

FEDERAL TRUST CORP
Form 424B4
May 14, 2008
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to Rule 424(b)(4)
File No. 333-150051

PROSPECTUS

36,842,105 Shares of Common Stock

Subscription Rights to Purchase up to 15,788,825

Shares of Common Stock at \$0.95 per share

Warrants to Purchase 10,000,000

Shares of Common Stock at \$0.95 per share

We are distributing, at no charge to our shareholders, non-transferable subscription rights to purchase up to 15,788,825 shares of our common stock, par value \$0.01 per share. Subscription rights will be distributed to persons who owned shares of our common stock as of 5:00 p.m. Eastern Time, on May 6, 2008, the record date of the rights offering.

Each subscription right will entitle you to purchase 1.6732 shares of our common stock at the subscription price of \$0.95 per share, which we refer to as the basic subscription privilege. If you fully exercise your basic subscription privilege and other shareholders do not fully exercise their basic subscription privileges, you will be entitled to exercise an over-subscription privilege, subject to certain limitations and subject to allotment, to purchase a portion of the unsubscribed shares of our common stock at the same subscription price of \$0.95 per share. To the extent you properly exercise your over-subscription privilege for an amount of shares that exceeds the number of the unsubscribed shares available to you, any excess subscription payments received by the subscription agent will be returned to you, without interest, as soon as practicable following the expiration of the rights offering. Funds we receive from subscribers in the rights offering will be held in escrow by the subscription agent until the rights offering is completed or canceled.

The subscription rights will expire if they are not exercised by 5:00 p.m., Eastern Time, on June 12, 2008. We reserve the right to extend the expiration date one or more times, but in no event will we extend the rights offering beyond June 27, 2008.

We have separately entered into standby purchase agreements with certain institutional investors and high net worth individuals, pursuant to which these investors and individuals have severally agreed to acquire from us, at the subscription price of \$0.95 per share, up to 24,623,646 shares of common stock, and pursuant to which we have agreed to provide two of these investors a total of 10,000,000 warrants that would entitle these investors to purchase in the future 10,000,000 shares of our common stock at \$0.95 per share. The number of shares available for sale to standby purchasers will depend on the number of shares subscribed for in the rights offering. However, in no event will we issue fewer than 21,053,280 shares to standby purchasers. If 15,788,825 shares are purchased in the rights offering, then only 21,053,280 shares will be sold to the standby purchasers. The maximum number of shares that may be sold in the rights offering and to standby purchasers is 36,842,105.

We reserve the right to cancel the rights offering at any time. In the event the rights offering is cancelled, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable.

You should carefully consider whether to exercise your subscription rights prior to the expiration of the rights offering. All exercises of subscription rights are irrevocable. Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights may not be sold, transferred or assigned and will not be listed for trading on the American Stock Exchange or any other stock exchange or market or on the OTC Bulletin Board.

Our common stock is traded on the American Stock Exchange under the trading symbol FDT. The last reported sales price of our shares of common stock on May 9, 2008 was \$1.05 per share.

OFFERING SUMMARY

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Price: \$0.95 per share

Number of shares	31,578,948	36,842,105
Gross offering proceeds	\$ 30,000,000	\$ 35,000,000
Estimated offering expenses excluding selling agent commissions and expenses	\$ 589,500	\$ 589,500
Selling agent commissions and expenses ⁽¹⁾	\$ 2,194,622	\$ 2,194,622
Selling agent commissions and expenses per share ⁽¹⁾	\$ 0.07	\$ 0.06
Net proceeds	\$ 27,215,878	\$ 32,215,878
Net proceeds per share	\$ 0.86	\$ 0.87

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- (1) We have engaged Stifel, Nicolaus & Company, Incorporated as our financial and marketing advisor and information agent in connection with the rights offering and the offering to standby purchasers. This is not an underwritten offering. Stifel, Nicolaus & Company, Incorporated is not obligated to purchase any of the shares of common stock that are being offered for sale. Please see Plan of Distribution Financial Advisor for a discussion of Stifel, Nicolaus & Company, Incorporated's compensation for the rights offering and the offering to standby purchasers.

This investment involves risks, including the possible loss of principal.

Please read Risk Factors beginning on page 16.

These securities are not deposits, savings accounts or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Neither the Securities and Exchange Commission, the Office of Thrift Supervision, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Stifel Nicolaus

The date of this prospectus is May 12, 2008.

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You should rely only on the information contained in this prospectus. We have not, and our agent, Stifel, Nicolaus & Company, Incorporated, has not, authorized anyone to provide you with different information. The information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or any exercise of the subscription rights. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

In the prospectus we rely on and refer to information and statistics regarding the banking industry and the banking market in Florida. We obtained this market data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

Unless the context indicates otherwise, all references in this prospectus to *we*, *our* and *us* refer to Federal Trust Corporation and our subsidiaries, Federal Trust Bank and Federal Trust Mortgage Company; except that in the discussion of our subscription rights and capital stock and related matters these terms refer solely to Federal Trust Corporation and not to any of our subsidiaries.

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QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

What is the rights offering?

We are distributing, at no charge, to holders of our shares of common stock, non-transferable subscription rights to purchase shares of our common stock. You will receive one subscription right for each share of common stock you owned as of 5:00 p.m., Eastern Time, on May 6, 2008, the record date. Each subscription right entitles the holder to a basic subscription privilege and an over-subscription privilege, which are described below. The shares to be issued in the rights offering, like our existing shares of common stock, will be traded on the American Stock Exchange under the symbol FDT.

What is the offering to the standby purchasers?

We have entered into separate standby purchase agreements with certain institutional investors and high net worth individuals, pursuant to which we have agreed to sell, and these investors and individuals have severally agreed to purchase from us, up to 24,623,646 shares of our common stock. We have also agreed to provide two of these investors a total of 10,000,000 warrants that would entitle these investors to purchase up to 10,000,000 shares of our common stock at \$0.95 per share. The standby purchase commitments are subject to certain conditions as set forth in the standby purchase agreements. The number of shares available for sale to the standby purchasers will depend on the number of shares subscribed for in the rights offering. The standby purchase agreements assure that in no event will we issue fewer than 21,053,280 shares and 10,000,000 warrants, in the aggregate, to standby purchasers. The price per share paid by the standby purchasers for such common stock, and the exercise price of the warrants, will be equal to the subscription price paid by our shareholders in the rights offering. We have also agreed to provide each of two of the standby purchasers the right to select one candidate for appointment to the boards of directors of Federal Trust Corporation and Federal Trust Bank. Subject to receipt of regulatory approval, we have also agreed to provide each of these two standby purchasers the right to select one individual who will have observer rights at these board meetings. In the event we terminate the standby purchase agreements because our Board of Directors determines, in the exercise of its fiduciary duties, that it is not in the best interests of Federal Trust Corporation and our shareholders to go forward with the stock offerings, then we will pay the standby purchasers liquidated damages totaling \$3.3 million. See The Rights Offering Standby Commitments.

Why are we conducting the stock offerings?

We will refer to the rights offering and the offering to standby purchasers collectively as the stock offerings. We are conducting the stock offerings to raise equity capital to improve Federal Trust Bank's capital position, and to retain additional capital at Federal Trust Corporation for general corporate purposes. Our Board of Directors has chosen to raise capital through a rights offering to give our shareholders the opportunity to limit ownership dilution by permitting them to buy additional shares of our common stock, and has chosen to raise additional capital through the sale of shares to standby purchasers to improve the likelihood of success of our capital-raising efforts. There can be no assurance of the amount of dilution that a shareholder may experience from the stock offerings or that the stock offerings will be successful. Furthermore, we cannot assure you that we will not need to seek additional financing or engage in additional capital offerings in the future.

What is the basic subscription privilege?

The basic subscription privilege of each subscription right gives our shareholders the opportunity to purchase 1.6732 shares of our common stock at a subscription price of \$0.95 per share. We have granted to you, as a shareholder of record as of 5:00 p.m., Eastern Time, on the record date, one subscription right for each share of our common stock you owned at that time. Fractional shares of our common stock resulting from the exercise of the basic subscription privilege will be eliminated by rounding down to the nearest whole share. For example, if you owned 100 shares of our common stock as of 5:00 p.m., Eastern Time, on the record date, you would have received 100 subscription rights and would have the right to purchase 167 shares of common stock for \$0.95 per share. You may exercise all or a portion of your basic subscription privilege or you may choose not to exercise any subscription

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rights at all. However, if you exercise less than your full basic subscription privilege, you will not be entitled to purchase any additional shares by using your over-subscription privilege.

If you hold a Federal Trust Corporation stock certificate, the number of rights you may exercise pursuant to your basic subscription privilege is indicated on the enclosed rights certificate. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, you will not receive a rights certificate. Instead, the Depository Trust Company (DTC) will issue one subscription right to the nominee record holder for each share of our common stock that you own at the record date. If you are not contacted by your custodian bank, broker, dealer or other nominee, you should contact your nominee as soon as possible.

What is the over-subscription privilege?

In the event that you purchase all of the shares of our common stock available to you pursuant to your basic subscription privilege, you may also choose to purchase a portion of any shares of our common stock that are not purchased by our other shareholders through the exercise of their basic subscription privileges. You should indicate on your rights certificate how many additional shares you would like to purchase pursuant to your over-subscription privilege. Limitations on the amount of common stock that may be subscribed for pursuant to your over-subscription privilege are described below under the heading "Are there any limits on the number of shares I may purchase in the rights offering or own as a result of the rights offering?"

If sufficient shares of common stock are available, we will seek to honor your over-subscription request in full. If, however, over-subscription requests exceed the number of shares of common stock available, we will allocate the available shares of common stock among shareholders who over-subscribed by multiplying the number of shares requested by each shareholder through the exercise of their over-subscription privileges by a fraction that equals (x) the number of shares available to be issued through over-subscription privileges divided by (y) the total number of shares requested by all subscribers through the exercise of their over-subscription privileges. As described above for the basic subscription privilege, we will not issue fractional shares through the exercise of over-subscription privileges.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege at the time you deliver payment related to your basic subscription privilege. Because we will not know the actual number of unsubscribed shares prior to the expiration of the rights offering, if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of our common stock that may be available to you. For that calculation, you must assume that no other shareholder, other than you and the standby purchasers, who have agreed to exercise their basic subscription privileges for an aggregate of _____ shares, will subscribe for any shares of our common stock pursuant to their basic subscription privilege. See "The Rights Offering" "The Subscription Rights Over-Subscription Privilege."

How was the \$0.95 per share subscription price determined?

In determining the subscription price, our Board of Directors considered a number of factors, including: the price at which our shareholders might be willing to participate in the rights offering, historical and current trading prices for our common stock, the need for liquidity and capital, negotiations with standby purchasers, and the desire to provide an opportunity to our shareholders to participate in the rights offering on a pro rata basis. In conjunction with its review of these factors, our Board of Directors also reviewed our history and prospects, including our past and present earnings, our prospects for future earnings, our current financial condition and regulatory status. We expect to receive a fairness opinion from our financial advisor with respect to the consideration to be paid to Federal Trust Corporation prior to the closing of the stock offerings, but we have not received a fairness opinion as of the date of this prospectus. The subscription price is not necessarily related to our book value, net worth or any other established criteria of value and may or may not be considered the fair value of our common stock to be offered in the rights offering. You should not assume or expect that, after the stock offerings, our shares of common stock will trade at or above the \$0.95 purchase price.

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Am I required to exercise all of the subscription rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. If you do not exercise any subscription rights, the number of shares of our common stock you own will not change. However, if you choose not to exercise your basic subscription rights in full, your ownership interest in Federal Trust Corporation will be diluted as a result of the stock offerings, and if you fully exercise your basic subscription rights, but do not exercise a certain level of over-subscription rights, you will experience dilution as a result of the sale of shares to standby purchasers. In addition, if you do not exercise your basic subscription privilege in full, you will not be entitled to participate in the over-subscription privilege. See **Risk Factors** **Risks Related to the Rights Offering** The stock offerings may reduce your percentage ownership in Federal Trust Corporation.

How soon must I act to exercise my subscription rights?

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and payments prior to the expiration of the rights offering, which is June 12, 2008, at 5:00 p.m., Eastern Time. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, your nominee may establish a deadline prior to 5:00 p.m. Eastern Time, on June 12, 2008 by which you must provide it with your instructions to exercise your subscription rights and payment for your shares. Our Board of Directors may, in its discretion, extend the rights offering one or more times, but in no event will the expiration date be later than June 27, 2008. Our Board of Directors may cancel the rights offering at any time. In the event that the rights offering is cancelled, all subscription payments received will be returned, without interest, as soon as practicable.

Although we will make reasonable attempts to provide this prospectus to holders of subscription rights, the rights offering and all subscription rights will expire at 5:00 p.m., Eastern Time on June 12, 2008 (unless extended), whether or not we have been able to locate each person entitled to subscription rights.

May I transfer my subscription rights?

No. You may not sell, transfer or assign your subscription rights to anyone. Subscription rights will not be listed for trading on the American Stock Exchange or any other stock exchange or market or on the OTC Bulletin Board. Rights certificates may only be completed by the shareholder who receives the certificate.

Are we requiring a minimum subscription to complete the stock offerings?

There is no individual minimum purchase requirement in the rights offering. However, we cannot complete the stock offerings unless we receive aggregate subscriptions of at least \$30.0 million (31,578,948 shares) of common stock in the stock offerings. This includes purchases by the standby purchasers of up to 24,623,646 shares of our common stock.

Has our Board of Directors made a recommendation to our shareholders regarding the rights offering?

Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. Shareholders who exercise subscription rights risk investment loss on new money invested. We cannot predict the price at which our shares of common stock will trade; therefore, we cannot assure you that the market price for our common stock will be above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your decision based on your own assessment of our business and the rights offering. Please see **Risk Factors** for a discussion of some of the risks involved in investing in our common stock.

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Are there any limits on the number of shares I may purchase in the rights offering or own as a result of the rights offering?

A person, together with certain related persons, may not purchase more than \$3.8 million (4,000,000 shares) of our common stock, and a person, together with certain related persons, may not own more than 4,000,000 shares of our common stock as a result of purchases in the rights offering. These limitations do not apply to certain of the standby purchasers. See [The Rights Offering Limit on How Many Shares of Common Stock You May Purchase in the Rights Offering](#).

In addition, with the exception of the issuance of shares to certain of our standby purchasers, we will not issue shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription rights, or to any shareholder or standby purchaser who, in our sole opinion, could be required to obtain prior clearance or approval from or submit a notice to any state or federal bank regulatory authority to acquire, own or control such shares if, as of June 12, 2008, such clearance or approval has not been obtained and/or any applicable waiting period has not expired. If we elect not to issue shares in such a case, the unissued shares will become available to satisfy over-subscriptions by other shareholders pursuant to their subscription rights and will thereafter be available to standby purchasers.

How do I exercise my subscription rights if I own shares in certificate form?

If you hold a Federal Trust Corporation stock certificate and you wish to participate in the rights offering, you must take the following steps:

deliver payment to the subscription agent; and

deliver a properly completed and signed rights certificate, and related subscription documents, to the subscription agent. In certain cases, you may be required to provide additional documentation or signature guarantees.

Please follow the delivery instructions on the rights certificate. Do not deliver documents to Federal Trust Corporation. You are solely responsible for completing delivery to the subscription agent of your subscription documents, rights certificate and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent so that they are received by the subscription agent by 5:00 p.m. Eastern Time, on June 12, 2008.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the full extent possible based on the amount of the payment received, subject to the availability of shares under the over-subscription privilege and the elimination of fractional shares. Any excess subscription payments received by the subscription agent will be returned, without interest, as soon as practicable following the expiration of the rights offering.

What form of payment is required to purchase the shares of our common stock?

As described in the instructions accompanying the rights certificate, payments submitted to the subscription agent must be made in full United States currency by:

bank check or bank draft payable to Registrar and Transfer Company, drawn upon a United States bank;

postal, telegraphic or express money order payable to Registrar and Transfer Company; or

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wire transfer of immediately available funds to the account maintained by Registrar and Transfer Company. You may not remit personal checks of any type.

What should I do if I want to participate in the rights offering, but my shares are held in the name of a custodian bank, broker, dealer or other nominee?

If you hold your shares of common stock through a custodian bank, broker, dealer or other nominee, then your nominee is the record holder of the shares you own. If you are not contacted by your nominee, you should contact your nominee as soon as possible. Your nominee must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase. You will not receive a rights certificate. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the 5:00 p.m., Eastern Time, June 12, 2008 expiration date that we have established for the rights offering.

When will I receive my new shares?

If you purchase stock in the rights offering by submitting a rights certificate and payment, we will mail you a stock certificate as soon as practicable after the expiration date of the rights offering. If your shares as of May 6, 2008 were held by a custodian bank, broker, dealer or other nominee, and you participate in the rights offering, you will not receive stock certificates for your new shares. Your nominee will be credited with the shares of common stock you purchase in the rights offering as soon as practicable after the expiration of the rights offering.

After I send in my payment and rights certificate, may I cancel my exercise of subscription rights?

No. All exercises of subscription rights are irrevocable unless the rights offering is terminated, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our common stock in the rights offering.

Are there any conditions to completing the rights offering?

Yes. We must meet the following conditions to complete the rights offering:

We must sell the minimum offering amount of at least \$30.0 million (31,578,948 shares) of common stock in the stock offerings, which includes the purchases by the standby purchasers of up to 24,623,646 shares of our common stock.

Our shareholders as of May 6, 2008 must approve an amendment to our Restated Articles of Incorporation to increase the number of authorized shares of common stock to 65,000,000. Our Restated Articles of Incorporation currently authorize us to issue 15,000,000 shares of common stock, which is less than the sum of our current outstanding shares plus the number of shares we are offering for sale in the stock offerings. At our 2008 Annual Meeting of Shareholders, which is scheduled to be held on June 16, 2008, we are submitting a proposal to shareholders to amend the Restated Articles of Incorporation.

Our shareholders as of May 6, 2008 must approve the issuance of shares and warrants to standby purchasers. At our 2008 Annual Meeting of Shareholders, we are submitting a proposal to our shareholders to approve the issuance of shares and warrants to the standby purchasers.

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Will our directors and officers participate in the rights offering?

We expect our directors and officers, together with their affiliates, will subscribe for, in the aggregate, 305,267 shares of common stock in the rights offering. The purchase price paid by them will be \$0.95 per share, the same paid by all other persons who purchase shares of our common stock in the stock offerings. Following the stock offerings, our directors and executive officers, together with their affiliates, are expected to own 633,724 shares of common stock, or 2.0% of our total outstanding shares of common stock if we sell 31,578,948 shares of stock in the stock offerings, including shares they currently own in Federal Trust Corporation.

Are the standby purchasers receiving any compensation for the standby commitments?

No. The standby purchasers are not receiving compensation for their standby commitments. However, two of the standby purchasers are each receiving up to \$150,000 for payment of reimbursable expenses. In addition, in connection with their purchase of shares of common stock, we are issuing an aggregate of 10,000,000 warrants with an exercise price of \$0.95 per share to these two standby purchasers.

What agreements do we have with the standby purchasers?

Each of the standby purchasers executed a non-disclosure agreement and accordingly gained access to certain nonpublic information about us and participated in discussions with our management. In addition, the standby purchasers performed a due diligence review of Federal Trust Corporation and subsequently negotiated and executed standby purchase agreements.

How many shares will the standby purchasers own after the stock offerings?

After the stock offerings, the standby purchasers will own between 25,638,597 shares of our common stock (62.5% of our outstanding shares) and 17,996,788 shares of our common stock (38.9% of our outstanding shares), depending on how many shares of common stock we sell in the stock offerings. The standby purchasers will also hold warrants to purchase 10,000,000 shares (24.4% of our outstanding shares if we sell 31,578,948 shares in the stock offerings).

What effects will the stock offerings have on our outstanding common stock?

As of May 6, 2008, we had 9,436,305 shares of our common stock issued and outstanding. Assuming no options are exercised prior to the expiration of the rights offering and assuming all shares are sold in the rights offering and to standby purchasers, we expect approximately 46,278,410 shares of our common stock will be outstanding immediately after completion of the rights offering and the closing of the transactions contemplated by the standby purchase agreements.

The issuance of shares of our common stock in the stock offerings will dilute, and thereby reduce, your proportionate ownership in our shares of common stock unless you fully exercise your basic subscription privilege and a certain level of your over-subscription privilege. The exercise of warrants to be issued in the stock offerings would further dilute your proportionate ownership. In addition, the issuance of shares of our common stock at the subscription price, which is less than the market price as of May 9, 2008, will likely reduce the price per share of shares held by you prior to the stock offerings.

How much will we receive in net proceeds from the stock offerings?

We expect that the aggregate stock offering proceeds, net of expenses, to be between \$27.2 million and \$32.2 million. Subject to Office of Thrift Supervision approval of or non-objection to the capital plan we intend to adopt, described in Supervision and Regulation Cease and Desist Orders, we intend to invest between \$10.0 million and \$20.0 million of the net proceeds in Federal Trust Bank to improve its regulatory capital position, and retain the remainder of the net proceeds. The net proceeds we retain may be used for the payment of dividends on trust preferred securities, the repayment of debt and general corporate purposes and further investment in Federal

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Trust Bank, if required by the Office of Thrift Supervision or if we otherwise determine to make such a further investment. Please see Use of Proceeds.

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of our common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described under the heading Risk Factors in this prospectus.

If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable. If your shares are held in the name of a custodian bank, broker, dealer or other nominee, it may take longer for you to receive the refund of your subscription payment because the subscription agent will return payments through the record holder of your shares.

What fees or charges apply if I purchase shares of the common stock in the rights offering?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights (other than the subscription price). If you exercise your subscription rights through a custodian bank, broker, dealer or other nominee, you are responsible for paying any fees your nominee may charge you.

What is the role of Stifel, Nicolaus & Company, Incorporated in the stock offerings?

We have entered into an agreement with Stifel, Nicolaus & Company, Incorporated, pursuant to which Stifel, Nicolaus & Company, Incorporated is acting as our financial advisor and marketing and information agent in connection with the stock offerings and will use its best efforts to assist us in soliciting the exercise of subscription rights for the purchase of shares of our common stock and in soliciting the standby purchasers. Stifel, Nicolaus & Company, Incorporated is not acting as an underwriter and is not obligated to purchase any shares of our common stock in the stock offerings. We have agreed to pay certain fees to, and expenses of, Stifel, Nicolaus & Company, Incorporated.

Who should I contact if I have other questions?

If you have other questions regarding Federal Trust Corporation, Federal Trust Bank or the stock offerings, please contact our information agent, Stifel, Nicolaus & Company, Incorporated, at (866) 779-2408 (toll free), Monday through Friday (except bank holidays), between 10:00 a.m. and 4:00 p.m., Eastern Time.

If you have any questions regarding completing a rights certificate or submitting payment in the rights offering, please contact our subscription agent for the rights offering, Registrar and Transfer Company, at (800) 368-5948 (toll free), Monday through Friday (except bank holidays), between 10:00 a.m. and 4:00 p.m., Eastern Time.

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SUMMARY

The following summary contains basic information about us and the rights offering. Because it is a summary, it may not contain all of the information that is important to you. For additional information before making a decision to invest in our shares of common stock, you should read this prospectus carefully, including the consolidated financial statements, the notes to the consolidated financial statements and the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, The Rights Offering and Risk Factors.

Federal Trust Corporation

Federal Trust Corporation is a savings and loan holding company, headquartered in Sanford, Florida. Our primary subsidiary, Federal Trust Bank, is a federally chartered savings bank that operates 11 full service branch offices located in Central Florida as set forth on the map on the inside cover of this prospectus. Through Federal Trust Bank, we offer a range of lending services to small- to medium-sized businesses and individuals located in our market areas, including real estate, construction, commercial and consumer loans. We fund our lending services with an array of deposit products, including checking, savings and money market accounts and certificates of deposit. Until April 2008, we operated a residential mortgage company, Federal Trust Mortgage Company, where we originated residential mortgage loans, purchased and sold mortgage loans in the secondary market, and serviced residential mortgage loans, including loans in Federal Trust Bank's loan portfolio. In April 2008, the operations of Federal Trust Mortgage Company were consolidated into Federal Trust Bank, and will operate as a department of Federal Trust Bank. At December 31, 2007, we had consolidated assets of \$690.3 million, deposits of \$481.7 million and stockholders' equity of \$39.7 million.

Federal Trust Corporation's executive offices are located at 312 West 1st Street, Sanford, Florida 32771. Our telephone number at this address is (407) 323-1833. Our website is www.federaltrust.com. Information on our website is not incorporated in this prospectus and is not part of this prospectus.

Cease and Desist Orders

The Office of Thrift Supervision recently concluded examinations of the operations of Federal Trust Corporation and Federal Trust Bank. The Office of Thrift Supervision noted weaknesses and failures relating primarily to our real estate lending practices and asset quality, and their impact on our capital and earnings. We have taken action and implemented procedures that management believes will address the weaknesses identified by the Office of Thrift Supervision. However, the Office of Thrift Supervision has presented cease and desist orders to Federal Trust Corporation and Federal Trust Bank, which are designed to ensure that the weaknesses noted in the recently concluded examinations are properly addressed. We have negotiated the terms of these enforcement orders with the Office of Thrift Supervision and have stipulated to the issuance of the orders. The orders provide that:

we must submit for review and approval by the Office of Thrift Supervision a capital plan to raise additional capital for Federal Trust Bank by July 15, 2008 and, if the additional capital cannot be raised by such date, to enter into a merger agreement with a merger or acquisition partner by August 31, 2008;

Federal Trust Bank must submit for review and approval or non-objection by the Office of Thrift Supervision a detailed business plan to strengthen and improve Federal Trust Bank's operations, earnings, liquidity and capital;

Federal Trust Bank must submit quarterly reports to the Office of Thrift Supervision regarding compliance with the business plan;

until the Office of Thrift Supervision has approved or provided its non-objection to Federal Trust Bank's business plan, Federal Trust Bank will not be permitted to increase its current levels of

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construction loans, acquisition and development loans, non-residential permanent mortgage loans, land loans and certain other loans without the prior approval of the Office of Thrift Supervision;

until the Office of Thrift Supervision has approved or provided its non-objection to Federal Trust Bank's business plan, Federal Trust Bank will not be permitted to increase its total assets during any quarter in excess of an amount equal to the net interest credited on deposit liabilities during the quarter without the prior approval of the Office of Thrift Supervision;

Federal Trust Bank must submit for review and approval or non-objection by the Office of Thrift Supervision an asset review program that will (i) strengthen and ensure the timely identification and proper classification of problem assets, (ii) ensure adequate and proper levels of the allowance for loan and lease losses, and (iii) establish individualized resolution plans for problem assets;

Federal Trust Bank will not be permitted to declare a dividend without the prior written approval of the Office of Thrift Supervision;

Federal Trust Bank must revise its legal lending limit policies and procedures to ensure compliance with applicable law and devise an action plan to correct any legal lending limit violations;

Federal Trust Bank will not be permitted to enter into, renew or modify any agreements with us or enter into affiliated transactions with us, without prior approval of the Office of Thrift Supervision;

Federal Trust Bank will not be permitted to enter into any third-party contracts for services outside the normal course of business without prior review and approval of the Office of Thrift Supervision;

the Board of Directors of Federal Trust Bank must submit a plan to strengthen the Board of Directors' oversight of management and Federal Trust Bank's operations;

the Board of Directors of Federal Trust Bank must conduct a review of Federal Trust Bank's lending functions and assess the qualifications, experience and proficiency of Federal Trust Bank's management and lending staff; and

the Board of Directors of Federal Trust Bank must establish a committee comprised of non-employee directors to monitor and coordinate Federal Trust Bank's compliance with the provisions of its enforcement order.

See Risk Factors Risks Related to Our Business We have stipulated to cease and desist orders with the Office of Thrift Supervision. These orders will significantly restrict our operations. The failure to comply with these orders can result in significant penalties.

Additional Operating Restrictions

As a result of the loan loss provisions recorded during the year ended December 31, 2007, Federal Trust Bank's risk-based capital ratio fell below the amount required for the "well capitalized" designation for bank regulatory purposes. As a result, Federal Trust Bank was considered "adequately capitalized" as of December 31, 2007, with tier 1 leverage, tier 1 risk-based and total risk-based capital ratios of 5.77%, 8.32% and 9.57%, respectively. Because Federal Trust Bank does not qualify for the "well capitalized" designation, it is subject to restrictions on its operations in addition to those that are being imposed through the cease and desist order, described above. These restrictions include the inability to accept brokered deposits and the inability to expand our branch network without regulatory approval. Furthermore, as a result of the Federal Home Loan Bank of Atlanta's

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assessment of our recent financial condition, we will not have access to additional advances nor will we be able to renew existing advances from the Federal Home Loan Bank.

On April 25, 2008, Federal Trust Corporation and Federal Trust Bank were notified by the Office of Thrift Supervision that the following regulatory and supervisory restrictions apply to Federal Trust Corporation and Federal Trust Bank, some of which restrictions are similar to those included in the cease and desist orders:

Federal Trust Corporation and Federal Trust Bank are not eligible to have applications or notices processed by the Office of Thrift Supervision on an expedited basis;

Federal Trust Corporation and Federal Trust Bank are required to provide prior notice to the Office of Thrift Supervision for additions or changes to directors or senior executive officers;

all employment contracts or compensation arrangements, including severance payments, to directors and senior executive officers are subject to prior review by the Office of Thrift Supervision;

the ability of Federal Trust Corporation and Federal Trust Bank to make any compensatory payments to any person previously affiliated with Federal Trust Corporation or Federal Trust Bank following such person's termination of employment is restricted by applicable federal regulation; and

Federal Trust Bank's growth is restricted in that it may not increase its assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities.

In addition, the Office of Thrift Supervision has placed the following restrictions on Federal Trust Corporation and Federal Trust Bank, some of which restrictions are similar to those included in the cease and desist orders:

Federal Trust Bank may not pay any dividends or make any form of capital distribution without the prior written approval of the Office of Thrift Supervision, and Federal Trust Corporation may not request or accept any dividend or any form of capital distribution from Federal Trust Bank without the prior written approval of the Office of Thrift Supervision;

Federal Trust Corporation may not declare or pay any dividend without the prior written approval of the Office of Thrift Supervision, and Federal Trust Corporation must request Office of Thrift Supervision approval for the payment of a dividend in writing at least 30 calendar days prior to the proposed dividend declaration date;

Federal Trust Corporation may not issue any debt securities or otherwise incur any additional debt without the prior written approval of the Office of Thrift Supervision; and

Federal Trust Corporation may not make any payments of any kind, or in any form, to any person or entity in an amount exceeding \$5,000 in any calendar month without the prior written approval of the Office of Thrift Supervision.

Federal Trust Corporation has received Office of Thrift Supervision approval to pay certain fees and expenses in connection with the stock offerings.

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See Risk Factors Risks Related to Our Business An inability to improve our regulatory capital position could adversely affect our operations and The Office of Thrift Supervision has placed additional restrictions on our operations.

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Recent Financial Performance

Our net income has declined in recent years, from \$4.4 million for the year ended December 31, 2005, to \$3.4 million for the year ended December 31, 2006, to a net loss of \$14.2 million for the year ended December 31, 2007. The net loss for the year ended December 31, 2007 was caused primarily by a significant increase in non-performing assets, which necessitated a provision for loan losses of \$16.4 million, compared to a provision for loan losses of \$639,000 for the year ended December 31, 2006. In addition, we experienced a decline in net interest income to \$11.7 million for the year ended December 31, 2007 compared to \$15.7 million for the year ended December 31, 2006, due to net interest margin compression associated with a higher cost of deposits as well as increased foregone interest income resulting from non-accrual loans. Non-interest expense was \$19.5 million for the year ended December 31, 2007, compared to \$12.5 million for the year ended December 31, 2006, primarily as a result of expenses associated with working out our non-performing assets and charges associated with the termination of our former Chief Executive Officer.

See **Risk Factors** **Risks Related to Our Business** We experienced an operating loss during the year ended December 31, 2007 and we may not return to profitability in the future and **Management's Discussion and Analysis of Financial Condition and Results of Operations** for a further discussion of our recent financial performance. See **Recent Developments** for a summary of our financial results as of and for the three months ended March 31, 2008.

Business Strategy

Our business strategy is to take the measures required in the enforcement orders of the Office of Thrift Supervision while building a profitable, well capitalized, full-service community bank with operations in Central Florida. We intend to focus on providing excellent customer service, expanding our product offerings, originating quality loans in our market area, and increasing the amount of deposits we receive from our local markets. The following are highlights of our business strategy:

New executive management team members. To execute on our strategy, we have made significant changes to our executive management team over the last year and assembled a team of bankers with significant depth and breadth, including 68 years of combined experience in the banking industry. In September of 2007, we hired Dennis T. Ward, our President and Chief Executive Officer, to provide the leadership to implement our revitalized business plan. In the last year, we also hired our Executive Vice President and Senior Loan Officer, Mark E. McRae, and our Senior Vice President and Chief Credit Officer, Lindsay Sandham.

Build core relationships with customers and enhance our sales culture. The primary goal of our management team is to build core relationships and better utilize our existing franchise to generate future growth when economic conditions improve. During 2007, we hired a new sales manager for our branch offices, implemented new training procedures for our staff and focused our efforts on developing a broader range of financial products, in order to establish a framework for an enhanced business and sales culture that will better enable us to serve our customers.

Increase loan originations in local markets with better credit underwriting standards while remaining focused on the effective management of non-performing assets. We believe that our renewed focus on in-market retail and small business loan originations, coupled with our recently strengthened underwriting policies and procedures, will help us originate higher-quality loans with favorable risk-adjusted returns. In light of current market conditions in Florida, we have spent considerable effort and resources on the early identification and quantification of potential problem assets. Our new management team is working aggressively toward resolving our non-performing loans and has established a team experienced in resolving problem assets and managing the workout process to minimize net charge-offs, including the recent hiring of an experienced loan workout specialist who will focus full time on the workout and resolution of non-performing and classified assets.

Decrease reliance on wholesale funding sources. Historically, we have relied significantly on brokered deposits and Federal Home Loan Bank advances in order to fund our loan portfolio. Given our current financial

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condition, the availability of funding sources is constrained in that we cannot renew, replace or accept brokered deposits without prior regulatory approval, and we cannot access additional advances or renew existing advances from the Federal Home Loan Bank. We are focused on replacing these more expensive and volatile funding options by leveraging our existing network of 11 branches to increase core deposits and lower cost transaction accounts.

In addition to our short-term objectives of resolving problem assets, and improving our liquidity and capital designation, our long-term goal is to transition our asset and liability mix to that of a traditional community bank. We believe that eliminating purchases of pooled residential real estate loans along with reducing our portfolio of large land acquisition, development and residential loans in favor of smaller commercial business loans, while establishing a lower cost deposit base through a strong retail banking franchise, will be critical to our ability to implement our long-term strategy.

See Management's Discussion and Analysis of Financial Condition and Results of Operations Business Strategy.

Our Dividend Policy

We discontinued paying cash dividends on our shares of common stock during the quarter ended September 30, 2007. Currently, we have no plans to resume the payment of cash dividends on our shares of common stock, and we are subject to Office of Thrift Supervision restrictions on our ability to pay dividends.

See Selected Consolidated Financial and Other Data and Market for the Common Stock and Dividend Information for information regarding our historical dividend payments.

The Rights Offering

Securities Offered	We are distributing to you, at no charge, one non-transferable subscription right for each share of our common stock that you owned as of 5:00 p.m., Eastern Time, on May 6, 2008, either as a holder of record or, in the case of shares held of record by custodian banks, brokers, dealers or other nominees on your behalf, as a beneficial owner of such shares.
Subscription Price	\$0.95 per share.
Record Date	5:00 p.m., Eastern Time, on May 6, 2008.
Expiration of the Rights Offering	5:00 p.m., Eastern Time, on June 12, 2008. We may extend the rights offering without notice to you until June 27, 2008.
Use of Proceeds	We expect the aggregate net proceeds from the stock offerings to be between \$27.2 million and \$32.2 million. We intend to use the proceeds of the stock offerings to invest in Federal Trust Bank to improve its regulatory capital position, to pay dividends on trust preferred securities, to repay debt and for general corporate purposes.
Basic Subscription Privilege	The basic subscription privilege of each subscription right will entitle you to purchase 1.6732 shares of our common stock at a subscription price of \$0.95 per share; however, fractional shares of our common stock resulting from the exercise of the basic subscription privilege will be eliminated by rounding down to the nearest whole share. The number of rights you may exercise appears on your rights certificate.

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Over-Subscription Privilege	In the event that you purchase all of the shares of our common stock available to you pursuant to your basic subscription privilege, you may also choose to subscribe for a portion of any shares of our common stock that are not purchased by our shareholders through the exercise of their basic subscription privileges. You may subscribe for shares of common stock pursuant to your over-subscription privilege, subject to the purchase and ownership limitations described below under the heading Limitations on the Purchase of Shares .
Limitations on the Purchase of Shares	A person, together with certain related persons, may not purchase more than \$3.8 million (4,000,000 shares) of our common stock, and a person, together with certain related persons, may not own more than 4,000,000 shares of our common stock as a result of purchases in the rights offering. These limitations do not apply to certain of our standby purchasers. See The Rights Offering Limit on How Many Shares of Common Stock You May Purchase in the Rights Offering .
	In addition, except for our issuance to certain of our standby purchasers, we will not issue shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription rights, or to any shareholder or standby purchaser who, in our sole opinion, could be required to obtain prior clearance or approval from or submit a notice to any state or federal bank regulatory authority to acquire, own or control such shares if, as of June 12, 2008, such clearance or approval has not been obtained and/or any applicable waiting period has not expired.
Non-Transferability of Rights	The subscription rights may not be sold, transferred or assigned and will not be listed for trading on the American Stock Exchange or on any other stock exchange or market.
No Board Recommendation	Our Board of Directors is making no recommendation regarding your exercise of your subscription rights. You are urged to make your decision based on your own assessment of our business and the rights offering. Please see Risk Factors for a discussion of some of the risks involved in investing in our common stock.
Standby Purchase Agreements	In connection with the rights offering, we have entered into standby purchase agreements with certain institutional investors and high net worth individuals. Subject to certain conditions, the standby purchase agreements obligate us to sell, and require the standby purchasers to purchase from us, up to 24,623,646 shares of common stock, and further obligate us to issue to the standby purchasers an aggregate of 10,000,000 warrants to purchase shares of common stock. The number of shares available for sale to the standby purchasers will depend on the number of shares subscribed for in the rights offering. However, in no event will we issue fewer than 21,053,280 shares to the standby purchasers. The price per share paid by the standby purchasers for such common stock and the exercise price of the warrants will be equal to the subscription price paid by our shareholders in the rights offering. We have also agreed to provide each of two standby purchasers the right to select one candidate for appointment to the boards of directors of Federal Trust Corporation and Federal Trust Bank, and, subject to the receipt of regulatory approval, one individual who will have observer rights at these board meetings. In the event we terminate the standby purchase agreements because our Board of Directors determines, in the exercise of its fiduciary duties, that it is not in the best interests of Federal Trust Corporation and our shareholders to go forward with the stock offerings, then we will pay the standby purchasers liquidated damages totaling \$3.2 million.
Standby Purchasers	Our standby purchasers are Patriot Financial Partners L.P., Sidhu Advisors, FDT, LLC, Keefe Ventures Fund, L.P., El Coronado Holdings, LLC, John Sheldon Clark and David Schwartz.

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No Revocation	All exercises of subscription rights are irrevocable, even if you later learn of information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at a subscription price of \$0.95 per share.
Minimum Offering	The offering is conditioned upon the receipt of minimum offering proceeds of \$30.0 million.
Purchase Intentions of Our Directors and Officers	Our directors and executive officers as a group, together with their affiliates, have indicated their intention to exercise rights to purchase, in the aggregate, approximately \$290,000 of our common stock in the rights offering.
Material U.S. Federal Income Tax Considerations	For U.S. federal income tax purposes, you should not recognize income or loss upon receipt or exercise of a subscription right. You should consult your own tax advisor as to the tax consequences to you of the receipt, exercise or lapse of the rights in light of your particular circumstances.
Extension and Cancellation	Although we do not presently intend to do so, we have the option to extend the rights offering expiration date, but in no event will we extend the rights offering beyond June 27, 2008. Our Board of Directors may cancel the rights offering at any time. In the event that the rights offering is cancelled, all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.
Procedures for Exercising Rights	To exercise your subscription rights, you must take the following steps: If you hold a Federal Trust Corporation stock certificate, you may deliver payment and a properly completed and signed rights certificate to the subscription agent to be received before 5:00 p.m., Eastern Time, on June 12, 2008. You may deliver the documents and payment by hand delivery, U.S. mail or courier service. If U.S. mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested. If you are a beneficial owner of shares that are registered in the name of a custodian bank, broker, dealer or other nominee, you will not receive a rights certificate. You should instruct your nominee to exercise your subscription rights on your behalf. Please follow the instructions of your nominee, who may require that you meet a deadline earlier than 5:00 p.m., Eastern Time, on June 12, 2008.
Subscription Agent	Registrar and Transfer Company.
Financial Advisor and Information Agent	Stifel, Nicolaus & Company, Incorporated is acting as our financial advisor and marketing and information agent in connection with the stock offerings. We have agreed to pay certain fees to, and expenses of, Stifel, Nicolaus & Company, Incorporated.
Shares Outstanding Before the Rights Offering	9,436,305 shares of our common stock were outstanding as of May 6, 2008.
Shares Outstanding After Completion of the Rights Offering	Assuming no options are exercised prior to the expiration of the rights offering and assuming all shares are sold in the rights offering and to standby purchasers, we expect approximately 46,278,410 shares of our common stock will be outstanding

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immediately after completion of the rights offering and the closing of the transactions contemplated by the standby purchase agreements.

American Stock Shares of our common stock are currently listed for trading on the American Stock Exchange under the symbol FDT.

Exchange Symbol

Risk Factors

Before you exercise your subscription rights to purchase shares of our common stock, you should be aware that there are risks associated with your investment, including the risks described in the section entitled "Risk Factors" beginning on page 16 of this prospectus, and the risks that we have highlighted in other sections of this prospectus. You should carefully read and consider these risk factors together with all of the other information included in this prospectus before you decide to exercise your subscription rights to purchase shares of our common stock.

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RISK FACTORS

An investment in our shares of common stock involves a number of risks. You should consider carefully the risks described below in evaluating an investment in the shares of common stock. If any of the events in the following risks actually occurs, or if additional risks and uncertainties not presently known to us or that we believe are immaterial, materialize, then our business, results of operations and financial condition could be materially adversely affected. In addition, the trading price of our shares of common stock could decline due to any of the events described in these risks.

Risks Related to Our Business

We have stipulated to cease and desist orders with the Office of Thrift Supervision. These orders will significantly restrict our operations. The failure to comply with these orders can result in significant penalties.

The Office of Thrift Supervision recently concluded examinations of the operations of Federal Trust Corporation and Federal Trust Bank. The Office of Thrift Supervision noted weaknesses and failures relating primarily to our real estate lending practices and asset quality, and their effect on our capital and earnings. We have taken action and implemented procedures that management believes will address the weaknesses identified by the Office of Thrift Supervision. However, the Office of Thrift Supervision has presented cease and desist orders to Federal Trust Corporation and Federal Trust Bank, which are designed to ensure that the weaknesses noted in the recently concluded examinations are properly addressed. We have negotiated the terms of these enforcement orders with the Office of Thrift Supervision and have stipulated to the issuance of the orders. The orders provide that:

we must submit for review and approval by the Office of Thrift Supervision a capital plan to raise additional capital for Federal Trust Bank by July 15, 2008 and, if the additional capital cannot be raised by such date, to enter into a merger agreement with a merger or acquisition partner by August 31, 2008;

Federal Trust Bank must submit for review and approval or non-objection by the Office of Thrift Supervision a detailed business plan to strengthen and improve Federal Trust Bank's operations, earnings, liquidity and capital;

Federal Trust Bank must submit quarterly reports to the Office of Thrift Supervision regarding compliance with the business plan;

until the Office of Thrift Supervision has approved or provided its non-objection to Federal Trust Bank's business plan, Federal Trust Bank will not be permitted to increase its current levels of construction loans, acquisition and development loans, non-reside