

WEBSTER FINANCIAL CORP

Form S-4

December 23, 2003

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As filed with the Securities and Exchange Commission on December 22, 2003

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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

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**Webster Financial Corporation**

*(Exact name of registrant as specified in its charter)*

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

**6035**  
*(Primary Standard Industrial  
Classification Code Number)*

**06-1187536**  
*(I.R.S. Employer  
Identification No.)*

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**Webster Plaza**  
**Waterbury, Connecticut 06702**  
**(203) 578-2476**  
*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

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**William J. Healy**  
**Executive Vice President and Chief Financial Officer**  
**Webster Financial Corporation**  
**Webster Plaza**  
**Waterbury, Connecticut 06702**  
**(203) 578-2210**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

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*Copies to:*

**Craig M. Wasserman, Esq.**  
**Wachtell, Lipton, Rosen & Katz**  
**51 W. 52nd Street**  
**New York, NY 10019**

**Douglas P. Faucette, Esq.**  
**Muldoon Murphy & Faucette LLP**  
**5101 Wisconsin Avenue, N.W.**  
**Washington, D.C. 20016**

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

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, 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.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value \$.01 per share, including related preferred share purchase rights	7,005,834	N/A	\$307,696,590	\$24,893

- (1) The maximum number of shares of common stock of Webster Financial Corporation, a Delaware corporation ( Webster ), issuable to stockholders of FIRSTFED AMERICA BANCORP, INC., a Delaware corporation ( FIRSTFED ), upon consummation of the merger of FIRSTFED with and into Webster.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended (the Securities Act ), and calculated pursuant to Rules 457(f) under the Securities Act. Pursuant to Rules 457(c), 457(f)(1) and 457(f)(3) under the Securities Act, based on the aggregate market value on December 17, 2003 of the shares of FIRSTFED common stock, par value \$0.01 per share ( FIRSTFED Common Stock ), expected to be exchanged in connection with the merger, the proposed maximum aggregate offering price is equal to (A) the product of (i) the average of the high and low prices of FIRSTFED Common Stock as reported on the American Stock Exchange on December 17, 2003 (\$25.49) and (ii) 19,611,000, representing the maximum number of shares of FIRSTFED Common Stock expected to be exchanged in connection with the merger, less (B) \$192,187,800, which is the amount of cash to be paid by Webster in exchange for shares of FIRSTFED Common Stock.
- (3) Calculated by multiplying (A) the proposed maximum aggregate offering price for all securities to be exchanged in the merger (\$499,884,390) less the estimated amount of cash to be paid by Webster in connection with the merger (\$192,187,800) by (B) 0.00008090.

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

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**The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.**

**Subject to Completion, dated December 23, 2003**

**[FIRSTFED AMERICA BANCORP, INC. LOGO]**

[\*], 2004

FIRSTFED AMERICA BANCORP, INC., which we refer to in this document as FIRSTFED, and Webster Financial Corporation, which we refer to in this document as Webster, have entered into a merger agreement. This agreement provides for the merger of FIRSTFED with and into Webster, with Webster surviving the merger. Completion of the merger is subject to customary conditions including receipt of stockholder and regulatory approvals.

If the merger is completed, you will be entitled to elect to receive Webster common stock and/or cash in the merger, subject to potential proration. If your shares of FIRSTFED common stock are converted into cash, you will receive \$24.50 per share in cash without interest. If your shares of FIRSTFED common stock are converted into Webster common stock, you will receive 0.5954 shares of Webster common stock per share. Based on Webster's \$41.70 closing common stock price on October 6, 2003, which was the last trading day prior to announcement of the proposed merger, the implied value of 0.5954 shares of Webster common stock was \$24.83. Based on Webster's \$[\*] closing common stock price on [\*], 2004, the latest practicable trading day prior to the mailing of this proxy statement/prospectus, the implied value of 0.5954 shares of Webster common stock was \$[\*].

Sixty percent of the FIRSTFED common stock will be converted into Webster common stock, with the remainder converted into cash. If FIRSTFED stockholders elect more cash or stock than provided for under the merger agreement, elections for the over-subscribed form of merger consideration will be prorated as described on pages 39-40.

We expect that the merger will generally be tax-free with respect to any Webster common stock that you receive and will generally be taxable with respect to any cash that you receive.

This document contains important information about Webster and FIRSTFED, the merger and the conditions that must be satisfied before the merger can occur. Please give all the information your careful attention. In addition, you may obtain information about Webster and FIRSTFED from reports and other documents that each files with the Securities and Exchange Commission.

We have scheduled a special meeting of stockholders to vote on the merger agreement, and you are cordially invited to attend the meeting at [\*] on [day], [date], 2004 at [time], local time.

Your vote is very important. A vote of the majority of the outstanding common stock of FIRSTFED must approve the merger agreement. Regardless of whether you plan to attend the meeting, please take the time to vote by completing and mailing to us the enclosed proxy card. If your shares are held in street name through a broker or other financial institution you must instruct your broker in order to vote.

ROBERT F. STOICO  
*Chairman, President and Chief Executive Officer*  
FIRSTFED AMERICA BANCORP, INC.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense. The shares of Webster common stock are not savings accounts, deposits or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is [\*], 2004 and

it is first being mailed to stockholders on or about [\*], 2004

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about FIRSTFED and Webster from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain those documents incorporated by reference in this proxy statement/prospectus by accessing the Securities and Exchange Commission's website maintained at <http://www.sec.gov> or by requesting copies in writing or by telephone from the appropriate company at the following addresses:

**FIRSTFED AMERICA BANCORP, INC.**

ONE FIRSTFED PARK  
Swansea, MA 02777  
Attention: [Philip G. Campbell  
Vice President  
Investor Relations  
(508) 235-1361]

**WEBSTER FINANCIAL CORPORATION**

Webster Plaza  
Waterbury, CT 06702  
Attention: Terrence K. Mangan,  
Senior Vice President  
Investor Relations  
(203) 578-2318

**If you would like to request documents, please do so by [\*], 2004 in order to receive them before the FIRSTFED special stockholder meeting. If you request any documents incorporated by reference from us, we will mail them to you promptly by first-class mail, or similar means.**

See Where You Can Find More Information on page 70.

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**FIRSTFED AMERICA BANCORP, INC.**

**ONE FIRSTFED PARK  
Swansea, MA 02777**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On [ \* ], 2004**

A special meeting of stockholders of FIRSTFED AMERICA, BANCORP, INC. will be held on [ \* ], 2004, at [ \* ] [ \* ].m., local time, at [ \* ] for the following purposes:

1. To consider and vote on a proposal to approve and adopt the agreement and plan of merger, dated as of October 6, 2003, by and between Webster Financial Corporation and FIRSTFED AMERICA BANCORP, INC.

2. To transact any other business that properly comes before the special meeting, or any adjournments or postponements of the meeting, including, without limitation, a motion to adjourn the special meeting to another time and/or place for the purpose of soliciting additional proxies in order to approve the merger agreement or otherwise.

You are entitled to notice and to vote at the special meeting or any adjournments or postponements of the meeting only if you were a holder of record of FIRSTFED s common stock at the close of business on [ \* ], 2004.

FIRSTFED s board of directors has determined that the merger is advisable and is fair to and in the best interest of FIRSTFED s stockholders, has approved the merger agreement and the merger, and recommends that you vote **for** approval of the merger agreement.

**You are entitled to exercise dissenters appraisal rights pursuant to Section 262 of the Delaware General Corporation Law. If you want to assert your appraisal rights, you must follow carefully the procedures described at Appendix D, and summarized on pages 53 to 56 of this document.**

It is very important that your shares be represented at the special meeting. Whether or not you plan to attend the special meeting, please complete, date and sign the enclosed proxy card and return it as soon as possible in the enclosed postage-paid envelope. A stockholder who executes a proxy may revoke it at any time before it is exercised by giving written notice to Cecilia R. Viveiros, Corporate Secretary of FIRSTFED, by subsequently filing another proxy or by attending the special meeting and voting in person. **Do not send your stock certificate with your proxy card.**

By order of the Board of Directors

**CECILIA R. VIVEIROS**  
*Corporate Secretary*

Swansea, MA  
[ \* ], 2004

*Your vote is important. Please complete, sign, date and return your proxy card even if you plan to attend the meeting.*

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: Why are Webster and FIRSTFED merging?**

A: The merger offers FIRSTFED stockholders an opportunity to realize a premium for the value of their shares, as well as the opportunity to participate in the growth and potential of the combined company. Webster and FIRSTFED believe that they have compatible strategies and cultures that will enable the combined company to achieve greater success than either company standing alone. For more information regarding the companies' reasons for the merger, see *The Merger* Reasons for the Merger; Recommendation of FIRSTFED's Board of Directors.

**Q: What will I receive in the merger?**

A: If the merger takes place, you will be entitled to elect to receive 0.5954 shares of Webster common stock (with cash paid instead of issuing any fractional shares) or \$24.50 in cash, without interest, for each of your shares of FIRSTFED common stock, subject to proration procedures as described on pages 39-40. You may specify different elections with respect to different FIRSTFED shares that you own. For example, if you own 100 shares, you could elect to receive cash for 50 shares and Webster common stock for the other 50 shares, subject to proration. Dissenting shares will be treated differently as described on page 40 of this proxy statement/prospectus.

Regardless of the elections made by FIRSTFED stockholders, the merger agreement provides that 60% of the outstanding shares of FIRSTFED common stock will be converted into Webster common stock, with the remaining shares converted into cash. Therefore, if FIRSTFED stockholders elect more stock or cash than provided for under the merger agreement, elections for the over-subscribed form of merger consideration will be prorated. There is no assurance that you will receive the form of consideration that you elect with respect to the shares of FIRSTFED common stock you hold. See *The Merger Agreement* Conversion of Shares; Exchange of Stock Certificates; Elections as to Form of Consideration.

Based on Webster's \$41.70 closing common stock price on October 6, 2003, which was the last trading day prior to announcement of the proposed merger, the implied value of 0.5954 shares of Webster common stock was \$24.83. Based on Webster's \$[\*] closing common stock price on [\*], 2004, the latest practicable trading date prior to the mailing of this proxy statement/prospectus, the implied value of 0.5954 shares of Webster common stock was \$[\*]. The implied value of the stock consideration will fluctuate as the market price of the Webster common stock fluctuates. Webster common stock trades on the New York Stock Exchange under the ticker symbol WBS. You may obtain current market price quotations for Webster common stock from newspapers, over the Internet or from other sources.

**Q: How do FIRSTFED stockholders make their cash/stock elections?**

A: Each FIRSTFED stockholder will receive an election form, which you should complete and return, along with your FIRSTFED stock certificate(s), according to the instructions printed on the form. The election deadline will be 5:00 p.m. New York City time on [\*], 2004, which is the day prior to the special meeting. A copy of the election form is being provided with this proxy statement/prospectus to holders of record of FIRSTFED common stock. If you do not send in the election form with your stock certificates by the election deadline, you will be treated as a non-electing stockholder as described on page 39. **Do not send your FIRSTFED stock certificates and/or the election form with your proxy card.** If you own shares of FIRSTFED common stock in street name through a bank, broker or other financial institution, and you wish to make an election, you should seek instructions from the bank, broker or other financial institution holding your shares concerning how to make your election.

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### **Q: Can I change my election?**

A: You can revoke your election provided you submit new election materials prior to the election deadline. You may do so by submitting a written notice to [\*], the exchange agent for the merger, that is received prior to the deadline at the following address:

**[EXCHANGE AGENT INFORMATION  
TO COME]**

The revocation must specify the account name and such other information as [\*] may request; revocations may not be made in part. New elections must be submitted in accordance with the election procedures described in this proxy statement/prospectus. If you instructed a bank, broker or other financial institution to submit an election for your shares, you must follow their directions for changing those instructions.

### **Q: What is the expected tax treatment of the merger?**

A: Neither Webster nor FIRSTFED will be required to complete the merger unless it receives a legal opinion to the effect that the merger will qualify as a reorganization for United States federal income tax purposes. Accordingly, we expect the transaction to generally be tax-free to holders of FIRSTFED common stock for federal income tax purposes to the extent that they receive shares of Webster common stock in the merger.

Those holders receiving solely cash for their FIRSTFED common stock will generally recognize gain or loss equal to the difference between the amount of cash received and their tax basis in their shares of FIRSTFED common stock. Those holders receiving both Webster common stock and cash for their FIRSTFED common stock will generally recognize gain equal to the lesser of (1) the amount of cash received and (2) the excess of the amount realized in the transaction (i.e., the fair market value of the Webster common stock at the effective time of the merger plus the amount of cash received) over their tax basis in their FIRSTFED common stock. In certain circumstances, the gain or, in the case of recipients of cash only, the entire amount of cash received, could be taxable as ordinary income rather than capital gain.

For a further summary of the federal income tax consequences of the merger to holders of FIRSTFED common stock, please see *The Merger Agreement* Material Federal Income Tax Consequences on pages 50-52.

### **Q: If I hold FIRSTFED stock options, what will I receive?**

A: If you hold options to acquire FIRSTFED common stock, upon completion of the merger each option will be cancelled and automatically converted into the right to receive, subject to any required tax withholding, a cash payment equal to the excess of \$24.50 over the per share exercise price for each share of FIRSTFED common stock subject to your stock option.

### **Q: What vote is required to approve the merger?**

A: A majority of the outstanding shares of FIRSTFED's common stock must vote in favor of the merger agreement in order for it to be adopted and the merger approved. Thus, every stockholder's vote is important. If you do not vote or do not instruct your bank or broker to vote, or if you abstain, your action will have the same effect as a vote against the merger.

### **Q: What does the FIRSTFED board of directors recommend?**

A: The FIRSTFED board of directors has unanimously approved the merger agreement and recommends that FIRSTFED stockholders vote **for** the proposal to approve and adopt the merger agreement.

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

A: *With respect to the special meeting* indicate on the enclosed proxy card how you want to vote, and sign, date and mail it in the enclosed envelope as soon as possible so that your shares will be represented at the stockholders meeting. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy card will be voted **for** approval of the merger agreement and in the discretion of the proxies with respect to any matter properly coming before the special meeting. Because approval of the merger agreement requires the affirmative vote of a majority of all outstanding shares of FIRSTFED common stock, broker non-votes and abstentions will have the same effect as a vote against the proposals. Bro-

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ker non-votes are shares held by banks, brokers and other nominees as to which voting instructions have not been received from the beneficial owners or other persons entitled to vote those shares and that the bank, broker or other nominee does not have discretionary voting power under applicable Nasdaq rules.

You can also choose to attend the special meeting and vote your shares in person.

*With respect to your share election* you should complete and return the election form, together with your stock certificate(s), to [\*] according to the instructions printed on the form or, if your shares are held in street name, according to the instructions of your bank, broker or other financial institution. **Do not send your FIRSTFED stock certificates and/or your election form with your proxy card.**

**Q: Who can vote?**

A: You are entitled to vote at the FIRSTFED special meeting if you owned shares of FIRSTFED common stock at the close of business on [\*], 2004. You will have one vote for each share of FIRSTFED common stock that you owned at that time.

**Q: If my shares are held in street name by my bank, broker or other financial institution, will they vote my shares for me?**

A: Your broker or other record holder does not have discretion to vote your shares for you on the merger proposal. Your broker will be able to vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares, following the directions your broker provides. As noted above, failing to properly instruct your broker to vote your shares will have the same effect as a vote against the merger agreement.

**Q: Can I change my vote after I have mailed my signed proxy card?**

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a written notice to Cecilia R. Viveiros, Corporate Secretary of FIRSTFED, stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card with a later date. Third, you may vote in person at the special meeting. Attendance alone will not revoke your proxy. If you have instructed a broker or other record holder to vote your shares, you must follow the directions you received from them to change your vote.

**Q: When do you expect to complete the merger?**

A: We expect to complete the merger as soon as possible after the receipt of FIRSTFED stockholder and regulatory approvals. We currently anticipate that this will occur in the second quarter of 2004.

**Q: What should I do with my stock certificates?**

A: Please **do not** send your stock certificates with your proxy card. Rather, you should send your FIRSTFED common stock certificate(s) to [\*] with your completed, signed election form prior to the election deadline on [\*], 2004. If you do not send in the election form with your stock certificate(s) by the [\*], 2004 deadline, you will be considered a non-electing stockholder and your election to receive cash or Webster common stock will be determined automatically in accordance with the merger agreement.

**Q: Whom can I call with questions or to obtain additional copies of this proxy statement/ prospectus and other documents?**

A: If you have questions or if you need additional copies of this proxy statement/prospectus or other documents, you should contact  
**Georgeson Shareholder Communications, Inc.**  
[Address]  
**Telephone: [\*]**

**Q: Where can I find more information about the companies?**

A: You can find more information about Webster and FIRSTFED from various sources described under *Where You Can Find More Information* on page 70.

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**SUMMARY**

The following highlights selected information from this document and does not contain all of the information that is important to you. Before you vote, you should give careful consideration to all of the information contained in or incorporated by reference into this document to fully understand the merger. See **Where You Can Find More Information** on page 70. Each item in this summary refers to the page where that subject is discussed in more detail.

**The Companies Involved in the Merger (page 18)**

Webster Financial Corporation

Webster Plaza  
Waterbury, Connecticut 06702  
(203) 578-2476

Webster is a Delaware corporation and the holding company of various entities, including Webster Bank. Webster is headquartered in Waterbury, Connecticut. As of September 30, 2003, Webster had total consolidated assets of approximately \$14.6 billion, total deposits of approximately \$8.1 billion, and stockholders' equity of approximately \$1.1 billion, or 7.55% of total assets.

FIRSTFED AMERICA BANCORP, INC.

ONE FIRSTFED PARK  
Swansea, MA 02777  
(508) 679-8181

FIRSTFED is the savings and loan holding company for First Federal Savings Bank of America, a federally chartered savings association. First Federal operates 26 banking offices in Bristol, Plymouth and Norfolk counties in Massachusetts and Providence, Kent and Newport counties in Rhode Island. At September 30, 2003, FIRSTFED had total assets of approximately \$2.5 billion, deposits of approximately \$1.5 billion and stockholders' equity of approximately \$198.5 million, or 7.90% of total assets.

**FIRSTFED's Financial Advisors Say the Merger Consideration Is Fair, From a Financial Point of View, to FIRSTFED Stockholders (page 23)**

In deciding to approve the merger, FIRSTFED's board of directors considered the opinions of Sandler O'Neill & Partners, L.P. and Keefe, Bruyette & Woods, Inc., FIRSTFED's financial advisors, dated as of October 6, 2003. The opinions concluded that, as of that date and subject to the factors and assumptions set forth in the advisors' written opinions, the consideration to be received by the holders of FIRSTFED's common stock in the merger was fair to the stockholders from a financial point of view. These opinions are attached as Appendices B and C to this document. We encourage you to read these opinions carefully in order to more fully understand the assumptions made, matters considered and limitation of the review made by Sandler O'Neill and Keefe, Bruyette and Woods in providing these opinions. Under the terms of their engagement letters with FIRSTFED, each of the financial advisors received a fee of \$200,000 when we entered into the merger agreement and a fee of \$200,000 when we mailed this proxy statement/prospectus, and each of them will receive a fee equal to 0.4625% of the aggregate market value of the merger consideration (less the \$400,000 previously paid). In addition, FIRSTFED has agreed to reimburse each financial advisor for its reasonable out-of-pocket expenses and indemnify them against various liabilities.

**Information About the Special Meeting (page 15)**

A special meeting of FIRSTFED stockholders will be held on [\*], 2004, at [\*] [ ] .m., local time, at [\*] for the following purposes:

to vote on the proposal to approve and adopt the merger agreement; and

to address any other matters that properly come before the special meeting, or any adjournments or postponements of the meeting, including a motion to adjourn the special meeting to another time and/or place to solicit additional proxies in favor of the merger agreement and the merger or otherwise.

**Dissenters' Appraisal Rights in the Merger (page 53)**

## Edgar Filing: WEBSTER FINANCIAL CORP - Form S-4

Under Delaware law, if you want to assert your right to dissent from the merger and seek the appraised value of your shares of FIRSTFED common stock, you must follow carefully the procedures described at Appendix D, and summarized at pages 53 to 56 of this document.

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### **Historical Dividends and Webster's Post-Merger Dividend Policy (page 5)**

The dividends paid by Webster and FIRSTFED in recent periods are set forth under Market Prices and Dividends on page 5. Following completion of the merger, the declaration of dividends by Webster will be at the discretion of the Webster board of directors and will be determined by the board after the consideration of various factors, including, without limitation, the earnings and financial condition of Webster and its subsidiaries.

### **Differences in the Rights of Stockholders (page 59)**

The rights of the FIRSTFED stockholders after the merger who continue as Webster stockholders will be governed by the certificate of incorporation and bylaws of Webster rather than the certificate of incorporation and bylaws of FIRSTFED. These rights will also be governed by the laws of Delaware, as the state of Webster's incorporation, which is the same state law that currently governs the rights of FIRSTFED stockholders.

### **FIRSTFED Directors and Officers Have Financial Interests in the Merger that are Different From or in Addition to Their Interests as Stockholders (page 56)**

Some of FIRSTFED's directors and executive officers have financial interests in the merger that are different from or in addition to their interests as stockholders of FIRSTFED. These interests arise as a result of pre-existing employment and change-in-control agreements, existing rights under FIRSTFED equity and employee benefit plans, as well as under the merger agreement and new employment agreements entered into by Webster with Messrs. Stoico and Hjerpe. These interests are described beginning at page 56.

### **Certain Shareholdings**

As of the record date:

Directors and executive officers of FIRSTFED and their affiliates had the right to vote \_\_\_\_\_ shares of FIRSTFED common stock, or \_\_\_\_\_ % of the outstanding FIRSTFED common stock at that date.

Directors and executive officers of Webster and their affiliates, including Webster, had the right to vote \_\_\_\_\_ shares of FIRSTFED common stock, or \_\_\_\_\_ % of the outstanding FIRSTFED common stock at that date.

### **Completion of the Merger is Subject to a Number of Conditions (page 46)**

Completion of the merger depends upon satisfying a number of conditions, including the following:

approval and adoption of the merger agreement by FIRSTFED stockholders;

receipt of all governmental consents and approvals required to complete the merger and, if determined by Webster, the merger of the companies' bank subsidiaries;

receipt of all non-governmental third party approvals required to complete the transactions contemplated by the merger agreement, except for those approvals the failure of which to obtain would not have a material adverse effect on FIRSTFED or Webster;

absence of any legal prohibition on completion of the merger;

approval of the listing of the Webster common stock issuable in the merger on the New York Stock Exchange;

accuracy of the other party's representations and warranties and the performance of the other party's obligations as required under the merger agreement; and

receipt of opinions of counsel to the effect that the merger will qualify as a reorganization for United States federal income tax purposes.

### **Regulatory Approvals We Must Obtain to Complete the Merger (page 48)**



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In order to complete the merger, we must receive the regulatory approvals of the primary federal banking regulatory agencies for Webster and its bank subsidiary. This agency is currently the Office of Thrift Supervision, but Webster is in the process of converting its bank subsidiary from a federal savings bank to a national banking association subject to regulation by the Office of the

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Comptroller of the Currency, and of converting Webster from a savings and loan holding company to a bank holding company and financial holding company subject to regulation by the Board of Governors of the Federal Reserve System. The proposed transactions will also require the approval of Massachusetts banking authorities. As of the date of this proxy statement/prospectus, Webster has not received the required approvals. We cannot assure you as to when or if we will obtain the approvals.

### **Termination of the Merger Agreement (page 47)**

The merger agreement specifies a number of situations where Webster and FIRSTFED may terminate the agreement, which are described on pages 47 to 48. The merger agreement may be terminated at any time prior to completion by our mutual consent and by either of us under specified circumstances, including if the merger is not completed by the ten month anniversary of entering into the merger agreement, if we do not receive the necessary stockholder or regulatory approvals or if the other party breaches the merger agreement. In addition, FIRSTFED may terminate the agreement if Webster's common stock price falls by more than 20% from \$41.15 (the closing price of Webster common stock on the last trading day prior to entering into the merger agreement) and by more than 20% relative to an index of designated peer banks, unless Webster increases the exchange ratio in accordance with a prescribed formula contained in the merger agreement.

### **FIRSTFED Must Pay Webster a Termination Fee under Limited Circumstances**

FIRSTFED must pay a termination fee to Webster if:

a third party makes a bona fide proposal to acquire FIRSTFED, and the party does not withdraw the proposal at least five business days prior to the special meeting; and

thereafter either Webster or FIRSTFED terminates the merger agreement as a result of the failure of the FIRSTFED stockholders to approve the agreement, or if Webster terminates the agreement because:

FIRSTFED's board of directors fails to recommend that its stockholders approve the merger agreement; changes its recommendation that its stockholders approve the merger agreement or fails to hold a special meeting to approve the merger agreement; or

FIRSTFED willfully breaches its representations and obligations under the merger agreement; and

within 12 months after the date of termination of the merger agreement, FIRSTFED completes an acquisition transaction or enters into a merger agreement or other similar document related to such acquisition transaction.

If the termination results from the failure of FIRSTFED to hold the special meeting or from a willful breach of the agreement, then a fee of \$17 million will be due upon termination. Under any other termination resulting in the payment of the fee, \$8.5 million will be due upon termination and an additional fee of \$8.5 million will be due upon completion of the competing business proposal.

### **Webster Must Pay FIRSTFED a Termination Fee under Limited Circumstances**

In the event that the merger agreement is terminated because Webster has not received the required regulatory approvals by the ten-month anniversary of entering into the merger agreement or because the applicable regulators have denied the required regulatory approvals, then Webster will pay FIRSTFED a fee of \$7 million, unless the failure or denial resulted principally from FIRSTFED's failure to perform under the merger agreement or from any inaccuracies in FIRSTFED's representations and warranties under the merger agreement.

### **Share Information and Market Prices**

Webster's common stock is traded on the New York Stock Exchange under the trading symbol WBS. FIRSTFED's common stock is traded on the American Stock Exchange under the trading symbol FAB. The table below presents the per share closing prices of Webster's and FIRSTFED's common stock and the equivalent per share price for FIRSTFED common stock on (1) October 6, 2003, the last trading date before public announcement of the merger agreement and (2) [\*], the latest practicable date before printing of this proxy statement/prospectus. The equivalent price per share column is calculated by multiplying the closing

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market price of the Webster common stock on the relevant date by the 0.5954 shares of Webster common stock to be issued in the merger. For more information about the exchange ratio, see The Merger Merger Consideration, and for more information about the stock prices and dividends of Webster and FIRSTFED, see Market Prices and Dividends.

Date	Last Reported Sale Price		
	Webster Common Stock	FIRSTFED Common Stock	Equivalent Per Share Price
October 6, 2003	\$41.70	\$22.65	\$24.83
[*], 2003	\$ [*]	\$ [*]	\$ [*]

FIRSTFED stockholders are advised to obtain current market quotations for Webster's common stock. The market price of Webster's common stock will fluctuate between the date of this proxy statement/ prospectus and the date on which the merger takes place, as well as after completion of the merger. No assurance can be given as to the market price of Webster's common stock at the time of the merger. FIRSTFED may terminate the merger agreement if Webster's common stock price falls by more than 20% from \$41.15 (the closing price of Webster common stock on the last trading day prior to entering into the merger agreement) and by more than 20% relative to an index of designated peer banks, unless Webster increases the 0.5954 exchange ratio in accordance with a prescribed formula contained in the merger agreement. See The Merger Termination and Amendment to the Merger Agreement.

**Table of Contents****MARKET PRICES AND DIVIDENDS**

The following tables set forth, for the periods indicated, the high and low sale prices per share of Webster's and FIRSTFED's common stock as reported on the New York Stock Exchange and the American Stock Exchange, respectively, as well as cash dividends paid on Webster's and FIRSTFED's common stock during the periods indicated. The information set forth for FIRSTFED has been retroactively adjusted to reflect a two-for-one common stock split distributed on July 17, 2003.

**Webster****Common Stock**

	<b>Market Price</b>		<b>Cash Dividends Paid</b>
	<b>High</b>	<b>Low</b>	
<b>Quarter Ended:</b>			
December 31, 2003 (through [*, 2003)	\$ [*]	\$ [*]	\$0.21
September 30, 2003	40.67	36.48	0.21
June 30, 2003	38.81	35.11	0.21
March 31, 2003	33.63	33.93	0.19
December 31, 2002	35.46	30.65	0.19
September 30, 2002	38.89	31.95	0.19
June 30, 2002	39.96	36.77	0.19
March 31, 2002	37.45	31.18	0.17
December 31, 2001	34.08	29.23	0.17
September 30, 2001	37.06	28.16	0.17
June 30, 2001	33.74	27.75	0.17
March 31, 2001	30.31	26.44	0.16

**FIRSTFED****Common Stock**

	<b>Market Price</b>		<b>Cash Dividends Paid</b>
	<b>High</b>	<b>Low</b>	
<b>Quarter Ended:</b>			
December 31, 2003 (through [*, 2003)	\$ [*]	\$ [*]	\$0.13
September 30, 2003	22.80	16.85	0.13
June 30, 2003	17.73	13.88	0.10
March 31, 2003	14.33	12.31	0.09
December 31, 2002	13.63	11.40	0.08
September 30, 2002	13.00	10.75	0.08
June 30, 2002	13.60	11.50	0.07
March 31, 2002	11.95	8.65	0.07
December 31, 2001	8.87	7.75	0.07
September 30, 2001	10.03	8.25	0.07
June 30, 2001	9.10	7.50	0.05
March 31, 2001	8.44	7.45	0.05



**Table of Contents****COMPARATIVE PER SHARE DATA**

The following table shows historical information about net income per share, cash dividends per share and book value per share, and similar information giving effect to the merger, which we refer to as pro forma information. In presenting the comparative pro forma information for the time periods shown, we assumed that we had been merged on the dates or at the beginning of the periods indicated. The pro forma information reflects the purchase method of accounting. The figures presented for the pro forma combined per share amounts were calculated assuming 0.5954 shares of Webster common stock issued for each share of FIRSTFED common stock (the share portion of the exchange ratio) as discussed on pages 39 through 41 as applied to the corresponding FIRSTFED diluted shares outstanding for the applicable periods (reduced by the number of shares owned by Webster which will be cancelled in the merger). The pro forma information also assumes 60% of proceeds paid in stock and 40% in cash.

The information listed as FIRSTFED pro forma equivalent was obtained by multiplying the pro forma amounts by the quotient obtained by dividing the Webster common stock to be issued in the merger by the exchange ratio of 0.5954.

We expect that we will incur merger and integration charges as a result of combining our companies. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. These charges and benefits are not reflected in the pro forma data. While helpful in illustrating the financial characteristics of the combined company under one set of assumptions, the pro forma information does not reflect these anticipated financial benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined.

The information set forth for FIRSTFED has been retroactively adjusted to reflect a two-for-one common stock split distributed on July 17, 2003.

The information in the following table is based on, and you should read it together with, the historical financial information that Webster and FIRSTFED have presented in prior filings with the SEC and which is incorporated into this document by reference. See Where You Can Find More Information on page 70 for a description of where you can find our prior filings.

**Common Stock Per Share Data**

	<b>At or for the Nine Months Ended September 30, 2003(1)</b>	<b>At or for the Year Ended December 31, 2002(2)(3)</b>
<b>Net Income per Common Share (Diluted):</b>		
Webster historical	\$ 2.63	\$ 3.16
FIRSTFED historical	1.06	1.40
Pro Forma Combined	2.68	3.23
FIRSTFED Pro Forma Equivalent	1.60	1.92
<b>Cash Dividends per Common Share:</b>		
Webster historical	0.61	0.74
FIRSTFED historical	0.32	0.31
Pro Forma Combined(4)	0.61	0.74
FIRSTFED Pro Forma Equivalent	0.36	0.44
<b>Book Value per Common Share:</b>		
Webster historical	24.22	22.69
FIRSTFED historical	11.66	11.63
Pro Forma Combined	26.22	24.87
FIRSTFED Pro Forma Equivalent	15.61	14.81

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- (1) Since FIRSTFED has a March 31 fiscal year end and Webster has a December 31 fiscal year end, FIRSTFED's historical data for the nine months ended September 30, 2003 was calculated by adding the results from the fourth quarter of fiscal year 2003 to the first six months of fiscal year 2004.
- (2) FIRSTFED data at or for the year ended December 31, 2002 is for their fiscal year ended March 31, 2003.
- (3) Per share data for FIRSTFED adjusted for July 2003 2-for-1 stock split.
- (4) Pro forma cash dividends per share represent the historical cash dividends per share of Webster.

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**SELECTED FINANCIAL DATA**

The tables below present summary historical financial and other data for Webster and FIRSTFED as of the dates and for the periods indicated. The summary data for Webster is based on and should be read in conjunction with Webster's historical consolidated financial statements and related notes which are presented in its prior filings with the SEC, and which are incorporated by reference into this document. The summary data for FIRSTFED is based on and should be read in conjunction with FIRSTFED's historical consolidated financial statements and related notes which are presented in its prior filings with the SEC, and which are incorporated by reference in this document. For historical information, see [Where You Can Find More Information](#).

Webster derived the following historical financial information from its audited consolidated financial statements as of December 31, 2002, 2001, 2000, 1999 and 1998 and for each of the years then ended and from its unaudited consolidated financial statements at and for the nine months ended September 30, 2003 and 2002.

FIRSTFED derived the following historical information from its audited consolidated financial statements as of March 31, 2003, 2002, 2001, 2000 and 1999 and for each of the years ended and from its unaudited consolidated financial statements at and for the six months ended September 30, 2003 and 2002.

In the opinion of management of Webster and FIRSTFED, respectively, the unaudited financial statements of Webster and FIRSTFED include all normal recurring adjustments necessary for a fair presentation of the financial position and results of operations as of or for these periods in accordance with United States generally accepted accounting principles. You should not assume that the results presented below are indicative of results for any future period. The information set forth for FIRSTFED has been retroactively adjusted to reflect a two-for-one common stock split distributed on July 17, 2003.



**Table of Contents****Selected Consolidated Financial Data Webster**

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Unaudited) (Dollars in thousands)							
<b>Financial Condition and Other Data</b>							
Total assets	\$ 14,608,783	\$ 13,273,573	\$ 13,468,004	\$ 11,857,382	\$ 11,249,508	\$ 9,931,744	\$ 9,836,029
Loans receivable, net	8,977,621	7,874,874	7,795,835	6,725,993	6,801,479	6,015,214	5,497,709
Securities	4,284,190	4,107,838	4,124,997	3,999,133	3,405,080	3,066,901	3,662,829
Goodwill and intangible assets	315,556	297,054	297,359	320,051	326,142	138,829	83,227
Deposits	8,133,571	7,353,423	7,606,122	7,066,471	6,981,128	6,232,696	6,347,644
Federal Home Loan Bank advances and other borrowings	5,007,637	4,653,963	4,455,669	3,533,364	3,030,225	2,788,445	2,575,608
Stockholders equity	1,103,442	1,041,281	1,035,458	1,006,467	890,374	635,667	626,454
<b>Operating Data</b>							
Net interest income	\$ 306,224	\$ 301,638	\$ 405,728	\$ 367,479	\$ 326,516	\$ 303,513	\$ 282,611
Provision for loan losses	20,000	13,000	29,000	14,400	11,800	9,000	8,103
Non-interest income	175,940	127,205	185,572	162,098	128,821	92,630	82,638
Non-interest expenses:							
Acquisition-related expenses	148	1,965	1,965			9,500	20,993
Branch reconfiguration				3,703			
Other non-interest expenses	279,554	237,206	326,358	307,034	267,130	234,961	208,440
Total non-interest expenses	279,702	239,171	328,323	310,737	267,130	244,461	229,433
Income before income taxes and cumulative effect of changes in method of accounting	182,462	176,672	233,977	204,440	176,407	142,682	127,713
Income taxes	60,600	56,061	73,965	68,834	58,116	47,332	49,694
Income before cumulative effect of change in accounting method	121,862	120,611	160,012	135,606	118,291	95,350	78,019
Cumulative effect of change in method of accounting (net of tax benefit)		(7,280)	(7,280)	(2,418)			

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Net income	\$ 121,862	\$ 113,331	\$ 152,732	\$ 133,188	\$ 118,291	\$ 95,350	\$ 78,019
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**Table of Contents****Significant Statistical Data Webster**

	<b>At or for the Nine Months Ended September 30,</b>		<b>At or for the Year Ended December 31,</b>				
	<b>2003</b>	<b>2002</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Unaudited)</b>						
<b>For the Period:</b>							
Net income per common share:							
Basic	\$ 2.68	\$ 2.35	\$ 3.21	\$ 2.71	\$ 2.58	\$ 2.14	\$ 1.72
Diluted	\$ 2.63	\$ 2.31	\$ 3.16	\$ 2.68	\$ 2.55	\$ 2.10	\$ 1.69
Cash dividends per common share	\$ 0.61	\$ 0.55	\$ 0.74	\$ 0.67	\$ 0.62	\$ 0.47	\$ 0.44
Return on average stockholders' equity	15.25%	14.56%	14.72%	13.88%	16.72%	15.33%	12.82%
Interest rate spread	3.09%	3.46%	3.43%	3.38%	3.17%	3.19%	2.83%
Net interest margin	3.13%	3.55%	3.50%	3.48%	3.29%	3.32%	2.97%
Non-interest expenses to average assets	1.98%	1.95%	2.62%	2.58%	2.51%	2.51%	2.28%
Non-interest expenses (excluding foreclosed property, acquisition related, capital securities, preferred dividends and intangible amortization expenses) to average assets	1.83%	1.74%	2.36%	2.28%	2.13%	2.07%	1.78%
Diluted weighted average shares (000 s)	46,249	49,091	48,392	49,743	46,428	45,393	46,118
Average stockholders' equity to average assets	7.54%	8.45%	8.27%	8.32%	6.65%	6.38%	6.04%
<b>At End of Period:</b>							
Book value per common share	\$ 24.22	\$ 22.43	\$ 22.69	\$ 20.48	\$ 18.19	\$ 14.09	\$ 14.02
Tangible book value per common share	\$ 17.73	\$ 16.52	\$ 16.18	\$ 13.97	\$ 11.53	\$ 11.02	\$ 12.16
Non-performing assets to total assets	0.32%	0.54%	0.37%	0.53%	0.39%	0.44%	0.38%
Allowance for loan losses to total loans	1.29%	1.45%	1.48%	1.43%	1.32%	1.19%	1.17%
Number of banking offices	112	110	111	105	114	120	119

**Table of Contents****Selected Consolidated Financial Data FIRSTFED**

	At or for the Six Months Ended September 30,		At or for the Year Ended March 31,				
	2003	2002	2003	2002	2001	2000	1999
(Unaudited) (Dollars in thousands)							
<b>Financial Condition and Other Data:</b>							
Total assets	\$2,512,296	\$2,523,019	\$2,414,478	\$2,294,448	\$1,671,065	\$1,579,995	\$1,393,237
Loans receivable, net	1,349,359	1,138,528	1,241,331	1,125,750	977,174	888,760	766,687
Securities (including Federal Home Loan Bank stock)	959,124	1,171,431	962,807	850,387	590,677	586,434	510,648
Deposits	1,534,645	1,331,362	1,427,107	1,317,263	707,416	664,682	674,870
Federal Home Loan Bank advances and other borrowings	719,233	954,396	723,577	780,477	814,764	779,662	585,981
Stockholders equity	198,537	178,031	193,084	155,347	111,558	101,705	102,961
<b>Operating Data:</b>							
Net interest income	\$ 31,628	\$ 28,731	\$ 57,713	\$ 37,723	\$ 34,680	\$ 32,050	\$ 30,334
Provision for loan losses	375	250	525	1,200	1,200	1,200	1,200
Non-interest income	24,911	17,017	41,531	16,322	8,958	6,534	7,638
Non-interest expense	35,674	29,069	61,069	32,990	29,053	25,509	25,333
Income (loss) before income taxes	20,490	16,429	37,650	19,855	13,385	11,875	11,439
Income taxes	8,308	6,348	14,614	6,962	4,221	3,689	3,818
Net income before cumulative effect of accounting change	12,182	10,081	23,036	12,893	9,164	8,186	7,621
Cumulative effect of change in accounting for derivative instruments and hedging activities, net of \$237 tax benefit				(461)			
Net income	\$ 12,182	\$ 10,081	\$ 23,036	\$ 12,432	\$ 9,164	\$ 8,186	\$ 7,621

**Table of Contents****Selected Statistical Data FIRSTFED**

	At or for the Six Months Ended September 30,		At or for the Year Ended March 31,				
	2003	2002	2003	2002	2001	2000	1999
	(Unaudited)						
<b>For the Period:</b>							
Net income per common share:							
Basic	\$ 0.72	\$ 0.63	\$ 1.43	\$ 1.04	\$ 0.78	\$ 0.65	\$ 0.55
Diluted	\$ 0.70	\$ 0.61	\$ 1.39	\$ 1.04	\$ 0.78	\$ 0.65	\$ 0.55
Cash dividends per common share	\$ 0.23	\$ 0.15	\$ 0.31	\$ 0.26	\$ 0.19	\$ 0.13	\$ 0.08
Return on average stockholders' equity	12.17%	12.02%	12.96%	9.65%	8.71%	7.79%	6.82%
Interest rate spread	2.34%	2.46%	2.39%	1.94%	1.93%	2.06%	1.92%
Net interest margin	2.59%	2.67%	2.62%	2.27%	2.25%	2.36%	2.41%
Non-interest expense to average assets	2.71%	2.45%	2.52%	1.85%	1.77%	1.75%	1.90%
Non-interest expense (excluding intangible amortization expenses) to average assets	2.63%	2.35%	2.42%	1.84%	1.76%	1.75%	1.90%
Diluted weighted average shares (000 s)	17,460	16,424	16,540	11,986	11,728	12,511	13,960
Average stockholders' equity to average assets	7.59%	7.05%	7.34%	7.24%	6.40%	7.20%	8.39%
<b>At End of Period:</b>							
Book value per common share	\$ 11.66	\$ 10.96	\$ 11.63	\$ 10.03	\$ 9.79	\$ 8.44	\$ 8.14
Tangible book value per common share	\$ 8.57	\$ 7.58	\$ 8.40	\$ 6.43	\$ 9.69	\$ 8.35	\$ 8.14
Non-performing assets to total assets	0.07%	0.13%	0.14%	0.31%	0.09%	0.08%	0.21%
Allowance for loan losses to total loans	1.41%	1.67%	1.53%	1.68%	1.34%	1.36%	1.54%
Number of banking offices	26	26	26	25	15	14	14
Number of loan centers including People's Mortgage Company offices	14	14	14	14	5	6	5

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**RISK FACTORS**

In addition to the other information included in this proxy statement/prospectus (including the matters addressed in Cautionary Note Regarding Forward-Looking Statements on page 72), you should carefully consider the matters described below in determining whether to approve the merger agreement and whether to make a cash or stock election. Please also refer to the additional risk factors identified in the periodic reports and other documents of Webster and FIRSTFED incorporated by reference into this document and listed in Where You Can Find More Information.

**The price of Webster common stock will fluctuate before and after the merger, which could increase or decrease the value of the merger consideration received by FIRSTFED stockholders receiving Webster common stock.**

On October 6, 2003, the day before the merger was announced, the closing price of a share of Webster common stock was \$41.70. On [ \* ], 2004, the most recent practicable date before the mailing of this proxy statement/prospectus, the closing price was \$[ \* ]. Based on these closing prices and the 0.5954 exchange ratio, the implied value of the merger consideration consisting of Webster common stock was \$24.83 on October 6 and \$[ \* ] on [ \* ]. The price of Webster common stock may increase or decrease before and after completion of the merger. Therefore, the implied value of Webster common stock received by a FIRSTFED stockholder in connection with the merger could be lower than the implied value of Webster stock on October 6, 2003, [ \* ] or the closing date of the merger, and the market value of the stock consideration could be less than the \$24.50 cash consideration received by stockholders receiving the cash consideration. The implied value of Webster stock received by a FIRSTFED stockholder in connection with the merger could also be higher than those trading prices, and stockholders receiving the cash consideration could receive cash worth less than the implied value of the stock consideration. The market price of Webster stock fluctuates based upon general market economic conditions, Webster's business and prospects and other factors.

**Stockholders may receive a form of consideration different from what they elect.**

While each FIRSTFED stockholder may elect to receive cash or Webster common stock in the merger, 60% of the FIRSTFED common stock outstanding at completion of the merger will be converted into Webster common stock, with the remainder converted into the cash. Therefore, if FIRSTFED stockholders elect more cash or stock than is available under the merger agreement, elections for the over-subscribed form of merger consideration will be prorated. As a result, if either a cash or stock election proves to be more popular among FIRSTFED stockholders, and you choose the election that is more popular, you might receive a portion of your consideration in the form of consideration that you did not elect.

**If you tender shares of FIRSTFED common stock to make an election, you will not be able to sell those shares until after the merger, unless you revoke your election prior to the election deadline.**

To make a cash or stock election, you must deliver your stock certificate(s) to the exchange agent (or follow the procedures for guaranteed delivery). The deadline for doing this is 5:00 p.m. New York City time, on [ \* ], 2004, the day before the special meeting of stockholders. You will not be able to sell any shares of FIRSTFED common stock that you have delivered, unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in FIRSTFED common stock for any reason until you receive cash or Webster common stock in the merger. In the time between delivery of your shares and the closing of the merger, the trading price of FIRSTFED or Webster common stock may decrease, and you might otherwise want to sell your shares of FIRSTFED to gain access to cash, make other investment opportunities or reduce the potential for a decrease in the value of your investment.

The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

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**The merger agreement limits FIRSTFED's ability to pursue alternatives to the merger.**

The merger agreement contains terms and conditions that make it more difficult for FIRSTFED to sell its business to a party other than Webster. These no shop provisions impose restrictions on FIRSTFED that, subject to certain exceptions, limit FIRSTFED's ability to discuss or facilitate competing third-party proposals to acquire all or a significant part of FIRSTFED.

In addition, the board of directors of FIRSTFED has agreed that it will not recommend a competing acquisition proposal and that it will not withdraw or negatively modify the recommendation that FIRSTFED stockholders vote for the merger, subject to limited exceptions. While the board of directors could take such actions if it determined that the failure to do so would violate its fiduciary duties, doing so would entitle Webster to terminate the merger agreement and may entitle it to receive a termination fee. FIRSTFED will also be required to pay the termination fee if a competing acquisition proposal has been made known to FIRSTFED or its stockholders and the merger agreement is subsequently terminated for a variety of reasons (including because FIRSTFED stockholders fail to approve the merger or because FIRSTFED willfully breaches the merger agreement), and FIRSTFED completes, or enters into an agreement for, an alternative acquisition transaction during the 12 months after the termination of the merger agreement.

Webster required FIRSTFED to agree to these provisions as a condition to Webster's willingness to enter into the merger agreement. However, these provisions might discourage a third party that might have an interest in acquiring all or a significant part of FIRSTFED from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than the current proposed merger consideration, and the termination fee might result in a potential competing acquirer proposing to pay a lower per share price to acquire FIRSTFED than it might otherwise have proposed to pay.

**FIRSTFED's executive officers and directors have financial interests in the merger that are different from your interest as a FIRSTFED stockholder.**

FIRSTFED executive officers negotiated the merger agreement with Webster, and the board of directors approved the agreement and is recommending that FIRSTFED stockholders vote for the agreement. In considering these facts and the other information contained in this proxy statement/prospectus, you should be aware that FIRSTFED's executive officers and directors have financial interests in the merger in addition to the interests that they share with you as a FIRSTFED stockholder. As described in detail under the heading Interests of Certain Persons in the Merger, there are substantial financial interests to be conveyed to each director and executive officer of FIRSTFED, including Messrs. Stoico and Hjerpe, under the terms of existing or new employment agreements or as a result of the accelerated vesting or additional issuance of stock options. In addition, each member of the FIRSTFED board of directors will have the opportunity to become a member of a Webster advisory board, and receive certain fees as a result of that service.

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**STOCKHOLDER MEETING**

**Time and Place of Special Meeting**

We are first mailing this document to the holders of FIRSTFED's common stock on or about [ \* ], 2004. It is accompanied by a proxy card furnished in connection with the solicitation of proxies by the FIRSTFED board of directors for use at the special meeting of FIRSTFED stockholders to be held on [ \* ], 2004, at [ \* ], local time, at [ \* ].

**Matters to be Considered at the Special Meeting**

At the special meeting, the holders of FIRSTFED's common stock will consider and vote on:

the proposal to approve and adopt the merger agreement; and

any other business that properly comes before the special meeting, or any adjournments or postponements of the meeting, including, without limitation, a motion to adjourn the special meeting to another time and/or place for the purpose of soliciting additional proxies in order to approve the merger agreement and the merger or otherwise.

**Record Date**

The FIRSTFED board of directors has fixed the close of business on [ \* ], 2004 as the record date for determining the FIRSTFED stockholders entitled to receive notice of and to vote at the special meeting. Only holders of record of FIRSTFED's common stock at the close of business on that day will be entitled to vote at the special meeting or at any adjournment or postponement of the meeting. At the close of business on [ \* ], 2004, there were [ \* ] shares of FIRSTFED's common stock outstanding and entitled to vote at the special meeting.

**Quorum and Voting**

Each holder of FIRSTFED's common stock on [ \* ], 2003 will be entitled to one vote for each share held of record on each matter that is properly submitted at the special meeting or any adjournment or postponement of the meeting. However, in accordance with FIRSTFED's certificate of incorporation, holders of record who beneficially own, directly or indirectly, more than 10% of the outstanding FIRSTFED common stock will not be able to vote in excess of that 10%. The presence, in person or by proxy, of the holders of a majority of FIRSTFED's common stock issued and outstanding and entitled to vote at the special meeting is necessary to constitute a quorum. Abstentions and broker non-votes will be included in the calculation of the number of shares represented at the special meeting in order to determine whether a quorum has been achieved. Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power under the applicable stock exchange rules.

Stockholders of record may vote by mail or by attending the special meeting and voting in person. If you choose to vote by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form that is provided by your bank, broker or other nominee in connection with this proxy statement/prospectus. If you wish to change your voting instructions after you have returned your voting instruction to your broker or bank, you must follow the procedures established by your broker or bank. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to attend or vote at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.



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If a quorum is not obtained, or if fewer shares of FIRSTFED's common stock are voted in favor of the proposal for approval of the merger agreement than the number required for approval, it is expected that the special meeting will be adjourned to allow additional time for obtaining additional proxies. In that event, proxies will be voted to approve an adjournment, except for proxies as to which instructions have been given to vote against the merger agreement.

If your proxy card is properly executed and received by FIRSTFED in time to be voted at the special meeting, the shares represented by the proxy card will be voted in accordance with the instructions marked on the proxy card. Executed proxies with no instructions indicated on the proxy card will be voted **for** the merger agreement and the merger.

The FIRSTFED board of directors is not aware of any other matters that may properly come before the special meeting. If any other matters properly come before the special meeting, the persons named in the accompanying proxy will vote the shares represented by all properly executed proxies on those matters in their discretion.

You are requested to complete, date and sign the accompanying proxy form and to return it promptly in the enclosed postage-paid envelope. The enclosed proxy card is different from the blue election form that you can use to elect to receive cash or stock in the merger. **Do not return the election form with your proxy card.** For information about the election form, see Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration on page 40. To vote on the merger agreement, you need to complete the proxy card properly and return it in the enclosed envelope or attend the special meeting and vote in person.

**You should not forward any stock certificates with your proxy card.** If you complete an election form, you should forward your FIRSTFED stock certificates to the Exchange Agent. If you do not complete an election form, FIRSTFED stock certificates should be delivered in accordance with instructions that will be sent to you by Webster's Exchange Agent promptly after completion of the merger.

### **Required Vote; Revocability of Proxies**

In order to approve and adopt the merger agreement, a majority of the shares of outstanding common stock of FIRSTFED must vote **for** approval of the merger agreement.

The proposal to approve the merger agreement is not an item on which brokerage firms may vote in their discretion on behalf of their clients if their clients have not furnished voting instructions. Because the proposal to approve the merger agreement is required to be approved by the holders of a majority of the outstanding shares of FIRSTFED common stock, these broker non-votes will have the same effect as a vote against the proposal to approve the merger agreement at the special meeting. For the same reason, the failure of a FIRSTFED stockholder to vote by proxy or in person at the special meeting, as well as any abstentions, will have the effect of a vote against the merger agreement.

As of the record date, FIRSTFED's directors and executive officers and their affiliates may be deemed to be the beneficial owners of approximately [\*] outstanding shares of FIRSTFED common stock, excluding stock options (collectively representing approximately [\*]% of the voting power of the common stock). It is currently expected that all directors and executive officers will vote in favor of approving the merger agreement. As of the close of business on the record date for the special meeting, Webster beneficially owns approximately shares of FIRSTFED common stock; none of Webster's subsidiaries nor, to the knowledge of Webster, any of its directors or executive officers, beneficially owned any shares of FIRSTFED common stock. It is currently expected that Webster will vote those shares in favor of approving the merger agreement.

If you submit a proxy card, attending the special meeting will not automatically revoke your proxy. However, you may revoke a proxy at any time before it is voted by:

delivering to Cecilia R. Viveiros, Corporate Secretary, FIRSTFED AMERICA BANCORP, INC., ONE FIRSTFED PARK, Swansea, MA 02777, a written notice of revocation before the special meeting;

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delivering to FIRSTFED a duly executed proxy bearing a later date before the special meeting; or

attending the special meeting and voting in person.

Simply attending the special meeting without voting will not automatically revoke your proxy.

**Participants in First Federal Savings Bank s ESOP or 401(k) Plan**

If you participate in the First Federal Savings Bank of America Employee Stock Ownership Plan and Trust, which we refer to in this document as the ESOP, or if you hold shares through First Federal Savings Bank of America Employees Savings & Profit Sharing Plan, which we refer to in this document as the 401(k) Plan, you will receive a vote authorization card for each plan that reflects all shares you may vote under the plans. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. Subject to the exercise of its fiduciary duties, the ESOP trustee will vote all unallocated shares of common stock held by the ESOP and allocated shares for which no voting instructions are received in the same proportion as shares for which the trustee received voting instructions. Under the terms of the 401(k) Plan, a participant is entitled to direct the trustee how to vote the shares credited to his or her 401(k) Plan account. The trustee will vote all shares for which no directions are given or for which timely instructions were not received in the same proportion as shares for which the trustee received timely instructions. The deadline for returning your voting instructions to each plan s trustee is [\*].

**Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of FIRSTFED may solicit proxies for the special meeting from stockholders personally or by telephone or telecopier without receiving additional compensation for these activities. The solicitation of proxies from FIRSTFED is made on behalf of the board of directors of FIRSTFED. FIRSTFED will pay all costs of the solicitation of stockholders, including mailing this proxy statement/ prospectus to its stockholders, except that Webster and FIRSTFED will share equally the cost of printing this proxy statement/ prospectus. FIRSTFED also will make arrangements with brokerage firms and other custodians, nominees and fiduciaries to send proxy materials to their principals and will reimburse those parties for their expenses in doing so. FIRSTFED has retained Georgeson Shareholder Communications, Inc., to assist in soliciting proxies for the meeting and to send proxy materials to brokerage houses and other custodians, nominees and fiduciaries for transmittal to their principals, at a cost of \$7,500 plus out-of-pocket expenses.

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**THE MERGER**

**The Parties**

Webster and FIRSTFED have entered into an agreement and plan of merger. Under that agreement, Webster will acquire FIRSTFED through the merger of FIRSTFED into Webster.

Webster, through its subsidiaries, Webster Bank, Webster Insurance, Inc., Webster D&P Holdings, Inc., and Fleming, Perry & Cox, delivers financial services to individuals, families and businesses located primarily in Connecticut and delivers equipment financing, mortgage origination and financial advisory services to individuals and companies located primarily in the Northeast and throughout the United States. Webster Bank, either directly or through its subsidiaries, provides business and consumer banking, asset-based lending, mortgage lending, trust, investment and insurance services through 118 banking offices, 225 ATMs and its Internet website (www.websteronline.com).

At September 30, 2003, Webster had total consolidated assets of approximately \$14.6 billion, total deposits of approximately \$8.1 billion, and stockholders' equity of approximately \$1.1 billion or 7.55% of total assets. For additional information about Webster that is incorporated by reference into this document, see Incorporation of Documents by Reference. Webster, as a savings and loan holding company, is regulated by the Office of Thrift Supervision. Webster Bank, as a federal savings bank, also is regulated by the Office of Thrift Supervision and to some extent by the Federal Deposit Insurance Corporation. Webster Bank is currently in the process of converting from a federally chartered savings bank to a national banking association, and Webster is in the process of converting from a savings and loan holding company to a bank holding company and electing to be a financial holding company. Following this conversion, Webster will be regulated by the Board of Governors of the Federal Reserve System and Webster Bank will be regulated by the Office of the Comptroller of the Currency and to some extent by the Federal Deposit Insurance Corporation.

FIRSTFED, through its subsidiaries First Federal Savings Bank of America, The FIRSTFED INSURANCE AGENCY, LLC, THE FIRSTFED TRUST COMPANY, N.A. and People's Mortgage Company, provides a range of banking, insurance and trust services to individual and business customers in Massachusetts, Rhode Island and, to a lesser degree, in Connecticut. At September 30, 2003, FIRSTFED had total consolidated assets of approximately \$2.51 billion, total deposits of approximately \$1.5 billion, and stockholders' equity of approximately \$198.5 million or 7.90% of total assets. For additional information about FIRSTFED that is incorporated by reference into this document, see Incorporation of Documents by Reference. FIRSTFED, as a savings and loan holding company, is regulated by the Office of Thrift Supervision. First Federal Savings Bank of America, as a federal savings association, also is regulated by the Office of Thrift Supervision and to some extent by the Federal Deposit Insurance Corporation.

**Background of Merger**

As part of FIRSTFED's continuing efforts to improve its community banking franchise and enhance shareholder value, FIRSTFED's board of directors and management, together with FIRSTFED's financial and legal advisors, have periodically reviewed various strategic options available to FIRSTFED including, among other things, continued independence, the acquisition of other institutions and a strategic merger with or acquisition by another financial institution. In analyzing its available options, the board of directors and management considered the impact of various future strategies on its anticipated financial performance, compared quantitative measures of FIRSTFED's performance with those of other financial institutions, and monitored trends in the local, regional and national financial institutions merger and acquisition market. The board of directors periodically received information about companies that were possible merger targets for FIRSTFED and companies that were considered to be possible acquirors of FIRSTFED. In addition, FIRSTFED's board of directors periodically analyzed and compared potential shareholder value scenarios in light of various potential strategic initiatives and acquisition scenarios. As part of this process, FIRSTFED's legal counsel reviewed with the board of directors its fiduciary duties in the context of the various strategic alternatives.

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As part of its analysis of strategic options, in the summer of 2000, FIRSTFED informally approached one institution regarding their level of interest in a business combination. While the general parameters of a potential transaction were discussed, the discussions did not proceed beyond the preliminary stages. In the summer of 2001, FIRSTFED considered the acquisition of various institutions, including People's Bancshares, Inc. and provided each a non-binding indication of interest, which included potential financial terms. FIRSTFED only proceeded with the acquisition of People's Bancshares, Inc., which was completed on February 28, 2002.

In the first quarter of 2003, Mr. Stoico was contacted by the Chairman and Chief Executive Officer of Company A, a regional financial institution holding company, to discuss FIRSTFED's interest in a business combination. On April 14, 2003, Mr. Stoico met with the Chairman and Chief Executive Officer of Company A and expressed FIRSTFED's general interest in exploring a business combination. No financial or other material terms were discussed at the meeting nor was any information exchanged. During subsequent conversations, the general parameters of a potential combination were discussed and the board of directors of each institution was informed of the potential of a transaction. However, after further analysis and discussion of the specifics of a possible transaction, the parties agreed that the transaction then under discussion was not then advisable.

In the second quarter of 2003, Mr. Stoico was contacted by the President and Chief Executive Officer of Company B, a large regional financial institution holding company, to set up a meeting to discuss Company B's interest in acquiring FIRSTFED. On July 3, 2003, Mr. Stoico met with the President and Chief Executive Officer of Company B. The two officers expressed a general interest in exploring a business combination and discussed the potential operations and structure of the combined institution. No financial or other material terms were discussed at the meeting nor was any information exchanged.

On July 24, 2003, at the next regularly scheduled meeting of the board of directors, the substance of the meeting with the President and Chief Executive Officer of Company B was communicated to the board. The board authorized Mr. Stoico to continue exploratory discussions with Company B and to execute any confidentiality agreements and conduct any due diligence as deemed appropriate in the context of any potential business combination. On July 31, 2003, FIRSTFED and Company B executed a confidentiality agreement and thereafter, information was exchanged and discussions between the parties and their financial advisors were held.

In early August 2003, Mr. Stoico was contacted by James C. Smith, Chairman and Chief Executive Officer of Webster. The two officers discussed a business combination and discussed the potential operations and structure of the combined institution. No financial or other material terms were discussed at the meeting nor was any information exchanged. On August 6, 2003, FIRSTFED and Webster executed a confidentiality agreement and thereafter, information was exchanged and discussions between the parties and their financial advisors were held.

On August 13, 2003, FIRSTFED formally engaged both Sandler O'Neill and Keefe Bruyette & Woods to provide advisory services to FIRSTFED's board of directors regarding a possible business combination, including analyzing and assisting management in negotiating the financial aspects of the transaction. Sandler O'Neill and Keefe Bruyette & Woods were also each engaged to provide a fairness opinion with respect to the merger consideration.

In August 2003, Mr. Stoico was contacted by Sandler O'Neill, who inquired as to his willingness to meet with representatives of Company C, a large regional financial institution, which had expressed an interest in acquiring FIRSTFED. On August 26, 2003, Mr. Stoico met with the Chairman, President and Chief Executive Officer of Company C. The two officers expressed a general interest in exploring a business combination and discussed the potential operations and structure of a combined institution. No financial or other material terms were discussed at the meeting nor was any information exchanged.

On August 28, 2003, at the next regularly scheduled meeting of the board of directors, the board was informed of the status of discussions with Company B and the expressions of interest from Webster and Company C. After a discussion of each interested party and the expressions of interest, the board instructed

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Mr. Stoico to seek clarification from each party with respect to their respective interest. Such expressions would then be presented to the board for their consideration.

On September 3, 2003, FIRSTFED and Company C executed a confidentiality agreement and thereafter, information was exchanged and discussions between the parties and their financial advisors were held. On September 9, 2003, FIRSTFED received a non-binding indication of interest from Webster that indicated an interest in acquiring FIRSTFED for a combination of cash and stock, subject to a due diligence review of FIRSTFED, board approval and execution of definitive documentation. The next day, FIRSTFED received a non-binding indication of interest from Company C, subject to similar conditions, that indicated an interest in acquiring FIRSTFED for stock.

On September 18 and 19, 2003, representatives of Webster and its financial advisors commenced its due diligence examination of FIRSTFED.

On September 22, FIRSTFED's financial advisors sent a letter to each of Company B, Webster and Company C requesting that they provide in writing an indication of interest. On September 22 and 23, 2003, representatives of Company C and its financial advisors conducted a due diligence examination of FIRSTFED at an off-site location. On September 23, 2003, Mr. Stoico met with the Chairman, President and Chief Executive Officer of Company C to discuss the results of the due diligence investigation and further discuss the potential business combination.

On September 24, 2003, representatives of Company B and its legal and financial advisors conducted a due diligence examination of FIRSTFED at an off-site location. Following the completion of the due diligence investigation, Messrs. Stoico and Hjerpe, at the request of Company B, met with the Executive Committee of the board of directors of Company B to discuss the results of the due diligence investigation and to further discuss the potential business combination.

On September 24, 2003, FIRSTFED received indications of interest from Webster and Company C. Webster's indicated a conditional interest in acquiring FIRSTFED for a combination of 30-40% cash and 60-70% stock. Company C indicated its conditional interest in acquiring FIRSTFED in an all-stock transaction. The next day Company B also indicated its conditional interest in acquiring FIRSTFED in an all-stock transaction. In addition, on that date, FIRSTFED, directly and through its financial advisors, had further discussions with Webster and Company C about their indications of interest and the potential business combination. Also on that date, Company C and Webster each increased the value of their latest indications of interest. Additionally, Webster clarified its indication to provide for 60% stock and 40% cash.

On September 25, 2003, the board of directors of FIRSTFED, at a regularly scheduled meeting of the board, was updated on the status of the indications of interest. Each of the indications of interest received was presented to the board and the financial aspects of each proposal was discussed with the board by FIRSTFED's financial advisors. Based on such discussions, the value of the merger consideration being proposed, the cash component of the merger consideration, the strategic fit of the two companies, the likelihood of executing definitive documentation on terms consistent with the indications of interest, an analysis of the capacity of potential acquirors to acquire FIRSTFED and the other reasons specified in FIRSTFED's Reasons for the Merger, the board of directors determined that it would be in the best interests of FIRSTFED and its stockholders to pursue negotiations with Webster regarding a potential business combination. Accordingly, the board authorized management to negotiate a definitive merger agreement for presentation to and consideration by the board of directors.

On September 29, 2003, a conference call was conducted between Webster's financial advisors and representatives of FIRSTFED, Sandler O'Neill, Keefe Bruyette & Woods and FIRSTFED's legal counsel. The call focused on outstanding issues pertaining to Webster's due diligence investigation of FIRSTFED and the scope of the due diligence investigation of Webster to be conducted by FIRSTFED. The next day, representatives of FIRSTFED, Sandler O'Neill, Keefe Bruyette & Woods and FIRSTFED's legal counsel reviewed the due diligence materials provided by Webster and had an opportunity to interview various senior officers of Webster. Also on that day, Webster's counsel provided FIRSTFED and its counsel with a draft of the merger agreement, and over the next several days FIRSTFED and Webster, working with their advisors,

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negotiated the merger agreement. On October 3, 2003, Webster's counsel provided FIRSTFED and its counsel with draft executive agreements to be executed by Messrs. Stoico and Hjerpe, and over the next few days FIRSTFED and Webster, working with their advisors, negotiated the executive agreements. On October 4, 2003, FIRSTFED delivered a copy of the merger agreement to each director to review.

At a special meeting of FIRSTFED's board of directors on October 6, 2003, Sandler O'Neill and Keefe Bruyette & Woods each reviewed with the board the financial aspects of the proposed transaction and delivered their opinion that the merger consideration was fair to FIRSTFED's stockholders from a financial point of view. The board of directors considered these opinions carefully as well as Sandler O'Neill's and Keefe Bruyette & Woods's experience, qualifications and interest in the transaction. In addition, FIRSTFED's board of directors reviewed the merger agreement at length with legal counsel and legal counsel reiterated the board of directors' fiduciary duties. After extensive review and discussion, FIRSTFED's board of directors unanimously approved the transaction and instructed management to execute and deliver the merger agreement. Prior to the opening of the equity markets on the following day, Webster and FIRSTFED issued a joint press release announcing the execution of the definitive merger agreement.

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

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

The FIRSTFED board has determined that the merger is fair to, and in the best interests of, FIRSTFED and its stockholders. In approving the merger agreement, the FIRSTFED board consulted with its financial advisors with respect to the financial aspects and fairness of the transaction from a financial point of view and with its legal counsel as to its legal duties and the terms of the merger agreement. In arriving at its determination, the FIRSTFED board also considered a number of factors, including the following:

The review conducted by the FIRSTFED board of directors of the strategic options available to FIRSTFED and the board's assessment that none of those options were likely to create greater value for stockholders than the consideration being paid by Webster.

The option of FIRSTFED stockholders to satisfy their own investment interests by receiving cash, Webster common stock or a combination of cash and Webster common stock for their shares of FIRSTFED common stock.

Information concerning the business, earnings, operations, financial condition and prospects of FIRSTFED and Webster, both individually and as combined. The FIRSTFED board took into account the results of the due diligence review conducted on Webster, including the likelihood of the transaction receiving the requisite regulatory approvals in a timely manner.

The opinions rendered by Sandler O'Neill and Keefe Bruyette & Woods, as financial advisors to FIRSTFED, that the merger consideration is fair, from a financial point of view, to FIRSTFED's stockholders.

The effect of the merger on FIRSTFED's depositors, customers and the communities served by FIRSTFED. The acquisition by Webster was deemed to be an opportunity to provide depositors, customers and the communities served by First Federal with increased financial services and access to financial services throughout a wider market area.

The significant number of FIRSTFED employees that would be retained after the merger, combined with opportunities for career advancement in a larger organization.

That one member of FIRSTFED's board will be appointed to the board of directors of Webster and that the remaining board members will serve as members of an advisory board.

That Messrs. Stoico and Hjerpe will be the Chairman and Chief Executive Officer and President and Chief Operating Officer of the resulting entity's Massachusetts and Rhode Island region.

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That due to the lack of overlapping markets, the likelihood that all of the current First Federal branch offices would remain open after the merger.

The current and prospective economic, competitive and regulatory environment facing FIRSTFED and independent community banking institutions generally.

The terms of the merger agreement and the structure of the merger, including the fact that the merger is intended to qualify as a transaction of a type that is generally tax-free for U.S. federal income tax purposes.

The discussion and factors considered by the FIRSTFED board is not intended to be exhaustive, but includes all material factors considered. In approving and recommending the merger, the FIRSTFED board did not assign any specific or relative weights to any of the foregoing factors and individual directors may have weighted factors differently.

**Webster s Reasons for the Merger**

In connection with its approval of the FIRSTFED transaction, the Webster board of directors reviewed the terms of the proposed acquisition and definitive agreements. The Webster board also discussed with management and its advisors the fact that:

the acquisition is a natural expansion of Webster s franchise into adjacent market areas of Massachusetts and Rhode Island with similar demographics to Webster s existing market areas;

both companies have an attractive bank-like loan and deposit mix and, even though both companies are currently savings and loan institutions, have been seeking to transition to a more bank-like business mix;

the transaction is consistent with Webster s long-term strategic plan of pursuing in-market and adjacent market acquisitions;

the merger is expected to be accretive to Webster s earnings in the first year, before taking merger-related costs into account, and accretive to Webster s earnings in the second year; and

Webster s belief that the combination of the two companies will help create a powerful regional financial services provider.

The Webster board identified potential revenue enhancements resulting from the proposed acquisition, although its review and approval of the transaction did not assume the realization of any enhancements. The Webster board also considered cost-saving opportunities in corporate functions and back-office consolidations, expected to amount to approximately 25% of FIRSTFED s expense base, phased in over two years. However, the Webster board noted that there can be no assurances with respect to the amount and timing of revenue enhancements or cost-saving opportunities, if any. The Webster board also reviewed FIRSTFED s business, operations, financial condition, earnings and prospects, taking into account the results of its due diligence review of FIRSTFED, and its fit with Webster s existing franchise.

The Webster board also considered potential risks associated with the acquisition in connection with its deliberations of the proposed transaction, including the challenges of integrating FIRSTFED s businesses, operations and workforce with those of Webster, the need to obtain FIRSTFED stockholder and regulatory approvals in order to complete the transaction and the risks associated with achieving the anticipated cost savings. The foregoing discussion of the factors considered by the Webster board is not intended to be exhaustive, but, rather, includes all principal factors considered by the Webster board. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Webster board did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Webster board considered all these factors as a whole, and overall considered them to be favorable to, and to support, its determination.

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**Opinion of FIRSTFED's Financial Advisors**

***Sandler O'Neill & Partners, L.P.***

By letter dated August 13, 2003, FIRSTFED retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination with another financial institution. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to FIRSTFED in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the October 6, 2003 meeting at which FIRSTFED's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, confirmed in writing, that, as of such date, the merger consideration was fair to FIRSTFED's shareholders from a financial point of view. Sandler O'Neill has confirmed its October 6th opinion by delivering to the board a written opinion dated the date of this proxy statement/prospectus. In rendering its updated opinion, Sandler O'Neill confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to update certain of its analyses and reviewing the other factors considered in rendering its opinion. **The full text of Sandler O'Neill's updated opinion is attached as Appendix B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. We urge you to read the entire opinion carefully in connection with your consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the FIRSTFED board and is directed only to the fairness of the merger consideration to FIRSTFED shareholders from a financial point of view. It does not address the underlying business decision of FIRSTFED to engage in the merger or any other aspect of the merger and is not a recommendation to any FIRSTFED shareholder as to how such shareholder should vote at the special meeting with respect to the merger, the form of consideration a shareholder should elect in the merger or any other matter.**

In connection with rendering its October 6, 2003 opinion, Sandler O'Neill reviewed and considered, among other things:

the merger agreement and certain of the schedules thereto;

certain publicly available financial statements and other historical financial information of FIRSTFED that they deemed relevant;

certain publicly available financial statements and other historical financial information of Webster that they deemed relevant;

financial projections for FIRSTFED for the years ending December 31, 2003 and 2004 prepared by and reviewed with management of FIRSTFED and the views of certain members of senior management of FIRSTFED, based on discussions with them, regarding FIRSTFED's business, financial condition, results of operations and prospects;

earnings per share estimates for Webster for the years ending December 31, 2003 and 2004 published by Institutional Brokers Estimate System, or I/B/E/S, and internal financial projections for Webster for the years ending December 31, 2003 through 2005 prepared by and reviewed with management of Webster, and the views of certain members of senior management of Webster, based on limited discussions with them, regarding Webster's business, financial condition, results of operations and prospects;



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the pro forma financial impact of the merger on Webster, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by senior managements of FAB and Webster;

the publicly reported historical price and trading activity for FIRSTFED's and Webster's common stock, including a comparison of certain financial and stock market information for FIRSTFED and Webster with similar publicly available information for certain other companies the securities of which are publicly traded;

the financial terms of certain recent business combinations in the savings institutions industry, to the extent publicly available;

the current market environment generally and the banking environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as they considered relevant.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill assumed and relied upon the accuracy and completeness of all the financial information, analyses and other information that was publicly available or otherwise furnished to, reviewed by or discussed with it and further relied on the assurances of management of FIRSTFED and Webster that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. Sandler O'Neill was not asked to and did not independently verify the accuracy or completeness of any of such information and they did not assume any responsibility or liability for the accuracy or completeness of any of such information. Sandler O'Neill did not make an independent evaluation or appraisal of the assets, the collateral securing assets or the liabilities, contingent or otherwise, of FIRSTFED or Webster or any of their respective subsidiaries, or the collectibility of any such assets, nor was it furnished with any such evaluations or appraisals. Sandler O'Neill is not an expert in the evaluation of allowances for loan losses and it did not make an independent evaluation of the adequacy of the allowance for loan losses of FIRSTFED or Webster, nor did it review any individual credit files relating to FIRSTFED or Webster. With FIRSTFED's consent, Sandler O'Neill assumed that the respective allowances for loan losses for both FIRSTFED and Webster were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity. In addition, Sandler O'Neill did not conduct any physical inspection of the properties or facilities of FIRSTFED or Webster. Sandler O'Neill's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Sandler O'Neill assumed, in all respects material to its analyses, that all of the representations and warranties contained in the merger agreement and all related agreements were true and correct, that each party to such agreements would perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement were not waived. Sandler O'Neill also assumed, with FIRSTFED's consent, that there had been no material change in FIRSTFED's and Webster's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them, that FIRSTFED and Webster would remain as going concerns for all periods relevant to its analyses, and that the merger would qualify as a tax-free reorganization for federal income tax purposes.

In rendering its October 6, 2003, opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative

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analyses described below is identical to FIRSTFED or Webster and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of FIRSTFED or Webster and the companies to which they are being compared.

The earnings projections used and relied upon by Sandler O'Neill for FIRSTFED and Webster in its analyses were based upon management expectations in the case of FIRSTFED and on both published I/B/E/S consensus earnings estimates and management expectations in the case of Webster. With respect to such financial projections and all projections of transaction costs, purchase accounting adjustments and expected cost savings relating to the merger, FIRSTFED's and Webster's managements confirmed to Sandler O'Neill that they reflected the best currently available estimates and judgments of such managements of the future financial performance of FIRSTFED and Webster, respectively, and Sandler O'Neill assumed for purposes of its analyses that such performances would be achieved. Sandler O'Neill expressed no opinion as to such financial projections or the assumptions on which they were based. The financial projections for FIRSTFED and Webster were prepared for internal purposes only and not with a view towards public disclosure. These projections, as well as the other estimates used by Sandler O'Neill in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of FIRSTFED, Webster and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the FIRSTFED board at the October 6th meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of FIRSTFED's common stock or Webster's common stock or the prices at which FIRSTFED's or Webster's common stock may be sold at any time.

*Summary of Proposal.* Sandler O'Neill reviewed the financial terms of the proposed transaction. Based upon the closing price of Webster's common stock on October 3, 2003 of \$41.15 and assuming 60% of FIRSTFED's shares are converted into Webster stock and the remaining 40% are converted into cash in the merger, Sandler O'Neill calculated an implied transaction value of \$24.50 per share. Based upon FIRSTFED's June 30, 2003 financial information, Sandler O'Neill calculated the following ratios:

**Transaction Ratios**

Transaction value/LTM Earnings per share	16.7x
Transaction value/Stated book value per share	213.7%
Transaction value/Tangible book value per share	291.4%
Tangible book premium/Core deposits(1)	23.0%

(1) Assumes FIRSTFED's total core deposits are \$1.39 billion.

For purposes of Sandler O'Neill's analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately \$464 million, based upon 17,394,984 shares of FIRSTFED common stock outstanding plus the value of options outstanding for 2,215,893 shares calculated using the implied transaction value less the exercise price of the option. Sandler O'Neill noted that the transaction value represented a 7.9% premium over the October 3, 2003 closing price of FIRSTFED's common stock.

*Stock Trading History.* Sandler O'Neill reviewed the history of the reported trading prices and volume of FIRSTFED's common stock and Webster's common stock and the relationship between the movements in

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the prices of FIRSTFED's common stock and Webster's common stock, respectively, to movements in certain stock indices, including the Standard & Poor's 500 Index, Standard & Poor's Bank Index, the Nasdaq Bank Index and the median performance of a composite peer group of publicly traded savings institutions for FIRSTFED and Webster selected by Sandler O'Neill. The composition of the peer groups is discussed under "Comparable Company Analysis" below. During the one year period ended October 3, 2003, FIRSTFED's common stock outperformed all indices to which it was compared. Webster's common stock outperformed the Nasdaq Bank Index, the Standard & Poor's Bank Index, and its Peer Group it, but underperformed the Standard & Poor's 500 Index.

**FIRSTFED's and Webster's One-Year Stock Performance**

	<b>Beginning Index Value October 3, 2003</b>	<b>Ending Index Value October 3, 2003</b>
FIRSTFED	100.00%	186.75%
Peer Group(1)	100.00	122.62
Nasdaq Bank Index	100.00	122.39
S&P Bank Index	100.00	117.20
S&P 500 Index	100.00	124.39

Beginning Index Value

Ending Index Value