shares will be treated as a capital gain or loss and generally will be characterized as long-term capital gain or loss if the shares have been held for more than one year at their disposition. In general, there will be no federal income tax deduction allowed to Harrodsburg upon the grant or termination of a non-qualified stock option or a sale or disposition of the shares acquired upon the exercise of a non-qualified stock option. However, upon the exercise of a non-qualified stock option, Harrodsburg will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that an 2004 Optionee is required to recognize as a result of the exercise, provided that the deduction is not otherwise disallowed under the Code.

Incentive Stock Options. If an option granted under the Option Plan is treated as an incentive stock option, the 2004 Optionee will not recognize any income upon either the grant or the exercise of the option, and Harrodsburg will not be allowed a deduction for federal tax purposes. Upon a sale of the shares, the tax treatment to the 2004 Optionee and Harrodsburg will depend primarily upon whether the 2004 Optionee has met certain holding period requirements at the time he or she sells the shares. In addition, as discussed below, the exercise of an incentive stock option may subject the 2004 Optionee to alternative minimum tax liability. If a 2004 Optionee exercises an incentive stock option and does not dispose of the shares received within two years after the date of such option or within one year after the transfer of the shares to him or her, any gain realized upon the disposition will be characterized as long-term capital gain and, in such case, Harrodsburg will not be entitled to a federal tax deduction.

If the 2004 Optionee disposes of the shares either within two years after the date the option is granted or within one year after the transfer of the shares to him or her, such disposition will be treated as a disqualifying disposition and an amount equal to the lesser of (1) the fair market value of the shares on the date of exercise minus the purchase price, or (2) the amount realized on the disposition minus the purchase price, will be taxed as ordinary income to the 2004 Optionee in the taxable year in which the disposition occurs. However, in the case of gifts, sales to related parties, and certain other transactions, the full difference between the fair market value of the stock and the purchase price will be treated as compensation income. The excess, if any, of the amount realized upon disposition over the fair market value at the time of the exercise of the option will be treated as long-term capital gain if the shares have been held for more than one year following the exercise of the option.

The exercise of an incentive stock option may subject an 2004 Optionee to alternative minimum tax liability because the excess of the fair market value of the shares at the time an incentive stock option is exercised over the purchase price of the shares is included in income for purposes of the alternative minimum tax even though it is not included in taxable income for purposes of determining the regular tax liability of an employee. Consequently, a 2004 Optionee may be obligated to pay alternative minimum tax in the year he or she exercises an incentive stock option.

In general, there will be no federal income tax deductions allowed to Harrodsburg upon the grant, exercise or termination of an incentive stock option. However, in the event an 2004 Optionee sells or disposes of stock received on the exercise of an incentive stock option in a disqualifying disposition, Harrodsburg will be entitled to a deduction for federal income tax purposes in an amount equal to the ordinary income, if any, recognized by the 2004 Optionee upon disposition of the shares, provided that the deduction is not otherwise disallowed under the Code.

Performance Shares. A recipient of a performance share award generally will be subject to tax at ordinary income rates on the fair market value of the performance shares reduced by any amount paid by the recipient at such time as the shares are awarded.

Shareholder Ratification

Shareholder ratification of the 2004 Option Plan is being sought to qualify the 2004 Option Plan for the granting of incentive stock options in accordance with the Code, to enable 2004 Optionees to qualify for certain exempt transactions related to the short-swing profit recapture provisions of Section 16(b) of the 1934 Act, to meet the requirements under the rules of the Nasdaq National Market for continued listing of Harrodsburg s common stock, and to meet the requirements for the tax-deductibility of certain compensation items under Section 162(m) of the Code. An affirmative vote of the holders of a majority of the total votes cast at the meeting in person or by proxy is required to constitute stockholder ratification of this Proposal.

DESCRIPTION OF HARRODSBURG CAPITAL STOCK

General

The authorized capital stock of Harrodsburg consists of 5,000,000 shares of Harrodsburg common stock, par value of $0.10 per share, and 500,000 shares of preferred stock, par value of $0.10 per share. As of March 22, 2004 there were 1,222,978 shares of Harrodsburg common stock outstanding and no shares of preferred stock outstanding. Upon completion of the merger, we expect there to be up to 1.9 million shares of Harrodsburg common stock outstanding, based on the outstanding number of shares of Harrodsburg common stock and Independence common stock as of March 22, 2004.

The Harrodsburg common stock will represent capital that cannot be withdrawn. In addition, the Harrodsburg common stock will not be an account of an insurable type and will not be insured by the FDIC.

Common Stock

Dividends. Harrodsburg can pay dividends out of statutory surplus or from certain net profits if, as and when declared by its board of directors. Decisions concerning the payment of dividends on Harrodsburg common stock will depend upon Harrodsburg s results of operations, financial condition and capital expenditure plans as well as such other factors as the board of directors, in its sole discretion, may consider relevant. In addition, the payment of dividends by Harrodsburg is subject to limitations which are imposed by Delaware law. Holders of Harrodsburg common stock will be entitled to receive and share equally in such dividends as may be declared by the board of directors out of funds that are legally available. If Harrodsburg issues preferred stock, the holders thereof may have a priority over the holders of the Harrodsburg common stock with respect to dividends.

Voting Rights. Each outstanding share of common stock is entitled to one vote per share. Holders of Harrodsburg common stock do not have any right to cumulate votes in the election of directors. Harrodsburg s certificate of incorporation provides that holders of common stock who own or may be considered to own more than 10% of the outstanding shares of common stock can only vote their stock up to the 10% limit. Certain matters require an 80% shareholder vote to approve. Those matters are set forth in more detail in Comparison of the Rights of Shareholders Amendment of Certificate/Articles and Bylaws. If Harrodsburg issues preferred stock, holders of the preferred stock may also possess voting rights.

Liquidation. In the event of liquidation, dissolution or winding up of Harrodsburg, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of Harrodsburg available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the Harrodsburg common stock in the event of liquidation or dissolution.

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Preemptive Rights. Holders of Harrodsburg common stock are not entitled to preemptive rights with respect to any shares that may be issued. The Harrodsburg common stock is not subject to redemption.

Preferred Stock

Harrodsburg has not issued any shares of preferred stock. However, preferred stock may be issued with such preferences and designations as the board of directors may from time to time determine. The board of directors can, without shareholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights which could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Anti-Takeover Considerations

Delaware law and the Harrodsburg amended and restated certificate of incorporation and bylaws contain a number of provisions which may have the effect of discouraging transactions that involve an actual or threatened change in control of Harrodsburg. For a description of the provisions, see Comparison of the Rights of Shareholders Amendment of Certificate/Articles and Bylaws, Business Combinations With Interested Parties, and Fair Price Provisions.

THE SHAREHOLDER MEETINGS

Harrodsburg s board of directors is using this document to solicit proxies from the holders of Harrodsburg common stock for use at the Harrodsburg annual meeting. Independence s board of directors is also using this document to solicit proxies from the holders of Independence common stock for use at the Independence annual meeting. We are first mailing this document and accompanying form of proxy to Harrodsburg and Independence shareholders on or about March 31, 2004.

Times and Places of the Shareholder Meetings; Matters to be Considered at the Shareholder Meetings

Time and Place of the Harrodsburg Annual Meeting:	***Time and Place of the Independence Annual Meeting:***
May 10, 2004	*May 11, 2004*
3:00 p.m. local time	*5:00 p.m. local time*
Ragged Edge Community Theatre	*Independence Bancorp*
111 South Main Street	*3801 Charlestown Road*
Harrodsburg, Kentucky	*New Albany, Indiana*

Matters to be Considered at the Harrodsburg Annual Meeting. At the Harrodsburg annual meeting, Harrodsburg shareholders will be asked to consider and vote upon:

- The adoption of the merger agreement and the approval of the issuance of shares of Harrodsburg common stock in the merger;
- The ratification of 2004 Stock Option Plan;
- Election of two directors to the Harrodsburg board; and
- Ratification of BKD, LLP as auditors of Harrodsburg for the fiscal year ending September 30, 2004.

The first two proposals are more fully discussed under the headings The Merger on page 51 and Ratification of the 2004 Stock Option Plan on page 82. The adoption of the merger agreement must be approved

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by Harrodsburg shareholders in order to consummate the merger. The last two proposals are more fully discussed under the heading Additional Information Regarding the Harrodsburg Annual Meeting on page 91.

Harrodsburg shareholders also may consider and vote upon any other matters that may properly come before the Harrodsburg annual meeting, including approval of any adjournment of the annual meeting. As of the date of this document, the Harrodsburg board of directors is not aware of any other business to be presented for consideration at the meeting.

Matters to be Considered at the Independence Annual Meeting. At the Independence annual meeting, Independence shareholders will be asked to consider and vote upon:

The adoption of the merger agreement, and

Election of three directors of Independence s board.

The first proposal is more fully discussed under the heading the Merger on page 51. The proposal to elect directors is more fully discussed under the heading Certain Beneficial Owners and Management on page 76.

Independence shareholders also may consider and vote upon any other matters that may properly come before the meeting, including approval of any adjournment of the meeting. As of the date of this document, the Independence board of directors is not aware of any other business to be presented for consideration at the meeting.

Voting Rights of Shareholders; Votes Required for Approval

Voting Rights of Harrodsburg Shareholders. The Harrodsburg board of directors has fixed the close of business on March 22, 2004 as the record date for shareholders entitled to vote at the Harrodsburg meeting. Only holders of record of Harrodsburg common stock on that record date are entitled to vote at the meeting. Each share of Harrodsburg common stock you own entitles you to one vote. On the Harrodsburg record date, 1,222,978 shares of Harrodsburg common stock were outstanding and entitled to vote at the Harrodsburg annual meeting.

Each participant in the Harrodsburg Employee Stock Ownership Plan instructs the trustee how to vote his or her allocated shares. The trustee votes unallocated shares in the manner directed by the majority of the allocated shares for which it received instructions. If a participant does not give timely instructions, the trustee votes the allocated shares in its discretion.

Vote Required for Adoption of the Merger Agreement. The affirmative vote of the holders of a majority of the Harrodsburg common stock is required to adopt the merger agreement and approve the issuance of Harrodsburg common stock in the merger. **The Harrodsburg board unanimously recommends that Harrodsburg shareholders vote FOR adoption of the merger agreement and approval of the issuance of shares in the merger.**

Because adoption of the merger agreement requires the affirmative vote of a majority of the Harrodsburg common stock outstanding, abstentions and failure to vote will have the same effect as votes against the merger. Under the Nasdaq Stock Market rules, your broker may not vote your shares on the merger without instructions from you. Without your voting instructions, a broker non-vote will occur and will have the same effect as a vote against the merger.

The affirmative vote of the holders of a majority of the shares of Harrodsburg common stock present and voting on the matter may approve all other proposals to be considered at the Harrodsburg meeting except the election of directors, which is done by a plurality of the votes cast. See Additional Information Regarding the Harrodsburg Annual Meeting on page 91.

A majority of shares present may also authorize the adjournment of the Harrodsburg annual meeting. No proxy that is voted against the merger will be voted in favor of adjournment to solicit further proxies in favor of the merger.

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Voting Rights of Independence Shareholders. The Independence board of directors has fixed the close of business on March 22, 2004 as the record date for shareholders entitled to notice of and to vote at the Independence annual meeting. Only holders of record of Independence common stock on the record date are entitled to vote at the Independence annual meeting. Each share of Independence common stock you own entitles you to one vote. On the Independence record date, there were 889,690 shares of Independence common stock outstanding and entitled to vote at the Independence annual meeting, held by approximately 110 shareholders of record.

Vote Required for Adoption of the Merger Agreement. The affirmative vote of the holders of a majority of the Independence common stock outstanding is required to adopt the merger agreement. **The Independence board recommends that Independence shareholders vote FOR adoption of the merger agreement.**

Because approval of the Independence proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the Independence common stock outstanding, abstentions and failures to vote will have the same effect as votes against the merger. Under the Nasdaq Stock Market rules, your broker may not vote your shares on the merger without instructions from you. Without your voting instructions, a broker non-vote will occur and will have the same effect as a vote against the merger.

Directors are elected by a plurality of the votes cast. See Certain Beneficial Owners and Management on page 76.

The presence, in person or by proxy, of at least a majority of the total number of shares of Independence common stock entitled to vote is required to constitute a quorum at the annual meeting. The affirmative vote of the holders of a majority of the shares of Independence common stock present and voting on the matter may authorize the adjournment of the meeting. No proxy that is voted against the merger will be voted in favor of adjournment to solicit further proxies in favor of the merger.

Voting of Proxies; Revocability of Proxies

Voting of Proxies. You may vote in person at your meeting or by proxy. To ensure your representation at the meeting, please vote by proxy even if you plan to attend your meeting. You can always change your vote at the meeting. Remember, if your shares are held in the name of a broker or other nominee, only your broker or such nominee can vote your shares and only after receiving instructions from you on how to vote the shares. Please contact the person responsible for your account and instruct him or her to execute a proxy card on your behalf.

Voting instructions are included on your proxy card. If you properly give your proxy and submit it to us in time to vote, the persons named as your proxy will vote your shares as you have directed. You may vote for or against the proposal(s) set forth on your proxy card and described in this document or abstain from voting. If you submit your proxy but do not make a specific choice as to how to vote, your proxy will follow the Harrodsburg board s or Independence board s recommendation and vote your shares **FOR** the proposal(s).

If any other matters are properly presented for consideration at the Harrodsburg annual meeting or Independence annual meeting, the persons named in the relevant form of proxy will have the discretion to vote on those matters in accordance with their best judgment. Neither Harrodsburg nor Independence is aware of any other matters to be presented at its respective shareholders meeting other than those described in its notice of meeting.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children in which case you will receive three separate proxy cards to vote.

Revocability of Proxies. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date,
- notifying your company s secretary in writing before the meeting that you have revoked your proxy, or
- voting in person at your meeting.

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If you plan to attend your company s meeting and wish to vote in person, we will give you a ballot at the meeting. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a legal proxy from the nominee, indicating that you were the beneficial owner of common stock on the appropriate record date and giving you the right to vote those.

Do not send in any stock certificates with your proxy cards. As soon as practicable after the completion of the merger, the exchange agent will mail transmittal forms with instructions for the surrender of stock certificates for Independence common stock to former Independence shareholders.

ADDITIONAL INFORMATION REGARDING THE HARRODSBURG ANNUAL MEETING

In addition to the adoption of the merger agreement, Harrodsburg shareholders are being asked to vote on the ratification of one benefit plan, the election of two directors, and the ratification of auditors.

Vote Required for Approval of Proposals Other than the Merger. The presence, in person or by proxy, of at least a majority of the total number of shares of common stock entitled to vote is required to constitute a quorum at the meeting. Directors shall be elected by a plurality of the votes cast. Approval of the amendment of the benefit plan and ratification of the appointment of BKD, LLP requires the affirmative vote of a majority of the shares of Harrodsburg common stock present and voting on these matters. Abstentions and broker non-votes are counted for purposes of determining a quorum at the meeting; however, abstaining shares will have the same effect as a vote against the approval of the amendment of the benefit plans and ratification of the auditor proposal while non-voted shares will have no effect on the amendment of the benefit plans and ratification of the auditor proposal. Abstentions and non-voted shares will have no effect on the election of directors.

Principal Holders

Persons and groups owning in excess of 5% of the common stock are required to file certain reports regarding such ownership pursuant to the Securities Exchange Act of 1934, as amended (the 1934 Act). The following table sets forth, as of the record date, persons or groups who own more than 5% of the common stock. Other than as noted below, management knows of no person or group that owns more than 5% of the outstanding shares of common stock at the record date.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Shares of Common Stock Outstanding (%)
First Federal Savings Bank of Harrodsburg Employee Stock Ownership Plan 104 South Chiles Street Harrodsburg, Kentucky (1)	174,570	14.3
Jack D. Hood	82,979	6.6

104 South Chiles Street Harrodsburg, Kentucky (2)		
Jeffrey L. Gendell Tontine Financial Partners, L.P. Tontine Management, L.L.C. 55 Railroad Avenue, 3rd Floor Greenwich, Connecticut 06830 (3)	86,376	7.1

(1) The Employee Stock Ownership Plan (ESOP) purchased such shares for the exclusive benefit of plan participants with funds borrowed from the Company. These shares are held in a suspense account and will be allocated among ESOP participants annually on the basis of compensation as the ESOP debt is repaid. The board of directors of the Bank has appointed a committee consisting of non-employee directors Coleman, Letton and Shryock to serve as the ESOP administrative committee (ESOP Committee) and to serve as the ESOP trustees (ESOP Trustee). The ESOP Committee or the board instructs the ESOP Trustee regarding investment of ESOP plan assets. The ESOP Trustee must vote all shares allocated to participant accounts under the ESOP as directed by participants. Unallocated shares and shares for which no timely voting direction is received, will be voted by the ESOP Trustee as directed by the ESOP Committee. As of the record date, 108,864 shares have been allocated under the ESOP to participant accounts.

(2) See Proposal 1 Election of Directors.

(3) The information with respect to Jeffrey L. Gendell, Tontine Financial Partners, L.P., and Tontine Management, L.L.C. (collectively, the Reporting Persons) is derived from a Schedule 13D, dated November 17, 2003, which states that the Reporting Persons, through certain of its affiliates, had shared voting power and shared dispositive power with regard to 86,376 shares.

Section 16(a) Beneficial Ownership Reporting

Section 16(a) of the 1934 Act requires Harrodsburg s directors and executive officers to file reports of ownership and changes in ownership of their equity securities of Harrodsburg with the Securities and Exchange Commission and to furnish Harrodsburg with copies of such reports. To the best of Harrodsburg s knowledge, all of the filings by Harrodsburg s directors and executive officers were made on a timely basis during the 2003 fiscal year. Harrodsburg is not aware of other beneficial owners of more than ten percent of its common stock.

Election Of Directors

The Certificate of Incorporation requires that directors be divided into three classes, as nearly equal in number as possible, each class to serve for a three year period, with approximately one-third of the directors elected each year. The Board of Directors currently consists of seven members, each of whom also serves as a director of First Financial Bank.

Jack L. Coleman, Jr. and Thomas Les Letton (the Nominees) have been nominated by the board of directors for a term of three years (the Nominees). The Nominees currently serve as directors for Harrodsburg. The Nominees will serve for their respective terms or until his successor has been elected and qualified.

The persons named as proxies in the enclosed proxy card intend to vote for the election of the Nominees, unless the proxy card is marked to indicate that such authorization is expressly withheld. Should the Nominees withdraw or be unable to serve (which the board of directors does not expect) or should any other vacancy occur in the board of directors, it is the intention of the persons named in the enclosed proxy card to vote for the election of such person as may be recommended to the board of directors by the nominating committee of the board. If there are no substitute nominees, the size of the board of directors may be reduced. Beneficial ownership of directors and executive officers of Harrodsburg, as a group, is also shown in this table.

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Name and Title	Age(1)	Year First Elected or Appointed(2)	Current Term to Expire	Shares of Common Stock Beneficially Owned as of March 22, 2004(3)	Percent Owned (%)
BOARD NOMINEES FOR TERM TO EXPIRE IN 2007					
Jack L. Coleman, Jr. Director	50	1991	2004	26,851(4)	2.2
Thomas Les Letton Director	51	1985	2004	29,995(4)	2.4
DIRECTORS CONTINUING IN OFFICE					
Wickliffe T. Asbury, Sr. Executive Vice President of the Bank and Director	52	1989	2005	47,409	3.8
James W. Dunn Director	53	2002	2005	2,293	*
Arthur L. Freeman Chairman of the Board and Chief Executive Officer	52	1999	2006	14,327	1.2
Jack D. Hood Treasurer, Secretary, and Director	54	1976	2006	82,979	6.6
W. Dudley Shryock Director	47	1998	2006	14,061(4)	1.1
All directors and executive officers of the Company as a group (9 persons)				217,915(4)	16.6

(1) At March 22, 2004.

(2) Refers to the year the individual first became a director of Harrodsburg or First Financial.

(3) The share amounts also include shares of common stock that the following persons may acquire through the exercise of stock options within 60 days of the record date: Jack L. Coleman, Jr. - 10,000; Thomas Les Letton - 10,000; Wickliffe T. Asbury, Sr. - 25,000; James W. Dunn 2,000; Arthur L. Freeman - 5,000; Jack D. Hood - 30,000; W. Dudley Shryock - 10,000.

(4) Excludes 174,570 shares of common stock held by the ESOP for which such individual serves as a member of the ESOP Committee or Trustee Committee and has shared voting power. Such individual disclaims beneficial ownership with respect to such shares held in a fiduciary capacity.

* Less than 1% of the common stock outstanding.

Biographical Information

The business experience of each director and executive officer of Harrodsburg is set forth below. All directors and executive officers have held their present positions for five years unless otherwise stated.

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Nominees:

Jack L. Coleman, Jr. is a partner and majority stockholder of Coleman s Lumber Yard. He is also a member of the Kentucky House of Representatives for ten years. Mr. Coleman is a member of the Mercer County Chamber of Commerce.

Thomas Les Letton is the President of The Letton Company, Inc., a real estate investment company, Old Bridge, Inc., a golf course and development company, all located in Danville, Kentucky. He is also the secretary of W.F.L., Inc. and affiliates which owns thirteen Papa Johns Pizza franchises.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE ABOVE NOMINEES FOR DIRECTORS.

Continuing Directors:

Wickliffe T. Asbury, Sr. is an Executive Vice President of First Financial. Mr. Asbury is also a member of the Anderson County Habitat For Humanity.

James W. Dunn is retired and was the deputy commissioner for employment services for the Commonwealth of Kentucky. He was also co-owner and President of Joy Temporary Services. Mr. Dunn currently serves on the board of directors and is a member of the executive committee of the Bluegrass State Skills Corporation. Additionally, Mr. Dunn serves on the review board of Juvenile Justice.

Arthur L. Freeman is Chairman and Chief Executive Officer of Harrodsburg and First Financial, effective October 1, 1999. Mr. Freeman is a member of the board of directors of Citizens Financial Bank, Inc., a majority owned subsidiary of Harrodsburg and a member of the board of directors of Independence. From January 1998 to September 1999, Mr. Freeman was Commissioner of the Kentucky Department of Financial Institutions. Prior to his appointment as Commissioner, he was the Vice President and Director of Thrift Membership for the Kentucky Bankers Association, following the merger of the Kentucky League of Savings Institutions with the Kentucky Bankers Association in 1995. Mr. Freeman served as President and Executive Director of the Kentucky League for five years and Vice President for two years. He is also past Treasurer of the State YMCA of Kentucky, past Director of the Kentucky School Boards Association and Kentucky School Boards Insurance Trust, founding Director of the Kentucky School Boards Liquid Asset Fund, past Chairman of the Harrodsburg Board of Education, past President of the Mercer Chamber of Commerce, past Director of the Mercer Unit of the American Cancer Society, past Director of the Harrodsburg Municipal Housing Authority, and a past Director of the State Bank and Trust Company. Mr. Freeman is currently a director and treasurer of the Wilderness Trail YMCA and director of the Kentucky Bankers Association.

Jack D. Hood is the Treasurer and Secretary of Harrodsburg and First Financial. Mr. Hood is the Treasurer of the Mercer County Extension Office and a member of the Harrodsburg Rotary Club. Additionally, Mr. Hood was a past Director of the Kentucky League of Savings Institutions and past President of Financial Institution Services of Kentucky. Mr. Hood was previously the President and Chief Operating Officer of Harrodsburg and First Financial.

W. Dudley Shryock is a certified public accountant, practicing in Lawrenceburg, Kentucky. Mr. Shryock is treasurer for the Anderson County Fiscal Court.

Meetings and Committees of the Board of Directors

Harrodsburg s board of directors conducts its business through meetings of the board and through activities of its committees. All committees act for both Harrodsburg and First Financial. During the fiscal year ended September 30, 2003, the board of directors held twelve regular meetings and two special meetings. No director attended fewer than 75% of the total meetings of the board of directors of Harrodsburg and committees on which such director served during the fiscal year ended September 30, 2003. In addition to other committees, as of September 30, 2003, Harrodsburg had a nominating committee, a salary committee, and an audit committee.

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The nominating committee does not have a charter and has not adopted a policy with respect to minimum qualifications for board members. With respect to each individual vacancy, the nominating committee intends to determine the specific qualifications and skills required to fill that vacancy and to complement the existing qualifications and skills of the other board members.

The Nominating Committee is comprised of directors Coleman, Dunn, Letton and Asbury. In accordance with the independence rules of the Nasdaq Stock Market, all such members are independent. Nominations to the Board of Directors made by stockholders must be made in writing to the Secretary and received by Harrodsburg not less than 60 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of Harrodsburg. Notice to Harrodsburg of such nominations must include certain information required pursuant to the certificate of incorporation. The Nominating Committee, which is not a standing committee, met once during the 2003 fiscal year.

The salary committee is comprised of Directors Coleman, Letton, Shryock and Dunn. The committee meets to review salaries and performance of officers and employees and recommends compensation adjustments and promotions. The committee met once during the fiscal year ended September 30, 2003.

The audit committee is comprised of directors Coleman, Letton, Shryock and Dunn. The Audit Committee meets once a year before a regular board meeting with the auditors of the Company to discuss the results of the annual audit and any related matters. The Board of Directors has determined that each of the members of the Audit Committee is independent in accordance with rules of the Nasdaq Stock Market. The Board of Directors has adopted a written Audit Committee Charter. The Audit Committee is a standing committee and responsible for developing and maintaining the Company s audit program. In addition to one regularly scheduled meeting annually, the Audit committee is available either as a group or individually to discuss any matters that might affect the financial statements, internal controls or other financial aspects of the operations of Harrodsburg. Harrodsburg s written audit committee charter is attached as Appendix F to this proxy statement/prospectus.

Audit Committee Report

Review of Audited Financial Statements with Management

The audit committee reviewed and discussed the audited financial statement for the year ended September 30, 2003 with the management of Harrodsburg.

Review of Financial Statements and Other Matters with Independent Accountant

The audit committee discussed with BKD, LLP (BKD), Harrodsburg s independent auditors, the matters required to be discussed by the statement on Auditing Standards No. 61 (Communications with Audit Committees), as may be modified or supplemented. The audit committee has received the written disclosures and the letter from BKD required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented, and has discussed with BKD its independence. Effective October 1, 2003, Harrodsburg s independent auditors for the year ended September 30, 2003, EKW & Associates llp (EKW & Associates) merged with the public accounting firm of BKD. EKW & Associates now operates under the new name of BKD. Unless the context indicates otherwise, all references to BKD refer to EKW & Associates.

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The Audit Committee considered whether the provision of the non-audit services listed under All Other Fees below was compatible with maintaining BKD s independence. The Audit Committee approved all fees paid to BKD in fiscal 2003 and 2002. Fees paid to BKD for the last two fiscal years ended December 31st were as follows:

	2003($)	2002($)
Audit Fees(1)	58,000	37,900
Audit-Related Fees		
Tax Fees(2)	4,460	2,900
All Other Fees(3)	21,995	7,200

(1) Audit fees consist of fees for professional services rendered for the audit of the Harrodsburg s financial statements and review of financial statements included in the Harrodsburg s quarterly reports and services normally provided by BKD in connection with statutory and regulatory filings or engagements.

(2) Tax services fees consist of compliance fees for the preparation of state and federal tax returns.

(3) For 2003, all other fees consisted of services primarily in regard to Federal Reserve reporting ($12,000), and fees in connection with Harrodsburg s dutch tender offer and issuance of trust preferred securities ($9,995). In 2002, all other fees consisted primarily of consultant services related to First Financial s employee stock ownership plan.

Recommendation that Financial Statements be Included in Annual Report

Based on the reviews and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in Harrodsburg s Annual Report on Form 10-KSB for the year ended September 30, 2003, for filing with the Securities and Exchange Commission.

Audit Committee:

W. Dudley Shryock, Chairman

Jack L. Coleman, Jr.

Thomas Les Letton

James W. Dunn

Director Compensation

For the fiscal year ended September 30, 2003, each member of the board of directors of Harrodsburg received a fee of $750 per month, which included a fee of $500 per month from First Financial. No additional fees are paid for committee meetings. For the fiscal year ended September 30, 2003, fees paid to all directors totaled approximately $63,000.

In 1999, under Harrodsburg s current stock option plan, Mr. Freeman was granted options to acquire 5,000 shares of Common Stock. The exercise price of the options is the fair market value of Harrodsburg s Common Stock on the date of grant. The options granted to Mr. Freeman are exercisable at the rate of 20% commencing on November 15, 1999. See Stock Awards .

Executive Compensation

Summary Compensation Table. The following table sets forth the cash and non-cash compensation awarded to or earned by the Chairman of the Board and the Chief Executive Officer of Harrodsburg. No other executive officer of Harrodsburg had a salary and bonus during the fiscal year ended September 30, 2003 that exceeded $100,000 for services rendered in all capacities to Harrodsburg and First Financial.

		Annual Compensation			
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation($)[1]**	**All Other Compensation**
Arthur L. Freeman	2003	101,550		9,000	19,934[2]
	2002	99,300		9,000	11,790
Chairman of the Board and Chief Executive Officer	2001	97,875		9,000	14,388

(1) Constitutes director fees.

(2) Includes $1,614 in 401(k) matching contributions made by Harrodsburg and 1,832 shares allocated to Mr. Freeman s account pursuant to the ESOP at a cost of $10 per share (with an aggregate market value of $36,127).

Employment Agreement. Harrodsburg and First Financial entered into a three year employment agreement (the Agreement) with Arthur L. Freeman. Under the Agreement, Mr. Freeman s employment may be terminated for just cause as defined in the Agreement. If Mr. Freeman is terminated without just cause, he will be entitled to a continuation of his salary from the date of termination through the remaining term of the Agreement but not less than one year s salary. In the event of the termination of employment in connection with any change in control of Harrodsburg or First Financial during the term of his Agreement, Mr. Freeman will be paid a lump sum amount equal to 2.99 times his five year average taxable compensation. In the event of a change in control at September 30, 2003, Mr. Freeman would have been entitled to a lump sum payment of approximately $300,000.

Stock Awards. The following table sets forth information with respect to previously awarded stock options to purchase the Common Stock granted to Mr. Freeman and held by him as of September 30, 2003. Harrodsburg has not granted Mr. Freeman any stock appreciation rights.

Aggregated Option Exercises in Last Fiscal Year, and FY-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized($)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercise In-The-Money Option at FY-End ($) Exercisable/ Unexercisable
Arthur L. Freeman			4,000/1,000	23,680/15,920(1)

(1) Based upon an exercise price of $13.50 per share and estimated price of $19.42 at September 30, 2003.

Certain Relationships and Related Transactions

First Financial and Citizens First Financial, Inc., like many financial institutions, has followed a policy of granting various types of loans to officers, directors, and employees. The loans have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the bank s other customers, and do not involve more than the normal risk of collectibility, or present other unfavorable features.

Ratification of the Appointment of Auditors

At the meeting, stockholders will consider and vote upon the appointment of independent auditors for the fiscal year ending September 30, 2004. BKD was Harrodsburg s independent auditors for the fiscal year ended September 30, 2003. The board of directors has approved the selection of BKD, as its independent auditors for the fiscal year ending September 30, 2004, subject to ratification by Harrodsburg s shareholders. A representative of BKD is expected to be present at the Meeting to respond to stockholders questions and will have the opportunity to make a statement if he or she so desires.

RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT AUDITORS REQUIRES THE APPROVAL OF A MAJORITY OF THE VOTES CAST BY HARRODSBURG S SHAREHOLDERS AT THE MEETING. THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF BKD, LLP AS HARRODSBURG S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2004.

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LEGAL MATTERS

The validity of the Harrodsburg common stock to be issued in the merger and the federal income tax consequences of the merger will be passed upon by Patton Boggs LLP, Washington, DC.

EXPERTS

The consolidated financial statements of Harrodsburg as of September 30, 2003 and 2002, and for each of the years in the two-year period ended September 30, 2003, have been incorporated by reference herein from Harrodsburg s annual report on Form 10-KSB for the year ended September 30, 2003 in reliance on the report of BKD, LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as an expert in accounting and auditing.

The financial statements of Independence as of December 31, 2003 and 2002, and for each of the two years in the period ended December 31, 2003 included in this proxy statement/prospectus have been audited by Crowe Chizek and Company LLC, independent auditors, as stated in their report appearing herein and have been so included in reliance upon the report of such firm given upon its authority as an expert in accounting and auditing.

FUTURE SHAREHOLDER PROPOSALS

Harrodsburg. If the merger transaction is not approved, Harrodsburg expects that its 2004 annual meeting will be held in January 2005. A shareholder who wants to present a proposal to be considered for inclusion in Harrodsburg proxy materials for the 2005 annual meeting of shareholders must submit that proposal in writing no later than August 31, 2004. A shareholder who wants to present a proposal to be considered at that annual meeting, but not through Harrodsburg s proxy materials, must submit that proposal in writing on or before November 23, 2004. Either type of proposal must be sent to the secretary at Harrodsburg s office, 104 South Chiles Street, Harrodsburg, Kentucky 40330-1620 according to the dates specified above.

1st Independence Financial. 1st Independence Financial expects to hold its annual meeting of shareholders approximately one year after the date of this meeting. A shareholder who wants to present a proposal to be considered for inclusion in 1st Independence Financial proxy materials for the 2005 annual meeting of shareholders must submit that proposal in writing no later than December 1, 2004. A shareholder who wants to present a proposal to be considered at that annual meeting, but not through 1st Independence Financial s proxy materials, must submit that proposal in writing on or before March 10, 2005. Either type of proposal must be sent to the secretary at 1st Independence Financial s office, 104 South Chiles Street, Harrodsburg, Kentucky 40330-1620 according to the dates specified above.

WHERE YOU CAN FIND MORE INFORMATION

Harrodsburg file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the Commission. You may read and copy any reports, proxy statements or other information filed by Harrodsburg at the Commission s public reference room in Washington, DC, which is located at the following address: Public Reference Room, Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, DC 20549.

You can request copies of these documents, upon payment of a duplicating fee, by writing to the Commission. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the Commission s public reference rooms. Harrodsburg s Commission filings are also available to the public from document retrieval services, and the Commission s Internet website (http://www.sec.gov).

Harrodsburg has filed with the Commission a registration statement on Form S-4 under the Securities Act of 1933 and the rules and regulations thereunder. This document is a part of that registration statement. As permitted by the Commission s rules, this document does not contain all of the information you can find in the registration statement. The registration statement is available for inspection and copying as set forth above.

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The Commission allows Harrodsburg to incorporate by reference into this document, which means that Harrodsburg can disclose important information to you by referring you to another document filed separately with the Commission. The information incorporated by reference is considered to be part of this document, except for any information superseded by information contained in later filed documents incorporated by reference in this document. Harrodsburg incorporates by reference the documents filed by them with the Commission listed below and any future filings made by it with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the election deadline date.

Harrodsburg SEC Filings (File No. 0-26750)	Period
Annual Report on Form 10-KSB	Year ended September 30, 2003
Quarterly Report on Form 10-QSB	Quarter ended December 31, 2003

You may request a copy of documents incorporated by reference in this document but not otherwise accompanying this document, at no cost, by writing or telephoning Harrodsburg at the following addresses:

Harrodsburg First Financial Bancorp, Inc.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

Attention: Arthur L. Freeman

(859) 734-5452

To obtain timely delivery, you should request desired information by April 30, 2004.

All information contained in this joint proxy statement/prospectus or incorporated herein by reference with respect to Harrodsburg was supplied by Harrodsburg, and all information contained in this joint proxy statement/prospectus with respect to Independence was supplied by Independence.

You should rely only on the information contained or incorporated by reference in this document. Harrodsburg has not authorized anyone else to provide you with information that is different from that which is contained in this document. Moreover, Harrodsburg is not making an offer to sell or soliciting an offer to buy any securities other than the Harrodsburg common stock to be issued by Harrodsburg in the merger, and neither Harrodsburg nor Independence is making an offer of such securities in any state where the offer is not permitted. The information contained in this document speaks only as of its date unless the information specifically indicates that another date applies.

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APPENDIX A

AGREEMENT AND PLAN OF REORGANIZATION

AMONG

HARRODSBURG FIRST FINANCIAL BANCORP, INC.,

FIRST FINANCIAL BANK,

INDEPENDENCE BANCORP,

AND

INDEPENDENCE BANK

January 22, 2004

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