

Independent Bank Group, Inc.  
Form S-4/A  
October 23, 2013  
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As filed with the Securities and Exchange Commission on October 23, 2013

Registration No. 333-191670

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Amendment No. 1**  
**to**  
**FORM S-4**

**REGISTRATION STATEMENT**  
*UNDER THE SECURITIES ACT OF 1933*

**INDEPENDENT BANK GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**6022**  
(Primary Standard Industrial  
Classification Code Number)  
**1600 Redbud Boulevard, Suite 400**

**13-4219346**  
(I.R.S. Employer  
Identification Number)

**McKinney, Texas 75069-3257**

**(972) 562-9004**

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

**Mr. David R. Brooks**

**Chairman and Chief Executive Officer**

**1600 Redbud Boulevard, Suite 400**

**McKinney, Texas 75069-3257**

**(972) 562-9004**

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

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(972) 716-1855

Dallas, Texas 75202

(214) 659-4593

(214) 468-3331

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are to be 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, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	(Do not check if a smaller reporting company) Smaller reporting company	<input type="checkbox"/>

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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**LIVE OAK FINANCIAL CORP.**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

You are cordially invited to attend the special meeting of shareholders of Live Oak Financial Corp., or Live Oak Financial, to be held on November 20, 2013, at 5:00 p.m., Central Time, at the offices of Live Oak State Bank, 3206 Live Oak Street, Dallas, Texas 75204. At this important special meeting, you will be asked to consider and vote on the approval of a reorganization agreement and related agreement and plan of merger, which provide for the acquisition of Live Oak Financial by Independent Bank Group, Inc., or Independent, through certain merger transactions. You may also be asked to adjourn the special meeting to a later date or dates, if the board of directors of Live Oak Financial determines it is necessary.

Under the terms of the reorganization agreement, if the reorganization agreement is approved and the merger is completed, all outstanding shares of Live Oak Financial common stock will be converted into an aggregate of 292,646 shares of Independent common stock and \$10,000,000 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, holders of Live Oak Financial common stock will receive 0.4886 shares of Independent common stock (with cash in lieu of a fractional share) and \$16.69 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement, for each share of Live Oak Financial common stock that they own.

Independent's common stock is listed on the NASDAQ Global Market under the symbol IBTX. The closing price of Independent's common stock on October 7, 2013 was \$35.99 per share. Based on the closing price of Independent common stock on October 7, 2013 of \$35.99, shareholders of Live Oak Financial would receive merger consideration with a value of approximately \$34.27 for each share of Live Oak Financial common stock that they own.

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to Live Oak Financial. We cannot complete the merger unless we obtain the necessary government approvals and unless the holders of two-thirds of the outstanding shares of Live Oak Financial common stock approve the reorganization agreement. The board of directors of Live Oak Financial unanimously supports the merger and recommends that you vote in favor of the reorganization agreement and the related agreement and plan of merger.

The accompanying proxy statement/prospectus contains a more complete description of the special meeting and the terms of the reorganization agreement and the acquisition of Live Oak Financial. In addition to being a proxy statement of Live Oak Financial, this document is the prospectus of Independent for the shares of its common stock that will be issued in connection with the transaction. **We urge you to review this entire document carefully, including the considerations discussed under Risk Factors beginning on page 26, and the appendices to the accompanying proxy statement/prospectus, which include the reorganization agreement and the related agreement and plan of merger.** You may also obtain information about Independent from documents that Independent has filed with the Securities and Exchange Commission, or SEC.

Based on our reasons for the merger described in the accompanying proxy statement/prospectus, including the fairness opinion issued by our financial advisor, Sheshunoff & Co. Investment Banking, L.P., or Sheshunoff, our board of directors believes that the transaction is fair to you and in your best interests. **Accordingly, our board of directors unanimously recommends that you vote FOR approval of the reorganization agreement and the related agreement and plan of merger.**

We appreciate your continuing loyalty and support, and we look forward to seeing you at the special meeting.

/s/ Carl B. Schieffer

Carl B. Schieffer

President, Live Oak Financial Corp.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities that Independent is offering through this document are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Proxy statement/prospectus dated October 24, 2013 and first mailed to shareholders of Live Oak Financial on or about  
October 28, 2013

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**HOW TO OBTAIN ADDITIONAL INFORMATION**

Certain business and financial information about Independent included in documents filed with the SEC has not been included in or delivered with this document. This information is described on page 213 under **Where You Can Find More Information**. You can obtain free copies of this information by writing or calling:

**Independent Bank Group, Inc. 1600 Redbud Boulevard, Suite 400 McKinney, Texas 75069-3257 Attention: Michelle S. Hickox Executive Vice President and Chief Financial Officer (972) 562-9004**

To obtain timely delivery of the documents before the special meeting of Live Oak Financial, you must request the information by November 13, 2013.

In addition, if you have questions about the merger or the special meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Carl B. Schieffer, Live Oak Financial's President, at the following address or by calling the following telephone number:

Live Oak Financial Corp.

3206 Live Oak Street

Dallas, Texas 75204

(214)-841-9800

Live Oak Financial does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act and accordingly does not file documents or reports with the SEC.

**PLEASE NOTE**

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

**This proxy statement/prospectus has been prepared as of October 24, 2013. There may be changes in the affairs of Live Oak Financial or Independent since that date, which are not reflected in this document.**

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**Live Oak Financial Corp. 3206 Live Oak Street Dallas, Texas 75204 (214)-841-9800**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the shareholders of Live Oak Financial:

The special meeting of shareholders of Live Oak Financial will be held on November 20, 2013 at 5:00 p.m., Central Time, at the offices of Live Oak State Bank, 3206 Live Oak Street, Dallas, Texas 75204, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, dated as of August 22, 2013, by and between Independent Bank Group, Inc., or Independent, and Live Oak Financial Corp., or Live Oak Financial, and the related Agreement and Plan of Merger, by and between IBGLO Acquisition Corporation, or IBGLO, and Live Oak Financial and joined in by Independent or, collectively, the reorganization agreement, pursuant to which IBGLO (which is a wholly owned subsidiary of Independent) will merge with and into Live Oak Financial, all on and subject to the terms and conditions contained therein; and
2. To consider and vote upon any proposal to adjourn the special meeting to a later date or dates, if the board of directors of Live Oak Financial determines such an adjournment is necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.

No other business may be conducted at the special meeting.

Only shareholders of Live Oak Financial of record as of 5:00 p.m., on October 21, 2013, will be entitled to notice of and to vote at the special meeting and any adjournments thereof. The special meeting may be adjourned from time to time upon approval of Live Oak Financial's shareholders without any notice other than by announcement at the meeting of the adjournment thereof, and any and all business for which notice is hereby given may be transacted at such adjourned meeting.

Shareholders of Live Oak Financial have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of Live Oak Financial common stock under applicable provisions of the Texas Business Organizations Code, or TBOC. In order for such a shareholder of Live Oak Financial to perfect his or her right to dissent, the shareholder must carefully follow the procedure set forth in the TBOC. A copy of the applicable statutory provisions of the TBOC is included as Appendix C to the accompanying proxy statement/prospectus and a summary of these provisions can be found under the caption "Proposal to Approve the Reorganization Agreement Dissenters' Rights of Live Oak Financial Shareholders."

If you have any questions concerning the merger or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus or need help voting your shares of Live Oak Financial common stock, please contact Carl B. Schieffer, Live Oak Financial's President, at (214) 841-9800.

By Order of the Board of Directors,

/s/ Willis I. Cottel, M.D.

Willis I. Cottel, M.D.

Chairman of the Board

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Dallas, Texas

October 24, 2013

**The board of directors of Live Oak Financial unanimously recommends that you vote FOR the proposals to approve the reorganization agreement and the adjournment of the special meeting, if necessary, among other things, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.**

**Your Vote is Very Important**

A proxy card is enclosed. Whether or not you plan to attend the special meeting, please complete, sign and date the proxy card and promptly mail it in the enclosed envelope. You may revoke your proxy card in the manner described in the proxy statement/prospectus at any time before it is exercised. If you attend the special meeting, you may vote in person if you desire, even if you have previously returned your proxy card.

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BENEFICIAL OWNERSHIP OF INDEPENDENT COMMON STOCK BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF INDEPENDENT

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING**

*The following are some questions that you may have regarding the merger and the special meeting, and brief answers to those questions. Independent and Live Oak Financial advise you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the special meeting. Additional important information is also referred to under the caption *Where You Can Find More Information* beginning on page 213.*

**Q: What are Live Oak Financial shareholders being asked to vote upon?**

A: Live Oak Financial is proposing to be acquired by Independent through certain merger transactions. As part of the overall transaction, the shareholders of Live Oak Financial are being asked to consider and vote on the following two proposals:

- to approve an Agreement and Plan of Reorganization, dated as of August 22, 2013, by and between Independent Bank Group, Inc., or Independent, and Live Oak Financial Corp., or Live Oak Financial, and the related Agreement and Plan of Merger, by and between IBGLO Acquisition Corporation, or IBGLO, and Live Oak Financial and joined by Independent or, collectively, the reorganization agreement, pursuant to which IBGLO (which is a wholly owned subsidiary of Independent) will merge with and into Live Oak Financial; and

- to adjourn the special meeting to a later date or dates, if the board of directors of Live Oak Financial determines it is necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement .

No other business may be conducted at the special meeting.

**Q: What will happen in the merger?**

A: In the merger, IBGLO will be merged with and into Live Oak Financial, with Live Oak Financial being the surviving entity. Immediately following the merger, Live Oak Financial will be merged with and into Independent, with Independent being the surviving entity. Live Oak Financial will cease to exist after the merger with Independent occurs. Immediately following the merger of Live Oak Financial into Independent, Live Oak State Bank, or Live Oak Bank, will be merged with and into Independent Bank, with Independent Bank being the surviving entity. Live Oak Bank will cease to exist after the merger with Independent Bank occurs. Live Oak Bank is a commercial bank with its headquarters in Dallas, Texas, and a wholly owned subsidiary of Live Oak Financial. Independent Bank is a commercial bank headquartered in McKinney, Texas, and a wholly owned subsidiary of Independent. Upon the merger of IBGLO with and into Live Oak Financial, the shares of Live Oak Financial common stock will be converted into the right to receive the consideration described below. For ease of reference: (a) the merger of IBGLO with and into Live Oak Financial is referred to in this proxy statement/prospectus as the initial merger; (b) the merger of Live Oak Financial with and into Independent is

referred to in this proxy statement/prospectus as the subsequent merger and collectively with the initial merger, the Independent merger; (c) the merger of Live Oak Bank with and into Independent Bank is referred to in this proxy statement/prospectus as the bank merger; and (d) the initial merger, the subsequent merger and the bank merger together are referred to in this proxy statement/prospectus collectively as the merger.

**Q. Why am I receiving this proxy statement/prospectus?**

A: Live Oak Financial is sending these materials to its shareholders to help them decide how to vote their shares of Live Oak Financial common stock with respect to the reorganization agreement and other matters

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to be considered at the special meeting. This document constitutes both a proxy statement of Live Oak Financial and a prospectus of Independent. It is a proxy statement because the board of directors of Live Oak Financial is soliciting proxies using this document from their shareholders. It is a prospectus because Independent is offering shares of its common stock in exchange for outstanding shares of Live Oak Financial common stock in the merger.

**Q: What is the aggregate amount of consideration to be paid by Independent in the transaction?**

A: Under the terms of the reorganization agreement, if the reorganization agreement is approved and the merger is completed, all outstanding shares of Live Oak common stock will be converted into an aggregate of 292,646 shares of Independent common stock and \$10,000,000 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, and the closing price of Independent common stock on the NASDAQ Global Market of \$35.99 on such date, the amount of total consideration to be paid by Independent is valued at approximately \$20,532,000.

**Q: What consideration will Live Oak Financial shareholders receive as a result of the merger?**

A: Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, holders of Live Oak Financial will receive 0.4886 shares of Independent common stock (with cash in lieu of a fractional share), or the per share stock consideration, and \$16.69 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement, for each share of Live Oak Financial common stock that they own.

The per share stock consideration will be subject to adjustment if the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market over a twenty consecutive trading day period ending on the third trading day prior to the closing date, or average sales price, is less than \$30.76 or greater than \$37.60. If the average sales price is less than \$30.76, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$15.03 by (ii) the average sales price. However, a condition to each party's respective obligation to consummate the merger is that the average sales price be at least \$27.34 per share. If the average sales price is less than \$27.34 per share either party may determine not to consummate the merger. If, on the other hand, the average sales price is greater than \$37.60, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$18.37 by (ii) the average sales price. Therefore, the maximum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$11,000,000 and the minimum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$9,000,000. As of October 7, 2013, the closing sales price of Independent common stock was \$35.99 per share.

The amount of aggregate cash consideration will be reduced if Live Oak Financial's tangible book value is less than \$13,000,000 as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$13,000,000, but equal to or more than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to \$13,000,000 minus Live Oak Financial's tangible book value as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to the sum of (i) \$250,000, plus (ii) the product of (x) \$12,750,000 minus Live Oak Financial's tangible book value as of the closing date, multiplied by (y) 1.54.



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**Q: What is Live Oak Financial's current tangible book value? Are there factors which could change the tangible book value prior to closing?**

Live Oak Financial's tangible book value was approximately \$13.9 million as of June 30, 2013.

Tangible book value will increase or decrease by the amount of net income or net loss, respectively, of Live Oak Financial through closing. Further, in calculating tangible book value, unrealized gains or losses in Live Oak Bank's securities portfolio are excluded. However, all costs and expenses of Live Oak Financial and Live Oak Bank related to the merger on an after-tax equivalent basis will be included as a deduction in the calculation of tangible book value. Management of Live Oak Financial estimates net income of approximately \$750,000 from June 30, 2013 through December 31, 2013 and aggregate closing-related deductions to tangible book value of approximately \$1,625,000. If these assumptions are correct, the amount of Live Oak Financial's tangible book value will be approximately \$13,025,000 at closing. This amount is only an estimate and is based upon several assumptions, many of which are beyond the control of Live Oak Financial. Accordingly, the actual amount of Live Oak Financial's tangible book value may vary from this estimated amount.

**Q: Do Live Oak Financial shareholders have a choice of the form of consideration that they will receive in the merger?**

A: No. In accordance with the reorganization agreement, each share of Live Oak Financial common stock will be exchanged for the merger consideration, which is comprised of \$16.69 per share in cash and 0.4886 shares of Independent common stock, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement. See *Proposal to Approve the Reorganization Agreement Terms of the Merger* beginning on page 52.

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

A: We are working to complete the merger during the fourth quarter of 2013, although delays could occur.

**Q: Are there any risks I should consider in deciding whether I vote for the reorganization agreement?**

A: Yes. Set forth under the heading of *Risk Factors*, beginning on page 26, are a number of risk factors that you should consider carefully.

**Q: When and where will Live Oak Financial special shareholders' meeting be held?**

A: The Live Oak Financial special meeting is scheduled to take place at 5:00 p.m., Central Time, on Wednesday, November 20, 2013 at the offices of Live Oak State Bank, 3206 Live Oak Street, Dallas, Texas 75204.

**Q: Who is entitled to vote at the special meeting?**

A: The holders of record of Live Oak Financial common stock as of 5:00 p.m. on October 21, 2013, which is the date that Live Oak Financial's board of directors has fixed as the record date for the special meeting, are entitled to vote at the special meeting.

**Q: What are my choices when voting?**

A: With respect to each of the proposals, you may vote for the proposal, against the proposal or abstain from voting on the proposal.

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**Q: What vote is required for approval of the reorganization agreement?**

A: Approval of the reorganization agreement by Live Oak Financial shareholders requires the affirmative vote of the holders of two-thirds of the shares of Live Oak Financial common stock outstanding as of 5:00 p.m. on October 21, 2013, or 399,299 shares.

**Q: What votes are required to adjourn the special meeting ?**

A: To adjourn the special meeting, the affirmative vote of the holders of a majority of the shares of Live Oak Financial common stock cast at the meeting is required.

**Q: How does the board of directors of Live Oak Financial recommend that I vote at the special meeting ?**

A: The board of directors of Live Oak Financial unanimously recommends that the shareholders vote their shares as follows:

Item 1 FOR the approval of the reorganization agreement; and

Item 2 FOR the adjournment of the special meeting if the board of directors of Live Oak Financial determines it is necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.

**Q: Do I have any rights to avoid participating in the merger?**

A: You have the right to dissent from the merger and seek payment of the appraised fair value of your shares in cash as described in Proposal to Approve the Reorganization Agreement Dissenters Rights of Live Oak Financial Shareholders beginning on page 86. In order for such a shareholder of Live Oak Financial to perfect his or her right to dissent, the shareholder must deliver to Live Oak Financial a written objection to the merger prior to the special meeting that states that such shareholder will exercise his or her right to dissent if the reorganization agreement is approved and the merger is completed, must vote his or her shares of Live Oak Financial common stock against approval of the reorganization agreement at the special meeting, must, not later than the 20<sup>th</sup> day after Independent sends such shareholder notice that the merger was completed, deliver to Independent a written demand for payment of the fair value of his or her shares of Live Oak Financial common stock that states the number and class of shares of Live Oak Financial common stock the shareholder owns, his or her estimate of the fair value of such stock and an address to which a notice relating to the dissent and appraisal procedures may be sent, and, not later than the 20<sup>th</sup> day after he or she makes that demand, submit to Independent the certificates representing his or her shares of Live Oak Financial common stock. The steps you must follow to perfect your right of dissent are described in greater detail under the caption Dissenters Rights of Live Oak Financial Shareholders starting on page 86, and this discussion is qualified by that description and by the text of the provisions of the TBOC relating to rights of dissent set forth in Appendix C hereto. The appraised fair value of your shares of Live Oak Financial common stock may be more or less than the value of the Independent common

stock and cash being paid in the merger. If the holders of more than 5% of the outstanding shares of Live Oak Financial common stock dissent from the merger, Independent has the right to terminate the reorganization agreement.

**Q: What happens if I transfer my shares after the record date for the special meeting?**

A: The record date for the special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of Live Oak Financial common stock after the applicable record date, but prior to the merger, you will retain the right to vote at the special meeting, but the right to receive the merger consideration will transfer with the shares of stock.

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

A: After you have thoroughly read and considered the information contained in this proxy statement/ prospectus, you simply need to vote your shares of Live Oak Financial common stock at the special meeting. The process for voting your shares depends on how your shares are held. Generally you may hold shares as the record holder (that is, in your own name) or in street name (that is, through a nominee, such as a broker or a bank). If you hold shares in street name, you are considered the beneficial owner of those shares.

If you are a record holder, you may vote by proxy or you may attend the special meeting and vote in person. If you are a record holder and want to vote your shares by proxy, simply indicate on the proxy card(s) applicable to your shares of Live Oak Financial common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed postage-paid envelope as soon as possible, but in any event no later than immediately prior to the vote at the special meeting.

Your proxy card must be received by Live Oak Financial by no later than the time the polls close for voting at the special meeting for your vote to be counted at the meeting.

Voting your shares by proxy will enable your shares of Live Oak Financial common stock to be represented and voted at the special meeting if you do not attend the special meeting and vote your shares in person.

**Q: How will my shares be voted if I return a signed and dated proxy card, but don't specify how my shares will be voted?**

A: The shares to which such proxy card relates will be voted FOR approval of the reorganization agreement and merger and FOR any adjournments of the meeting that the board of directors of Live Oak Financial deems necessary.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: If your broker has not provided to you a proxy that allows you to vote your shares that it holds for you, your broker may vote your shares on the merger proposal only if you provide instructions to your broker on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted, which will have the same effect as a vote against the proposal to approve the reorganization agreement and any proposal to adjourn the special meeting.

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

A: Yes. All Live Oak Financial shareholders are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If your shares are held in street name, then you are not the shareholder of record. In order for you to vote the shares that you beneficially own and that are held in street name in person at

the special meeting, you must bring a legal proxy from the broker, bank or other nominee that was the record holder of your shares held in street name as of 5:00 p.m. on October 21, 2013, confirming that you were the beneficial owner of those shares as of 5:00 p.m. on October 21, 2013, stating the number of shares of which you were the beneficial owner that were held for your benefit at that time by that broker, bank or other nominee and appointing you as the record holder's proxy to vote the shares covered by that proxy at the special meeting.

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**Q: May I change my vote after I have submitted my proxy card?**

A: Yes. Regardless of the method used to cast a vote, if a Live Oak Financial shareholder is a holder of record, he or she may change his or her vote by:

- delivering to Live Oak Financial prior to the special meeting a written notice of revocation addressed to: Corporate Secretary, Live Oak Financial Corp., 3206 Live Oak Street, Dallas, TX 75204;
- completing, signing and returning a new proxy card with a later date before the date of the special meeting, and any earlier proxy will be revoked automatically; or
- attending the special meeting and voting in person, and any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke your proxy.

If your shares are held in street name and you wish to change any voting instructions you have previously given to the record holder of the shares of which you are the beneficial owner, you should contact the broker, bank or other nominee holding your shares in street name in order to direct a change in the manner your shares will be voted.

**Q: What happens if I abstain from voting or fail to instruct my broker to vote?**

A: If you are a record holder of Live Oak Financial common stock and you abstain from voting or fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, referred to as a broker nonvote, then the abstention or broker nonvote of shares of Live Oak Financial common stock will be counted towards a quorum at the special meeting, but such shares will have the same effect as a vote against the proposal to approve the reorganization agreement.

**Q: Should I send in my stock certificates now ?**

A: No. At least 20 days prior to the anticipated closing date of the merger, Wells Fargo Bank, National Association, Independent's exchange agent, will send you written instructions for exchanging your stock certificates. You should not send your Live Oak Financial stock certificates with your proxy card.

**Q: Who can help answer my questions ?**

A: If you have additional questions about the merger, you should contact Carl B. Schieffer, President, Live Oak Financial Corp., 3206 Live Oak Street, Dallas, TX 75204, telephone (214) 841-9800.



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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. Independent urges you to carefully read this entire document and the other information that Independent refers to in this document. These documents will give you a more complete description of the items for consideration at the special meeting. For more information about Independent, see "Where You Can Find More Information" on page 213. Independent has included page references in this summary to direct you to other places in this proxy statement/prospectus where you can find a more complete description of the topics that Independent has summarized.*

**The Companies**

Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

(972) 562-9004

Independent, a Texas corporation, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, or the BHC Act. Through Independent Bank, its wholly owned subsidiary bank, which is a Texas state bank, Independent provides a wide range of relationship driven, commercial banking products and services. Independent currently operates a total of 29 full-service banking centers in 26 communities, with 21 in the Dallas/Fort Worth metropolitan area, including McKinney, Dallas, Plano and Denton, and eight in the greater Austin, Texas area, including Austin and Waco. As of June 30, 2013, on a consolidated basis, Independent had total assets of \$1.9 billion, total loans of \$1.5 billion, total deposits of \$1.5 billion and shareholders' equity of \$214 million.

On July 19, 2013, Independent announced that it entered into a definitive agreement to acquire Collin Bank, Plano, Texas, a Texas state chartered bank with total assets of \$180.6 million, total deposits of \$139.0 million and total equity capital of \$25.1 million as of June 30, 2013. Collin Bank is a full service commercial bank with one office located on the Dallas North Tollway in Plano. The merger has been approved by the board of directors of both companies and is expected to close during the fourth quarter of 2013, although delays may occur. The transaction is subject to certain conditions, including the approval by shareholders of Collin Bank and customary regulatory approvals. See "Business of Independent Pending Acquisition" beginning on page 102.

Live Oak Financial Corp.

3206 Live Oak Street

Dallas, TX 75204

(214) 841-9800

Live Oak Financial Corp., a Texas corporation, is a bank holding company registered under the BHC Act. Live Oak Bank is a wholly owned subsidiary bank of Live Oak Financial. Live Oak Bank is a full service commercial bank with one office located in Dallas, Texas. As of June 30, 2013, Live Oak Financial had total assets of \$122.7 million, total deposits of \$103.8 million, total net loans of \$69.9 million and total shareholders' equity of \$13.9 million.

**Proposed Merger**

*Independent has attached the reorganization agreement to this document as Appendix A. Please read the entire reorganization agreement, including the related agreement and plan of merger, attached thereto as Exhibit A. They are the legal documents that govern the merger.*

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Independent proposes to merge IBGLO Acquisition Corporation, or IBGLO, a wholly owned subsidiary of Independent, with and into Live Oak Financial. Live Oak Financial will be the surviving entity in the initial merger. Immediately following completion of the initial merger, Live Oak Financial will merge with and into Independent, with Independent continuing as the surviving bank. Live Oak Financial will cease to exist after the subsequent merger occurs. Immediately following the subsequent merger of Live Oak Financial with and into Independent, Live Oak Bank will be merged with and into Independent Bank, with Independent Bank being the surviving bank. Live Oak Bank will cease to exist after the bank merger occurs. The existing location of Live Oak Bank will become a banking center of Independent Bank. Independent expects to complete the merger in the fourth quarter of 2013, although delays could occur.

**Terms of the Merger (page 52)**

If Live Oak Financial shareholders approve the reorganization agreement and the merger is completed, all outstanding shares of Live Oak Financial common stock will be converted into an aggregate of 292,646 shares of Independent common stock and \$10,000,000 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, holders of Live Oak Financial common stock will receive 0.4886 shares of Independent common stock (with cash in lieu of a fractional share) and \$16.69 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement, for each share of Live Oak Financial common stock that they own. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, and the closing price of Independent common stock on the NASDAQ Global Market of \$35.99 on such date, the amount of total consideration to be paid by Independent is valued at approximately \$20,532,000.

The per share stock consideration will be subject to adjustment if the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market over a twenty consecutive trading day period ending on the third trading day prior to the closing date, or average sales price, is less than \$30.76 or greater than \$37.60. If the average sales price is less than \$30.76, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$15.03 by (ii) the average sales price. However, a condition to each party's respective obligation to consummate the merger is that the average sales price be at least \$27.34 per share. If the average sales price is less than \$27.34 per share either party may determine not to consummate the merger. If, on the other hand, the average sales price is greater than \$37.60, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$18.37 by (ii) the average sales price. Therefore, the maximum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$11,000,000 and the minimum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$9,000,000. As of October 7, 2013, the closing sales price for Independent common stock was \$35.99 per share.

Further, the amount of aggregate cash consideration will be reduced if Live Oak Financial's tangible book value is less than \$13,000,000 as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$13,000,000, but equal to or more than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to \$13,000,000 minus Live Oak Financial's tangible book value as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to the sum of (i) \$250,000, plus (ii) the product of (x) \$12,750,000 minus Live Oak Financial's tangible book value as of the closing date, multiplied by (y) 1.54.

Fractional shares of Independent common stock will be paid in cash, without interest. The market price of Independent common stock will fluctuate from the date of this proxy statement/ prospectus to the date of completion of the merger, and these fluctuations could result in an adjustment to the proportion of the cash and



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stock consideration. Because of the possibility of an adjustment to the proportion of per share cash and stock consideration and the number of shares of Independent common stock, you will not know the exact number of shares of Independent common stock or the exact amount of cash you will receive in connection with the merger when you vote on the reorganization agreement.

**Material U.S. Federal Income Tax Consequences (page 80)**

The Independent merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, as amended, or the Code, for U.S. federal income tax purposes, and the closing is conditioned upon the receipt by Independent of an opinion from Andrews Kurth LLP, counsel to Independent, and the receipt by Live Oak Financial of an opinion from Hunton & Williams LLP, counsel to Live Oak Financial, to the effect that the Independent merger so qualifies. This summary of U.S. federal income tax consequences assumes that the Independent merger will be consummated as described in the reorganization agreement and this proxy statement/prospectus and Independent and Live Oak Financial will not waive the opinion condition described in

Material U.S. Federal Income Tax Consequences of the Independent Merger Tax Opinions. The Independent merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provisions of Section 368(a) of the Code. If the Independent merger qualifies as such a reorganization, the material U.S. federal income tax consequences of the Independent merger to U.S. holders of Live Oak Financial common stock will be as follows: holders of Live Oak Financial generally will recognize gain (but not loss) with respect to their Live Oak Financial common stock. The gain a U.S. holder of Live Oak Financial recognizes generally will equal the lesser of cash received (excluding any cash received in lieu of a fractional share of Independent common stock) or gain realized in the Independent merger. The amount of gain realized will equal the amount by which the cash plus the fair market value, at the effective time of the Independent merger, of the Independent common stock exceeds the adjusted tax basis in the Live Oak Financial common stock to be surrendered in exchange therefor.

For further information, please refer to Material U.S. Federal Income Tax Consequences of the Independent Merger. The U.S. federal income tax consequences described above may not apply to all holders of Live Oak Financial common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the Independent merger to you.

**Opinion of Financial Advisor of Live Oak Financial (page 58)**

Sheshunoff & Co. Investment Banking, L.P., or Sheshunoff, has delivered a written opinion to the board of directors of Live Oak Financial that, as of the date of the reorganization agreement, based upon and subject to certain matters stated in the opinion, the merger consideration is fair to the Live Oak Financial shareholders from a financial point of view. This opinion is attached to this proxy statement/prospectus as Appendix B. The opinion of Sheshunoff is not a recommendation to any Live Oak Financial shareholder as to how to vote on the proposal to approve the reorganization agreement. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Sheshunoff in providing its opinion.

**Independent Plans to Continue Payment of Quarterly Dividends (page 25 and page 199)**

Independent paid a cash dividend of \$0.06 per share in the third quarter of 2013 to its shareholders and, subject to applicable statutory and regulatory restrictions, intends to pay a cash dividend to its shareholders in the fourth quarter of 2013 and continue paying quarterly cash dividends following the merger.



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**Ownership of Independent After the Merger (page 197 and 198)**

Pursuant to the reorganization agreement, Independent will issue 292,646 shares of its common stock to Live Oak Financial shareholders in connection with the merger, subject to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on 12,076,927 shares of Independent common stock outstanding as of October 7, 2013, immediately after the merger, if Independent issues the maximum of 300,000 shares of Independent common stock that are potentially issuable to the shareholders of Collin Bank in connection with the proposed acquisition by Independent of Collin Bank, the former Live Oak Financial shareholders would own approximately 2.31% of the outstanding shares of Independent common stock if 292,646 shares of Independent common stock are issued in the merger. That ownership percentage will be reduced by any future issuances of shares of Independent common stock.

**Market Prices of Independent Common Stock (page 199)**

Shares of Independent common stock are quoted on the NASDAQ Global Market under the symbol IBTX. On August 21, 2013, the last trading day before the merger was announced, Independent common stock closed at \$34.09 per share. On October 7, 2013, Independent common stock closed at \$35.99 per share. The market price of Independent common stock will fluctuate prior to the merger. You should obtain the current stock quotations for Independent common stock on the NASDAQ Global Market prior to deciding how to vote. Shares of Live Oak Financial are not traded on any national securities exchange or on an established public trading market and no quotations of any market price exists for the Live Oak Financial shares.

**Live Oak Financial Special Meeting (page 49)**

The special meeting of shareholders of Live Oak Financial will be held on November 20, 2013, at 5:00 p.m., Central Time, at the offices of Live Oak State Bank, 3206 Live Oak Street, Dallas, Texas 75204. At the special meeting, you will be asked to consider and vote on the following:

- a proposal to approve the reorganization agreement, which provides for Independent to acquire Live Oak Financial through the merger of IBGLO, a wholly owned subsidiary of Independent, with and into Live Oak Financial; and
- a proposal to adjourn the special meeting to a later date or dates, if the board of directors of Live Oak Financial determines such adjournment is necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.

**Record Date Set at October 21, 2013; Two-Thirds Shareholder Vote Required to Approve the Reorganization Agreement (page 50 and 51)**

You may vote at the special meeting of Live Oak Financial shareholders if you owned Live Oak Financial common stock of record as of 5:00 p.m. on October 21, 2013. You can cast one vote for each share of Live Oak Financial common stock you owned of record at that time. As of October 7, 2013, there were 598,948 shares of Live Oak Financial common stock outstanding.

Approval of the reorganization agreement requires the affirmative vote of the holders of two-thirds of the shares of Live Oak Financial common stock outstanding and entitled to vote as of 5:00 p.m. on the record date. If you fail to vote, it will have the effect of a vote against the reorganization agreement. The affirmative vote of the holders of a majority of the shares of Live Oak Financial common stock cast at the special meeting is required to approve the adjournment of the special meeting.

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You may vote your shares of Live Oak Financial common stock by attending the special meeting and voting in person, by completing and mailing the enclosed proxy card. If you are the record holder of your shares, you can revoke your proxy at any time before the vote is taken at the special meeting by sending a written notice revoking the proxy or submitting a later-dated proxy to the Secretary of Live Oak Financial which must be received no later than immediately prior to the vote at the special meeting, or by voting in person at the special meeting. See The Live Oak Financial Special Meeting Voting and Revocation of Proxies.

### **Live Oak Financial's Reasons for the Merger and Recommendations of Live Oak Financial's Board (page 56)**

Based on the reasons discussed elsewhere in this proxy statement/prospectus, including the fairness opinion of Sheshunoff, the board of directors of Live Oak Financial believes that the merger is fair to you and in your best interests, and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement. For a discussion of the circumstances surrounding the merger and the factors considered by Live Oak Financial's board of directors in approving the reorganization agreement, see page 54.

### **Certain Shareholders of Live Oak Financial are Expected to Vote Their Shares For Approval of the Reorganization Agreement (page 80; Exhibit A to Appendix A)**

The directors of Live Oak Financial have entered into an agreement to vote the shares of Live Oak Financial common stock that they control in favor of approval of the reorganization agreement. As of the record date, 195,927 shares of Live Oak Financial common stock, or approximately 32.71% of the outstanding shares of Live Oak Financial common stock entitled to vote at the special meeting, were bound by the voting agreement.

### **Effective Time of the Merger (page 66)**

The merger of IBGLO with and into Live Oak Financial will become effective at the date and time specified in the certificate of merger to be filed with the Texas Secretary of State. If Live Oak Financial shareholders approve the reorganization agreement at the special meeting, and if all necessary regulatory approvals are obtained and the other conditions to the parties' respective obligations to effect the merger are satisfied or are waived by the party entitled to do so, Independent anticipates that the merger will be completed in the late fourth quarter of 2013, although delays could occur.

Live Oak Financial and Independent cannot assure you that the necessary shareholder and regulatory approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied.

### **Exchange of Live Oak Financial Stock Certificates (page 65)**

Prior to the effective time of the merger, you will receive a letter and instructions from Wells Fargo Bank, National Association, acting in its role as Independent's exchange agent, describing the procedures for surrendering your stock certificates representing shares of Live Oak Financial common stock in exchange for shares of Independent common stock and cash. The shares of Independent common stock issuable in exchange for the shares of Live Oak Financial common stock will be issued in book-entry form only and a holder's shares of Independent common stock will be reflected in the shareholder's account with Independent's stock transfer agent. Independent will cause the exchange agent to mail the letter and instructions to the Live Oak Financial shareholders at least 20 days prior to the anticipated closing date of the merger. If a holder of certificates surrenders such certificates and a properly executed letter of transmittal to the exchange agent at least three business days prior to the closing date, then Independent will use commercially reasonable best efforts to cause the exchange agent to promptly, but no later than three business days following the closing date, deliver to such holder of certificates the merger consideration. If a holder of certificates

surrenders such certificates and a

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properly executed letter of transmittal to the exchange agent at any time after three business days prior to the closing date, then Independent will use its commercially reasonable best efforts to cause the exchange agent to promptly, but in no event later than three business days following receipt of such certificates and letter of transmittal, deliver to such holder of certificates the merger consideration. You must carefully review and complete these transmittal materials and return them as instructed along with your stock certificates for Live Oak Financial common stock. Please do not send Live Oak Financial or Independent any stock certificates until you receive these instructions. Share certificates delivered to the exchange agent without a properly completed letter of transmittal will be rejected and returned for corrective action.

**Conditions to Completion of the Merger (page 71)**

The completion of the merger depends on a number of conditions being satisfied. These include, among others:

- approval of the reorganization agreement by the shareholders of Live Oak Financial by the requisite vote;
- accuracy of each party's representations and warranties contained in the reorganization agreement as of the closing date of the merger;
- receipt of all required governmental approvals of the merger and subsequent bank merger in a manner that does not impose any material requirement upon Independent or its subsidiaries, including any requirement to sell or dispose of any significant amount of assets, which is reasonably unacceptable to Independent;
- receipt of all required consents, approvals, waivers and other assurances from nongovernmental third parties;
- absence of certain litigation regarding either party;
- absence of any material adverse change in the assets, properties, business or financial condition of either party since June 30, 2013;
- performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement;
- registration with the SEC of the shares of Independent common stock to be issued to shareholders of Live Oak Financial;
- authorization for listing on the NASDAQ Global Market of the shares of Independent common stock to be issued to shareholders of Live Oak Financial;

- Live Oak Financial's minimum tangible book value, as of the closing date, being at least \$12,500,000;
- Live Oak Financial's allowance for loan losses, as of the closing date, being equal to at least \$1,140,000;
- the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market over a twenty consecutive trading day period ending on the third trading day prior to the closing date (i.e., the average sales price) being at least \$27.34;

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- termination of all Live Oak Financial employee benefit plans;
  
- delivery of the merger consideration by Independent;
  
- the receipt by Live Oak Financial of an opinion from Hunton & Williams LLP to the effect that for federal income tax purposes (i) the initial merger and the subsequent merger, together, will be treated as a reorganization within the meaning of § 368(a) of the Code, and (ii) each of Independent and Live Oak Financial will be a party to such reorganization within the meaning of § 368(b) of the Code; and
  
- the receipt by Independent of an opinion from Andrews Kurth LLP to the effect that for federal income tax purposes the initial merger and the subsequent merger, together, will be treated as a reorganization within the meaning of § 368(a) of the Code, (ii) each of Independent and Live Oak Financial will be a party to such reorganization within the meaning of § 368(b) of the Code; (iii) the bank merger will be treated as a reorganization within the meaning of § 368(a) of the Code, and (iv) each of Independent Bank and Live Oak Bank will be a party to such reorganization within the meaning of § 368(b) of the Code.

Additionally, the completion of the merger depends on the execution of the following agreements, but those agreements will not become effective until the effective time of the merger:

- execution of an employment agreement by each of Carl Schieffer, Harlan Bilton and Danny Oberst;
  
- execution of releases from each of the directors and certain officers of Live Oak Financial and Live Oak Bank, releasing Live Oak Financial and Live Oak Bank and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions;
  
- execution of support agreements by each of the directors of Live Oak Financial, agreeing to support, and not compete with, the business of Independent Bank; and
  
- execution of resignations from each of the directors of Live Oak Financial and Live Oak Bank, resigning from the board of directors of Live Oak Financial and Live Oak Bank.

Any condition to the completion of the merger other than regulatory approval may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition. A party to the reorganization agreement could choose to complete the merger even though a condition has not been satisfied, as long as permitted by law. Independent cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Regulatory Approvals Required (page 85)**

The acquisition of Live Oak Financial by Independent requires the approval of the Board of Governors of the Federal Reserve System, or Federal Reserve. In addition, the bank merger requires the approval of the Federal Deposit Insurance Corporation, or the FDIC, and the Texas Department of Banking, or TDB. On September 27, 2013,

Independent, Independent Bank and Live Oak Bank filed applications with the Federal Reserve, the FDIC and the TDB to obtain approval of the transaction. Independent expects to obtain all necessary regulatory approvals, although Independent cannot be certain if or when Independent will obtain them.

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### **Amendments or Waiver (page 77)**

Independent and Live Oak Financial may amend the reorganization agreement and each party may waive its right to require the other party to adhere to any term or satisfy any condition of the reorganization agreement. However, the merger consideration to be received by the shareholders of Live Oak Financial pursuant to the terms of the reorganization agreement may not be decreased after the approval of the reorganization agreement without the further approval of the Live Oak Financial shareholders.

### **No Solicitation (page 70)**

Pursuant to the reorganization agreement, Live Oak Financial agreed that it will not, and that it will direct and use its commercially reasonable best efforts to cause its employees, directors, officers, financial advisors or agents not to, and not to propose to, solicit, knowingly encourage, initiate or participate in any negotiations or discussions with any third party with respect to any proposal that could reasonably be expected to lead to an acquisition proposal, disclose to any third party any information concerning the business, properties, books or records of it in connection with any acquisition proposal, or cooperate with any third party to make any acquisition proposal. Promptly upon receipt of any unsolicited offer, Live Oak Financial will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that Live Oak Financial has complied with the foregoing restrictions, if after the date of the reorganization agreement and prior to obtaining shareholder approval of the merger, Live Oak Financial receives a bona fide, unsolicited written acquisition proposal, it may engage in negotiations and discussions with, and furnish any information and other access to, any person making such acquisition proposal if, and only if, Live Oak Financial's board of directors determines in good faith, after consultation with outside legal and financial advisors, that such acquisition proposal is or is reasonably capable of becoming an offer superior to the merger with Independent and the failure of Live Oak Financial's board of directors to furnish such information or access or enter into such discussions or negotiations would reasonably be expected to be a violation of its fiduciary duties to the shareholders of Live Oak Financial; provided that it obtains an appropriately executed confidentiality agreement.

### **Termination of the Reorganization Agreement (page 78)**

Independent and Live Oak Financial can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either Independent or Live Oak Financial may decide, without the consent of the other, to terminate the reorganization agreement if:

- the conditions to such party's obligations to close have not been satisfied on or before December 31, 2013; subject to a thirty-day extension for the receipt of regulatory approvals and provided that the terminating party is not in breach of the reorganization agreement;
- the required regulatory approvals have not been obtained; or
- if the reorganization agreement is not approved by the shareholders of Live Oak Financial at the special meeting.

Live Oak Financial may terminate the reorganization agreement, without the consent of Independent, if:

· Independent breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Live Oak Financial; or

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- at any time prior to the Live Oak Financial special meeting in order to enter into, concurrently with such termination, an acquisition agreement or similar agreement with respect to a superior proposal that has been received and considered by Live Oak Financial and the Live Oak Financial board in accordance with all of the requirements of the reorganization agreement; or
- there has been any material adverse change in the assets, properties, business or financial condition of Independent since June 30, 2013.

In addition, Independent may terminate the reorganization agreement, without the consent of Live Oak Financial, if:

- Live Oak Financial breaches or fails to perform in any material respect any of its representations, warranties or agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Independent;
- the Live Oak Financial board has (i) recommended to the shareholders of Live Oak Financial that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Live Oak Financial common stock, (ii) effected a change in the board's recommendation regarding the merger or recommended to the Live Oak Financial shareholders acceptance or approval of any alternative acquisition proposal, (iii) notified Independent in writing that Live Oak Financial is prepared to accept a superior proposal or (iv) resolved to do the foregoing;
- any of the following have occurred with respect to environmental matters regarding Live Oak Financial: (a) the factual substance of any representations and warranties of Live Oak Financial in the reorganization agreement is not materially true and accurate, (b) the results of any environmental inspection or other environmental survey by Independent are disapproved by Independent because such inspection or survey identifies a material or potential material violation of applicable environmental laws, (c) Live Oak Financial refuses to allow such inspection or survey in a manner that Independent reasonably considers necessary, (d) such inspection or survey identifies an event, condition or circumstance that would or potentially could reasonably be expected to require a material remedial or cleanup action or result in a material adverse change in the assets, properties, business or financial condition of Live Oak Financial, (e) such inspection or survey reveals the presence of any underground or above ground storage tank in, on or under any real property owned or leased by Live Oak Financial or Live Oak Bank that is not shown to be in material compliance with all applicable environmental laws, or that has had a release of petroleum or some other hazardous material that has not been cleaned up to the satisfaction of the relevant governmental authority or any other party with a right to compel such cleanup, or (f) such inspection or survey identifies the presence of any asbestos-containing material in, on or under any real property owned or leased by Live Oak Financial or Live Oak Bank, the removal of which could reasonably be expected to result in a material adverse change in the assets, properties, business or financial condition of Live Oak Financial, subject, in the case of each of the foregoing, to notice and the right of Live Oak Financial to satisfactorily correct any such matter;

Independent determines, in good faith after consulting with counsel, there is a substantial likelihood that any necessary regulatory approval will not be obtained or will be obtained only upon one or more conditions that make it inadvisable to proceed with the transactions; or

· there has been any material adverse change in the assets, properties, business or financial condition of Live Oak Financial or Live Oak Bank since June 30, 2013.

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**Termination Fee and Expense Reimbursements (page 79)**

To compensate Independent for entering into the reorganization agreement, taking actions to consummate the transactions contemplated by the reorganization agreement and incurring the related costs and expenses and other losses and expense, including foregoing the pursuit of other opportunities, Live Oak Financial has agreed to pay Independent a \$800,000 termination fee if the reorganization agreement is terminated:

- by Live Oak Financial because it receives an alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement taking into account any adjustment made by Independent to the merger consideration, provided that Independent is not in material breach of any covenant or obligation under the reorganization agreement;
- by either Independent or Live Oak Financial if the Live Oak Financial shareholders do not approve the reorganization agreement and the merger at the special meeting and either (i) at the time of such disapproval, there exists an acquisition proposal with respect to Live Oak Financial other than that of Independent that has not been withdrawn prior to the special meeting or (ii) within 12 months of the termination of the reorganization agreement, Live Oak Financial enters into a definitive agreement with any third party with respect to any acquisition proposal; or
- by Independent if the Live Oak Financial board has (i) recommended to the Live Oak Financial shareholders that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Live Oak Financial common stock, (ii) effected a change in the board's recommendation regarding the merger or recommended to the Live Oak Financial shareholders acceptance or approval of any alternative acquisition proposal, (iii) notified Independent in writing that Live Oak Financial is prepared to accept a superior proposal or (iv) resolved to do the foregoing.

**Some of the Directors and Officers of Live Oak Financial Have Financial Interests in the Merger that Differ from Your Interests (page 79)**

Some of the directors and officers of Live Oak Financial have interests in the merger that differ from, or are in addition to, their interests as shareholders of Live Oak Financial. These interests include:

- each of Carl Schieffer, Harlan Bilton and Danny Oberst is an executive officer of Live Oak Financial and has a change in control agreement with Live Oak Bank that provides, among other things, upon a change in control transaction, the executive officer will be entitled to receive a lump sum severance payment equal to two times the amount of his respective base salary, Live Oak Bank will make change in control payments to these officers in connection with the completion of the merger.
- as a condition to the merger, Independent has required that each of Carl Schieffer, Harlan Bilton and Danny Oberst enter into an employment agreement, effective upon completion of the merger, that includes noncompetition and nonsolicitation obligations with Independent Bank and pursuant to which the executive officer is entitled to receive a salary, annual bonus and certain additional incentives from

Independent Bank; and

· the directors and officers of Live Oak Financial will receive indemnification from Independent for a period of three years after completion of the merger to the same extent and subject to the conditions set forth in the articles of incorporation and bylaws of Live Oak Financial and continued director and officer liability coverage for a period of three years after completion of the merger.

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**Comparison of Rights of Shareholders of Live Oak Financial and Independent (page 207)**

Live Oak Financial is a Texas corporation that is a registered bank holding company, and the rights of shareholders of Live Oak Financial are governed by Texas law and Live Oak Financial's articles of incorporation and bylaws. Independent is a Texas corporation that is a registered bank holding company, and the rights of Independent's shareholders are governed by Texas law and Independent's certificate of formation and bylaws. Upon completion of the merger, shareholders of Live Oak Financial will become shareholders of Independent and their rights as shareholders of Independent will be governed by Independent's certificate of formation and bylaws, in addition to Texas law. Independent's certificate of formation and bylaws will not be amended in the merger, but could be later restated, amended or, as regards the bylaws, repealed.

**Dissenters' Rights of Appraisal in the Merger (page 86)**

As a shareholder of Live Oak Financial, you have the right under Texas law to dissent from the merger and have the appraised fair value of your shares of Live Oak Financial common stock as of the date immediately preceding the effective date of the merger paid to you in cash. The appraised fair value may be more or less than the value of the shares of Independent common stock and cash shareholders of Live Oak Financial will receive for their Live Oak Financial shares in the merger.

Persons having beneficial interests in Live Oak Financial common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to take the actions required under Texas law to exercise their dissenter's rights.

In order to dissent, you must carefully follow the requirements of the TBOC, including providing Live Oak Financial, prior to the special meeting, with a written objection to the merger that states that you will exercise your right to dissent if the Live Oak Financial shareholders approve the reorganization agreement and the merger is completed. These steps for perfecting your right of dissent are summarized under the caption "Dissenters' Rights of Live Oak Financial Shareholders" on page 86. The provisions of the TBOC pertaining to dissenters' rights are attached to this proxy statement/prospectus as [Appendix C](#) and the summaries of those provisions in this proxy statement/prospectus should be read in conjunction with, and are qualified by, those provisions of the TBOC.

If you intend to exercise dissenters' rights, you should read the provisions of the TBOC governing dissenters' rights carefully and consult with your own legal counsel. You should also remember that if you return a signed proxy card, but fail to provide instructions as to how your shares of Live Oak Financial common stock are to be voted, you will be considered to have voted in favor of the reorganization agreement. **In that event, you will not be able to assert dissenters' rights.**

If the Live Oak Financial shareholders approve the reorganization agreement, a holder of Live Oak Financial common stock who delivers to the president and the secretary of Live Oak Financial a written objection to the merger prior to the special meeting that states that such holder will exercise his or her right to dissent if the reorganization agreement is approved and the merger is completed and includes an address for notice of the effectiveness of the merger, who votes his or her shares of Live Oak Financial common stock against approval of the reorganization agreement at the special meeting, who, not later than the 20<sup>th</sup> day after Independent sends such holder notice that the merger was completed, delivers to the president and secretary of Independent a written demand for payment of the fair value of his or her shares of Live Oak Financial common stock that states the number and class of shares of Live Oak Financial common stock such holder owns, his or her estimate of the fair value of such stock and an address to which a notice relating to the dissent and appraisal procedures may be sent, and who, not later than the 20<sup>th</sup> day after he or she makes that demand for payment, submits to Independent the certificates representing his or her shares of Live Oak Financial

common stock will be entitled under the TBOC

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to receive the appraised fair value of his or her shares of Live Oak Financial common stock, as of the date immediately prior to the effective date of the merger, in cash under the TBOC.

**Pending Acquisition (page 102)**

On July 19, 2013, Independent announced that it entered into a definitive agreement to acquire Collin Bank, Plano, Texas, a Texas state chartered bank with total assets of \$180.6 million, total deposits of \$139.0 million and total equity capital of \$25.1 million as of June 30, 2013. Collin Bank is a full service commercial bank with one office located on the Dallas North Tollway in Plano, Texas.

Under the terms of the definitive agreement, Collin Bank shareholders will receive approximately \$10.00 per share for each outstanding share of Collin Bank common stock. Approximately 65% of the consideration is payable in cash and 35% is payable in shares of Independent common stock, subject to a maximum issuance to Collin Bank shareholders of 300,000 shares of Independent common stock, with the exchange ratio set three trading days prior to the closing by utilizing the average daily sales price of shares of Independent common stock over a twenty day trading period. Based on the number of shares of Collin Bank common stock currently outstanding, the amount of total consideration to be paid by Independent is currently valued at approximately \$29.1 million.

The merger has been approved by the board of directors of both companies and is expected to close during the fourth quarter of 2013, although delays may occur. The transaction is subject to certain conditions, including the approval by shareholders of Collin Bank and customary regulatory approvals.

**Table of Contents****SELECTED FINANCIAL INFORMATION OF INDEPENDENT**

The following selected historical consolidated financial information of Independent as of and for the six months ended June 30, 2013 and 2012 has been derived from Independent's unaudited consolidated financial statements as of and for the six months ended June 30, 2013 and 2012 appearing elsewhere in this proxy statement/prospectus, the following selected consolidated financial information of Independent as of and for the years ended December 31, 2012, 2011 and 2010 has been derived from Independent's audited consolidated financial statements appearing elsewhere in this proxy statement/prospectus, and the selected consolidated financial information as of and for the year ended December 31, 2009, has been derived from Independent's audited consolidated financial statements not appearing in this proxy statement/prospectus.

You should read the following financial information relating to Independent in conjunction with other information contained in this proxy statement/prospectus, including the information set forth under Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of Independent and related accompanying notes included elsewhere in this proxy statement/prospectus. Independent's historical results for any prior period are not necessarily indicative of results to be expected in any future period, and Independent's historical results for the six months ended June 30, 2013 are not necessarily indicative of its results to be expected for all of 2013. As described elsewhere in this proxy statement/prospectus, Independent has consummated several acquisitions in recent fiscal periods. The results and other financial information of those acquired operations are not included in the table below for the periods prior to their respective acquisition dates and, therefore, the results for these prior periods are not comparable in all respects and may not be predictive of Independent's future results. In addition, the selected financial information in the table immediately below does not include, on any basis, the results or financial condition for any period or as of any date of Live Oak Financial or of any other entity the acquisition of which may be consummated by Independent after June 30, 2013.

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,			
	2013	2012	2012	2011	2010	2009
(dollars in thousands except per share)						
<b>(unaudited)</b>						
<b>Selected Income Statement Data</b>						
Interest income	\$ 42,526	\$ 33,222	\$ 71,890	\$ 59,639	\$ 51,734	\$ 48,747
Interest expense	6,461	6,615	13,337	13,358	13,669	15,721
Net interest income	36,065	26,607	58,553	46,281	38,065	33,026
Provision for loan losses	2,109	1,242	3,184	1,650	4,043	3,446
Net interest income after provision for loan losses	33,956	25,365	55,369	44,631	34,022	29,580
Noninterest income (excluding acquisition gains)	5,158	3,525	9,168	7,708	5,464	5,212
Gain on acquisitions					6,692	
Noninterest expense	27,307	22,095	47,160	38,639	33,062	27,136
Net income	11,807	6,795	17,377	13,700	13,116	7,656
Pro forma net income <sup>(1)</sup> (unaudited)	7,936	4,750	12,147	9,357	8,775	5,189

**Per Share Data (Common Stock)<sup>(2)</sup>**

<b>Earnings:</b>												
Basic	\$	1.14	\$	0.92	\$	2.23	\$	2.00	\$	1.95	\$	1.29
Diluted <sup>(3)</sup>		1.13		0.92		2.23		2.00		1.95		1.29
<b>Pro forma earnings:<sup>(1)</sup> (unaudited)</b>												
Basic		0.78		0.64		1.56		1.37		1.31		0.87
Diluted <sup>(3)</sup>		0.78		0.64		1.56		1.37		1.31		0.87
Dividends <sup>(4)</sup>		0.65		0.45		1.12		0.89		0.63		0.57
Book value <sup>(5)</sup>		17.75		14.02		15.06		12.55		11.13		9.43
Tangible book value <sup>(6)</sup>		15.13		10.50		11.19		10.53		9.02		7.44

**Selected Period End Balance****Sheet Data**

Total assets	\$	1,905,851	\$	1,476,554	\$	1,740,060	\$	1,254,377	\$	1,098,216	\$	905,115
Cash and cash equivalents		126,519		50,129		102,290		56,654		86,346		58,089
Securities available for sale		110,932		95,746		113,355		93,991		52,611		3,182
Total loans (gross)		1,520,373		1,185,369		1,378,676		988,671		860,128		724,709
Allowance for loan losses		12,762		9,894		11,478		9,060		8,403		6,742
Goodwill and core deposit intangible		31,641		27,628		31,965		13,886		14,453		13,136
Other real estate owned		8,182		8,696		6,847		8,392		7,854		5,623
Adriatica real estate owned <sup>(7)</sup>		9,656		9,727		9,727		16,065				
Noninterest-bearing deposits		261,618		190,612		259,664		168,849		133,307		114,880
Interest-bearing deposits		1,223,511		1,011,153		1,131,076		861,635		794,236		608,672
Borrowings (other than junior subordinated debentures)		181,094		145,411		201,118		118,086		75,656		101,682
Junior subordinated debentures <sup>(8)</sup>		18,147		14,538		18,147		14,538		14,538		14,538
Total stockholders equity		214,182		109,951		124,510		85,997		76,044		62,479

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	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,			
	2013	2012	2012	2011	2010	2009
<b>Selected Performance Metrics<sup>(9)</sup></b>						
Return on average assets <sup>(10)</sup>	1.29%	0.99%	1.17%	1.16%	1.35%	0.87%
Return on average equity <sup>(10)</sup>	13.17	13.80	16.54	17.36	19.19	15.75
Pro forma return on average assets <sup>(1)(10)</sup> (unaudited)	0.89	0.69	0.82	0.79	0.91	0.59
Pro forma return on average equity <sup>(1)(10)</sup> (unaudited)	9.04	9.65	11.56	11.86	12.84	10.68
Net interest margin <sup>(11)</sup>	4.40	4.36	4.40	4.42	4.43	4.29
Efficiency ratio <sup>(12)</sup>	66.24	73.33	69.64	71.57	75.95	70.97
Dividend payout ratio <sup>(13)</sup>	11.65	14.44	11.89	13.26	13.54	20.04
<b>Credit Quality Ratios</b>						
Nonperforming assets to total assets	1.27%	2.30%	1.59%	2.85%	2.19%	1.92%
Nonperforming loans to total loans <sup>(14)</sup>	0.43	0.81	0.81	1.14	1.89	1.62
Allowance for loan losses to nonperforming loans <sup>(14)</sup>	198.14	103.63	104.02	80.32	51.93	57.61
Allowance for loan losses to total loans	0.84	0.84	0.83	0.92	0.98	0.93
Net charge-offs to average loans outstanding (unaudited)	0.12	0.08	0.06	0.11	0.31	0.21
<b>Capital Ratios</b>						
Tier 1 capital to average assets	10.91%	6.91%	6.45%	6.89%	6.98%	7.22%
Tier 1 capital to risk-weighted assets <sup>(15)</sup>	13.80	8.35	8.22	8.59	8.88	8.93
Total capital to risk-weighted assets <sup>(15)</sup>	15.69	10.58	10.51	11.19	11.10	11.24
Total stockholders' equity to total assets	11.24	7.45	7.16	6.86	6.92	6.90
Tangible common equity to tangible assets <sup>(16)</sup>	9.74	5.68	5.42	5.81	5.68	5.53

(1) Prior to April 1, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, and, as a result, Independent did not pay U.S. federal income taxes and has not been required to make any provision or recognize any liability for federal income tax in its consolidated financial statements for any period ending on or before March 31, 2013. As of April 1, 2013, Independent terminated its S corporation election and commenced being subject to federal income taxation as a C corporation. Independent has calculated its pro forma net income, pro forma earnings per share on a basic and diluted basis, pro forma return on average assets and pro forma return on average equity for each period presented by calculating a pro forma provision for federal income taxes using an assumed annual effective federal income tax rate of 32.8% and 30.1% for the six months ended June 30, 2013 and 2012, respectively, and 30.1%, 31.7%, 33.1%, and 32.2% for the years ended December 31, 2012, 2011, 2010 and 2009, respectively, and adjusting its historical net income for each period presented to give effect to the pro forma provision for federal income taxes for such period.

(2) The per share amounts and the weighted-average shares outstanding for each of the periods shown have been adjusted to give effect to the 3.2-for-one split of the shares of Independent's common stock that was effective as of February 22, 2013.

(3)

Independent calculates its diluted earnings per share for each period shown as its net income divided by the weighted-average number of its common shares outstanding during the relevant period adjusted for the dilutive effect of its outstanding warrants to purchase shares of common stock. See Note 1 to Independent's consolidated financial statements appearing elsewhere in this proxy statement/prospectus for more information regarding the dilutive effect of its outstanding warrants and regarding certain nonvested shares of common stock, the effect of which is anti-dilutive. Earnings per share on a basic and diluted basis and pro forma earnings per share on a basic and diluted basis were calculated using the following outstanding share amounts:

	As of June 30,			As of December 31,		
	2013	2012	2012	2011	2010	2009
Weighted average shares outstanding basic	9,960,767	7,232,697	7,626,205	6,668,534	6,518,224	5,667,360
Weighted average shares outstanding diluted	10,009,186	7,255,823	7,649,366	6,675,078	6,518,224	5,667,360

- (4) Dividends declared include quarterly cash distributions paid to Independent's shareholders in the relevant period to provide them with funds to pay their federal income tax liabilities incurred as a result of the pass-through of Independent's net taxable income for the first three months of the six months ended June 30, 2013 and for each other such period shown to its shareholders as holders of shares in an S corporation for federal income tax purposes. The aggregate amounts of such cash distributions relating to the payment of tax liabilities were \$0.52 per share and \$0.32 per share for the six months ended June 30, 2013 and 2012, respectively, and \$0.92 per share, \$0.63 per share, \$0.36 per share and \$0.30 per share for the years ended December 31, 2012, 2011, 2010 and 2009, respectively.
- (5) Book value per share equals Independent's total stockholders' equity as of the date presented divided by the number of shares of its common stock outstanding as of the date presented. The number of shares of its common stock outstanding as of June 30, 2013 and 2012 was 12,064,967 and 7,842,288, respectively, and as of December 31, 2012, 2011, 2010 and 2009 was 8,269,707 shares, 6,850,288 shares, 6,832,323 shares and 6,628,056 shares, respectively.
- (6) Independent calculates tangible book value per share as of the end of a period as total stockholders' equity less goodwill and other intangible assets at the end of the relevant period divided by the outstanding number of shares of its common stock at the end of that period. Tangible book value is a non-GAAP financial measure, and, as Independent calculates tangible book value, the most directly comparable GAAP financial measure is total stockholders' equity. See Independent's reconciliation of non-GAAP financial measures presented in the foregoing selected financial information to their most directly comparable GAAP financial measures under the caption Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.
- (7) See Business IBG Adriatica for information regarding the real property owned by Independent's subsidiary, IBG Adriatica.
- (8) Each of five wholly owned, but nonconsolidated, subsidiaries of Independent holds a series of Independent's junior subordinated debentures purchased by the subsidiary in connection with, and paid for with the proceeds of, the issuance of trust issued preferred securities by that subsidiary. Independent has guaranteed the payment of the amounts payable under each of those issues of trust preferred securities.
- (9) The values for the selected performance metrics presented for the six months ended June 30, 2013 and 2012, other than the dividend payout ratio, are annualized.

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- (10) Independent has calculated its return on average assets and return on average equity for a period by dividing net income for that period by its average assets and average equity, as the case may be, for that period. Independent has calculated its pro forma return on average assets and pro forma return on average equity for a period by calculating its pro forma net income for that period as described in note 1 above and dividing that by its average assets and average equity, as the case be, for that period. Independent calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total stockholder's equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period.
- (11) Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.
- (12) Efficiency ratio for a period represents noninterest expenses for that period divided by the sum of net interest income and noninterest income for that period, excluding bargain purchase gains recognized in connection with certain of Independent's acquisitions and realized gains or losses from sales of investment securities for that period.
- (13) Independent calculates its dividend payout ratio for each period presented as the dividends paid per share for such period (excluding cash distributions made to shareholders in connection with tax liabilities as described in note (4) above) divided by its basic earnings per share for such period.
- (14) Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest, and accruing loans modified under troubled debt restructurings.
- (15) Independent calculates its risk-weighted assets using the standardized method of the Basel II Framework, as implemented by the Federal Reserve and the FDIC.
- (16) Independent calculates tangible common equity as of the end of a period as total stockholders' equity less goodwill and other intangible assets as of the end of the period and calculates tangible assets as of the end of a period as total assets less goodwill and other intangible assets as of the end of the period. Tangible common equity to tangible assets is a non-GAAP financial measure, and as Independent calculates tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total stockholders' equity to total assets. See Independent's reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations GAAP Financial Measures.

**Table of Contents****SELECTED FINANCIAL INFORMATION OF LIVE OAK FINANCIAL**

The following selected historical financial information of Live Oak Financial and Live Oak Bank for the capital ratios described below as of and for the six months ended June 30, 2013 and 2012 has been derived from Live Oak Financial's unaudited financial statements as of and for the six months ended June 30, 2013 and 2012, which Live Oak Financial's management believes reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of and for the periods ended on such dates. The following selected historical financial information of Live Oak Financial and Live Oak Bank for the capital ratios described below as of and for each of the four years ended December 31, 2012 has been derived from Live Oak Financial's audited financial statements. Live Oak Financial's historical results for any prior period are not necessarily indicative of results to be expected in any future period, and Live Oak Financial's historical results for the six months ended June 30, 2013 are not necessarily indicative of its results to be expected for all of 2013. Consistent with the rules of the SEC, Live Oak Financial's financial statements are not presented in this proxy statement/prospectus.

	<b>As of and for the Six Months Ended June 30, 2013      2012 (unaudited)</b>		<b>As of and for the Year Ended December 31, 2012      2011      2010      2009</b>			
<i>(dollars in thousands except per share)</i>						
<b>Selected Income Statement Data</b>						
Interest income	\$ 2,024	\$ 2,184	\$ 4,558	\$ 4,439	\$ 4,284	\$ 4,763
Interest expense	118	163	310	406	547	823
Net interest income	1,906	2,021	4,248	4,033	3,737	3,940
Provision for loan losses				96	413	590
Net interest income after provision for loan losses	1,906	2,021	4,248	3,937	3,324	3,350
Noninterest income	141	124	232	320	350	406
Noninterest expense	1,390	1,409	2,995	2,844	3,087	2,995
Net income	657	736	1,485	1,413	587	761
Pro forma net income <sup>(1)</sup> (unaudited)	427	478	965	918	382	495
<b>Per Share Data (Common Shares)</b>						
Earnings	\$ 1.10	\$ 1.23	\$ 2.48	\$ 2.36	\$ 1.00	\$ 1.34
Pro forma earnings: <sup>(2)</sup> (unaudited)	0.71	0.80	1.61	1.54	0.65	0.87
Dividends	0.93	0.57	1.46	0.79	0.52	0.51
Book value	23.18	23.21	23.72	22.46	21.02	20.62
<b>Selected Period End Balance Sheet Data</b>						
Total assets	\$ 122,736	\$ 116,032	\$ 119,405	\$ 114,951	\$ 107,023	\$ 108,677
Cash and cash equivalents	29,736	18,474	27,264	21,655	10,085	16,588
Securities available for sale	18,231	16,730	14,392	12,122	12,130	8,085
Securities held to maturity	2,353	7,200	4,674	9,604	10,349	5,541

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Total loans (gross)	71,200	70,602	70,781	68,613	69,696	75,869
Allowance for loan losses	1,141	1,104	1,116	1,055	1,079	1,325
Goodwill and core deposit intangible						
Other real estate owned		80	50	410	2157	400
Noninterest-bearing deposits	37,734	35,039	36,563	33,911	30,075	27,613
Interest-bearing deposits	65,476	61,713	63,863	62,697	60,892	62,704
FHLB Advances						
Total shareholders equity	13,885	13,901	14,209	13,457	12,307	11,789
<b>Selected Performance Metrics<sup>(3)</sup></b>						
Return on average assets <sup>(4)</sup>	1.07%	1.25%	1.21%	1.19%	0.55%	0.65%
Return on average equity <sup>(4)</sup>	9.47	10.59	10.46	10.51	5.01	6.22
Pro forma return on average assets <sup>(1)(4)</sup> (unaudited)	0.79	0.85	0.85	0.59	0.52	0.31
Pro forma return on average equity <sup>(1)(4)</sup> (unaudited)	6.82	7.57	7.57	5.26	5.00	3.14
Net interest margin <sup>(5)</sup>	3.23	3.55	3.70	3.53	3.52	3.70
Efficiency ratio <sup>(6)</sup>	67.90	65.69	66.85	65.33	75.53	68.91
<b>Credit Quality Ratios</b>						
Nonperforming assets to total assets	%	0.07%	%	0.08%	%	%
Nonperforming loans to total loans <sup>(7)</sup>		0.12		0.13		
Allowance for loan losses to nonperforming loans <sup>(7)</sup>		12.68		12.12		
Allowance for loan losses to total loans	1.60	1.56	1.58	1.54	1.55	1.75
Net charge-offs to average loans outstanding				0.17	0.95	0.30
<b>Capital Ratios for Live Oak Bank</b>						
Tier 1 capital to average assets	11.5%	11.8%	11.6%	11.5%	11.1%	10.5%
Tier 1 capital to risk-weighted assets <sup>(8)</sup>	20.9	21.1	21.3	21.1	19.2	16.8
Total capital to risk-weighted assets <sup>(8)</sup>	22.2	22.3	22.6	22.4	20.5	18.1
Total shareholders equity to total assets	11.3	11.9	11.9	11.7	11.5	10.8

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- (1) Live Oak Financial has elected to be taxed for federal income tax purposes as a Subchapter S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, for all periods presented in the table appearing immediately above, and, as a result, Live Oak Financial did not pay U.S. federal income taxes and has not been required to make any provision or recognize any liability for federal income tax in its consolidated financial statements. Live Oak Financial has calculated its pro forma net income, pro forma earnings per share, pro forma return on average assets and pro forma return on average equity for each period presented in the table above by calculating a pro forma provision for federal income taxes using an assumed annual effective federal income tax rate of 35% for each period, and adjusting its historical net income for each period to give effect to the pro forma provision for federal income taxes for such period.
- (2) Book value per share equals Live Oak Financial's total shareholders' equity as of the date presented divided by the number of Live Oak Financial common shares outstanding as of the date presented. The number of Live Oak Financial common shares outstanding as of June 30, 2013 and 2012 was 598,948 and 598,948, respectively, and as of December 31, 2012, 2011, 2010, 2009 and 2008 was 598,948 shares, 598,948 shares, 585,336 shares, 571,724 shares and 565,612 shares, respectively.
- (3) The values for the selected performance metrics presented for the six months ended June 30, 2013 and 2012 are annualized.
- (4) Live Oak Financial has calculated its return on average assets and return on average equity for a period by dividing net income for that period by its average assets and average equity, as the case may be, for that period. Live Oak Financial has calculated its pro forma return on average assets and pro forma return on average equity for a period by calculating its pro forma net income for that period as described in note 1 above and dividing that by its average assets and average equity, as the case be, for that period. Live Oak Financial calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total shareholder's equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period.
- (5) Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.
- (6) Efficiency ratio for a period represents noninterest expenses for that period divided by the sum of net interest income and noninterest income for that period, excluding realized gains or losses from sales of investment securities for that period.
- (7) Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and accruing loans modified under troubled debt restructurings.
- (8) Live Oak Bank calculates its risk-weighted assets using the standardized method of the Basel II Framework, as implemented by the FDIC.

**Table of Contents****COMPARATIVE STOCK PRICES**

The following table shows (1) the market values of Independent common stock at the close of business on August 21, 2013, the business day prior to the announcement of the proposed merger, and as of the most recent date practicable preceding the date of this proxy statement/prospectus and (2) the equivalent pro forma value of a share of Live Oak Financial common stock at such dates based on the value of the consideration to be received in the merger with respect to each share. Historical market value information regarding Live Oak Financial common stock is not provided because there is no active market for Live Oak Financial common stock. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, and the closing price of Independent common stock on the NASDAQ Global Market of \$35.99 on such date, holders of Live Oak Financial common stock would receive 292,646 shares of Independent common stock and \$16.69 in cash for each share of Live Oak Financial common stock that they own. The per share stock consideration will be subject to adjustment if the average sales price is less than \$30.76 or greater than \$37.60. Additionally, the aggregate cash consideration in connection with the merger will be adjusted downward if Live Oak Financial's tangible book value is less than \$13,000,000 as of the closing date. Because of the possibility of an adjustment to each of the number of shares of Independent common stock delivered as the per share stock consideration and the amount of the per share cash consideration, you will not know the exact number of shares of Independent common stock or the exact amount of cash that you will receive in connection with the merger when you vote on the reorganization agreement. Independent urges you to obtain the current market price of Independent common stock before you vote.

	<b>Independent Common Stock<sup>(1)</sup></b>	<b>Equivalent Pro Forma Per Share of Live Oak Financial Common Stock<sup>(2)</sup></b>
August 21, 2013	\$ 34.09	\$ 33.35
October 7, 2013	35.99	34.27

(1) Represents the closing price of Independent common stock on the NASDAQ Global Market on the date indicated.

(2) Equivalent pro forma market value per share of Live Oak Financial common stock represents the historical market value per share of Independent common stock multiplied the exchange ratio calculated by using the closing price of a share of Independent common stock on each date shown, which ratio is 0.4886 for August 21, 2013 and 0.4886 for October 7, 2013, plus the assumed per share cash consideration of \$16.69. See Proposal to Approve the Reorganization Agreement Terms of the Merger for a description of the merger consideration, exchange ratio and possible adjustment. If the aggregate number of shares of Independent common stock a holder of Live Oak Financial common stock would receive in the merger would include a fractional share of Independent common stock, that holder will receive cash in lieu of that fractional share.

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**DIVIDENDS**

**Dividends**

As approved by Independent's board of directors, Independent declared and paid a \$0.06 per share dividend to holders of Independent common stock in the third quarter of 2013, and, subject to applicable statutory and regulatory restrictions and the declaration of such dividends by the board of directors of Independent, intends to pay a cash dividend in the fourth quarter of 2013 and quarterly thereafter following the merger. No dividends payable in the future have been declared by Independent's board of directors.

Independent's dividend policy may change with respect to the payment of dividends as a return on investment, and Independent's board of directors may change or eliminate the payment of future dividends at its discretion, without notice to Independent's shareholders. Any future determination to pay dividends to holders of Independent's common stock will be dependent upon Independent's results of operations, financial condition, capital requirements, banking regulations, contractual restrictions (including the restrictions discussed below), and any other factors that Independent's board of directors may deem relevant.

**Dividend Restrictions**

Under the terms of its junior subordinated debentures issued in connection with the issuance of trust preferred securities by subsidiaries of Independent, Independent is not permitted to pay any dividends on its common stock if it is in default on any payments required to be made on the junior subordinated debentures.

As a bank holding company, Independent's ability to pay dividends is affected by the policies and enforcement powers of the Federal Reserve. See Regulation and Supervision Independent Bank Group as a Bank Holding Company Regulatory Restrictions on Dividends; Source of Strength. In addition, because Independent is a holding company, it is dependent upon the payment of dividends by Independent Bank to Independent as its principal source of funds to pay dividends in the future, if any, and to make other payments. Independent Bank is also subject to various legal, regulatory and other restrictions on its ability to pay dividends and make other distributions and payments to Independent. See Regulation and Supervision Regulation of Independent Bank Restrictions on Distribution of Subsidiary Bank Dividends and Assets.

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**RISK FACTORS**

An investment in Independent common stock in connection with the merger involves risks. Independent describes below the material risks and uncertainties that it believes affect its business and an investment in Independent common stock. You should carefully read and consider all of these risks and all other information contained in this proxy statement/prospectus in deciding whether to vote for approval of the reorganization agreement. If any of the risks described in this proxy statement/prospectus occur, Independent's financial condition, results of operations and cash flows could be materially and adversely affected. If this were to happen, the value of Independent common stock could decline significantly, and you could lose all or part of your investment.

**Risks Associated With the Merger**

**Fluctuations in market prices of Independent common stock could affect the number of shares and value of stock as well as the proportion of cash and stock consideration that Live Oak Financial shareholders receive for their shares of Live Oak Financial common stock.**

The price of Independent common stock will fluctuate prior to the closing of the merger. The per share stock consideration will be subject to adjustment if the average sales price over a twenty consecutive trading day period ending on the third trading day prior to the closing date is less than \$30.76 or greater than \$37.60. If the average sales price is less than \$30.76, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$15.03 by (ii) the average sales price. However, a condition to each party's respective obligation to consummate the merger is that the average sales price be at least \$27.34 per share. If the average sales price is less than \$27.34 per share either party may determine not to consummate the merger. If, on the other hand, the average sales price is greater than \$37.60, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$18.37 by (ii) the average sales price. In addition, shareholders of Live Oak Financial bear the risk that the value of the shares of Independent common stock they will receive in the merger will decline from the value of those shares after the date the per share stock consideration is fixed three trading days prior to the closing date and until their shares of Independent common stock are credited to their account in the Direct Registration System. Accordingly, at the time Live Oak Financial's shareholders vote with respect to the reorganization agreement, they will not know the number of shares or exact market value of Independent common stock they will actually receive in the merger.

**Determination of the tangible book value of Live Oak Financial may affect the amount of cash consideration that Live Oak Financial shareholders receive for their shares of Live Oak Financial common stock.**

The amount of aggregate cash consideration to be received by Live Oak Financial shareholders in the merger will be reduced if Live Oak Financial's tangible book value is less than \$13,000,000 as of the closing date. Accordingly, at the time Live Oak Financial's shareholders vote with respect to the reorganization agreement, they will not know the exact value of the cash consideration they will receive in the merger. Neither Independent nor Live Oak Financial can assure Live Oak Financial's shareholders of the exact amount of cash consideration that they will receive in the merger.

**The merger may not be completed.**

Completion of the merger is subject to regulatory approval. Independent cannot assure you that it will be successful in obtaining required regulatory approvals. If Independent is not successful in obtaining required regulatory approvals, the merger will not be completed. If such regulatory approvals are received, there can be no assurance to the timing of those approvals or whether any conditions will be imposed that would result in certain closing conditions of the merger not being satisfied.



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Shareholders should bear in mind that regulatory approval reflects only the view that the merger does not contravene applicable competitive standards imposed by law, and that the merger is consistent with regulatory policies relating to safety and soundness. Further, regulatory approval is not an opinion that the proposed merger is favorable to the shareholders of either party to the merger from a financial point of view or that the regulatory authority has considered the adequacy of the terms of the merger. Regulatory approval is not an endorsement or recommendation of the merger.

The consummation of the merger is also subject to other conditions precedent described in the reorganization agreement, including Live Oak Financial maintaining minimum capital and allowance for loan loss levels, and that there has been no material adverse change in the condition of Live Oak Financial or Independent. If a condition of either party is not satisfied, that party may be able to terminate the reorganization agreement and, in such case, the transaction would not be consummated. The parties cannot assure you that all of the conditions precedent in the reorganization agreement will be satisfied.

### **You may pay U.S. federal income tax as a result of the merger.**

The amount of the cash consideration that you receive in the merger in exchange for your common stock of Live Oak Financial is anticipated to be taxable for U.S. federal income tax purposes. See [Proposal to Approve the Reorganization Agreement](#) [Material U.S. Federal Income Tax Consequences of the Independent Merger](#).

### **Live Oak Financial and Live Oak Bank will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Live Oak Financial and Live Oak Bank and consequently on Independent. These uncertainties may impair Live Oak Financial's and Live Oak Bank's respective ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with either Live Oak Financial or Live Oak Bank to seek to change existing business relationships with either Live Oak Financial or Live Oak Bank. In addition, the reorganization agreement restricts Live Oak Financial and Live Oak Bank from taking other specified actions until the merger occurs without the consent of Independent. These restrictions may prevent Live Oak Financial and Live Oak Bank from pursuing attractive business opportunities that may arise prior to the completion of the merger. See [Proposal to Approve the Reorganization Agreement](#) [Conduct of Business Pending Effective Time](#) beginning on page 66 of this proxy statement/prospectus for a description of the restrictive covenants to which Live Oak Financial and Live Oak Bank are subject.

### **Integrating Live Oak Bank into Independent's operations may be more difficult, costly or time-consuming than Independent expects.**

Independent, Live Oak Financial and Live Oak Bank have operated and, until the merger is completed, will continue to operate, independently. Accordingly, it is possible that the process of integrating Live Oak Bank's operations into Independent Bank's operations could result in the disruption of operations, the loss of Live Oak Bank customers and employees, and make it more difficult to achieve the intended benefits of the merger. Specifically, inconsistencies between the standards, controls, procedures and policies of Independent Bank and those of Live Oak Bank could adversely affect Independent's ability to maintain relationships with current customers and employees of Live Oak Bank if and when the merger is completed. Further, as with any merger of banking institutions, business disruptions may occur that may cause Independent to lose customers or may cause customers to withdraw their deposits from Live Oak Bank prior to the merger's consummation and from Independent Bank thereafter. The realization of the anticipated benefits of the merger may depend in large part on Independent's ability to integrate Live Oak Bank's operations into Independent Bank's operations, and to address differences in business models and cultures. Moreover,

the combined effect of integrating the acquisition of Collin Bank and Live Oak Financial, both of which are expected to be completed in the fourth quarter of 2013

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with most of the integration activities expected to occur in the first quarter of 2014, may stretch Independent's management and could result in Independent experiencing operational difficulties in such integrations. If Independent is not able to integrate the operations of Live Oak Bank into Independent Bank's operations successfully and on a timely basis, some or all of the expected benefits of the merger may not be realized.

### **Some of the directors and officers of Live Oak Financial may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the reorganization agreement.**

The interests of some of the directors and officers of Live Oak Financial may be different from those of Live Oak Financial shareholders. The directors and certain officers of Live Oak Financial are or will be participants in arrangements relating to or that are affected by the merger that are different from, or in addition to, those of Live Oak Financial shareholders. These interests are described in more detail in the section of this proxy statement/prospectus entitled "Financial Interests of Directors and Officers of Live Oak Financial in the Merger" beginning on page 79.

### **Independent may fail to realize the cost savings anticipated from the merger.**

Although Independent anticipates that it will realize certain cost savings as to the Live Oak Bank operations and otherwise from the merger if and when the Live Oak Bank operations are fully integrated into Independent Bank's operations, it is possible that Independent may not realize all of the cost savings that Independent has estimated it can realize. For example, unanticipated growth in Independent's business may require Independent to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced as a result of the merger. Independent's realization of the estimated cost savings also will depend on Independent's ability to combine the operations of Independent Bank and Live Oak Bank in a manner that permits those cost savings to be realized. Independent is not able to integrate Live Oak Bank's operations into Independent Bank's operations successfully, the anticipated cost savings may not be fully realized, if at all, or may take longer to realize than expected.

### **Live Oak Financial shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.**

Live Oak Financial shareholders currently have the right to vote in the election of the board of directors of Live Oak Financial and on other matters affecting Live Oak Financial. The merger will transfer control of Live Oak Financial to Independent and to the shareholders of Independent. When the merger occurs, each Live Oak Financial shareholder will become a shareholder of Independent with a percentage ownership of Independent much smaller than such shareholder's percentage ownership of Live Oak Financial. Because of this, Live Oak Financial shareholders will have less influence on the management and policies of Independent than they now have on the management and policies of Live Oak Financial.

### **The dissenters' rights appraisal process is uncertain.**

Live Oak Financial shareholders may or may not be entitled to receive more than the amount provided for in the reorganization agreement for their shares of Live Oak Financial common stock if they elect to exercise their right to dissent from the proposed merger, depending on the appraisal of the fair value of the Live Oak Financial common stock pursuant to the dissenting shareholder procedures under the TBOC. See "Proposal to Approve the Reorganization Agreement - Dissenters' Rights of Live Oak Financial Shareholders" and Appendix C. For this reason, the amount of cash that you might be entitled to receive should you elect to exercise your right to dissent to the merger may be more or less than the value of the merger consideration to be paid pursuant to the reorganization agreement. In addition, it is a condition in the reorganization agreement that the holders of not more than 5% of the outstanding shares of Live Oak Financial common stock shall have exercised their statutory dissenters' rights under the TBOC. The number of shares

of Live Oak Financial common stock that will exercise dissenters' rights under the TBOC is not known and therefore there is no assurance of this closing condition being satisfied.

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### **The fairness opinion obtained by Live Oak Financial from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.**

Sheshunoff, Live Oak Financial's financial advisor in connection with the proposed merger, has delivered to the board of directors of Live Oak Financial its opinion dated as of August 21, 2013. The opinion of Sheshunoff stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration was fair to the Live Oak Financial shareholders from a financial point of view. The opinion is necessarily based on economic, market, regulatory and other conditions as in effect on, and the information made available to Sheshunoff as of, August 21, 2013. Events occurring after the date of the opinion could materially affect the assumptions used in preparing the opinion and its resulting conclusion. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of Independent and Live Oak Financial.

### **The shares of Independent common stock to be received by Live Oak Financial shareholders as a result of the merger will have different rights than the shares of Live Oak Financial common stock and in some cases may be less favorable.**

The rights associated with Live Oak Financial common stock are different from the rights associated with Independent common stock and in some cases may be less favorable. For example, Live Oak Financial shareholders are permitted to remove directors with or without cause, whereas Independent shareholders may remove directors only for cause. See Comparison of Rights of Shareholders of Live Oak Financial and Independent on page 207 for a more detailed description of the shareholder rights of each of Independent and Live Oak Financial.

## **Risks Related to Independent's Business**

### **Independent's success depends significantly on Independent's management team, and the loss of Independent's senior executive officers or other key employees and Independent's inability to recruit or retain suitable replacements could adversely affect Independent's business, results of operations and growth prospects.**

Independent's success depends significantly on the continued service and skills of Independent's existing executive management team, particularly David Brooks, Independent's Chairman of the Board and Chief Executive Officer, Torry Berntsen, Independent's President and Chief Operating Officer, Daniel Brooks, Independent's Vice Chairman and Chief Risk Officer, Brian Hobart, Independent's Vice Chairman and Chief Lending Officer, Michelle Hickox, Independent's Executive Vice President and Chief Financial Officer, and Jan Webb, Independent's Executive Vice President and Secretary. The implementation of Independent's business and growth strategies also depends significantly on Independent's ability to retain employees with experience and business relationships within their respective market areas. Independent's officers may terminate their employment with Independent at any time, and Independent could have difficulty replacing such officers with persons who are experienced in the specialized aspects of Independent's business or who have ties to the communities within Independent's market areas. The loss of any of Independent's key personnel could therefore have an adverse impact on Independent's business and growth.

### **The obligations associated with being a public company will require significant resources and management attention, which will increase Independent's costs of operations and may divert focus from Independent's business operations.**

Independent has not been required in the past to comply with certain requirements of the SEC, to file periodic reports with the SEC or to have Independent's consolidated financial statements completed, reviewed or audited and filed within a specified time. Having become a publicly traded company following completion of Independent's public offering in April 2013, Independent is now required to file periodic reports containing



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Independent's consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. As a public company, Independent will also incur significant legal, accounting, insurance and other expenses. Compliance with these reporting requirements and other rules of the SEC and the rules of the NASDAQ will increase Independent's legal and financial compliance costs and make some activities more time consuming and costly. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing Independent's growth strategy, which could prevent Independent from successfully implementing Independent's strategic initiatives and improving Independent's business, results of operations and financial condition. Independent has made, and will continue to make, changes to Independent's internal controls and procedures for financial reporting and accounting systems to meet Independent's reporting obligations as a public company. However, Independent cannot predict or estimate the amount of additional costs that it may incur in order to comply with these requirements. Independent anticipates that these costs will materially increase its general and administrative expenses.

### **Independent's business concentration in Texas imposes risks and may magnify the adverse effects and consequences to Independent resulting from any regional or local economic downturn affecting Texas.**

Independent conducts its operations almost exclusively in Texas as approximately 98% of the loans in Independent's real estate loan portfolio as of June 30, 2013, were secured by properties and collateral located in Texas. Likewise, as of such date, approximately 96% of the loans in Independent's loan portfolio were made to borrowers who live and/or conduct business in Texas. This geographic concentration imposes risks from lack of geographic diversification. The economic conditions in Texas affect Independent's business, financial condition, results of operations, and future prospects, where adverse economic developments, among other things, could affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans and reduce the value of Independent's loans and loan servicing portfolio. Any regional or local economic downturn that affects Texas or existing or prospective borrowers or property values in such areas may affect Independent and Independent's profitability more significantly and more adversely than Independent's competitors whose operations are less geographically concentrated.

### **Independent's small to medium-sized business customers may have fewer financial resources than larger entities to weather a downturn in the economy, which may impair a borrower's ability to repay a loan, and such impairment could adversely affect Independent's results of operations and financial condition.**

Independent focuses its business development and marketing strategy primarily to serve the banking and financial services needs of small to medium-sized businesses. These small to medium-sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact the north and central Texas area or the Texas market generally and small to medium-sized businesses are adversely affected, Independent's results of operations and financial condition may be negatively affected.

### **Independent's strategy of pursuing acquisitions exposes Independent to financial, execution and operational risks that could have a material adverse effect on Independent's business, financial condition, results of operations and growth prospects.**

Independent has been pursuing a growth strategy that includes the acquisition of other financial institutions in target markets. Independent has completed four acquisitions since 2010, and Independent intends to continue this strategy. Such an acquisition strategy, involves significant risks, including the following:

- finding suitable markets for expansion;
- finding suitable candidates for acquisition;
- attracting funding to support additional growth;

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- maintaining asset quality;
- attracting and retaining qualified management; and
- maintaining adequate regulatory capital.

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no available manner of recourse, exposure to unexpected asset quality problems, key employee and customer retention problems and other problems that could negatively affect Independent's organization. Independent may not be able to complete future acquisitions or, if completed, Independent may not be able to successfully integrate the operations, management, products and services of the entities that Independent acquires and eliminates redundancies. The integration process may also require significant time and attention from Independent's management that they would otherwise direct toward servicing existing business and developing new business. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of Independent's tangible book value and net income per common share may occur in connection with any future transaction. Failure to successfully integrate the entities Independent acquires into Independent's existing operations may increase Independent's operating costs significantly and adversely affect Independent's business and earnings.

If Independent does not manage Independent's growth effectively, Independent's business, financial condition, results of operations and future prospects could be negatively affected, and Independent may not be able to continue to implement Independent's business strategy and successfully conduct Independent's operations.

**If the goodwill that Independent recorded in connection with a business acquisition becomes impaired, it could require charges to earnings, which would have a negative impact on Independent's financial condition and results of operations.**

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets Independent acquired in connection with the purchase of another financial institution. Independent reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset might be impaired.

Independent determines impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in Independent's results of operations in the periods in which they become known. As of June 30, 2013, Independent's goodwill totaled \$28.7 million. While Independent has not recorded any such impairment charges since Independent initially recorded the goodwill, there can be no assurance that Independent's future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on Independent's financial condition and results of operations.

**If Independent does not effectively manage Independent's asset quality and credit risk, Independent would experience loan losses, which could have a material adverse effect on Independent's financial condition and results of operation.**

Making any loan involves risk, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt, and risks

resulting from changes in economic and market conditions. Independent's credit risk approval and monitoring procedures may fail to identify or reduce these credit risks, and they cannot completely eliminate all credit risks related to Independent's loan portfolio. If the overall economic climate in the United States, generally, or Independent's market areas, specifically, experiences material disruption, Independent's borrowers may experience difficulties in repaying their loans, the collateral Independent holds may decrease in

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value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require additional provisions for loan losses, which would cause Independent's net income and return on equity to decrease.

**Because a significant portion of Independent's loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing Independent's real estate loans and result in loan and other losses.**

As of June 30, 2013, approximately 81.7% of Independent's loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral, excluding agricultural loans secured by real estate. As a result, adverse developments affecting real estate values in Independent's market areas could increase the credit risk associated with Independent's real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of Independent's markets could increase the credit risk associated with Independent's loan portfolio, and could result in losses that would adversely affect credit quality, financial condition, and results of operation. Negative changes in the economy affecting real estate values and liquidity in Independent's market areas could significantly impair the value of property pledged as collateral on loans and affect Independent's ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses would have a material adverse impact on Independent's business, results of operations and growth prospects. If real estate values decline, it is also more likely that Independent would be required to increase Independent's allowance for loan losses, which could adversely affect Independent's financial condition, results of operations and cash flows.

**Independent's allowance for loan losses may prove to be insufficient to absorb potential losses in Independent's loan portfolio, which may adversely affect Independent's business, financial condition and results of operations.**

Independent establishes its allowance for loan losses and maintain it at a level considered adequate by management to absorb probable loan losses based on Independent's analysis of Independent's portfolio and market environment. The allowance for loan losses represents Independent's estimate of probable losses in the portfolio at each balance sheet date and is based upon relevant information available to Independent. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Additions to the allowance for loan losses, which are charged to earnings through the provision for loan losses, are determined based on a variety of factors, including an analysis of the loan portfolio, historical loss experience and an evaluation of current economic conditions in Independent's market areas. The actual amount of loan losses is affected by changes in economic, operating and other conditions within Independent's markets, as well as changes in the financial condition, cash flows, and operations of Independent's borrowers, all of which are beyond Independent's control, and such losses may exceed current estimates.

As of June 30, 2013, Independent's allowance for loan losses as a percentage of total loans was 0.84% and as a percentage of total nonperforming loans was 198.14%. Additional loan losses will likely occur in the future and may occur at a rate greater than Independent has previously experienced. Independent may be required to take additional provisions for loan losses in the future to further supplement the allowance for loan losses, either due to management's decision to do so or requirements by Independent's banking regulators. In addition, bank regulatory agencies will periodically review Independent's allowance for loan losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Such regulatory agencies may require Independent to recognize future charge-offs. These adjustments may adversely affect Independent's business, financial condition and results of operations.



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**A lack of liquidity could adversely affect Independent's operations and jeopardize Independent's business, financial condition, and results of operations.**

Liquidity is essential to Independent's business. Independent relies on Independent's ability to generate deposits and effectively manage the repayment and maturity schedules of Independent's loans and investment securities, respectively, to ensure that Independent has adequate liquidity to fund Independent's operations. An inability to raise funds through deposits, borrowings, the sale of Independent's investment securities, Federal Home Loan Bank advances, the sale of loans, and other sources could have a substantial negative effect on Independent's liquidity. Independent's most important source of funds consists of deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, Independent would lose a relatively low-cost source of funds, increasing Independent's funding costs and reducing Independent's net interest income and net income.

Other primary sources of funds consist of cash flows from operations, investment maturities and sales of investment securities, and proceeds from the issuance and sale of Independent's equity and debt securities to investors. Additional liquidity is provided by the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank. Independent also may borrow funds from third-party lenders, such as other financial institutions. Independent's access to funding sources in amounts adequate to finance or capitalize Independent's activities, or on terms that are acceptable to Independent, could be impaired by factors that affect Independent directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

Any decline in available funding could adversely impact Independent's ability to originate loans, invest in securities, meet Independent's expenses, pay dividends to Independent's shareholders, or to fulfill obligations such as repaying Independent's borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on Independent's liquidity, business, financial condition and results of operations.

**Independent may need to raise additional capital in the future, and if Independent fails to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, Independent's financial condition, liquidity and results of operations, as well as Independent's ability to maintain regulatory compliance, would be adversely affected.**

Independent faces significant capital and other regulatory requirements as a financial institution. Independent may need to raise additional capital in the future to provide Independent with sufficient capital resources and liquidity to meet Independent's commitments and business needs, which could include the possibility of financing acquisitions. In addition, Independent, on a consolidated basis, and Independent Bank, on a stand-alone basis, must meet certain regulatory capital requirements and maintain sufficient liquidity. Independent faces significant capital and other regulatory requirements as a financial institution. Independent's ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on Independent's financial condition and performance. In the future, Independent may not be able to raise additional capital if needed or on terms acceptable to Independent. If Independent fails to maintain capital to meet regulatory requirements, Independent's financial condition, liquidity and results of operations would be materially and adversely affected.

**Interest rate shifts may reduce net interest income and otherwise negatively impact Independent's financial condition and results of operations.**

The majority of Independent's banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, Independent's earnings are significantly dependent on Independent's net interest income, the principal component of Independent's earnings, which is the difference

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between interest earned by Independent from Independent's interest-earning assets, such as loans and investment securities, and interest paid by Independent on Independent's interest-bearing liabilities, such as deposits and borrowings. Independent expects that Independent will periodically experience gaps in the interest rate sensitivities of Independent's assets and liabilities, meaning that either Independent's interest-bearing liabilities will be more sensitive to changes in market interest rates than Independent's interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to Independent's position, this gap will negatively impact Independent's earnings. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and international disorder and instability in domestic and foreign financial markets.

Interest rate increases often result in larger payment requirements for Independent's borrowers, which increase the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates.

Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on Independent's results of operations and cash flows. Further, when Independent places a loan on nonaccrual status, Independent reverses any accrued but unpaid interest receivable, which decreases interest income. At the same time, Independent continues to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

If short-term interest rates remain at their historically low levels for a prolonged period, and assuming longer term interest rates fall further, Independent could experience net interest margin compression as Independent's interest earning assets would continue to reprice downward while Independent's interest-bearing liability rates could fail to decline in tandem. Such an occurrence would have a material adverse effect on Independent's net interest income and Independent's results of operations.

**Independent could recognize losses on securities held in Independent's securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.**

While Independent attempts to invest a significant percentage of Independent's assets in loans (Independent's loan to deposit ratio was 101.5% as of June 30, 2013), Independent invests a percentage of Independent's total assets (approximately 5.8% as of June 30, 2013) in investment securities as part of Independent's overall liquidity strategy. As of June 30, 2013, the fair value of Independent's securities portfolio was approximately \$110.9 million. Factors beyond Independent's control can significantly influence the fair value of securities in Independent's portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities are generally subject to decreases in market value when market interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual borrowers with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions

affecting market interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, Independent may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on Independent's financial condition and results of operations.

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**Independent faces strong competition from financial services companies and other companies that offer banking services, which could harm Independent's business.**

Independent conducts Independent's operations almost exclusively in Texas. Many of Independent's competitors offer the same, or a wider variety of, banking services within Independent's market areas. These competitors include banks with nationwide operations, regional banks and other community banks. Independent also faces competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices, or otherwise solicit deposits, in Independent's market areas. Increased competition in Independent's markets may result in reduced loans and deposits, as well as reduced net interest margin and profitability. Ultimately, Independent may not be able to compete successfully against current and future competitors. If Independent is unable to attract and retain banking customers, Independent may be unable to continue to grow Independent's loan and deposit portfolios, and Independent's business, financial condition and results of operations may be adversely affected.

**Independent has a continuing need for technological change, and Independent may not have the resources to effectively implement new technology, or Independent may experience operational challenges when implementing new technology.**

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Independent's future success will depend in part upon Independent's ability to address the needs of Independent's customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in Independent's operations as Independent continues to grow and expand Independent's market area. Independent may experience operational challenges as Independent implements these new technology enhancements or products, which could result in Independent not fully realizing the anticipated benefits from such new technology or require Independent to incur significant costs to remedy any such challenges in a timely manner.

Many of Independent's larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that Independent will be able to provide, which would put Independent at a competitive disadvantage. Accordingly, Independent may not be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to Independent's customers.

**System failure or breaches of Independent's network security could subject Independent to increased operating costs as well as litigation and other liabilities.**

The computer systems and network infrastructure Independent uses could be vulnerable to unforeseen problems. Independent's operations are dependent upon Independent's ability to protect Independent's computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes breakdowns or disruptions in Independent's customer relationship management, general ledger, deposit, loan and other systems could damage Independent's reputation, result in a loss of customer business, subject Independent to additional regulatory scrutiny, or expose Independent to civil litigation and possible financial liability, any of which could have a material adverse effect on Independent. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through Independent's computer systems and network infrastructure, which may result in significant liability to Independent and may cause

existing and potential customers to refrain from doing business with Independent. In addition, advances in computer capabilities could

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result in a compromise or breach of the systems Independent and Independent's third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on Independent's financial condition and results of operations.

### **Independent's operations could be interrupted if Independent's third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.**

Independent depends on a number of relationships with third-party service providers. Specifically, Independent receives core systems processing, essential web hosting and other Internet systems, deposit processing and other processing services from third-party service providers. If these third-party service providers experience difficulties, or terminate their services, and Independent is unable to replace them with other service providers, particularly on a timely basis, Independent's operations could be interrupted. If an interruption were to continue for a significant period of time, Independent's business, financial condition and results of operations could be adversely affected, perhaps materially. Even if Independent is able to replace third party service providers, it may be at a higher cost to Independent, which could adversely affect Independent's business, financial condition and results of operations.

### **Independent is subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.**

Employee errors and employee and customer misconduct could subject Independent to financial losses or regulatory sanctions and seriously harm Independent's reputation. Misconduct by Independent's employees could include hiding unauthorized activities from Independent, improper or unauthorized activities on behalf of Independent's customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions Independent takes to prevent and detect this activity may not be effective in all cases. Employee errors could also subject Independent to financial claims for negligence.

Independent maintains a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If Independent's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on Independent's business, financial condition and results of operations.

In addition, Independent relies heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans Independent will originate, as well as the terms of those loans. If any of the information upon which Independent relies is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or Independent may fund a loan that Independent would not have funded or on terms Independent would not have extended. Whether a misrepresentation is made by the applicant or another third party, Independent generally bears the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the monetary losses Independent may suffer.

### **Independent could be subject to environmental risks and associated costs on Independent's foreclosed real estate assets, which could materially and adversely affect Independent.**

A significant portion of Independent's loan portfolio is comprised of loans collateralized by real estate. There is a risk that hazardous or toxic waste could be discovered on the properties that secure Independent's loans. If Independent

acquires such properties as a result of foreclosure, Independent could be held responsible for the cost of cleaning up or removing this waste, and this cost could exceed the value of the underlying properties and materially and adversely affect Independent.

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**Independent's subsidiary, IBG Adriatica, may not be able to dispose of its real estate holdings in a timely manner at prices at least equal to the amount of Independent's investment, which could adversely affect Independent's earnings.**

Independent formed IBG Adriatica as a wholly owned subsidiary in June 2011 to acquire certain loans from an unaffiliated bank. The loans had an aggregate face value of approximately \$23.0 million at acquisition and were secured by approximately 27 acres of real property located in the Adriatica Development in McKinney, Texas.

IBG Adriatica will not act as a developer of the real property; rather, it plans to sell the real property to real estate developers and end-user businesses and homeowners. If IBG Adriatica is unable to sell the real property at prices sufficient to repay the loan owed to its lender, IBG Adriatica, and Independent as guarantor and on a consolidated basis, could incur a loss. Depending on the amount of the loss, if any, such loss could have a material effect on Independent's consolidated financial condition and adversely affect its business and earnings.

**IBG Adriatica has engaged and will engage in transactions with principals of Independent which, because of the inherent conflict of interest, creates a risk that the terms of such transactions may not be favorable to Independent.**

IBG Adriatica has sold two parcels of undeveloped real property, an associated interest in the common areas and an option to purchase 32,000 square feet of undeveloped real property in the Adriatica Development to Himalayan Ventures, L.P. Himalayan Ventures is an investment partnership comprised of principals of Independent, including Vincent Viola, Independent's majority shareholder, David Brooks, Independent's Chairman of the Board and CEO, Torry Berntsen, Independent's President and Chief Operating Officer, Dan Brooks, Independent's Vice Chairman and Chief Risk Officer, and Doug Cifu, a director of Independent. The purchase price paid for the property was based on the appraised value and was approved by an independent committee of the board of directors of Independent. Banking regulations require that all such transactions be based on the appraised value of the property. While Independent believes that these transactions are consistent with terms that are at least as favorable to Independent as could have been arranged with unrelated third parties, there is inherent risk in these transactions given the conflict of interest arising from the involvement of Independent's principals in Himalayan Ventures.

**Independent's Chairman and CEO, Independent's majority shareholder, and certain other officers and directors of Independent, are business partners in business ventures in addition to Independent, which creates potential conflicts of interest and corporate governance issues.**

Messrs. David Brooks, Viola, Cifu, Berntsen and Dan Brooks are partners in Himalayan Ventures. A dispute between these individuals in connection with this business venture outside of Independent could impact their relationship at Independent and, because of their prominence within Independent, Independent itself.

## **Risks Related to an Investment in Independent's Common Stock**

**An active trading market for Independent's common stock may not be sustained, and you may not be able to sell your common stock at or above the price at which your common stock was valued.**

Independent recently completed the initial public offering of Independent's common stock. Prior to that offering, there was no public market for Independent's common stock. An active trading market for shares of Independent's common stock may not be sustained. If an active trading market is not sustained, investors in Independent's common stock may have difficulty selling their shares of common stock at an attractive price, or at all. An inactive market may also impair Independent's ability to raise capital by selling Independent's common stock and may impair Independent's

ability to expand Independent's business by using Independent's common stock as consideration.

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**Independent is dependent upon Independent Bank for cash flow, and Independent Bank's ability to make cash distributions is restricted.**

Independent's primary tangible asset is Independent Bank. As such, Independent depends upon Independent Bank for cash distributions (through dividends on Independent Bank's stock) that Independent uses to pay Independent's operating expenses, satisfy Independent's obligations (including Independent's senior indebtedness, or subordinated debentures, and Independent's junior subordinated indebtedness issued in connection with trust preferred securities), and to pay dividends on Independent's common stock. There are numerous laws and banking regulations that limit Independent Bank's ability to pay dividends to Independent. If Independent Bank is unable to pay dividends to Independent, Independent will not be able to satisfy Independent's obligations or pay dividends on Independent common stock. Federal and state statutes and regulations restrict Independent Bank's ability to make cash distributions to Independent. These statutes and regulations require, among other things, that Independent Bank maintain certain levels of capital in order to pay a dividend. Further, state and federal banking authorities have the ability to restrict the payment of dividends by supervisory action.

**Independent's dividend policy may change without notice, and Independent's future ability to pay dividends is subject to restrictions.**

Independent may change its dividend policy at any time without notice to Independent's shareholders. Holders of Independent's common stock are entitled to receive only such dividends as Independent's board of directors may declare out of funds legally available for such payments. Any declaration and payment of dividends on common stock will depend upon Independent's earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, Independent's ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by its board of directors. Furthermore, consistent with Independent's strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, Independent has made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to Independent's common shareholders.

The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, level of current and prospective earnings and level, composition and quality of capital. The guidance provides that Independent inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to Independent's capital structure, including interest on the subordinated debentures underlying Independent's trust preferred securities. If required payments on Independent's outstanding junior subordinated debentures, held by its unconsolidated subsidiary trusts, are not made or are suspended, Independent will be prohibited from paying dividends on its common stock.

**Independent's majority shareholder and board of directors have historically controlled, and in the future will continue to be able to control, Independent.**

Collectively, as of the date hereof, Messrs. Vincent Viola and David Brooks own 48% of Independent's outstanding common stock on a fully diluted basis. Vincent Viola, the majority shareholder of Independent, currently owns 39.1% of Independent's outstanding common stock, and David Brooks, Independent's Chairman of the Board and CEO, currently owns 8.9% of Independent's common stock, each calculated on a fully diluted basis. Further, as of the date hereof, Independent's other directors and executive officers currently own collectively approximately 12.8% of Independent's outstanding common stock as a result, these individuals will be able to control the election of its board of directors and otherwise exert controlling influence in Independent's management and policies. Further, given the large ownership position of these individuals, it will be difficult for any other shareholder to elect members to

Independent s board of directors or otherwise influence Independent s management or direction.

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In addition, three of Independent's directors have close professional and personal ties to Vincent Viola, Independent's majority shareholder. Doug Cifu is the President and Chief Operating Officer of Virtu Financial, LLC, Mr. Viola's primary operating entity; Torry Berntsen, Independent's President and Chief Operating Officer, was formerly Vice Chairman of Virtu Management, LLC, Mr. Viola's family investment vehicle; and Michael Viola is the son of Vincent Viola. Further, David Brooks, Independent's Chairman and CEO, has a 25 year history of ownership and operation of Independent Bank with Vincent Viola; and he has joint investments with Mr. Viola outside of Independent. Given these close relationships, even though he will not serve on Independent's board, Mr. Viola has and will continue to have a large influence over the direction and operation of Independent.

### **Independent's corporate organizational documents and the provisions of Texas law to which Independent is subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition of Independent that you may favor.**

Independent's certificate of formation and bylaws contain various provisions that could have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change in control of Independent. These provisions include:

- staggered terms for directors;
- a provision that directors cannot be removed except for cause;
- a provision that any special meeting of Independent's shareholders may be called only by a majority of Independent's board of directors, the Chairman or a holder or group of holders of at least 20% of Independent's shares entitled to vote at such special meeting;
- a provision that requires the vote of two-thirds of the shares outstanding for major corporate actions, such as an amendment to Independent's certificate of formation or bylaws or the approval of a merger; and
- a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered only at an annual or special meeting of shareholders.

Independent's certificate of formation provides for noncumulative voting for directors and authorizes the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of Independent's preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in Independent. In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of Independent. Also, Independent's certificate of formation prohibits shareholder action by written consent.

**The holders of Independent's debt obligations and any shares of Independent's preferred stock that may be outstanding in the future will have priority over Independent's common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and preferred dividends.**

Upon the liquidation, dissolution or winding up of Independent, holders of Independent's common stock will not be entitled to receive any payment or other distribution of assets until after all of Independent's obligations to Independent's debt holders have been satisfied and holders of trust preferred securities have received any payment or distribution due to them. In addition, Independent is required to pay interest on Independent's subordinated debentures and junior subordinated debentures issued in connection with

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Independent's trust preferred securities before Independent pays any dividends on Independent's common stock. Furthermore, while Independent has no shares of preferred stock outstanding, Independent's board of directors may also, in its sole discretion, designate and issue one or more series of preferred stock from Independent's authorized and unissued preferred stock, which may have preferences with respect to common stock in dissolution, dividends, liquidation or otherwise.

**Prior to April 1, 2013, Independent was treated as an S corporation under Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, and claims of taxing authorities related to Independent's prior status as an S corporation could harm Independent.**

On April 1, 2013, Independent's prior status as an S corporation status terminated and Independent is now treated as a C corporation under the Internal Revenue Code of 1986, as amended, which is applicable to most corporations and treats the corporation as an entity that is separate and distinct from its shareholders. If the unaudited, open tax years in which Independent was an S corporation are audited by the Internal Revenue Service, and Independent is determined not to have qualified for, or to have violated, Independent's S corporation status, Independent will be obligated to pay back taxes, interest and penalties, and Independent does not have the right to reclaim tax distributions that Independent has made to Independent's shareholders during those periods. These amounts could include taxes on all of Independent's taxable income while Independent was an S corporation. Any such claims could result in additional costs to Independent and could have a material adverse effect on Independent's results of operations and financial condition.

**Independent has entered into tax indemnification agreements with the persons holding shares of Independent's common stock immediately prior to the consummation of Independent's initial public offering, including Messrs. Viola and David Brooks, and could become obligated to make payments to them for any additional federal, state or local income taxes assessed against them for fiscal periods prior to the completion of this offering.**

Prior to April 1, 2013, Independent had been treated as an S corporation for U.S. federal income tax purposes. In connection with Independent's initial public offering, Independent's S corporation status terminated and Independent is now subject to federal and increased state income taxes. In the event of an adjustment to Independent's reported taxable income for a period or periods prior to termination of Independent's S corporation status, Independent's existing shareholders could be liable for additional income taxes for those prior periods. Therefore, Independent has entered into tax indemnification agreements with the persons holding shares of Independent's common stock immediately prior to the consummation of Independent's initial public offering. Pursuant to those agreements, Independent has agreed that upon filing any tax return (amended or otherwise), or in the event of any restatement of Independent's taxable income, in each case for any period during which Independent was an S corporation, Independent will make a payment to each shareholder on a pro rata basis in an amount sufficient so that the shareholder with the highest incremental estimated tax liability (calculated as if the shareholder would be taxable on its allocable share of Independent's taxable income at the highest applicable federal, state and local tax rates and taking into account all amounts Independent previously distributed in respect of taxes for the relevant period) receives a payment equal to that shareholder's incremental tax liability. Independent has also agreed to indemnify the shareholders for any interest, penalties, losses, costs or expenses (including reasonable attorneys' fees) arising out of any claim under the agreements.

**Independent is an emerging growth company, and Independent cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make Independent's common stock less attractive to investors.**

Independent is an emerging growth company, as defined in the JOBS Act, and Independent is taking advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in Independent's periodic reports and proxy statements, and exemptions from

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the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, even if Independent complies with the greater obligations of public companies that are not emerging growth companies, Independent may avail itself of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as Independent is an emerging growth company. Independent will remain an emerging growth company for up to five years, though Independent may cease to be an emerging growth company earlier under certain circumstances, including if, before the end of such five years. Independent is deemed to be a large accelerated filer under the rules of the SEC (which depends on, among other things, having a market value of common stock held by nonaffiliates in excess of \$700 million). Investors and securities analysts may find it more difficult to evaluate Independent's common stock because Independent will rely on one or more of these exemptions, and, as a result, investor confidence and the market price of Independent's common stock may be materially and adversely affected.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to nonemerging growth companies but any such election to opt out is irrevocable. Independent has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, Independent, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make Independent's financial statements not comparable with those of another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period because of the potential differences in accounting standards used.

**An investment in Independent's common stock is not an insured deposit and is not guaranteed by the FDIC, so you could lose some or all of your investment.**

An investment in Independent's common stock is not a bank deposit and, therefore, is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in Independent's common stock is inherently risky for the reasons described herein. As a result, if you acquire Independent's common stock, you could lose some or all of your investment.

## **Risks Related to the Business Environment and Independent's Industry**

**Legislative and regulatory actions taken now or in the future may increase Independent's costs and impact Independent's business, governance structure, financial condition or results of operations.**

Independent and Independent's subsidiaries are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of Independent's services. If Independent does not comply with governmental regulations, Independent may be subject to fines, penalties, lawsuits or material restrictions on Independent's businesses in the jurisdiction where the violation occurred, which may adversely affect Independent's business operations. Changes in these regulations can significantly affect the services that Independent provides as well as Independent's costs of compliance with such regulations. In addition, adverse publicity and damage to Independent's reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect Independent's ability to attract and retain customers.

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act and the

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regulations thereunder affect large and small financial institutions similarly, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future.

The Dodd-Frank Act, among other things, imposes new capital requirements on bank holding companies; changes the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than upon its deposit base; permanently raises the current standard deposit insurance limit to \$250,000, and expands the FDIC's authority to raise insurance premiums. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to offset the effect of increased assessments on insured depository institutions with assets of less than \$10.0 billion. The Dodd-Frank Act also limits interchange fees payable on debit card transactions. The Dodd-Frank Act establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards, and contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties. The Dodd-Frank Act also includes provisions that affect corporate governance and executive compensation at all publicly traded companies and allows financial institutions to pay interest on business checking accounts.

The Collins Amendment to the Dodd-Frank Act, among other things, eliminates certain trust preferred securities from Tier 1 capital, although certain trust preferred securities issued prior to May 19, 2010 by bank holding companies with total consolidated assets of \$15 billion or less will continue to be includable in Tier 1 capital until 2019. This provision also requires the federal banking agencies to establish minimum leverage and risk-based capital requirements that will apply to both insured banks and their holding companies. Independent's management is reviewing the provisions of the Dodd-Frank Act, many of which are to be phased-in over the next several months and years, and assessing its probable impact on Independent's operations. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and Independent in particular, is uncertain at this time.

Federal and state regulatory agencies frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Certain aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of Independent's business activities, require more oversight or change certain of Independent's business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose Independent to additional costs, including increased compliance costs. These changes also may require Independent to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect Independent's business, financial condition and results of operations.

On July 2, 2013, the Federal Reserve approved a final rule implementing the revised capital standards of the Basel Committee on Banking Supervision, commonly known as "Basel III", as well as additional capital reforms required by the Dodd-Frank Act. This final rule, once fully phased-in, requires bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity.

Independent cannot determine whether additional proposals and legislation will be adopted, or the ultimate effect that such proposals and legislation, if enacted, or regulations issued to implement the same, would have upon Independent's business, financial condition or results of operations. Also, in recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with Independent's operations. If these regulatory trends continue, they could adversely affect Independent's business and, in turn, Independent's consolidated results of operations.



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### **Monetary policies and regulations of the Federal Reserve could adversely affect Independent's business, financial condition and results of operations.**

In addition to being affected by general economic conditions, Independent's earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon Independent's business, financial condition and results of operations cannot be predicted.

### **The Federal Reserve may require Independent to commit capital resources to support Independent Bank.**

The Federal Reserve, which examines Independent and Independent Bank, requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the source of strength doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under these requirements, in the future, Independent could be required to provide financial assistance to Independent Bank if it experiences financial distress.

A capital injection may be required at times when Independent does not have the resources to provide it, and therefore Independent may be required to borrow the funds. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

### **Federal banking agencies periodically conduct examinations of Independent's business, including compliance with laws and regulations, and Independent's failure to comply with any supervisory actions to which Independent becomes subject as a result of such examinations could materially and adversely affect Independent.**

Texas and federal banking agencies periodically conduct examinations of Independent's business, including compliance with laws and regulations. If, as a result of an examination, a Texas or federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of Independent's operations had become unsatisfactory, or that Independent or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in Independent's capital, to restrict Independent's growth, to assess civil monetary penalties against

Independent Bank, Independent's officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate Independent's deposit insurance. If Independent becomes subject to such regulatory actions, Independent could be materially and adversely affected.

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**Independent may be required to pay significantly higher FDIC deposit insurance assessments in the future, which could materially and adversely affect Independent.**

Recent insured depository institution failures have significantly increased the loss provisions of the FDIC, resulting in a decline in the designated reserve ratio of the FDIC in recent years. These developments have caused the FDIC premiums to increase and may result in increased assessments in the future.

On February 7, 2011, the FDIC approved a final rule that amended the Deposit Insurance Fund restoration plan and implemented certain provisions of the Dodd-Frank Act. Effective April 1, 2011, the assessment base is determined using average consolidated total assets minus average tangible equity rather than the previous assessment base of adjusted domestic deposits. The new assessment rates, calculated on the revised assessment base, generally range from 2.5 to 9.0 basis points for Risk Category I institutions, 9.0 to 24.0 basis points for Risk Category II institutions, 8.0 to 33.0 basis points for Risk Category III institutions, and 30.0 to 45.0 basis points for Risk Category IV institutions. The new assessment rates were calculated for the quarter beginning April 1, 2011 and were reflected in invoices for assessments due September 30, 2011.

The final rule provides the FDIC's board with the flexibility to adopt actual rates that are higher or lower than the total base assessment rates adopted on February 7, 2011 without notice and comment, if certain conditions are met. An increase in the assessment rates could materially and adversely affect Independent.

**Independent may be materially and adversely affected by the creditworthiness and liquidity of other financial institutions.**

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. Independent has exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional customers. Many of these transactions expose Independent to credit risk in the event of a default by a counterparty or customer. In addition, Independent's credit risk may be exacerbated when the collateral held by Independent cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to Independent. Any such losses could have a material adverse effect on Independent.

**The recent repeal of federal prohibitions on payment of interest on commercial demand deposits could increase Independent's interest expense, which could have a material adverse effect on Independent.**

All federal prohibitions on the ability of financial institutions to pay interest on commercial demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, beginning on July 21, 2011, financial institutions were able to offer interest on commercial demand deposits to compete for customers. Independent's interest expense will increase and Independent's net interest margin could decrease if Independent begins offering interest on commercial demand deposits to attract additional customers or maintain current customers, which could have a material adverse effect on Independent.

**Independent faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.**

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and

currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug

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Enforcement Administration and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If Independent's policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that Independent has already acquired or may acquire in the future are deficient, Independent would be subject to liability, including fines and regulatory actions such as restrictions on Independent's ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of Independent's business plan, including Independent's acquisition plans, which would negatively impact Independent's business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for Independent.

**There are substantial regulatory limitations on changes of control of bank holding companies.**

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be acting in concert from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of Independent's voting stock or obtaining the ability to control in any manner the election of a majority of Independent's directors or otherwise direct the management or policies of Independent's company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of Independent's common stock. These provisions effectively inhibit certain mergers or other business combinations, which, in turn, could adversely affect the market price of Independent's common stock.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this proxy statement/prospectus that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of operations of Independent after the merger is completed as well as information about the merger, including Independent's future revenues, income, expenses, provision for taxes, effective tax rate, earnings per share and cash flows, Independent's future capital expenditures and dividends, Independent's future financial condition and changes therein, including changes in Independent's loan portfolio and allowance for loan losses, Independent's future capital structure or changes therein, the plan and objectives of management for future operations, Independent's future or proposed acquisitions, the future or expected effect of acquisitions on Independent's operations, results of operations and financial condition, Independent's future economic performance and the statements of the assumptions underlying any such statement. Such statements are typically identified by the use in the statements of words or phrases such as aim, anticipate, estimate, expect, goal, guidance, intend, is anticipated, is estimated, is expected, plan, projected, projection, will affect, will be, will continue, will decrease, will grow, will impact, incur, will reduce, will remain, will result, would be, variations of such words or phrases (including where the word could, may or would is used rather than the word will in a phrase) and similar words and phrases indicating that the statement addresses some future result, occurrence, plan or objective. The forward-looking statements that we make are based on Independent's current expectations and assumptions regarding its business, the economy, and other future conditions. Because forward-looking statements relate to future results and occurrences, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Many possible events or factors could affect the future financial results and performance of each of Independent and Live Oak Financial before the merger or Independent after the merger, and could cause those results or performance to differ materially from those expressed in the forward-looking statements. These possible events or factors include, but are not limited to:

- worsening business and economic conditions nationally, regionally and in Independent's target markets, particularly in Texas and the geographic areas in which Independent operates or particularly affecting the financial industry generally;
- Independent's dependence on its management team and its ability to attract, motivate and retain qualified personnel;
- the concentration of Independent's business within its geographic areas of operation in Texas;
- deteriorating asset quality and higher levels of nonperforming assets and loan charge-offs;
- concentration of Independent's loan portfolio in commercial and residential real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;
- inaccuracy of the assumptions and estimates Independent makes in establishing reserves for probable loan losses and other estimates;

- lack of liquidity, including as a result of a reduction in the amount of sources of liquidity Independent currently has;
- material decreases in the amount of deposits Independent holds;
- regulatory requirements to maintain minimum capital levels;
- changes in market interest rates that affect the pricing of Independent's loans and deposits and its interest margins and net interest income;
- fluctuations in the market value and liquidity of the securities that Independent holds for sale and changes in the securities market;
- effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services, which likely will increase;

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- the institution and outcome of litigation and other legal proceeding against Independent or to which Independent becomes subject;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by Independent's regulators, such as the Dodd-Frank Act;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the SEC and Public Company Accounting Oversight Board;
- governmental monetary and fiscal policies;
- changes in the scope and cost of FDIC, insurance and other coverage;
- the effects of war or other conflicts, acts of terrorism (including cyber attacks) or other catastrophic events, including storms, droughts, tornadoes and flooding, that may affect general economic conditions;
- Independent's actual cost savings resulting from the merger are less than expected, Independent is unable to realize those cost savings as soon as expected or Independent incurs additional or unexpected costs;
- Independent's actual cost savings resulting from the merger or the Collin Bank merger are less than expected, Independent is unable to realize those cost savings as soon as expected or Independent incurs additional or unexpected costs;
- Independent's revenues after the merger are less than expected;
- deposit attrition, operating costs, customer loss and business disruption before and after the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than Independent expected;
- the risk that the businesses of Independent and each of Live Oak Financial and Collin Bank will not be integrated successfully, or such integrations may be more difficult, time-consuming or costly than expected;
- the failure of Live Oak Financial's shareholders to approve the reorganization agreement;

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- the failure of Collin Bank's shareholders to approve the Collin Bank reorganization agreement;
- the ability to obtain the governmental approvals of the merger and the Collin Bank merger on the proposed terms and schedule;
- the quality of the assets acquired from other organizations being lower than determined in Independent's due diligence investigation and related exposure to unrecoverable losses on loans acquired;
- general business and economic conditions in the markets Independent or Live Oak Financial serve change or are less favorable than expected;
- changes occur in business conditions and inflation;
- personal or commercial customers' bankruptcies increase; and
- technology-related changes are harder to make or more expensive than expected.

For other factors, risks and uncertainties that could cause actual results to differ materially from estimates contained in forward-looking statements, please read the Risk Factors section of this proxy statement/prospectus.

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Independent urges you to consider all of these risks, uncertainties and other factors carefully in evaluating all such forward-looking statements Independent may make. As a result of these and other matters, including changes in facts, assumptions not being realized or other factors, the actual results relating to the subject matter of any forward-looking statement may differ materially from the anticipated results expressed or implied in that forward-looking statement. Any forward-looking statement made by Independent in any report, filing, press release, document, report or announcement speaks only as of the date on which it is made. Independent undertakes no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. Independent believes that it has chosen these assumptions or bases in good faith and that they are reasonable. However, Independent cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. Therefore, Independent cautions you not to place undue reliance on our forward-looking statements.

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**GENERAL INFORMATION**

This document constitutes a proxy statement of Live Oak Financial and is being furnished to all record holders of Live Oak Financial common stock in connection with the solicitation of proxies by the board of directors of Live Oak Financial to be used at the special meeting of shareholders of Live Oak Financial to be held on November 20, 2013. One of the purposes of the special meeting is to consider and vote to approve the reorganization agreement, which provides, among other things, for the initial merger of IBGLO, a wholly owned subsidiary of Independent, with and into Live Oak Financial, with Live Oak Financial being the surviving entity, the subsequent merger of Live Oak Financial with and into Independent, with Independent being the surviving entity, and then the bank merger of Live Oak Bank with and into Independent Bank, with Independent Bank being the surviving bank. This document also constitutes a prospectus relating to offer and sale of the Independent common stock to be issued to holders of Live Oak Financial common stock upon completion of the merger of Live Oak Financial and IBGLO.

Independent has supplied all of the information contained herein relating to Independent and Independent Bank, and Live Oak Financial has supplied all of the information contained herein relating to Live Oak Financial and Live Oak Bank.

**LIVE OAK FINANCIAL SPECIAL MEETING**

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

The special meeting of Live Oak Financial shareholders will be held at 5:00 p.m., Central Time, on November 20, 2013, at the offices of Live Oak State Bank, 3206 Live Oak Street, Dallas, Texas 75204.

**Matters to be Considered**

The purpose of the special meeting is to consider and vote on the following:

- a proposal to approve the Agreement and Plan of Reorganization, dated as of August 22, 2013, by and between Independent and Live Oak Financial and the related Agreement and Plan of Merger, attached thereto as Exhibit A, pursuant to which IBGLO will merge with and into Live Oak Financial, all on the terms and subject to conditions contained therein; and
- any proposal made to adjourn the special meeting to a later date or dates if the board of directors of Live Oak Financial determines such an adjournment is necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.

No other business may be conducted at the special meeting.

**Recommendation of the Live Oak Financial Board of Directors**

The Live Oak Financial board of directors has unanimously approved the reorganization agreement and the transactions contemplated thereby. Based on Live Oak Financial's reasons for the merger described in this proxy statement/prospectus, including the fairness opinion of Sheshunoff, the board of directors of Live Oak Financial believes that the merger is in the best interests of Live Oak Financial's shareholders and unanimously recommends that

Live Oak Financial shareholders vote FOR approval of the reorganization agreement. See The Merger Recommendation of Live Oak Financial and its Reasons for the Merger beginning on page 56. The Live Oak Financial board of directors also unanimously recommends that Live Oak Financial shareholders vote FOR any proposal to adjourn the special meeting that the Live Oak Financial board of directors determines is necessary, including to permit further solicitation of proxies on the proposal to approve the reorganization agreement.

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### **Shares Entitled to Vote, Quorum and Vote Required**

The holders of record of the outstanding shares of Live Oak Financial common stock as of 5:00 p.m. on October 21, 2013, will be entitled to notice of and to vote at the special meeting. As of 5:00 p.m. on that date, there were 598,948 shares of Live Oak Financial common stock outstanding and entitled to vote at the special meeting.

At the special meeting, the shareholders of Live Oak Financial will be entitled to one vote for each share of common stock owned of record on October 21, 2013. The holders of a majority of the shares of Live Oak Financial common stock entitled to vote at the special meeting must be present, either in person or by proxy, to constitute a quorum at the special meeting, but the holders of at least two-thirds of the shares of Live Oak Financial common stock entitled to vote at the special meeting must be present, in person or by proxy, at the special meeting in order for the necessary vote to be able to take action on the merger proposal. Specifically, the affirmative vote of two-thirds of the outstanding Live Oak Financial common stock is required to approve the reorganization agreement. As a result, if shares representing at least two-thirds of the shares of Live Oak Financial common stock outstanding on the closing date are not present at the special meeting, the presence of a quorum will still not permit the merger to be approved at the special meeting. The affirmative vote of a majority of the shares of Live Oak Financial common stock cast at the special meeting is required to approve the adjournment of the special meeting. Accordingly, you are encouraged to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope.

Abstentions and shares held of record by a broker or nominee that are voted on any matter are included in determining whether a quorum exists at the special meeting. Brokers that are members of the NYSE or NASDAQ, as holders of record, are permitted to vote on certain routine matters in their discretion, but not on nonroutine matters. The proposal to approve the reorganization agreement is a nonroutine matter. Accordingly, if a shareholder holds shares in street name and does not provide voting instructions to his or her bank, broker or nominee that is a member of NYSE or NASDAQ, those shares will not be voted on that proposal at the special meeting unless you receive a proxy from that broker that will allow you to vote the shares you beneficially own and that are held by that broker. Abstentions and broker nonvotes will have no effect on the proposal to adjourn the special meeting.

### **Shares of Live Oak Financial Subject to the Voting Agreement**

Certain directors and shareholders of Live Oak Financial have entered into an agreement to vote the shares of Live Oak Financial common stock they control in favor of approval of the reorganization agreement. As of the record date, 195,927 shares of Live Oak Financial common stock, or approximately 32.71% of the outstanding shares of Live Oak Financial common stock entitled to vote at the special meeting, are bound by the voting agreement.

### **Voting**

*Shareholders of Record.* Shareholders of record may vote by mail or by attending the special meeting and voting in person. If you are a record holder and want to vote your shares by proxy, simply indicate on the proxy card applicable to your Live Oak Financial common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed postage-paid envelope as soon as possible, but in any event no later than immediately prior to the vote at the special meeting.

Any proxy cards must be returned to the Corporate Secretary of Live Oak Financial no later than immediately prior to the closing of the polls at the special meeting.

*Shares Held in Street Name.* If a Live Oak Financial shareholder's shares of Live Oak Financial common stock are held through a bank, broker or other nominee, such Live Oak Financial shareholder is



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considered the beneficial owner of such shares held in street name. In such case, this proxy statement/prospectus has been forwarded by such Live Oak Financial shareholder's bank, broker or other nominee, who is considered, with respect to such shares, the shareholder of record. If the broker, bank or other nominee has not provided a beneficial owner with a proxy appointing the beneficial owner as the proxy of the broker, bank or other nominee to vote the shares owned by the beneficial owner, the beneficial owner of shares of Live Oak Financial common stock has the right to direct such bank, broker or other nominee how to vote the shares by following the voting instructions that they have sent, or will send, to the Live Oak Financial shareholder. Without specific instructions from the beneficial owner of the shares of Live Oak Financial common stock it holds, the bank, broker or other nominee is not empowered to vote the shares of Live Oak Financial common stock it holds for the benefit of another person with respect to the merger proposal. Not voting these shares will have the effect of voting against the approval of the reorganization agreement, but will not have the effect of voting against any proposal of the Live Oak Financial board of directors to adjourn the special meeting since the vote is based on the number of affirmative votes cast for the proposal. When the vote is tabulated for the proposals, broker nonvotes, if any, will only be counted for purposes of determining whether a quorum is present. Accordingly, if a Live Oak Financial shareholder has not received a proxy from its broker, bank or other nominee covering the shares it beneficially owns, that shareholder should promptly give instructions to his or her bank, broker or other nominee to vote FOR approval of the reorganization agreement and FOR the proposal to adjourn the special meeting, if necessary, by using the voting instruction card provided to such Live Oak Financial shareholder by his or her bank, broker or other nominee. Alternatively, if a Live Oak Financial shareholder is a beneficial owner and desires to vote in person at the special meeting, the Live Oak Financial shareholder must provide a proxy executed in that shareholder's favor by the bank, broker or other nominee confirming that the Live Oak Financial shareholder was the beneficial owner of those shares as of 5:00 p.m. on October 21, 2013, stating the number of shares of which the Live Oak Financial shareholder was the beneficial owner that were held for the Live Oak Financial shareholder's benefit at that time by that broker, bank or other nominee and appointing the Live Oak Financial shareholder as the record holder's proxy to vote the shares covered by that proxy at the special meeting.

## **Revocation of Proxies**

If you have previously provided a proxy to Live Oak Financial regarding your shares, you may revoke your proxy by:

- delivering to Live Oak Financial prior to the special meeting a written notice of revocation addressed to Corporate Secretary, Live Oak Financial Corp., 3206 Live Oak Street, Dallas, Texas 75204;
- completing, signing and returning a new proxy card with a later date before the date of the special meeting, and any earlier proxy will be revoked automatically; or
- attending the special meeting and voting in person, and any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke a shareholder's previously submitted proxy.

If you hold your shares in street name with a bank or broker, you must contact such bank or broker if you desire to revoke your proxy.

## **Solicitation of Proxies; Expenses**

This proxy solicitation is made by the board of directors of Live Oak Financial. Live Oak Financial is responsible for its expenses incurred in preparing, assembling, printing and mailing this proxy statement/prospectus. Proxies will be solicited through the mail. Additionally, directors of Live Oak Financial intend to solicit proxies personally or by telephone or other means of communication. The directors will not be receiving any additional compensation for any solicitation of such proxies. Live Oak Financial will reimburse banks, brokers and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the proxy materials to beneficial owners.

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### **Attending the Special Meeting**

All holders of Live Oak Financial common stock, including shareholders of record and shareholders who hold their shares in street name through banks, brokers or other nominees, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If a Live Oak Financial shareholder is not a shareholder of record and would like to vote in person at the special meeting, that shareholder must produce a proxy executed in his or her favor by the record holder of the shareholder's shares confirming that the Live Oak Financial shareholder was the beneficial owner of those shares as of 5:00 p.m. on October 21, 2013, stating the number of shares of which the Live Oak Financial shareholder was the beneficial owner that were held for the Live Oak Financial shareholder's benefit at that time by that broker, bank or other nominee and appointing the Live Oak Financial shareholder as the record holder's proxy to vote the shares covered by that proxy at the special meeting. In addition, that shareholder must bring a form of personal photo identification with him or her in order to be admitted at the special meeting. Live Oak Financial reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Live Oak Financial's express written consent.

### **Adjournments**

Although it is not currently expected, the special meeting may be adjourned, including for the purpose of soliciting additional proxies, if there are insufficient votes at the time of the special meeting to approve the proposal to approve the reorganization agreement or if a quorum is not present at the special meeting. Other than an announcement to be made at the special meeting of the time, date and place of an adjourned special meeting, an adjournment generally may be made without notice. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow the shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned.

### **Questions and Additional Information**

If a Live Oak Financial shareholder has questions about the merger or the process for voting or if additional copies of this document or a replacement proxy card are needed, please contact Carl B. Schieffer, Live Oak Financial's President, at (214) 841-9800.

## **PROPOSAL TO APPROVE THE REORGANIZATION AGREEMENT**

### **(Proposal One)**

The following information describes material aspects of the merger. It is not intended to be a complete description of all information relating to the merger and is qualified in its entirety by reference to more detailed information contained in the Appendices to this document, including the reorganization agreement. A copy of the reorganization agreement (with the agreement and plan of merger attached as Exhibit A thereto) is included as Appendix A to this proxy statement/prospectus and is incorporated herein by reference. You are urged to read the Appendices in their entirety.

### **Terms of the Merger**

The reorganization agreement provides for the acquisition of Live Oak Financial by Independent through certain merger transactions. Specifically, the reorganization agreement provides for the initial merger of IBGLO, a wholly owned subsidiary of Independent, with and into Live Oak Financial, with Live Oak Financial being the surviving

entity, the subsequent merger of Live Oak Financial with and into Independent, with Independent being the surviving entity, and then the bank merger of Live Oak Bank with and into Independent Bank, with Independent Bank being the surviving bank. If the shareholders of Live Oak Financial approve the reorganization agreement at the special meeting, and if the required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are satisfied or are waived by the party entitled to

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do so, the parties anticipate that the merger will be completed in the fourth quarter of 2013, although delays could occur. As a result of the merger, holders of Live Oak Financial common stock will be entitled to receive whole shares of Independent common stock and cash, with cash paid in lieu of a fractional share, and will no longer be owners of Live Oak Financial common stock. As a result of the merger, certificates for Live Oak Financial common stock will only represent the right to receive the merger consideration pursuant to the reorganization agreement. Live Oak Financial will cease to exist following the completion of the merger.

If Live Oak Financial shareholders approve the reorganization agreement and the merger is completed, all outstanding shares of Live Oak Financial common stock will be converted into an aggregate of 292,646 shares of Independent common stock and \$10,000,000 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, holders of Live Oak Financial common stock will receive 0.4886 shares of Independent common stock (with cash in lieu of a fractional share) and \$16.69 in cash, subject in each case to adjustment under certain circumstances, as set forth in the reorganization agreement, for each share of Live Oak Financial common stock that they own. Based on 598,948 shares of Live Oak Financial common stock outstanding as of October 7, 2013, and the closing price of Independent common stock on the NASDAQ Global Market of \$35.99 on such date, the amount of total consideration to be paid by Independent is valued at approximately \$20,532,000.

The per share stock consideration will be subject to adjustment if the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market, or average sales price, over a twenty consecutive trading day period ending on the third trading day prior to the closing date is less than \$30.76 or greater than \$37.60. If the average sales price is less than \$30.76, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$15.03 by (ii) the average sales price. However, a condition to each party's respective obligation to consummate the merger is that the average sales price be at least \$27.34 per share. If the average sales price is less than \$27.34 per share either party may determine not to consummate the merger. If, on the other hand, the average sales price is greater than \$37.60, the per share stock consideration will be adjusted to be a fraction (rounded to the nearest ten thousandth) determined by dividing (i) \$18.37 by (ii) the average sales price. Therefore, the maximum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$11,000,000 and the minimum aggregate value of shares of Independent common stock to be issued to Live Oak Financial shareholders is \$9,000,000.

Further, the amount of aggregate cash consideration will be reduced if Live Oak Financial's tangible book value is less than \$13,000,000 as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$13,000,000, but equal to or more than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to \$13,000,000 minus Live Oak Financial's tangible book value as of the closing date. If, as of the closing date, Live Oak Financial's tangible book value is less than \$12,750,000, the aggregate cash consideration will be reduced by an amount equal to the sum of (i) \$250,000, plus (ii) the product of (x) \$12,750,000 minus Live Oak Financial's tangible book value as of the closing date, multiplied by (y) 1.54.

Fractional shares of Independent common stock will be paid in cash, without interest. The market price of shares of Independent common stock will fluctuate from the date of this proxy statement/ prospectus to the date of completion of the merger, and these fluctuations could result in an adjustment to the proportion of the cash and stock consideration and the number of shares of Independent common stock. Because of the possibility of an adjustment to the proportion of per share cash and stock consideration and the number of shares of Independent common stock, you will not know the exact number of shares of Independent common stock or the exact amount of cash you will receive in connection with the merger when you vote on whether to approve the reorganization agreement.



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### **Background of the Merger**

Since the inception of Live Oak Financial in 2001, the board of directors of Live Oak Financial anticipated that the most likely strategic course to maximize its shareholder value would be an acquisition by, or an affiliation with, a larger financial institution. The likely timing of that endeavor has been the subject of ongoing evaluation by Live Oak Financial's board of directors in weighing the opportune time to pursue such a transaction based on the current mergers and acquisitions market as well as the expressed desires of Live Oak Financial's shareholder base. Several of Live Oak Financial's shareholders have expressed concern with the lack of a liquid market for Live Oak Financial's common stock, especially as the economy struggled over the last five years.

From time to time, the board of directors of Live Oak Financial had discussed the possibility of establishing additional branches or the possible acquisition of another depository institution. But low interest rate margins and soft loan demand made expansion an unrealistic alternative. The board has also become increasingly concerned with the extensive and costly regulatory burden confronting Live Oak Financial, with many additional regulations required under the Dodd-Frank Act yet to be implemented.

In 2007 and in 2012, the board of directors of Live Oak Financial met with an investment banking firm to explore the current market for a possible sale or merger, but in each instance the board of directors concluded that pursuing a transaction at that time would not maximize shareholder value.

In April 2013, Live Oak Financial's executive committee (consisting of all directors other than Rod J. Rohrich M.D.), discussed with Sheshunoff the possibility of exploring a sale or merger. On April 25, 2013, representatives of Sheshunoff met with the executive committee and gave a presentation on recent activity for bank mergers and acquisitions. After their presentation, the executive committee approved the engagement of Sheshunoff to represent Live Oak Financial in a possible sale or merger transaction.

After negotiating a contract acceptable to the Live Oak Financial executive committee, Sheshunoff was engaged on May 9, 2013, to be Live Oak Financial's exclusive financial advisor to explore the sale or merger of Live Oak Financial. Live Oak Financial selected Sheshunoff because of its expertise, reputation and familiarity with Live Oak Financial and the overall financial services industry and because its investment banking professionals have substantial experience in transactions comparable to the proposed merger.

Over the next few weeks, Sheshunoff prepared a presentation package to be provided to potentially interested acquirers. On May 21, 2013, the Live Oak Financial executive committee reviewed a list of twelve potential purchasers, which were then contacted by Sheshunoff to solicit their interest in a potential transaction with Live Oak Financial. Ten of the twelve banks expressed an interest and signed a confidentiality agreement to receive an information package. Each confidentiality agreement limited the use of confidential information to an evaluation of a potential transaction with Live Oak Financial. Each agreement further provided that a potential bidder would neither attempt to acquire Live Oak Financial without negotiating the acquisition with Live Oak Financial's board of directors nor solicit, hire, or divert any of Live Oak Financial's employees for a period of time after the date thereof.

Upon receipt of a signed confidentiality agreement from a potential acquirer, Sheshunoff sent the representatives of the interested party access to the confidential information memorandum containing certain public and non-public information regarding Live Oak Financial and instructions describing Live Oak Financial's process to determine that party's level of interest in acquiring Live Oak Financial. In those instructions, potential acquirers were asked to submit a non-binding indication of interest with respect to Live Oak Financial no later than June 26, 2013. Sheshunoff made clear to each potential acquirer that: (1) Live Oak Financial was in the process of exploring a number of alternatives to provide value to its shareholders, one of which could be its sale; (2) if they had an interest in pursuing such a

transaction, they must participate in this process; (3) Live Oak Financial was not bound or obligated to continue discussions, enter into any agreement or continue the process; and (4) certain qualified bidders would be permitted to perform due diligence on Live Oak Financial to determine whether they wished to proceed in the process.

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Live Oak Financial received four indications of interest from potential acquirers. On June 27, 2013, the Live Oak Financial executive committee and Sheshunoff reviewed the four indications of interest received. At that meeting, the Live Oak Financial executive committee advised Sheshunoff to contact two of the bidders to gather additional information to assist the executive committee in evaluating their bids.

On July 3, 2013, the Live Oak Financial executive committee met with Sheshunoff and reviewed the two indications of interest in light of the additional information received from each of the bidders. At that meeting, Sheshunoff was instructed to contact each of the two potential acquirers who submitted the most attractive offers (which included Independent) to inform them that they would be permitted to continue in the process.

On July 9, 2013 and July 10, 2013, members of the executive committee met with the management of the two prospective acquirers to discuss their bids in further detail.

On July 11, 2013, the Live Oak Financial executive committee and Sheshunoff reviewed additional information provided by two potential bidders as well as publicly available information regarding those bidders. Although the bid received from another bidder would potentially have resulted in slightly higher consideration to the shareholders of Live Oak Financial, the Live Oak Financial executive committee was concerned with that bidder's ability to ultimately complete the proposed transaction, including the bidder's relative inexperience in completing recent acquisitions and the ability of that bidder to obtain all necessary regulatory approvals on a timely basis. Accordingly, at the conclusion of this meeting, the executive committee accepted the indication of interest presented by Independent and authorized Carl Schieffer to negotiate a letter of intent with Independent.

Over the next few days, working with outside legal counsel, Live Oak Financial negotiated the terms of a letter of intent, which was then executed by both parties on July 18, 2013.

During the week of July 22, 2013, Independent performed due diligence of Live Oak Financial at the offices of Live Oak Bank.

Independent presented Live Oak Financial with an initial draft of the reorganization agreement on August 1, 2013. Live Oak Financial and its outside legal counsel presented comments to the initial draft of the reorganization agreement to Independent and its counsel on August 12, 2013. From August 13, 2013, to August 21, 2013, management of both Live Oak Financial and Independent, and their respective legal counsel, negotiated the reorganization agreement and related documents. Negotiations between the parties focused on certain limitations on the representations and warranties made by Live Oak Financial, the addition of certain representations and warranties made by Independent, the adjustment to the merger consideration if Live Oak Financial did not meet the minimum tangible book value requirement, and the amount of the termination fee. Independent agreed to indemnify the directors and officers of Live Oak Financial and Live Oak Bank under certain circumstances after the closing. The executive committee met frequently during the period from August 2 through August 20, reviewing all aspects of the reorganization agreement. Management representatives of Live Oak Financial and Sheshunoff also conducted reverse due diligence on Independent.

On August 21, 2013, Live Oak Financial's board of directors held a meeting to consider the merger with Independent. Live Oak Financial's board of directors met with representatives of Sheshunoff and Live Oak Financial's outside legal counsel. Before that meeting, all directors present at this meeting were provided with the then-current draft of the reorganization agreement and all ancillary documents. Outside legal counsel made a presentation regarding the fiduciary duties of the directors. The representative of Sheshunoff then reviewed the transaction process, time line and summary. The representative of Sheshunoff reviewed the valuation analysis of comparable transactions, both nationwide and within Texas. The representative of Sheshunoff then provided an overview of Independent, its

financial performance and the market performance of its common stock. At the conclusion of this presentation and after responding to questions from the directors, Sheshunoff rendered to Live Oak Financial's board its oral opinion that, subject to the assumptions, limitations and qualifications set

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forth in their written opinion, the total aggregate consideration to be received from Independent, which consisted of \$10,000,000 in cash and 292,646 shares of Independent common stock, was fair to the Live Oak Financial shareholders from a financial point of view. Sheshunoff's oral opinion was confirmed by delivery of its written opinion, dated as of August 21, 2013, to Live Oak Financial's board of directors.

Outside legal counsel then reviewed the terms and conditions of the proposed reorganization agreement and ancillary legal documents with Live Oak Financial's board of directors, discussing in detail the business points, contingencies, timing issues and fiduciary concerns. Outside legal counsel also described the terms and conditions of the voting agreement that Independent asked to be signed by the board of directors of Live Oak Financial.

Based upon Live Oak Financial's board of directors review and discussion of the reorganization agreement, the opinion of Sheshunoff and other relevant factors (described below in Live Oak Financial's Reasons for the Merger and Recommendations of the Board of Live Oak Financial), the board of directors of Live Oak Financial, by unanimous vote of all directors present at the meeting, authorized and approved the execution of the reorganization agreement with Independent, and authorized Mr. Schieffer to execute the reorganization agreement on behalf of Live Oak Financial. One of the directors, Sue Dorsey, was not able to participate in the meeting as she was traveling. As a result, Mrs. Dorsey had signed a unanimous consent, and the other directors of Live Oak Financial signed a counterpart consent so that the proposal would be unanimously approved by the board of directors.

On August 22, 2013, signature pages to the reorganization agreement, the voting agreement and related documents were exchanged by the parties. The companies issued a joint press release announcing the signing of the reorganization agreement after the close of the stock markets that afternoon.

## **Recommendation of Live Oak Financial's Board and Its Reasons for the Merger**

Live Oak Financial's board of directors has unanimously approved the reorganization agreement and unanimously recommends that the Live Oak Financial shareholders vote FOR approval of the reorganization agreement.

Live Oak Financial's board of directors has determined that the merger is fair to, and in the best interests of, Live Oak Financial's shareholders. In approving the reorganization agreement, Live Oak Financial's board of directors consulted with Sheshunoff with respect to the financial aspects and fairness of the merger consideration, from a financial point of view, to the holders of shares of Live Oak Financial common stock and with its outside legal counsel as to its legal duties and the terms of the reorganization agreement. In arriving at its determination, Live Oak Financial's board also considered a number of factors, including the following:

- Live Oak Financial's board of directors' familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of Live Oak Financial;
- the current and prospective environment in which Live Oak Financial operates, including national, regional and local economic conditions, the competitive environment for banks, thrifts and other financial institutions generally and the increased regulatory burdens on financial institutions generally and the trend toward consolidation in the banking industry and in the financial services industry;

the financial presentation of Sheshunoff and its opinion dated as of August 21, 2013, that, as of August 21, 2013 (the date on which Live Oak Financial's board of directors approved the reorganization agreement), and subject to the assumptions, limitations and qualifications set forth in the opinion, the total aggregate consideration to be received from Independent, which consisted of \$10,000,000 million in cash and 292,646 shares Independent common stock, is fair, from a financial

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point of view, to the Live Oak Financial shareholders (see Opinion of Live Oak Financial's Financial Advisor, beginning on page 58);

- that shareholders of Live Oak Financial will receive part of the merger consideration in shares of Independent common stock, which are listed for trading on the NASDAQ Global Market, contrasted with the absence of a public market for shares of Live Oak Financial common stock;
- the treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code with respect to the shares of Live Oak Financial common stock exchanged for shares of Independent common stock;
- the results that Live Oak Financial could expect to obtain if it continued to operate independently, and the likely benefits to shareholders of that course of action, as compared with the value of the merger consideration offered by Independent;
- the ability of Independent to pay the aggregate merger consideration without a financing contingency and without the need to obtain financing to close the transaction;
- the ability of Independent to receive the requisite regulatory approvals in a timely manner;
- the terms and conditions of the reorganization agreement, including the parties' respective representations, warranties, covenants and other agreements, the conditions to closing, including a provision that permits Live Oak Financial's board of directors, in the exercise of its fiduciary duties, under certain conditions, to furnish information to, a third party that has submitted an unsolicited proposal to acquire Live Oak Financial;
- merger with a larger holding company would provide the opportunity to realize economies of scale, increase efficiencies of operations and enhance the development of new products and services;
- the agreement of Independent to continue to provide indemnification for Live Oak Financial's directors and officers;
- that some of Live Oak Financial's directors and executive officers have other financial interests in the merger in addition to their interests as Live Oak Financial shareholders, including financial interests that are the result of compensation arrangements with Live Oak Financial, the manner in which such interests would be affected by the merger, as well as the new employment agreements that certain of these persons entered into with Independent Bank in connection with the merger;

- that the cash portion of the merger consideration will be taxable to Live Oak Financial's shareholders upon completion of the merger;
- the requirement that Live Oak Financial and Live Oak Bank conduct its business in the ordinary course and the other restrictions on the conduct of their respective business before completion of the merger, which may delay or prevent Live Oak Financial from undertaking business opportunities that may arise before completion of the merger; and
- that under the reorganization agreement Live Oak Financial could not solicit competing proposals for the acquisition of Live Oak Financial.

The reasons set out above for the merger are not intended to be exhaustive, but do include all material factors considered by the board of directors of Live Oak Financial in approving the merger. In reaching its determination, the Live Oak Financial board of directors did not assign any relative or specific weights to

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different factors, and individual directors may have given different weights to different factors. Based on the reasons stated, the board believed that the merger was in the best interest of Live Oak Financial's shareholders, and therefore the board of directors of Live Oak Financial unanimously approved the reorganization agreement and the merger. In addition, all members of Live Oak Financial's board of directors have agreed to vote the shares of Live Oak Financial common stock over which they have voting authority in favor of the reorganization agreement and the merger.

## **LIVE OAK FINANCIAL'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE REORGANIZATION AGREEMENT.**

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

As a part of Independent's growth strategy, Independent routinely evaluates opportunities to acquire financial institutions. The acquisition of Live Oak Financial is consistent with Independent's expansion strategy. Independent's board of directors and senior management reviewed the business, financial condition, results of operation and prospects of Live Oak Financial, the market condition of the market area in which Live Oak Financial conducts business, the compatibility of the management and the proposed financial terms of the merger. In addition, management of Independent believes that the merger will expand Independent's presence in the Swiss Avenue/Lakewood area east of downtown Dallas, Texas, and the surrounding area, provide opportunities for future growth and provide the potential to realize cost savings through the integration of the operations of Live Oak Financial. Independent's board of directors also considered the financial condition and valuation for both Live Oak Financial and Independent as well as the financial and other effects the merger would have on Independent's shareholders, including the potential effect on the market price of Independent common stock.

While management of Independent believes that revenue opportunities will be achieved and costs savings will be obtained following the merger, Independent has not definitively quantified the amount of enhancements or projected the areas of operation in which such enhancements will occur.

In view of the variety of factors considered in connection with its evaluation of the merger, the Independent board did not find it useful to and did not attempt to quantify, rank or otherwise assign relative weights to the factors it considered. Further, individual directors may have given different weights to different factors. In addition, the Independent board did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination. Rather, the board conducted an overall analysis of the factors it considered material to its decision, including thorough discussions with, and questioning of, Independent's management.

### **Opinion of Live Oak Financial's Financial Advisor**

*The fairness opinion of Live Oak Financial's financial advisor, Sheshunoff, is described below. The description contains projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of Live Oak Financial. You should not rely on any of these statements as having been made or adopted by Live Oak Financial or Independent. You should review the copy of the fairness opinion, which is attached as Appendix B.*

Live Oak Financial retained Sheshunoff to provide an opinion as to the fairness from a financial viewpoint to the Live Oak Financial shareholders of the merger consideration to be received by the shareholders of Live Oak Financial. As part of its investment banking business, Sheshunoff is regularly engaged in the valuation of securities in connection with mergers and acquisitions and valuations for estate, corporation and other purposes. Live Oak Financial retained Sheshunoff based upon its experience as a financial advisor in mergers and acquisitions of financial institutions and its

knowledge of financial institutions.

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On August 21, 2013, Sheshunoff rendered its fairness opinion to the board of directors of Live Oak Financial that, as of such date, the merger consideration was fair, from a financial point of view, to the shareholders of Live Oak Financial. The full text of the fairness opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered, and limitations on the review undertaken, is attached as Appendix B to this proxy statement-prospectus. You are urged to read Sheshunoff's fairness opinion carefully and in its entirety. The fairness opinion is addressed to the board of directors of Live Oak Financial and does not constitute a recommendation to any shareholder of Live Oak Financial as to how he or she should vote at the special meeting of shareholders of Live Oak Financial.

In connection with the fairness opinion, Sheshunoff:

- reviewed the latest draft of the reorganization agreement;
- discussed the terms of the reorganization agreement with the management of Live Oak Financial and Live Oak Financial's legal counsel;
- conducted conversations with management of Live Oak Financial regarding recent and projected financial performance of Live Oak Financial;
- evaluated the financial condition of Live Oak Financial based upon a review of regulatory reports for the five-year period ended December 31, 2012 and interim period through June 30, 2013, and internally prepared financial reports for the interim period through June 30, 2013;
- compared Live Oak Financial's recent operating results with those of certain other banks in the United States and the State of Texas that have recently been acquired;
- compared pricing multiples for Live Oak Financial in the merger to recent acquisitions of banks in the United States and the State of Texas with similar characteristics to Live Oak Financial;
- analyzed the present value of the after-tax cash flows based on projections on a stand-alone basis approved by Live Oak Financial through the year 2017;
- reviewed the potential pro forma impact of the merger on the combined company's results and certain financial performance measures of Live Oak Financial and Independent;
- reviewed publicly available information regarding Independent's regulatory standing, financial performance and business prospects;

- reviewed stock analyst research reports regarding Independent;
- compared Independent's recent operating results and pricing multiples with those of certain other publicly traded banks in the United States that Sheshunoff deemed relevant;
- compared the historical stock price data and trading volume of Independent to certain relevant indices; and
- performed such other analyses deemed appropriate.

For the purposes of this opinion, Sheshunoff assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to it by Live Oak Financial for the purposes of this opinion. Sheshunoff assumed that any projections provided by or approved by Live Oak Financial were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Live Oak Financial's management. Sheshunoff assumed such forecasts and projections will be realized in the amounts and at times contemplated thereby.

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Sheshunoff did not make an independent evaluation of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of Live Oak Financial or Independent nor was Sheshunoff furnished with any such appraisal. Sheshunoff assumed that any off-balance-sheet activities of Live Oak Financial or Independent will not materially and adversely impact the future financial position or results of operation of Independent after the merger. Sheshunoff is not an expert in the evaluation of loan portfolios for the purposes of assessing the adequacy of the allowance for loan and lease losses and assumed that such allowances for Live Oak Financial and Independent are, respectively, adequate to cover such losses.

Sheshunoff assumed that the reorganization agreement, as provided to Sheshunoff, will be without any amendment or waiver of, or delay in the fulfillment of, any terms or conditions set for in the terms provided to Sheshunoff or any subsequent development that would have a material adverse effect on Live Oak Financial or Independent and thereby on the results of its analyses. Sheshunoff assumed that any and all regulatory approvals, if required, will be received in a timely fashion and without any conditions or requirements that could adversely affect the operations or financial condition of Independent after the completion of the merger.

The fairness opinion is necessarily based on economic, market, regulatory, and other conditions as in effect on, and the information made available to Sheshunoff as of August 21, 2013.

In rendering the fairness opinion, Sheshunoff performed a variety of financial analyses. The preparation of an opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Consequently, the fairness opinion is not readily susceptible to partial analysis or summary description. Moreover, the evaluation of fairness, from a financial point of view, of the merger consideration is to some extent subjective, based on the experience and judgment of Sheshunoff, and not merely the result of mathematical analysis of financial data. Sheshunoff did not attribute particular weight to any analysis or factor considered by it. Accordingly, notwithstanding the separate factors summarized below, Sheshunoff believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. The ranges of valuations resulting from any particular analysis described below should not be taken to be Sheshunoff's view of the actual value of Live Oak Financial, Independent or the combined entity.

In performing its analyses, Sheshunoff made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of Live Oak Financial or Independent. The analyses performed by Sheshunoff are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, Sheshunoff's analyses should not be viewed as determinative of the opinion of the board of directors or the management of Live Oak Financial with respect to the value of Live Oak Financial or Independent or to the fairness of the merger consideration.

The following is a summary of the analyses performed by Sheshunoff in connection with its opinion. The discussion utilizes financial information concerning Live Oak Financial and Independent as of June 30, 2013, that is believed to be reliable, accurate and complete; however, Sheshunoff cannot guarantee the reliability, accuracy or completeness of any such publicly available information.

Pursuant to the reorganization agreement, all outstanding shares of Live Oak Financial common stock will be converted into the right to receive \$10,000,000 in cash and 292,646 shares of Independent common stock subject in each case to adjustment under certain circumstances are set forth in the reorganization agreement. Based on 598,948 shares of Live Oak Financial common stock outstanding and based upon the twenty-day volume-weighted average sales price ending two trading days before the signing date of the reorganization agreement, or pre-signing date

average sales price, this equated to \$16.70 per Live Oak Financial common share in Independent common shares and \$16.69 per Live Oak Financial share in cash. The exchange ratio for the stock consideration was set at 0.4886 by dividing \$16.70 by \$34.18, which was the pre-signing date average sales price

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of Independent common stock. The exchange ratio will be adjusted if the average sales price of a share of Independent common stock is more than 10% above or 10% below the pre-signing date average sales price of \$34.18. The reorganization agreement also includes a condition to each party's obligation to complete the merger that stipulates that the average sales price be at least \$27.34, which is 80% of the pre-signing date average sales price. As noted above, the value and the composition of the total merger consideration may also be adjusted pursuant to other terms of the reorganization agreement.

**Live Oak Financial Discounted Cash Flow Analysis**

Using discounted cash flow analysis, Sheshunoff estimated the present value of the future after-tax cash flow streams that Live Oak Financial could produce on a stand-alone basis through December 31, 2017, under various circumstances, assuming that it performed in accordance with the projections provided by Live Oak Financial's management.

Sheshunoff estimated the terminal value for Live Oak Financial at the end of December 31, 2017, by (1) multiplying the final period projected earnings by one plus the assumed annual long-term growth rate of the earnings of Live Oak Financial of 5.0% (or 1.05) and (2) dividing this product by the difference between the required rates of return shown below and the assumed annual long-term growth rate of earnings of 5% in (1) above. Sheshunoff discounted the annual cash flow streams (defined as all earnings in excess of that which is required to maintain a tangible common equity to tangible asset ratio of 8.0%) and the terminal values using discount rates ranging from 11.0% to 13.0%. The discount range was chosen to reflect different assumptions regarding the required rates of return of Live Oak Financial and the inherent risk surrounding the underlying projections. This discounted cash flow analysis indicated a range of values per share of \$21.51 to \$28.67, as shown in the table below, compared to the estimated merger consideration of \$33.39 per share.

	<b>Discount Rate</b>		
	<b>13.0%</b>	<b>12.0%</b>	<b>11.0%</b>
Present value (in thousands)	\$12,884	\$14,719	\$17,171
Present value (per share)	\$21.51	\$24.58	\$28.67

**Analysis of Selected Transactions**

Sheshunoff performed an analysis of premiums paid in selected recently announced acquisitions of banking organizations with comparable characteristics to the merger. Three sets of transactions were selected to ensure a thorough analysis.

The first set of comparable transactions consisted of a group of selected transactions for banks in the United States for which pricing data were available, with the following characteristics: total assets between \$100 million and \$250 million that were announced since January 1, 2012, a positive return on average assets, and a nonperforming assets to total assets ratio less than 1%. These comparable transactions consisted of 14 mergers and acquisitions of banks with total assets ranging between \$102.6 million and \$242.2 million that were announced between March 15, 2012, and July 26, 2013. The analysis yielded multiples of the purchase prices in these transactions as summarized below:

<b>Price/ Book (x)</b>	<b>Price/Tg Book (x)</b>	<b>Price/ 8% Tg</b>	<b>Price/ LTM**</b>	<b>Price/ Assets (%)</b>	<b>Price/ Deposits</b>	<b>Premium/ Deposits</b>
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			<b>Book (x)</b>	<b>Earnings (x)</b>		<b>(%)</b>	<b>(%)</b>
Maximum	1.94	1.94	1.95	43.1	18.2	25.7	6.5
Minimum	1.00	1.00	1.00	5.8	6.0	6.4	0.0
Median	1.31	1.33	1.36	21.6	13.3	16.3	3.6
Live Oak Financial*	1.44	1.44	1.62	21.6	16.3	19.2	5.9

\* Assumes merger consideration of \$20 million or \$33.39 per share and Live Oak Financial earnings taxed at 35%.

\*\* Last-twelve-months

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The median pricing multiples in the comparable transactions were lower than those in the merger, except the median price to earnings, which was the same.

The second set of comparable transactions consisted of a group of selected transactions for banks in the United States located in major metropolitan areas for which pricing data were available, with the following characteristics: total assets between \$100 million and \$250 million that were announced since January 1, 2012, a positive return on average assets, and a nonperforming assets to total assets ratio below 1%. These comparable transactions consisted of five mergers and acquisitions of banks with total assets ranging between \$175.0 million and \$242.0 million that were announced between March 23, 2012, and July 18, 2013. The analysis yielded multiples of the purchase prices in these transactions as summarized below:

	<b>Price/ Book (x)</b>	<b>Price/Tg Book (x)</b>	<b>Price/ 8% Tg Book (x)</b>	<b>Price/ LTM Earnings (x)</b>	<b>Price/ Assets (%)</b>	<b>Price/ Deposits (%)</b>	<b>Premium/ Deposits (%)</b>
Maximum	1.94	1.94	1.95	16.5	15.6	18.5	5.7
Minimum	1.00	1.00	1.00	16.3	11.3	14.6	0.0
Median	1.13	1.13	1.21	16.4	13.7	16.6	2.9
Live Oak Financial*	1.44	1.44	1.62	21.6	16.3	19.2	5.9

\* Assumes merger consideration of \$20 million or \$33.39 per share and Live Oak Financial earnings taxed at 35%. The median pricing multiples in the comparable transactions were lower than those in the merger.

The third set of comparable transactions consisted of a group of selected transactions for banks headquartered in Texas for which pricing data were available, with the following characteristics: total assets between \$75 million and \$250 million that were announced since January 1, 2012, a positive return on average assets, and a nonperforming assets to total assets ratio below 1%. These comparable transactions consisted of five mergers and acquisitions of banks with total assets ranging between \$77.0 million and \$220.1 million that were announced between April 26, 2012, and August 5, 2013. The analysis yielded multiples of the purchase prices in these transactions as summarized below:

	<b>Price/ Book (x)</b>	<b>Price/Tg Book (x)</b>	<b>Price/ 8% Tg Book (x)</b>	<b>Price/ LTM Earnings (x)</b>	<b>Price/ Assets (%)</b>	<b>Price/ Deposits (%)</b>	<b>Premium/ Deposits (%)</b>
Maximum	2.62	2.62	2.18	37.3	16.0	18.1	11.2
Minimum	1.13	1.13	1.21	17.7	13.5	14.1	2.1
Median	1.50	1.50	1.56	17.7	14.3	15.8	5.1
Live Oak Financial*	1.44	1.44	1.62	21.6	16.3	19.2	5.9

\* Assumes merger consideration of \$20 million or \$33.39 per share and Live Oak Financial earnings taxed at 35%.

The median pricing multiples in the comparable transactions were lower than those in the merger, except for the prices to book and tangible book, which were slightly higher.

### **Contribution Analysis**

Sheshunoff reviewed the relative contributions of Live Oak Financial and Independent to the combined company based on regulatory data as of June 30, 2013, for Live Oak Financial and Independent. Sheshunoff compared the pro forma ownership interests (which excludes the cash component of the merger) of Live Oak Financial and Independent of 2.4% and 97.6%, respectively, to: (1) total assets of 6.1% and 93.9%, respectively; (2) total loans of 4.5% and 95.5%, respectively; (3) total deposits of 6.5% and 93.5%, respectively; (4) net-interest income of 5.5% and 94.5%, respectively; (5) noninterest income of 1.9% and 98.1%, respectively; (6) noninterest expenses of 4.9% and 95.1%, respectively; (7) June 30, 2013 LTM earnings of 4.0% and 96.0%, respectively; and (8) total tangible equity of 7.1% and 92.9%, respectively. The contribution analysis shows that the ownership of Live Oak Financial shareholders in the combined company is less than the contribution of the

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components listed due largely to the considerable amount of cash consideration in the merger. The contributions are shown in the table following.

	<b>Assets</b>	<b>%</b>	<b>Loans</b>	<b>%</b>	<b>Deposits</b>	<b>%</b>
Live Oak Financial Corp.	\$ 122,905	6.1%	\$ 71,126	4.5%	\$ 103,914	6.5%
Independent Bank Group, Inc.	\$ 1,905,851	93.9%	\$ 1,520,373	95.5%	\$ 1,485,129	93.5%
Combined Company	\$ 2,028,756	100.0%	\$ 1,591,499	100.0%	\$ 1,589,043	100.0%

	<b>Net Interest Income</b>	<b>%</b>	<b>Non- Interest Income</b>	<b>%</b>	<b>Non- Interest Expenses</b>	<b>%</b>
Live Oak Financial Corp.	\$ 3,929	5.5%	\$ 233	1.9%	\$ 2,756	4.9%
Independent Bank Group, Inc.	\$ 68,044	94.5%	\$ 12,288	98.1%	\$ 53,890	95.1%
Combined Company	\$ 71,973	100.0%	\$ 12,521	100.0%	\$ 56,646	100.0%

	<b>Earnings</b>	<b>%</b>	<b>Shares *</b>	<b>%</b>	<b>Tg. Equity</b>	<b>%</b>
Live Oak Financial Corp.	\$ 928	4.0%	292,646	2.4%	\$ 13,885	7.1%
Independent Bank Group, Inc.	\$ 22,144	96.0%	12,076,927	97.6%	\$ 182,541	92.9%
Combined Company	\$ 23,072	100.0%	12,369,573	100.0%	\$ 196,426	100.0%

\* Share percentage is lower due to cash consideration;  
Income data is last-twelve-months as of June 30, 2013

**Pro Forma Financial Impact**

Sheshunoff analyzed the pro forma impact of the merger on estimated earnings per share, book value per share and tangible book value per share for the twelve-month periods ending December 31, 2014, and December 31, 2015, based on the projections provided by Live Oak Financial's management for Live Oak Financial on a stand-alone basis assuming pre-tax cost savings of \$705,000 phased in by the end of calendar year 2014.

*The analysis was performed using publicly available information for Independent as of June 30, 2013. The analysis did not include any pro forma changes to Independent resulting from the Collin Bank acquisition or any pro forma valuation or other adjustments by Independent relating to the merger. Accordingly, the incidence of accretion or dilution noted in the analysis and the amounts of such accretion or dilution may differ materially from those presented elsewhere.*

The analysis indicated pro forma consolidated earnings per share dilution of \$0.59 per share or 37.2% in 2014 and \$0.53 per share or 29.9% in 2015 compared to estimated earnings per share for Live Oak Financial on a stand-alone basis. The earnings dilution is greatly affected by the cash consideration to be received. The implied book value (including the cash portion of the merger consideration) per share accretion in the merger was \$0.72 per share or 2.8% in 2014 and the implied book value dilution was \$0.21 per share or 0.8% in 2015. The analysis further indicated pro forma consolidated tangible book value (including the cash portion of the merger consideration) per share dilution of \$0.79 per share or 3.0% in 2014 and \$1.30 per share or 4.7% in 2015 compared to Live Oak Financial's tangible book value on a stand-alone basis. The analysis of whether the merger consideration is accretive or dilutive to Live Oak Financial based on the above measures and the amounts of such accretion or dilution is sensitive to the composition of the merger consideration and the accounting assumptions to be made by Independent.

### **Comparable Company Analysis**

Sheshunoff compared the operating and market results of Independent to the results of other publicly traded banking companies. The comparable publicly traded companies in the United States were selected

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primarily on the basis of total asset size, profitability and asset quality. Independent was compared to banks with total assets between \$1 billion and \$3 billion that had a core return on average assets greater than 0.75% for the last twelve months ending June 30, 2013, and a nonperforming assets to total assets ratio less than 2.00%. The data for the following table is based on GAAP financial information as of June 30, 2013, provided by SNL Financial. Some of the ratios presented are proprietary to SNL Financial and may not strictly conform to the common industry determination.

	<b>Independent</b> (%)	<b>Peer Group Median</b> (%)
Return on Average Assets	1.30	1.02
Return on Average Equity	15.49	10.67
Net Interest Margin	4.40	3.74
Efficiency Ratio	64.5	59.7
Tangible Equity to Tangible Asset Ratio	9.74	9.14
Total Risk-Based Capital Ratio	15.69	15.24
Ratio of Nonperforming Assets to Total Assets	1.10	1.18
Ratio of Nonperforming Loans to Total Loans	0.15	1.49
Ratio of Loan Loss Reserves to Loans	0.84	1.58

Independent's performance as measured by its return on average assets and return on average equity was higher than that of its peers. Independent's net interest margin was better than its peers but its efficiency ratio was somewhat worse than its peers. Independent's capital level was generally similar to its peers with both ratios slightly above that of its peers. Independent's asset quality, as measured by its ratio of nonperforming assets to total assets and its ratio of nonperforming loans to total loans, was stronger than the peer group medians. Its ratio of loan loss reserves to loans was lower than the median peer group.

Sheshunoff compared Independent's trading results to its peers. The results are summarized in the following table. The data for the following table is based on publicly available GAAP financial information and market data as of June 30, 2013 provided by SNL Financial.

	<b>Independent</b>	<b>Peer Group Median</b>
Market Price as a Multiple of Stated Tangible Book Value (times)	1.71	1.20
Price as a Multiple of LTM Earnings (times)	2.01	1.43
Market Price as a Percent of Assets	12.2	12.1
Dividend Yield (percent)	19.2	12.9
Dividend Payout (percent)	NA	2.62

Independent's price-to-book multiples as measured by its market price as a multiple of stated book value and its market price as a multiple of stated tangible book value were higher than the comparable peer group medians. Independent's

price-to-earnings multiple as shown by the price as a multiple of LTM earnings through June 30, 2013, was similar to its peers. Independent's market price to assets ratio was higher than that of its peers. Independent's dividend yield and dividend payout ratio were zero as of June 30, 2013, as it did not declare a dividend as a publicly traded company until August 4, 2013.

Sheshunoff compared selected stock market results of Independent to the KBW Bank index for all publicly traded banks in the United States since Independent came public on April 3, 2013. Independent's common stock price underperformed the index for the period from April 2013 until late-July 2013. From late-July 2013 to mid-August 2013, Independent's stock price outperformed the KBW Bank index. Since mid-August 2013, the stock price has performed in line with the KBW Bank index.

Sheshunoff also compared Independent's stock price performance to the SNL US Bank \$1B-\$5B index for the period from Independent's first day of trading on April 3, 2013 until the date of its opinion. From April

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2013 until May 2013, Independent's stock price performed generally in line with the SNL US Bank \$1B-\$5B index. Independent's stock underperformed the SNL US Bank \$1B-\$5B index from May 2013 until mid-June 2013, at which time it outperformed the index for a period of about two weeks. It underperformed the index until late-July 2013 then outperformed the index until mid-August 2013. Since mid-August 2013, Independent's stock has performed slightly better than the SNL US Bank \$1B-\$5B index.

No company or transaction used in the comparable company and comparable transaction analysis is identical to Live Oak Financial, Independent, or Independent as the surviving corporation in the merger. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operational characteristics of Live Oak Financial and Independent and other factors that could affect the public trading value of the companies to which they are being compared. Mathematical analysis (such as determining the average or median) is not in and of itself a meaningful method of using comparable transaction data or comparable company data.

Pursuant to its engagement letter with Live Oak Financial, Sheshunoff will receive a fee of \$25,000 for the fairness opinion that is not contingent on the closing of the merger and additional fees that are contingent upon consummation of the merger. In addition, Live Oak Financial agreed to reimburse Sheshunoff for its reasonable out-of-pocket expenses. Live Oak Financial also agreed to indemnify and hold harmless Sheshunoff and its officers and employees against certain liabilities in connection with its services under the engagement letter, except for liabilities resulting from the negligence, violation of law or regulation, or bad faith of Sheshunoff or any matter for which Sheshunoff may have strict liability.

The fairness opinion is directed only to the question of whether the merger consideration is fair from a financial perspective to the Live Oak Financial shareholders and does not constitute a recommendation to any Live Oak Financial shareholder to vote in favor of the merger. No limitations were imposed on Sheshunoff regarding the scope of its investigation or otherwise by Live Oak Financial.

Based on the results of the various analyses described above, Sheshunoff concluded that the merger consideration to be paid by Independent is fair to the Live Oak Financial shareholders, from a financial point of view.

Each shareholder is encouraged to read the fairness opinion in its entirety. The full text of the fairness opinion is included as [Appendix B](#) to this proxy statement/prospectus.

## **Exchange of Live Oak Financial Stock Certificates**

If you are a shareholder of Live Oak Financial, prior to the effective time of the merger, Independent's transfer and exchange agent, Wells Fargo Bank, National Association, will mail a letter of transmittal and instructions to you for use in surrendering your Live Oak Financial stock certificates. Independent shall cause the exchange agent to mail the letter of transmittal and instructions to you at least 20 days prior to the anticipated closing date. When you properly surrender your certificates or provide other satisfactory evidence of ownership, and return the letter of transmittal duly executed and completed in accordance with its instructions, Wells Fargo Bank will promptly cancel the surrendered stock certificates and deliver to you a notice required under the TBOC specifying, among other things, the number of shares of Independent common stock, which shall be in uncertificated book-entry only form, and cash to which you are entitled under the reorganization agreement. No Independent stock certificates will be issued with respect to the Independent common stock to be issued under the reorganization agreement. If a holder of certificates for shares of Live Oak Financial common stock surrenders such certificates and a properly executed letter of transmittal to the exchange agent at least three business days prior to the closing date, then Independent will use commercially reasonable best efforts to cause the exchange agent to promptly, but no later than three business days following the

closing date, deliver to such holder of certificates the cash portion of the merger consideration and to cause the shares of Independent common stock issued as the stock portion of the consideration to be credited to the account of such holder established in the Direct Registration System. If a holder of certificates for shares of Live Oak Financial common

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stock surrenders such certificates and a properly executed letter of transmittal to the exchange agent at any time after three business days prior to the closing date, then Independent will use its commercially reasonable best efforts to cause the exchange agent to promptly, but in no event later than three business days following receipt of such certificates and letter of transmittal, deliver to such holder of certificates the merger consideration and to cause the shares of Independent common stock issued as the stock portion of the consideration to be credited to the account of such holder established in the Direct Registration System.

***You should not send in your certificates until you receive the letter of transmittal and instructions.***

At the effective time of the merger, and until surrendered as described above, other than shares of Live Oak Financial common stock subject to the exercise of dissenters' rights, each outstanding Live Oak Financial stock certificate will be deemed for all purposes to represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement without interest thereon. With respect to any Live Oak Financial stock certificate that has been lost, stolen or destroyed, Independent will pay the merger consideration attributable to such certificate upon receipt of a surety bond or other adequate indemnity, as required in accordance with Independent's standard policy, and evidence reasonably satisfactory to Independent of ownership of the shares in question. After the effective time of the merger, Live Oak Financial's transfer books will be closed and no transfer of the shares of Live Oak Financial common stock outstanding immediately prior to the effective time will be made on Independent's stock transfer books.

To the extent permitted by law, you will be entitled to vote after the effective time of the merger at any special meeting of Independent's shareholders the number of whole shares of Independent common stock into which your shares of Live Oak Financial are converted, regardless of whether you have exchanged your Live Oak Financial stock certificates for Independent stock certificates. Whenever Independent declares a dividend or other distribution on Independent common stock which has a record date after the effective time, the declaration will include dividends or other distributions on all shares of Independent common stock issuable pursuant to the reorganization agreement. However, no dividend or other distribution payable to the holders of record of Independent common stock will be delivered to you until you surrender your Live Oak Financial stock certificates. Wells Fargo Bank, as Independent's transfer and exchange agent, will deliver to you a notice required under the TBOC specifying, among other things, the number of shares of Independent common stock, which shall be in uncertificated book-entry only form, and your share of the cash portion of the merger consideration, any cash in lieu of any fractional share of Independent common stock to which you would otherwise be entitled and any undelivered dividends, without interest.

## **Effective Time of the Merger**

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Secretary of State of Texas regarding the merger of Live Oak Financial and IBGLO. If the shareholders of Live Oak Financial approve the reorganization agreement at the special meeting, and if all required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are satisfied or are waived by the party entitled to do so, Independent anticipates that the merger will be completed in the fourth quarter of 2013, although delays could occur.

Independent cannot assure you that the necessary shareholder and regulatory approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied.

## **Conduct of Business Pending Effective Time**

From the date of the reorganization agreement to and including the closing date, Live Oak Financial has agreed, and has agreed to cause Live Oak Bank to:

- maintain its corporate existence in good standing;
- maintain the general character of its business and conduct its business in its ordinary and usual manner;

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- extend credit only in accordance with existing lending policies and practices;
- use commercially reasonable efforts to preserve its business organization intact; retain the services of its present employees, officers, directors and agents; retain its present customers, depositors, suppliers and correspondent banks; and preserve its goodwill and the goodwill of its suppliers, customers and others having business relationships with it;
- use commercially reasonable efforts to obtain any approvals or consent required to maintain all existing contracts, leases and documents relating to or affecting its properties, assets, leased or owned real property, and business;
- maintain all offices, machinery, equipment, materials, supplies, inventories, vehicles and other properties owned, leased or used by it (whether under its control or the control of others) in good operating repair and condition, ordinary wear and tear excepted;
- comply in all material respects with all laws, regulations, ordinances, codes, orders, licenses and permits applicable to its properties and operations, where such noncompliance with which would reasonably be expected to cause a material adverse change;
- timely file all tax returns required to be filed by it and promptly pay all taxes, assessments, governmental charges, duties, penalties, interest and fines that become due and payable, except those being contested in good faith by appropriate proceedings;
- withhold from each payment made to each of its employees the amount of all taxes (including federal income taxes, FICA taxes and state and local income and wage taxes) required to be withheld therefrom and pay the same to the proper tax receiving officers;
- continue to follow and implement policies, procedures and practices regarding the identification, monitoring, classification and treatment of all assets in substantially the same manner as it has in the past;
- account for all transactions in accordance with generally accepted accounting principles (unless otherwise instructed by regulatory accounting principles, in which instance account for such transaction in accordance with regulatory accounting principles) specifically, without limitation, (i) maintaining the allowance for loan and lease losses account for Live Oak Bank at not less than \$1,140,000 and (ii) paying or accruing for by the closing date all liabilities, obligations, costs and expenses owed or incurred by Live Oak Bank on or before the closing date;
- perform all of its material obligations under contracts, leases and documents relating to or affecting its assets, properties and business, except such obligations as it may in good faith reasonably dispute;

- maintain and keep in full force and effect, in all material respects, presently existing insurance coverage and give all notices and present all claims under all insurance policies in due and timely fashion; and
- timely file all reports required to be filed with governmental authorities and observe and conform, in all material respects, to all applicable laws, rules, regulations, ordinances, codes, orders, licenses and permits, except those being contested in good faith by appropriate proceedings.

From the date of the reorganization agreement through the effective time of the merger, Live Oak Financial has agreed not to, and has agreed not to cause Live Oak Bank to, without the prior written consent of Independent:

- introduce any new material method of management or operation;
- intentionally take any action that could reasonably be anticipated to result in a material adverse change to its financial condition or operations;

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- take or fail to take any action that could reasonably be expected to cause its representations and warranties made in the reorganization agreement to be inaccurate in any material respect at the effective time of the merger or preclude Live Oak Bank from making such representations and warranties at the effective time of the merger;
- declare, set aside or pay any dividend or other distribution with respect to its capital except that Live Oak Bank may pay dividends to Live Oak Financial;
- enter into, alter, amend, renew or extend any material contract or commitment that would result in an obligation for Live Oak Financial and Live Oak Bank to make payments in excess of \$25,000, except for loans and extensions of credit in the ordinary course of business;
- mortgage, pledge or subject to lien, charge, security interest or any other encumbrance or restriction any of its properties, business or assets, tangible or intangible, except in the ordinary course of business and consistent with past practices;
- cause or allow the loss of insurance coverage, unless replaced with coverage that is substantially similar (in amount and insurer) to that in effect as of the date of the reorganization agreement;
- incur any indebtedness, obligation or liability, whether absolute or contingent, other than the receipt of deposits and trade debt or except in the ordinary course of business and consistent with past practices or in connection with the transactions contemplated by the reorganization agreement or any of the agreements or documents contemplated therein;
- discharge or satisfy any lien or pay any obligation or liability, whether absolute or contingent, due or to become due, except in the ordinary course of business and consistent with past practices;
- issue, reserve for issuance, grant, sell or authorize the issuance of any shares of its capital stock or other securities or subscriptions, options, warrants, calls, rights or commitments of any kind relating to the issuance thereto, except to the extent any commitment to do so is outstanding as of the date of the reorganization agreement;
- amend or otherwise change its articles of incorporation or bylaws;
- sell, transfer, lease to others or otherwise dispose of any material amount of its assets or properties, discount or arrange for a payoff of a charged off or deficiency credit, cancel or compromise any material debt or claim, or waive or release any right or claim other than in the ordinary course of business and consistent with past practices, but any such transaction involving amounts in excess of \$100,000 shall be deemed to not be in the ordinary course of business;

- enter into any material transaction other than in the ordinary course of business;
- except in the ordinary course of the business and consistent with past practices, enter into or give any promise, assurance or guarantee of the payment, discharge or fulfillment of any undertaking or promise made by any other third person, firm or corporation;
- sell or knowingly dispose of, or otherwise divest itself of the ownership, possession, custody or control, of any corporate books or records of any nature that, in accordance with sound business practice, normally are retained for a period of time after their use, creation or receipt, except at the end of the normal retention period;
- except for salary increases in the ordinary course of business and consistent with past practices, (i) make any material change in the rate of compensation, commission, bonus or other direct or indirect remuneration payable, (ii) pay, agree to, or orally promise to pay, conditionally or otherwise, any bonus or extra compensation, pension, severance or vacation pay, to or for the benefit of any of its shareholders, directors, officers or employees, or (iii) enter into any employment or consulting contract (other than as contemplated by the reorganization agreement) or other agreement with any director, officer or employee or adopt, amend in any material respect or terminate (other than termination of any employee benefit plans contemplated by the reorganization agreement) any

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pension, employee welfare, retirement, stock purchase, stock option, stock appreciation rights, termination, severance, income protection, golden parachute, savings or profit-sharing plan (including trust agreements and insurance contracts embodying such plans), any deferred compensation or collective bargaining agreement, any group insurance contract or any other incentive, welfare or employee benefit plan or agreement maintained by it for the benefit of its directors, employees or former employees;

- engage in any transaction with any of its affiliates, except in the ordinary course of business and consistent with past practices;
- acquire any capital stock or other equity securities or acquire any equity or ownership interest in any bank, corporation, partnership or other entity, except (i) through settlement of indebtedness, foreclosure or the exercise of creditors' remedies or (ii) in a fiduciary capacity, the ownership of which does not expose it to any liability from the business, operations or liabilities of such person;
- except as contemplated by the reorganization agreement, terminate, cancel or surrender any contract, lease or other agreement or unreasonably permit any damage, destruction or loss which, in any case or in the aggregate, may reasonably be expected to result in a material adverse change to its financial condition or business operations;
- dispose of, permit to lapse, transfer or grant any rights under, or knowingly breach or infringe upon, any United States or foreign license or proprietary right or materially modify any existing rights with respect thereto, except in the ordinary course of business and consistent with past practices;
- make any capital expenditures, capital additions or betterments in excess of an aggregate of \$25,000;
- hire or employ any new officer or hire or employ any new nonofficer employee, other than to replace nonofficer employees;
- make any, or acquiesce with any, change in accounting methods, principles or material practices, except as required by generally accepted accounting principles, or regulatory accounting principles, including, without limitation, making any reverse provision for loan losses or other similar entry or accounting method that would reduce the allowance for loan and lease losses of Live Oak Bank;
- pay a rate on deposits at Live Oak Bank materially higher than is consistent with the ordinary course of business and consistent with past practices;
- make any new loan to a single borrower and his related interests in excess of \$100,000, and Live Oak Financial is to provide to Independent a weekly written report of all loans made, renewed or modified by Live Oak Bank;

- renew, extend the maturity of, or alter the material terms of, any loan except in compliance with Live Oak Bank's existing policies and procedures and consistent with past practices and prudent banking principles;
- renew, extend the maturity of, or alter any of, the material terms of any classified loan or extension of credit;
- sell (but payment at maturity or prepayment is not deemed a sale) investment securities or purchase investment securities, other than U.S. Treasuries with a maturity of two years or less; or
- redeem, purchase or otherwise acquire, directly or indirectly, any of its capital.

For a complete description of such restrictions on the conduct of the business of Live Oak Financial and Live Oak Bank, Independent refers you to the reorganization agreement, which is attached as Appendix A to this proxy statement/prospectus.

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From the date of the reorganization agreement through the effective time of the merger, Independent has agreed to:

- maintain its corporate existence in good standing;
- maintain the general character of its business and conduct is business in its ordinary and usual manner;
- extend credit only in accordance with existing lending policies and practices; and
- use commercially reasonable efforts to preserve its business organization intact; retain the services of its present employees, officers, directors and agents; retain its present customers, depositors, suppliers and correspondence banks; and preserve its goodwill and the goodwill of its suppliers, customers and others having business relationships with it.

**No Solicitation**

Live Oak Financial agreed that it will not, and that it will cause Live Oak Bank and the respective employees, directors, officers, financial advisors and agents of each of them not to:

- solicit, knowingly encourage, initiate or participate in any negotiations or discussions with any third party with respect to any proposal that could reasonably be expected to lead to an acquisition proposal, whether by business combination, purchase of securities or assets or otherwise;
- disclose to any third party any information concerning the business, properties, books or records of Live Oak Financial or Live Oak Bank in connection with any acquisition proposal, other than as provided in the reorganization agreement or as required by applicable law; or
- cooperate with any third party to make any acquisition proposal, other than a sale of assets of Live Oak Bank in the ordinary course of business consistent with past practices. Promptly upon receipt of any unsolicited offer, Live Oak Financial will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that Live Oak Financial has complied with the restrictions set forth above, if after the date of the reorganization agreement and before obtaining approval of the merger by its shareholders Live Oak Financial receives a bona fide, unsolicited written acquisition proposal, it may engage in negotiations and discussions with, and furnish any information and other access to, any person making such acquisition proposal if, and only if, Live Oak Financial's board of directors determines in good faith, after consultation with outside legal and financial advisors, that (i) such acquisition proposal is or is reasonably capable of becoming a superior proposal and (ii) the failure of the Live Oak Financial board of directors to furnish such information or access or enter into such discussions or negotiations would reasonably be expected to be a violation of its fiduciary duties to the shareholders of Live Oak Financial; but before furnishing any material nonpublic information, Live Oak Financial must receive from the person making such acquisition proposal an executed confidentiality agreement with terms at least as restrictive in all material respects on

such person as the confidentiality agreement entered into with Independent. In such case, Live Oak Financial is required to:

- promptly notify Independent of the receipt of such acquisition proposal or any request for nonpublic information relating to Live Oak Financial or for access to its properties, books or records by any person that has made, or may be considering making, an acquisition proposal;
- communicate the material terms of such acquisition proposal to Independent, including as they may change upon any modification or amendment to the terms thereof; and
- keep Independent reasonably apprised of the status of and other matters relating to any such acquisition proposal on a timely basis.

An acquisition proposal means a written offer or proposal from a party other than Independent that contains a fixed price per share or a mathematically ascertainable formula for calculating a price per share for the

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Live Oak Financial common stock regarding any of the following involving Live Oak Financial: (i) any merger, reorganization, consolidation, share exchange, recapitalization, business combination, liquidation, dissolution or other similar transaction involving any sale, lease, exchange, mortgage, pledge, transfer or other disposition of all or substantially all of the assets or equity securities or deposits of Live Oak Financial, in a single transaction or series of related transactions, which could reasonably be expected to impede, interfere with, prevent or materially delay the completion of the merger; (ii) any tender offer or exchange offer for 50% or more of the outstanding shares of Live Oak Financial common stock or the filing of a registration statement in connection therewith; or (iii) any public announcement of a proposal, plan or intention to do, or any agreement to engage in any of the foregoing. A superior proposal means a bona fide acquisition proposal made by a party other than Independent that the board of directors of Live Oak Financial determines in its good faith judgment to be more favorable to Live Oak Financial's shareholders than the merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of the board of directors of Live Oak Financial is reasonably capable of being obtained by such third person.

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

The reorganization agreement contains a number of conditions to the obligations of Independent and Live Oak Financial to complete the merger that must be satisfied as of the closing date, including, but not limited to, the following:

- approval of the reorganization agreement and the merger by the holders of the percentage of the outstanding Live Oak Financial common stock required for approval under the Live Oak Financial articles of incorporation and the TBOC;
- receipt of all approvals and consents required by applicable law from all applicable governmental authorities in connection with the reorganization agreement, any other agreement contemplated thereby and the consummation of the transactions contemplated thereby, which approvals and consents do not impose any material requirement upon Independent or its subsidiaries that are reasonably unacceptable to Independent;
- the registration statement of which this proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under state securities laws relating to the issuance or trading of the Independent common stock to be issued have been received;
- the shares of Independent common stock to be issued to Live Oak Financial shareholders being authorized for listing on the NASDAQ Global Market;
- no action shall have been taken, and no statute, rule, regulation or order shall have been promulgated, enacted, entered, enforced or deemed applicable to the reorganization agreement, or the transactions contemplated hereby or thereby, by any governmental authority, including by means of the entry of a preliminary or permanent injunction, that would (A) make the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby, illegal, invalid or

unenforceable, (B) impose material limits on the ability of any party to consummate the transactions contemplated hereby or thereby, or (C) could reasonably be expected to subject Independent, Live Oak Financial, Live Oak Bank or any of their respective subsidiaries, or any of their respective officers, directors, shareholders or employees, to criminal or civil liability upon the consummation of the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby;

· the other party's representations and warranties contained in the reorganization agreement being true and correct as of the date of the reorganization agreement and being true and correct in all material respects as of the date of the closing and receipt of a certificate signed by an appropriate representative of the other party to that effect;

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- the absence of a material adverse change since June 30, 2013, in the assets, properties, business or financial condition of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party; and
- the performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement to be performed or complied with before the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect.

In addition to the conditions listed above, Live Oak Financial's obligations to complete the merger is subject to the satisfaction of the following conditions:

- Independent's delivery of the merger consideration to Wells Fargo Bank, N.A., as exchange agent;
- the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market over a twenty consecutive trading day period ending on the third trading day prior to the closing date (i.e., the average sales price) being at least \$27.34; and
- the receipt by Live Oak Financial of an opinion from Hunton & Williams LLP to the effect that for federal income tax purposes (i) the initial merger and the subsequent merger, together, will be treated as a reorganization within the meaning of § 368(a) of the Code, and (ii) each of Independent and Live Oak Financial will be a party to such reorganization within the meaning of § 368(b) of the Code.

In addition to the conditions listed above, Independent's obligation to complete the merger is subject to the satisfaction of the following conditions by Live Oak Financial:

- Live Oak Financial's tangible book value as of the closing must not be less than \$12,500,000;
- Live Oak Financial's allowance for loan losses as of the closing date must be at least equal to \$1,140,000;
- the volume-weighted average of the daily average sales price per share of Independent common stock on the NASDAQ Global Market over a twenty consecutive trading day period ending on the third trading day prior to the closing date (i.e., the average sales price) being at least \$27.34;
- all Live Oak Financial employee plans must be terminated in accordance with the respective terms thereof and all applicable laws and regulations and the affected participants must be notified of such terminations;
- receipt by Independent of an executed release and support agreement from each of the directors and executive officers of Live Oak Financial releasing Live Oak Financial and its successors from any and all

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claims of such directors and executive officers, subject to certain limited exceptions, which will not become effective until the effective time of the merger;

- receipt of the resignations of each of the directors of Live Oak Financial, effective as of the closing date;
- the employment agreement between Independent Bank and each of Carl Schieffer, Harlan Bilton and Danny Oberst, which have been executed, but are not currently effective, shall not have been terminated and remains in full force and effect;
- holders of no more than 5% of the capital stock of Live Oak Financial shall have demanded or exercised their statutory dissenters' rights under the TBOC;
- all material consents and approvals from all nongovernmental third parties which are required to be obtained under the terms of any contract, agreement or instrument to which Live Oak Financial is a party; and
- the receipt by Independent of an opinion from Andrews Kurth LLP to the effect that the initial merger and the subsequent merger, together, will be treated as a reorganization within the meaning

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of § 368(a) of the Code, (ii) each of Independent and Live Oak Financial will be a party to such reorganization within the meaning of § 368(b) of the Code; (iii) the bank merger will be treated as a reorganization within the meaning of § 368(a) of the Code, and (iv) each of Independent Bank and Live Oak Bank will be a party to such reorganization within the meaning of § 368(b) of the Code.

Any condition to the completion of the merger, except the required shareholder and regulatory or governmental approvals, and the absence of an order or ruling prohibiting the merger, may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition.

**Additional Agreements**

In addition to the agreements described above, each party agreed in the reorganization agreement to take certain other actions, including but not limited to:

- each party agreed to use commercially reasonable best efforts to cause the consummation of the transactions contemplated by the reorganization agreement in accordance with its terms and conditions;
- each party agreed to promptly notify the other party in writing of any litigation, or of any claim, controversy or contingent liability that might reasonably be expected to become the subject of litigation, against such party or affecting any of its properties, if such litigation or potential litigation is reasonably likely, in the event of an unfavorable outcome, to result in a material adverse change to such party;
- each party agreed to promptly notify the other party of any legal action, suit or proceeding or judicial, administrative or governmental investigation, pending or, to the best knowledge of such party, threatened against such party, or Live Oak Bank in the case of Live Oak Financial, that (i) questions or would reasonably be expected to question the validity of the reorganization agreement or the agreements contemplated thereby, or any actions taken or to be taken by such party, or Live Oak Bank in the case of Live Oak Financial, pursuant thereto or (ii) seeks to enjoin or otherwise restrain the transactions contemplated by the reorganization agreement;
- each party agreed to promptly notify the other party in writing if any change occurred or was threatened (or any development occurred or was threatened involving a prospective change) in the business, financial condition or operations of such party, or Live Oak Bank in the case of Live Oak Financial, that has resulted in or would reasonably be expected to result in a material adverse change;
- each party agreed that the confidential information provided by the other party would be used solely for the purpose of reviewing and evaluating the transactions contemplated by the reorganization agreement and any other agreement contemplated thereby, and that such confidential information would be kept confidential by such party;
- each party agreed that it would not make, issue or release, or cause to be made, issued or released, any announcement, statement, press release, acknowledgment or other public disclosure of the existence,

terms, conditions or status of the reorganization agreement or the transactions contemplated thereby without the prior written consent of the other party;

- each agreed to provide to the other party, at least three business days prior to closing, with supplemental schedules pursuant to the reorganization agreement reflecting any material changes between the date of the reorganization agreement and the closing date;
- Live Oak Financial agreed to use commercially reasonable efforts to obtain all consents and approvals from regulatory authorities and other third parties required in connection with the consummation of the transactions contemplated by the reorganization agreement, and to cooperate in all commercially reasonable respects with Independent to obtain all such approvals and consents required of such other party;

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- Live Oak Financial agreed, to the extent permitted by law, to use its commercially reasonable best efforts to provide Independent all information concerning Live Oak Financial that is required for inclusion in this proxy statement/prospectus, or any other application, filing, statement or document to be made or filed in connection with the merger and the other transactions contemplated by the reorganization agreement and to promptly inform Independent if Live Oak Financial becomes aware that any information provided or cross referenced contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and to take the necessary steps to correct such information;
- Live Oak Financial agreed to promptly notify Independent in writing if it becomes aware of any fact or condition that makes untrue, or shows to have been untrue, in any material respect, any material information furnished to Independent by Live Oak Financial or any representation or warranty made in or pursuant to the reorganization agreement or that results in Live Oak Financial's failure to comply with any covenant, condition or agreement contained in the reorganization agreement;
- Live Oak Financial agreed to afford Independent's officers, directors, employees, attorneys, accountants, investment bankers and authorized representatives access during regular business hours to the books, contracts, commitments, personnel and records of Live Oak Financial and Live Oak Bank, and furnish such period such other information concerning Live Oak Financial and Live Oak Bank as Independent may reasonably request;
- Live Oak Financial agreed to give notice, and to cause Live Oak Bank to give notice, to one designee of Independent of, and shall invite such designee to attend, all regular and special meetings of the Live Oak Financial board of directors and the Live Oak Bank board of directors and all regular and special meetings of any senior management committee (including the executive committee and the loan and discount committee of Live Oak Bank) of Live Oak Financial and Live Oak Bank; except that such designee shall be required to excuse himself from such meetings while the reorganization agreement or the transactions contemplated thereby or related thereto are being discussed;
- Live Oak Financial agreed to cause Live Oak Bank to terminate, subject to compliance with applicable law, all Live Oak Bank employee benefit plans and to terminate and pay all amounts owed under any employment agreements;
- Live Oak Financial agreed to use its best efforts to cause the directors of Live Oak Financial and Live Oak Bank to execute and deliver a voting agreement agreeing to vote the shares of stock of Live Oak Financial owned by them in favor of the reorganization agreement and the transactions contemplated hereby (which has occurred);
- Live Oak Financial agreed to make available to Independent a list of the Live Oak Financial's shareholders and their addresses, a list showing all transfers of Live Oak Financial's stock and such other information as Independent may reasonably request regarding both the ownership and prior transfers of the Live Oak Financial capital stock;

- Live Oak Financial agreed, consistent with generally accepted accounting principles, to make such accounting entries as Independent may reasonably request in order to conform the accounting records of Live Oak Financial to the accounting policies and practices of Independent;
- Live Oak Financial agreed to purchase before closing an extended reporting period for three years under its existing directors and officers liability insurance policy for purposes of covering actions occurring prior to the effective time of the merger;