

FEDERAL TRUST CORP  
Form PREM14A  
December 03, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Federal Trust Corporation**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:  
Common stock, par value \$0.01 per share, of Federal Trust Corporation

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2) Aggregate number of securities to which transaction applies:  
9,448,120, including (i) 9,436,305 shares of common stock currently outstanding and (ii) 11,815 shares of common stock underlying restricted stock units.

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
**Calculated solely for the purpose of determining the filing fee.** The filing fee was determined based on the sum of (i) 9,436,305 shares of common stock multiplied by \$1.00 and (ii) restricted stock units covering 11,815 shares of common stock multiplied by \$1.00 (the sum of (i) and (ii), the Total Consideration ). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying .00003930 by the Total Consideration.

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4) Proposed maximum aggregate value of transaction:  
\$9,448,120

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5) Total fee paid:  
\$371.32

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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[Letterhead of Federal Trust Corporation]

[document date]

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Fellow Shareholder:

We cordially invite you to attend a special meeting of shareholders of Federal Trust Corporation. The special meeting will be held at [location] located at [address, city, state, zip], on [meeting date], at [meeting time], local time.

On November 14, 2008, Federal Trust Corporation agreed to merge with FT Acquisition Corporation, a wholly owned subsidiary of The Hartford Financial Services Group, Inc. If the merger is completed, Federal Trust Corporation will become a wholly owned subsidiary of The Hartford and you will receive a cash payment of \$1.00 for each share of Federal Trust Corporation common stock that you own. Upon completion of the merger you will no longer own any stock or have any other interest in Federal Trust Corporation.

At the special meeting, you will be asked to adopt and approve the Agreement and Plan of Merger, dated as of November 14, 2008, by and between The Hartford, FT Acquisition Corporation (formed by The Hartford to facilitate the merger) and Federal Trust Corporation (the Merger Agreement). A majority of the votes representing the issued and outstanding shares of common stock of Federal Trust Corporation must be voted for approval and adoption of the Merger Agreement for the merger to be completed. If the Merger Agreement is so adopted and approved, and all other conditions described in the Merger Agreement have been met or waived, the merger is expected to occur during the first quarter of calendar 2009.

Your exchange of shares of Federal Trust Corporation common stock for cash generally will cause you to recognize income or loss for federal, and possibly state, local and foreign, tax purposes. You should consult your personal tax advisor for a full understanding of the tax consequences of the merger to you.

**Your Board of Directors believes that the merger is in the best interests of Federal Trust Corporation's shareholders and unanimously recommends that you vote FOR approval of the Merger Agreement.** Your Board of Directors has received the written opinion of Stifel, Nicolaus & Company, Incorporated, that the consideration to be received by Federal Trust Corporation's shareholders in the merger is fair from a financial point of view.

This proxy statement provides you with detailed information about the proposed merger and includes, as Appendix A, a complete copy of the Merger Agreement. We urge you to read the enclosed materials carefully for a complete description of the merger.

**Your vote is important.** Absent consummating the merger, there is a strong likelihood that Federal Trust Bank will be placed into receivership by the Federal Deposit Insurance Corporation, resulting in you owning a company whose liabilities exceed its assets and you not receiving any payment for your shares. Therefore, whether or not you plan to attend the special meeting, please complete, date and sign the enclosed proxy card and return it promptly in the postage-paid envelope we have provided. You may also vote your shares by telephone or the Internet using the instructions on the enclosed proxy or voting instruction card (if those options are provided to you). If your shares are held in an account at a brokerage firm, bank or other nominee, you should instruct your broker, bank or nominee how to vote your shares using the separate voting instruction form furnished by your broker, bank or nominee. Failing to vote will have the same effect as voting against the merger.

If you have any questions concerning the merger, please contact Federal Trust's proxy solicitor Regan & Associates, Inc., \_\_\_\_\_ or by calling (\_\_\_\_) \_\_\_\_\_-\_\_\_\_\_.

On behalf of the Board, we thank you for your prompt attention to this important matter.

Sincerely,

Robert G. Cox  
Chairman of the Board

Dennis T. Ward  
President and Chief Executive Officer

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This proxy statement is dated [document date] and is first being mailed to shareholders on or about [mail date].

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**Federal Trust Corporation**

**312 West 1st Street**

**Sanford, Florida 32771**

**(407) 323-1833**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON [MEETING DATE]**

Notice is hereby given that a special meeting of shareholders of Federal Trust Corporation will be held at [location] located at [address, city, state, zip], on [meeting date], commencing at [meeting time], local time, and thereafter as it may from time to time be adjourned.

A proxy card and a proxy statement for the special meeting are enclosed. The meeting is being held for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of November 14, 2008, by and between The Hartford Financial Services Group, Inc., FT Acquisition Corporation and Federal Trust Corporation, pursuant to which FT Acquisition Corporation, a newly incorporated wholly owned subsidiary of The Hartford Financial Services Group, Inc., will merge with and into Federal Trust Corporation and each of the outstanding shares of Federal Trust Corporation common stock will be converted into the right to receive \$1.00 in cash, as more fully described in the accompanying proxy statement;
2. The potential adjournment of the special meeting of shareholders if necessary or appropriate to solicit additional proxies; and
3. To transact such other business as properly may come before the meeting and any adjournment or adjournments. We are not aware of any other business to come before the special meeting.

Any action may be taken on Proposal No. 1 at the special meeting or on any date or dates to which the special meeting may be adjourned or postponed. You can vote at the meeting if you owned Federal Trust Corporation common stock at the close of business on [record date]. A complete list of shareholders entitled to vote at the meeting will be available at the corporate offices of Federal Trust Corporation during the ten days prior to the meeting and at the meeting.

As a shareholder of Federal Trust Corporation, you have the right to obtain an appraisal of the fair value of your shares of Federal Trust Corporation common stock under applicable provisions of Florida law. In order to perfect appraisal rights, you must not vote in favor of the merger and must comply with the requirements of Florida law. A copy of the Florida statutory provisions regarding appraisal rights is provided as Appendix C to the accompanying proxy statement and a summary of these provisions can be found under the caption Appraisal Rights beginning on page 30.

**Your vote is very important.** We cannot complete the merger unless Federal Trust Corporation's common shareholders approve and adopt the Merger Agreement. Failure to vote will have the same effect as voting against the merger.

**Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card. If you hold your stock in street name through a bank, broker or other nominee, please direct your bank, broker or other nominee to vote in accordance with the instructions you have received from your bank, broker or other nominee.** This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of Federal Trust Corporation common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked at any time before it is voted.

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The enclosed document provides a detailed description of the merger, the Merger Agreement and related matters. We urge you to read the document, including any documents incorporated in the document by reference, and its appendices carefully and in their entirety. If you have any questions concerning the merger or the document, would like additional copies of the document or need help voting your shares of Federal Trust Corporation common stock, please contact Federal Trust Corporation's proxy solicitor:

Regan & Associates, Inc.

[address]

[telephone]

[e-mail address]

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**The Federal Trust Corporation board of directors has unanimously approved and adopted the merger and the Merger Agreement and unanimously recommends that Federal Trust Corporation shareholders vote FOR approval and adoption of the Merger Agreement.**

By Order of the Board of Directors

Dennis T. Ward  
President and Chief Executive Officer

Sanford, Florida

[document date]

Important: The prompt return of proxies will save Federal Trust Corporation the expense of further requests for proxies to ensure a quorum at the meeting. Please complete, sign and date the enclosed proxy card and promptly mail it in the enclosed envelope. You may also be able to vote your shares by telephone or over the Internet. If telephone or Internet voting is available to you, voting instructions are printed on the proxy card or voting instruction card sent to you. You may revoke your proxy in the manner described in the proxy statement at any time before it is voted.



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**QUESTIONS AND ANSWERS**

**ABOUT VOTING PROCEDURES FOR THE SPECIAL MEETING**

**Q: Why am I receiving this document and proxy card?**

**A:** You are being asked to approve and adopt the Merger Agreement, dated as of November 14, 2008, by and between Federal Trust Corporation, The Hartford Financial Services Group, Inc. ( The Hartford ) and FT Acquisition Corporation. A copy of the Merger Agreement is attached to this proxy statement as Appendix A. Pursuant to the terms and conditions of the Merger Agreement, FT Acquisition Corporation will merge with and into Federal Trust Corporation, and each outstanding common share of Federal Trust Corporation, other than common shares owned by Federal Trust Corporation and its subsidiaries, The Hartford and its subsidiaries and dissenting shares, will be converted into the right to receive \$1.00 in cash, without interest. As a result of the merger, Federal Trust Corporation will become a wholly owned subsidiary of The Hartford, and Federal Trust Corporation's common shares will be deregistered under the Securities Exchange Act of 1934, as amended.

You are also being asked to approve the potential adjournment of the special meeting of shareholders if necessary or appropriate to solicit additional proxies.

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

**A:** After you have carefully read this proxy statement, including the appendices, and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at the special meeting.

If you hold stock in your name as a shareholder of record, indicate on your proxy card how you want your shares to be voted or, if you prefer, you can vote by using the telephone or Internet. If you choose not to vote by telephone or Internet, then sign, date and mail your proxy card in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented and voted at the special meeting.

If you hold your stock in street name through a bank, broker or other nominee, you must direct your bank, broker or other nominee to vote in accordance with the instructions you have received from your bank, broker or other nominee. Street name shareholders who wish to vote at the special meeting will need to obtain a proxy form from the institution that holds their shares.

If you are a participant in the Employees Savings & Profit Sharing Plan and Trust (401(k) plan) or the Employee Stock Ownership Plan for Federal Trust Corporation and its Subsidiaries, or any other benefit plans through which you can own shares of Federal Trust Corporation common stock, you will have received with this proxy statement voting instruction forms that reflect all shares you may vote under these plans. Under the terms of these plans, the trustee or administrator votes all shares held by the plan, but each participant may direct the trustee or administrator how to vote the shares of Federal Trust Corporation common stock allocated to his or her plan account. If you own shares through any of these plans and do not vote, the respective plan trustees or administrators will vote the shares in accordance with the terms of the respective plans. The deadline for returning your voting instructions may be prior to [meeting date].

**Q: What is the vote required to approve the Merger Agreement?**

**A:** Approval and adoption of the Merger Agreement requires the affirmative vote of a majority of the votes representing the issued and outstanding shares of common stock of Federal Trust Corporation as of the close of business on [record date], the record date for the special meeting.

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

- A:** Absent consummating the merger, there is a strong likelihood that Federal Trust Bank will be placed into receivership by the Federal Deposit Insurance Corporation, resulting in you owning a company whose liabilities exceed its assets and you not receiving any payment for your shares. If you do not return your proxy card or vote by telephone, Internet or in person at the special meeting or fail to instruct your bank or broker how to vote, it will be more difficult for us to obtain the necessary quorum to hold our special meeting. In addition, your failure to vote or failure to instruct your bank, broker or other nominee how to vote will have the same effect as a vote against approval and adoption of the Merger Agreement. The Merger Agreement must be approved and adopted by the holders of a majority of the votes representing the issued and outstanding

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shares of Federal Trust Corporation common stock entitled to vote at the special meeting. **The Federal Trust Corporation board of directors unanimously recommends that you vote to approve and adopt the Merger Agreement.**

**Q: If my broker holds my shares in street name, will my broker automatically vote my shares for me?**

**A:** No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the directions your broker provides.

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

**A:** If you abstain from voting or fail to instruct your broker to vote your shares, the abstention will be counted toward a quorum at the special meeting, but it will have the same effect as a vote against the Merger Agreement.

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

**A:** Yes. All shareholders are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If your shares are held in street name, then you are not the shareholder of record and you must ask your broker or other nominee how you can vote at the special meeting.

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

**A:** Yes, you can change your vote at any time before your proxy is voted at the special meeting. If you have not voted through your broker or other nominee, there are three ways you can change your vote after you have sent in your proxy card.

First, you may send a written notice to our Corporate Secretary, stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy card. Any earlier proxies will be revoked automatically.

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

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

If you voted using the Internet, you can change your vote at the Internet address shown on your proxy card. The Internet voting system is available 24 hours a day until 3:00 a.m., Eastern Time, on [meeting date].

If you voted by telephone, you can change your vote by using the toll free telephone number shown on your proxy card. The telephone voting system is available 24 hours a day in the United States until 3:00 a.m., Eastern Time, on [meeting date].

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**Q: Will I have the right to have my shares appraised if I dissent from the merger?**

**A:** Yes, you will have appraisal rights. If you wish to exercise your right to appraisal as a dissenting shareholder, you must not vote in favor of the adoption of the Merger Agreement, and you must strictly follow the other requirements of Florida law. A summary describing the requirements you must meet in order to exercise your right to appraisal is in the section entitled "Proposal I Approval of the Merger Agreement Appraisal Rights." A copy of the relevant provisions of Florida law is attached as Appendix C to this proxy statement. Note that these procedures require advising Federal Trust Corporation prior to the special meeting of your intention to seek appraisal of your shares.

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

**A:** No. Instructions for surrendering your Federal Trust Corporation stock certificates in exchange for the cash purchase price will be sent to you later. Please do not send any stock certificates with your proxy.

**Q: Will I owe taxes as a result of the merger?**

**A:** Yes, if you recognize taxable gain. The merger will be a taxable transaction for U.S. federal income tax purposes to U.S. holders of Federal Trust Corporation common shares. As a result, to the extent you recognize taxable gain, the cash you receive in the merger in exchange for your

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Federal Trust Corporation common shares will be subject to U.S. federal income tax and also may be taxed under applicable state, local and foreign income and other tax laws. In general, you will recognize gain or loss equal to the difference between the amount of cash you receive in the merger and the aggregate adjusted tax basis of your Federal Trust Corporation common shares. The deductibility of capital losses by U.S. holders is subject to limitations. See Proposal I Approval of the Merger Agreement Certain Federal Income Tax Consequences. You are urged to consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for Federal Trust Corporation common shares pursuant to the merger.

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

**A:** You should call our Corporate Secretary at (407) 323-1833. You may also contact Regan & Associates, Inc., our proxy solicitation agent, at ( ) \_\_\_\_-\_\_\_\_. If your broker or other nominee holds your shares, you should also call your broker or other nominee for additional information.

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**FEDERAL TRUST CORPORATION**

**PROXY STATEMENT FOR SPECIAL MEETING OF SHAREHOLDERS**

**SUMMARY TERM SHEET**

This is a summary of selected key terms of the transaction between Federal Trust Corporation and The Hartford Financial Services Group, Inc. It may not contain all of the information that is important to you. We urge you to read carefully the entire document, including the appendices, and the other documents to which we refer, including the Merger Agreement, to fully understand the merger. Each item in this summary refers to the page of this document on which the subject is discussed in more detail.

**In the Merger, Federal Trust Corporation Shareholders Will Have a Right to Receive \$1.00 Per Share of Federal Trust Corporation Common Stock (page 36)**

Pursuant to the Merger Agreement, FT Acquisition Corporation, a wholly owned subsidiary of The Hartford will merge with and into Federal Trust Corporation. This will be accomplished through the transactions as set forth under the caption Proposal I Approval of the Merger Agreement General on page 15. If the merger occurs, each shareholder of Federal Trust Corporation will receive, for each share he or she owns, the right to receive \$1.00 in cash per share. See the discussion under the caption Proposal I Approval of the Merger Agreement Terms of the Merger beginning at page 36 for more information.

**What Holders of Federal Trust Corporation Stock Options and Other Equity-Based Awards Will Receive (page 33)**

Pursuant to the Merger Agreement, each outstanding option granted by Federal Trust Corporation to purchase shares of Federal Trust Corporation common stock, whether vested or unvested, will be canceled, in exchange for a cash payment equal to the number of shares of Federal Trust Corporation covered by the option, multiplied by the amount, if any, by which \$1.00, without interest, exceeds the exercise price per share under the option, less any required withholding taxes. No outstanding options have an exercise price less than \$1.00. Accordingly, no payments will be made to any option holder in connection with the cancellation of the options.

Each vested or unvested restricted stock unit with respect to shares of Federal Trust Corporation common stock that is outstanding immediately prior to the effective date of the merger will be canceled, in exchange for a cash payment equal to the number of shares subject to the restricted stock units, multiplied by \$1.00, without interest, less any required withholding taxes.

At the effective time of the merger, each share of common stock held by the Federal Trust Bank Employee Stock Ownership Plan will be converted into the right to receive \$1.00.

**The Merger Will Be Taxable to Federal Trust Corporation Shareholders (page 28)**

The merger generally will be a taxable transaction to you, and you will generally recognize gain or loss in an amount equal to the difference, if any, between (i) the merger consideration and (ii) your adjusted tax basis in the shares of Federal Trust Corporation common stock exchanged in the merger.

*The federal income tax consequences described above may not apply to all holders of Federal Trust Corporation common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

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**The Federal Trust Corporation Board of Directors Unanimously Recommends that Federal Trust Corporation Shareholders Vote FOR Approval and Adoption of the Merger Agreement (page 19)**

The merger cannot occur unless Federal Trust Corporation's shareholders approve the merger by the affirmative vote of a majority of the issued and outstanding shares of common stock and all regulatory and other approvals necessary to complete the merger are obtained and other conditions are satisfied or waived. See the discussion under the caption "Proposal I Approval of the Merger Agreement Conditions to the Merger" beginning at page 37 for more information. The Board of Directors of Federal Trust Corporation has approved the merger and unanimously recommends that Federal Trust Corporation's shareholders vote in favor of it. See the discussion under the caption "Proposal I Approval of the Merger Agreement Federal Trust Corporation's Reasons for the Merger and Recommendation of the Board of Directors" for more information. In deciding to enter into the Merger Agreement, the Board considered a variety of factors including but not limited to:

the status of Federal Trust Corporation with respect to the timeframes set forth in the Cease and Desist Order issued to Federal Trust Corporation by the Office of Thrift Supervision;

the amount and form of merger consideration; and

the ability of The Hartford to complete the merger.

**Stifel, Nicolaus & Company, Incorporated Has Provided an Opinion to the Federal Trust Corporation Board of Directors Regarding the Merger Consideration (page 21 and Appendix B)**

Stifel, Nicolaus & Company, Incorporated ( "Stifel Nicolaus" ) delivered its opinion to the board of directors of Federal Trust Corporation on November 14, 2008 that, based upon and subject to the factors and assumptions set forth in the opinion, the per share consideration to be paid to the holders of Federal Trust Corporation's common stock (other than dissenting shares, as defined in the Merger Agreement, or shares held directly or indirectly by The Hartford or Federal Trust Corporation or any of their respective subsidiaries) by The Hartford in connection with the merger pursuant to the Merger Agreement was fair to such holders, from a financial point of view.

The full text of the written opinion of Stifel Nicolaus, dated November 14, 2008, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix B to this proxy statement. See also the discussion under the caption "Proposal I Approval of the Merger Agreement Opinion of Federal Trust Corporation's Financial Advisor" beginning at page 21 for more information. Federal Trust Corporation's shareholders should read the opinion in its entirety. Stifel Nicolaus provided its opinion for the information and assistance of the Federal Trust Corporation board of directors in connection with the board's consideration of the financial terms of the merger. Stifel Nicolaus' opinion is not a recommendation as to how any Federal Trust Corporation shareholder should vote with respect to the merger.

**Federal Trust Corporation has Agreed to Pay The Hartford a Termination Fee of \$3.5 Million in Certain Circumstances and Has Agreed to Non-Solicitation Restrictions (page 41 and 44)**

Federal Trust Corporation has agreed to pay The Hartford a termination fee of \$3.5 million if:

Federal Trust Corporation's board of directors fails to recommend approval and adoption of the Merger Agreement to shareholders, approves or recommends a proposal from another party to acquire Federal Trust Corporation (or publicly proposes to do so), fails to timely recommend that shareholders reject any tender offer or exchange offer for the shares of Federal Trust Corporation or any of its subsidiaries, breaches its non-solicitation obligations in any material respect adverse to The Hartford or breaches its obligations to call this special meeting in any material respect; or



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the Merger Agreement is terminated in circumstances described below following the announcement of a proposal from another party to acquire Federal Trust Corporation and Federal Trust Corporation enters into a merger agreement with another party within six months following the termination of the Merger Agreement or in other circumstances.

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See the discussion under the caption "Proposal I Approval of the Merger Agreement Termination of the Merger Agreement" for more information.

In general, Federal Trust Corporation has agreed that it will not seek or encourage a competing transaction to acquire Federal Trust Corporation, except in very limited situations in which an unsolicited offer is made. See the discussion under the caption "Proposal I Approval of the Merger Agreement Agreement Not to Solicit Other Offers" beginning at page 41 for more information.

**Federal Trust Corporation's Executive Officers and Directors Have Financial Interests in the Merger That Differ From Your Interests (page 32)**

Our directors and executive officers have interests in the merger as individuals in addition to, or different from, their interests as shareholders, including, but not limited to, payments under their existing employment agreements, new employment agreements for two executive officers and proposed new compensation arrangements for two directors and indemnification and insurance coverage provided by The Hartford. In addition, as of [record date], the executive officers and directors as a group will receive approximately \$\_\_\_\_\_ in merger consideration in exchange for the shares of Federal Trust Corporation common stock they individually own. See the discussion under the caption "Proposal I Approval of The Merger Agreement Financial Interests of Directors and Officers in the Merger" for more information.

**Under Florida Law, You Have the Right to Exercise Appraisal Rights in Connection with the Merger (page 30)**

Under Florida law, you have the right to exercise appraisal rights in connection with the merger. This means that if you comply with the procedures for perfecting appraisal rights under Florida law, you are entitled to have the fair value of your shares determined by a state court in Seminole County, Florida and to receive a cash payment based on that valuation instead of the consideration to be paid in the merger. To exercise your appraisal rights, you must deliver written notice of your intent to demand payment to Federal Trust Corporation, 312 West 1st Street, Sanford, Florida 32771, Attn: Corporate Secretary, before the vote on the Merger Agreement at the special meeting, and you must not vote in favor of the adoption of the Merger Agreement. You must also complete a form that the surviving company will provide to you following completion of the merger with its estimate of the fair value of Federal Trust Corporation's common stock, and, unless the surviving company either accepts your offer as to the fair value of the shares of common stock or commences a proceeding in a state court in Seminole County, Florida, you must commence a proceeding in a state court in Seminole County, Florida. Your failure to follow exactly the procedures specified under Florida law will result in the loss of your appraisal rights. For additional information, see the discussion under the caption "Proposal I Approval of the Merger Agreement Appraisal Rights" and the relevant provisions of Florida law attached to this proxy statement as Appendix C.

**There are Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 37)**

Currently, we expect to complete the merger during the first quarter of 2009. As more fully described in this document and in the Merger Agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

Approval and adoption of the Merger Agreement by Federal Trust Corporation's shareholders;

Directors Robert G. Cox and Charles R. Webb; President, Chief Executive Officer and Director Dennis T. Ward and Senior Vice President, Chief Credit Officer and Special Assets Manager Edward J. Walker, III entering into retention agreements with The Hartford or a subsidiary of The Hartford on terms reasonably acceptable to The Hartford;

Shareholders of not more than 10% of the total number of issued and outstanding shares of Federal Trust Corporation common stock perfecting their appraisal rights in accordance with Florida law; and

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receipt of certain required regulatory approvals described below.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**There are Regulatory Approvals That Must Be Received for the Merger to Occur (page 34)**

Federal Trust Corporation and The Hartford each have agreed to use its commercially reasonable efforts to obtain all permits, consents, approvals and authorizations of all third parties and governmental entities that are necessary or advisable to consummate the merger and the transactions contemplated by the Merger Agreement. The Hartford is not obligated to take any action, or commit to take any action or agree to any condition or restriction in connection with obtaining these permits, consents, approvals and authorizations, which in The Hartford's reasonable judgment would be expected to have, individually or in the aggregate with such other actions, a materially burdensome effect on The Hartford, any of its significant subsidiaries or Federal Trust Corporation or a materially adverse effect on the anticipated benefits of the merger to The Hartford.

These approvals include

Approval by the Office of Thrift Supervision of The Hartford's application to acquire control of Federal Trust Corporation and to become a savings and loan holding company. In addition, The Hartford's obligation to consummate the merger is subject to the Office of Thrift Supervision having terminated the Orders to Cease and Desist issued to Federal Trust Corporation and Federal Trust Bank on May 12, 2008.

Approval and authorization by the U.S. Treasury Department of The Hartford:

for participation in the Capital Purchase Program under the Troubled Asset Relief Program, as authorized by the Emergency Economic Stabilization Act of 2008, on terms not less favorable to The Hartford than those set forth on the website of the U.S. Department of the Treasury on November 14, 2008 (the date of execution of the Merger Agreement); and

to receive funding under the Capital Purchase Program in an amount equal to (x) the amount requested by The Hartford in its application or (y) at The Hartford's sole discretion, such lesser amount as may be determined by The Hartford to be acceptable.

Consummation of the merger is also subject to prior approval by the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision of matters relating to Allianz SE, a shareholder of The Hartford.

Although we do not know of any reason why these regulatory approvals cannot be obtained in a timely manner, we cannot be certain when or if such approvals will be obtained.

**Table of Contents****FEDERAL TRUST CORPORATION****SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The following tables set forth historical consolidated financial data for Federal Trust Corporation. The annual historical financial condition and operating data are derived from Federal Trust Corporation's consolidated financial statements audited by its independent registered public accounting firm. Financial data as of September 30, 2008 and for the nine months ended September 30, 2008 and 2007 are derived from unaudited financial data, but Federal Trust Corporation believes such amounts reflect all normal recurring adjustments necessary for a fair presentation of the results of operations and financial position for those periods. The results for the nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the entire year.

	At September 30,		At December 31,			
	2008 (1)	2007	2006	2005	2004	2003
(Dollars in thousands, except per share amounts)						
<b>Selected Financial Condition Data:</b>						
Total assets	\$ 601,741	\$ 690,264	\$ 722,964	\$ 735,416	\$ 603,131	\$ 468,198
Loans, net	472,898	563,234	603,917	630,827	521,331	398,401
Securities available for sale	32,906	52,449	65,558	50,080	41,172	33,615
Deposits	410,659	481,729	472,794	471,062	404,116	314,630
Federal Home Loan Bank advances	161,500	152,000	179,700	201,700	143,700	107,700
Stockholders' equity	9,861	39,686	54,620	44,141	39,387	26,457
Book value per share	1.05	4.22	5.86	5.23	4.86	3.97
Shares outstanding (2)	9,393,919	9,393,919	9,319,603	8,443,105	8,101,287	6,656,739
Equity-to-assets ratio	1.64%	5.75%	7.56%	6.00%	6.53%	5.65%

	At or For the Nine Months Ended September 30,		At or For the Years Ended December 31,				
	2008 (1)	2007 (1)	2007	2006	2005	2004	2003
(Dollars in thousands, except per share amounts)							
<b>Selected Operating Data:</b>							
Interest income	\$ 24,200	\$ 32,114	\$ 42,486	\$ 43,842	\$ 33,977	\$ 24,609	\$ 20,921
Interest expense	18,671	23,065	30,797	28,114	19,336	10,851	9,750
Net interest income	5,529	9,049	11,689	15,728	14,641	13,758	11,171
Provision for losses on loans	10,265	10,410	16,412	639	650	1,180	650
Net interest (loss) income after provision for loan losses	(4,736)	(1,361)	(4,723)	15,089	13,991	12,578	10,521
Other income	1,376	1,218	944	2,226	2,533	2,391	2,358
Other-than-temporary impairment			749			1,055	
Other expenses	15,151	15,454	18,742	12,461	9,791	9,334	8,826
Income (loss) before income taxes	(18,511)	(15,597)	(23,270)	4,854	6,733	4,580	4,053
Income tax expense (benefit)	7,531	(6,135)	(9,107)	1,444	2,297	1,497	1,276
Net (loss) earnings	\$ (26,042)	\$ (9,462)	\$ (14,163)	\$ 3,410	\$ 4,436	\$ 3,089	\$ 2,777
Basic (loss) earnings per share	\$ (2.27)	\$ (1.01)	\$ (1.51)	\$ 0.38	\$ 0.54	\$ 0.43	\$ 0.42
	\$ (2.27)	\$ (1.01)	\$ (1.51)	\$ 0.37	\$ 0.53	\$ 0.42	\$ 0.41

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Diluted (loss) earnings per share

Weighted average common shares outstanding	9,393,919	9,356,967	9,363,223	9,002,900	8,269,423	7,224,069	6,679,936
Return (loss) on average assets	(3.99)%	(1.32)%	(1.97)%	0.46%	0.66%	0.59%	0.64%
Return (loss) on average equity	(95.82)%	(17.92)%	(26.83)%	6.70%	10.70%	9.80%	10.79%
Net interest margin	1.21%	1.78%	1.74%	2.26%	2.30%	2.80%	2.73%
Average equity to average assets	4.16%	7.35%	7.33%	6.92%	6.16%	6.02%	5.95%
Dividend payout ratio	%	%	%	44.74%	24.03%	20.36%	11.81%
Allowance for loan losses as a percent of total loans, net of undisbursed portion of loans in process	4.32%	1.72%	2.42%	0.84%	0.71%	0.74%	0.70%

- (1) Ratios at and for the nine months ended September 30, 2008 and 2007 are annualized.
- (2) Net of unallocated Employee Stock Ownership Plan shares of 42,386, 42,386, 31,939, 21,789 and 119,375 as of September 30, 2008, December 31, 2007, 2006, 2005 and 2004, respectively.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

This proxy statement, and the documents which we refer to in this proxy statement, contain forward-looking statements intended to be covered by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, among other things, information concerning possible or assumed future results of operations of Federal Trust Corporation, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings Summary Term Sheet and Proposal I Approval of the Merger Agreement, and in statements containing the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. These forward-looking statements reflect our current expectations and forecasts, and we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of Federal Trust Corporation. In addition to other factors and matters discussed in this document or discussed and identified in other public filings we make with the Securities and Exchange Commission, we believe the following risks could cause actual results to differ materially from those discussed in the forward-looking statements:

the risk that the merger may not be consummated in a timely manner, if at all;

conditions to the closing of the merger may not be satisfied or the Merger Agreement may be terminated prior to closing;

difficulties in obtaining required shareholder and regulatory approvals of the merger;

increases in competitive pressure among financial institutions or from non-financial institutions;

changes in the interest rate environment;

changes in deposit flows, loan demand or real estate values;

changes in accounting principles, policies or guidelines;

legislative or regulatory changes;

changes in general economic conditions or conditions in securities markets or the banking industry;

materially adverse changes in the financial condition of Federal Trust Corporation or The Hartford;

difficulties related to the completion of the merger; and

other economic, competitive, governmental, regulatory, geopolitical and technological factors affecting operations, pricing and services.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements concerning the merger or other matters

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addressed in this document and attributable to Federal Trust Corporation or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Federal Trust Corporation undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

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### THE SPECIAL MEETING

This section contains information about the special meeting of Federal Trust Corporation shareholders that has been called to consider and approve and adopt the Merger Agreement.

#### Place, Date and Time

The special meeting will be held at [location] located at [address, city, state, zip], on [meeting date], commencing at [meeting time], local time.

#### Purpose of the Meeting

At the special meeting, our shareholders will be asked to consider and vote on the following matters:

a proposal to approve and adopt the Agreement and Plan of Merger, dated as of November 14, 2008, by and between Federal Trust Corporation, The Hartford Financial Services Group, Inc, and FT Acquisition Corporation; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve and adopt the Merger Agreement.

Our shareholders also may consider and vote upon such other matters as are properly brought before the special meeting. As of the date hereof, we know of no business that will be presented for consideration at the special meeting, other than the matters described in this proxy statement.

#### How To Vote

You may vote your shares:

1. **By Internet.** Vote at the Internet address shown on your proxy card. The Internet voting system is available 24 hours a day until 3:00 a.m., Eastern Time, on [meeting date]. Once you use the Internet voting system, you can record and confirm (or change) your voting instructions.
2. **By telephone.** Use the toll free telephone number shown on your proxy card. The telephone voting system is available 24 hours a day in the United States until 3:00 a.m., Eastern Time, on [meeting date]. Once you use the telephone voting system, a series of prompts will tell you how to record and confirm (or change) your voting instructions.
3. **By mail.** Mark and sign the enclosed proxy card and return it in the enclosed postage-paid envelope. All properly executed proxies received by Federal Trust Corporation will be voted in accordance with the instructions marked on the proxy card. **If you return an executed proxy card without marking your instructions, your executed proxy will be voted FOR the proposals identified in the preceding Notice of Special Meeting of Shareholders. Returning a proxy card will not prevent you from voting in person if you attend the special meeting.**

Alternatively, you may attend the special meeting and vote in person. **If you are a shareholder whose shares are not registered in your own name, you will need an assignment of voting rights or a proxy from your shareholder of record to vote personally at the special meeting.**

#### Record Date; Vote Required

Only our shareholders of record at the close of business on [record date] are entitled to notice of and to vote at the special meeting or any adjournment thereof. As of [record date], there were 9,436,305 shares of our common stock outstanding and entitled to vote at the special meeting or any adjournment thereof.





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At the special meeting our shareholders will be entitled to cast one vote per share of common stock owned on [record date]. Such vote may be exercised in person or by properly executed proxy. The presence, in person or by properly executed proxy, of the holders of a majority of our outstanding shares of common stock is necessary to constitute a quorum. Abstentions and broker non-votes will be treated as shares present at the special meeting for purposes of determining the presence of a quorum.

The affirmative vote of the holders of a majority of our issued and outstanding shares of common stock is required for approval of the Merger Agreement. As a result, abstentions and broker non-votes will have the same effect as votes against the approval of the Merger Agreement. In order to adjourn the special meeting, holders of a majority of our shares common stock present in person or by proxy at the special meeting must vote in favor of the proposal.

If your shares are held in street name by your broker, bank or other nominee you should instruct your broker, bank or other nominee how to vote your shares using the instructions provided by your broker, bank or other nominee. If you have not received these voting instructions or require further information regarding these voting instructions, contact your broker, bank or other nominee and he or she can give you directions on how to vote your shares. Brokers who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the merger proposal and thus, absent specific instructions from the beneficial owner of the shares, brokers are not empowered to vote the shares with respect to the adoption of the Merger Agreement (i.e., broker non-votes). Shares of Federal Trust Corporation common stock held by persons attending the special meeting but not voting, or shares for which we have received proxies with respect to which holders have abstained from voting, will be considered abstentions. Abstentions and properly executed broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists but will have the same effect as a vote AGAINST approval of the Merger Agreement.

Approval of the Merger Agreement by our shareholders is a condition to completion of the merger. See Proposal I Approval of the Merger Agreement Conditions to the Merger.

## **Beneficial Ownership of Federal Trust Corporation Common Stock**

As of [record date], our directors and executive officers and their affiliates beneficially owned in the aggregate \_\_\_\_\_ shares of our common stock, excluding stock options, or \_\_\_\_\_% of our outstanding shares of common stock entitled to vote at the special meeting.

## **Proxies; Revocation**

Shares of our common stock represented by properly executed proxies received prior to or at the special meeting will, unless such proxies have been revoked, be voted at the special meeting and any adjournments or postponements thereof in accordance with the instructions indicated in the proxies. If no instructions are indicated on a properly executed proxy, the shares will be voted FOR the adoption of the Merger Agreement and FOR the proposal to adjourn if necessary. However, no proxy voted against the proposal to approve the Merger Agreement will be voted in favor of an adjournment or postponement to solicit additional votes in favor of the Merger Agreement.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted in the following manner: (i) by delivering to the Secretary of Federal Trust Corporation, before the taking of the vote at the special meeting, a written notice of revocation bearing a later date than the proxy, (ii) by duly executing a later-dated proxy relating to the same shares of common stock and delivering it to the Secretary at or before the special meeting, or (iii) by attending the special meeting and voting in person. Attendance at the special meeting will not by itself constitute a revocation of a proxy.

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Written notices of revocation and other communications regarding the revocation of your proxy should be addressed to:

Federal Trust Corporation  
312 West 1st Street  
Sanford, Florida 32771  
Attention: Marcia Zdanys  
Corporate Secretary

If you have instructed your broker, bank or other nominee to vote your shares, the options for revoking your proxy described in the paragraphs above do not apply and instead you must follow the directions provided by your broker, bank or other nominee to change those instructions.

If you voted using the Internet, you can change your vote at the Internet address shown on your proxy card. The Internet voting system is available 24 hours a day until 3:00 a.m., Eastern Time, on [meeting date].

If you voted by telephone, you can change your vote by using the toll free telephone number shown on your proxy card. The telephone voting system is available 24 hours a day in the United States until 3:00 a.m., Eastern Time, on [meeting date].

If any other matters are properly presented at the special meeting for consideration, the persons named in the proxy or acting thereunder will have discretion to vote on such matters in accordance with their best judgment. Federal Trust Corporation does not know of any other matters to be presented at the special meeting.

Federal Trust Corporation will bear the cost of solicitation of proxies. In addition to solicitation by mail, our directors, officers and employees, who will not receive additional compensation for such services, may solicit proxies from our shareholders, personally or by telephone or by other forms of communication. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable expenses incurred in sending proxy material to beneficial owners. In addition, we have retained Regan & Associates, Inc. to solicit proxies on behalf of the Board of Directors. Regan & Associates, Inc. will receive a fee of \$\_\_\_\_\_ for these services, exclusive of reimbursement for their expenses.

You are requested to complete, date and sign the accompanying proxy and to return it promptly in the enclosed postage-paid envelope, or vote by telephone or the Internet.

You should not forward stock certificates with your proxy cards.

### **Recommendation of the Federal Trust Corporation Board of Directors**

**The Federal Trust Corporation board of directors has unanimously approved and adopted the Merger Agreement and the transactions it contemplates, including the merger. The Federal Trust Corporation board of directors determined that the merger, the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of Federal Trust Corporation and its shareholders and unanimously recommends that you vote FOR approval and adoption of the Merger Agreement.** See The Merger Federal Trust Corporation's Reasons for the Merger and Recommendation of the Board of Directors on page 19 for a more detailed discussion of the Federal Trust Corporation board of directors' recommendation.

### **Attending the Federal Trust Corporation Special Meeting**

If you want to vote your shares of Federal Trust Corporation common stock held in street name in person at the special meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

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**Participants in Federal Trust Corporation Benefit Plans**

If you are a participant in the Employees Savings & Profit Sharing Plan and Trust (401(k) plan) or the Employee Stock Ownership Plan for Federal Trust Corporation and its Subsidiaries, or any other benefit plans through which you can own shares of Federal Trust Corporation common stock, you will have received with this proxy statement voting instruction forms that reflect all shares you may vote under these plans. Under the terms of these plans, the trustee or administrator votes all shares held by the plan, but each participant may direct the trustee or administrator how to vote the shares of Federal Trust Corporation common stock allocated to his or her plan account. If you own shares through any of these plans and do not vote, the respective plan trustees or administrators will vote the shares in accordance with the terms of the respective plans. The deadline for returning your voting instructions may be prior to [meeting date].

**Table of Contents****MARKET PRICE AND DIVIDEND DATA FOR FEDERAL TRUST CORPORATION COMMON STOCK**

Federal Trust Corporation's common stock is listed on the Over the Counter Bulletin Board under the symbol FDTR.OB. Prior to November 11, 2008, the common stock was listed on the American Stock Exchange. Trading in the common stock on the American Stock Exchange was suspended on September 30, 2008. The following table shows the high and low prices per share for Federal Trust Corporation common stock as reported on the American Stock Exchange (for periods prior to November 11, 2008), as known to Federal Trust Corporation (for periods beginning with and following November 11, 2008 prior to November 17, 2008) and as reported on the Over the Counter Bulletin Board (for periods beginning with and following November 24, 2008) and the cash dividends declared by Federal Trust Corporation for the periods indicated.

	High	Low	Cash Dividends Paid Per Share
<b>Year Ending December 31, 2008</b>			
Fourth quarter (through _____)	\$	\$	\$
Third quarter			
Second quarter	1.85	0.30	
First quarter	2.95	1.12	
<b>Year Ended December 31, 2007</b>			
Fourth quarter	\$ 5.10	\$ 2.05	\$
Third quarter	8.25	4.30	
Second quarter	10.10	8.10	0.04
First quarter	10.37	9.71	0.04
<b>Year Ended December 31, 2006</b>			
Fourth quarter	\$ 10.50	\$ 9.77	\$ 0.04
Third quarter	11.05	10.36	0.05
Second quarter	12.15	10.00	0.04
First quarter	12.52	9.77	0.04

On November 13, 2008, the last trading day prior to the public announcement that The Hartford and Federal Trust Corporation had entered into the Merger Agreement, the last known trading price of Federal Trust Corporation common stock was \$\_\_\_\_\_ per share. On \_\_\_\_\_, 2008, which is the last practicable date prior to the printing of this proxy statement, the closing price of Federal Trust Corporation common stock was \$\_\_\_\_\_ per share.

As of [record date], there were approximately \_\_\_\_\_ holders of record of Federal Trust Corporation common stock. This number does not reflect the number of persons or entities who may hold their common stock in nominee or street name through brokerage firms.

**INFORMATION ABOUT THE COMPANIES**

**The Hartford Financial Services Group, Inc.** The Hartford is a diversified insurance and financial services holding company. It is among the largest providers of investment products, individual life, group life and disability insurance products, and property and casualty insurance products in the United States. Hartford Fire Insurance Company, or Hartford Fire, founded in 1810, is the oldest of The Hartford's subsidiaries. The Hartford's companies write insurance in the United States and internationally. At September 30, 2008, total assets were \$311.5 billion and total stockholders' equity was \$12.6 billion.

**FT Acquisition Corporation.** The Hartford has formed FT Acquisition Corporation, a Florida corporation, solely for the purpose of merging with and into Federal Trust Corporation.

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***Federal Trust Corporation.*** Federal Trust Corporation is a Florida corporation that is the holding company for Federal Trust Bank. At September 30, 2008, Federal Trust Corporation had total consolidated assets of \$601.7

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million, total deposits of \$410.7 million and total shareholders' equity of \$9.9 million. The principal executive office of Federal Trust Corporation is located at 312 West 1st Street, Sanford, Florida 32771, and its telephone number at that address is (407) 323-1833.

**Federal Trust Bank.** Federal Trust Bank, a wholly owned subsidiary of Federal Trust Corporation, is a federally-chartered savings bank whose deposits are insured by the Federal Deposit Insurance Corporation to the fullest extent permitted by law. Federal Trust Bank operates 11 full-service offices in Seminole, Orange, Volusia, Lake and Flagler Counties, Florida. The principal executive office of Federal Trust Bank is located at 312 West 1st Street, Sanford, Florida 32771, and its telephone number at that address is (407) 323-1833.

### **PROPOSAL I APPROVAL OF THE MERGER AGREEMENT**

The information in this proxy statement concerning the terms of the merger is qualified in its entirety by reference to the full text of the Merger Agreement, which is attached as Appendix A and incorporated by reference herein. All shareholders are urged to read the Merger Agreement in its entirety, as well as the opinion of our financial advisor attached as Appendix B. All information contained in this proxy statement with respect to The Hartford and its subsidiaries has been supplied by The Hartford for inclusion herein and has not been independently verified by Federal Trust Corporation.

#### **General**

As soon as possible after the conditions to consummation of the merger described below have been satisfied or waived, and unless the Merger Agreement has been terminated as discussed below, Federal Trust Corporation and FT Acquisition Corporation, a Florida subsidiary corporation of The Hartford, will merge in accordance with Florida law, with Federal Trust Corporation surviving as a wholly owned subsidiary of The Hartford. Federal Trust Corporation's subsidiary, Federal Trust Bank, will continue to operate as an indirect subsidiary of The Hartford following the merger.

Upon completion of the merger, our shareholders will be entitled to receive \$1.00 in cash for each of their shares of Federal Trust Corporation common stock and shall cease to be shareholders of Federal Trust Corporation.

#### **Background of the Merger**

In January 2008, Federal Trust Corporation's Board of Directors, in consultation with its financial advisor, Stifel, Nicolaus & Company, Incorporated, determined to proceed with a rights offering to its existing shareholders that would include a standby purchaser backup component whereby Federal Trust Corporation would agree to sell shares of its common stock to certain institutional investors and high net worth individuals. The proceeds from the rights offering would provide capital to Federal Trust Bank to be used to implement Federal Trust Bank's business plan and to offset additions to the allowance for loan losses resulting from continued deterioration in Federal Trust Bank's loan portfolio. On January 27, 2008, Federal Trust Corporation announced operating results for the year ended December 31, 2007, including an operating loss of \$14.2 million for the year. As a result, as of December 31, 2007, Federal Trust Bank's regulatory capital position fell below that required to be considered well capitalized.

During February 2008, the Office of Thrift Supervision completed its examinations of Federal Trust Corporation and Federal Trust Bank. The Office of Thrift Supervision noted weaknesses and failures relating primarily to Federal Trust Bank's real estate lending practices and asset quality, and their impact on capital and earnings. Following the issuance of the examination reports, the Office of Thrift Supervision presented drafts of cease and desist orders to Federal Trust Corporation and Federal Trust Bank, which orders were designed to ensure that the weaknesses noted in the examinations were properly addressed.

In April 2008, Federal Trust Corporation filed a registration statement with the Securities and Exchange Commission with respect to the rights offering. On April 25, 2008, the Office of Thrift Supervision notified Federal Trust Corporation and Federal Trust Bank that Federal Trust Bank was a troubled institution and that operating restrictions were applicable due to the results of the reports of examination, as well as additional operating restrictions being placed on Federal Trust Corporation and Federal Trust Bank. These included, among other things, limitations on growth, the inability to pay dividends without prior regulatory approval and the inability to 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.

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Prior to April 2008, Federal Trust Corporation had focused its efforts on the rights offering. However, in April 2008, as a result of difficulties in reaching agreements with the standby purchasers in the rights offering and deteriorating capital market conditions, the Board of Directors asked Stifel, Nicolaus & Company, Incorporated, financial advisor to Federal Trust Corporation, to contact entities that might be interested in acquiring Federal Trust Corporation. Stifel, Nicolaus & Company, Incorporated contacted five entities, including one savings and loan holding company that had previously contacted the Office of Thrift Supervision to request its assistance in getting Federal Trust Corporation to authorize this entity to conduct due diligence on a whole-company acquisition basis, and not as a standby investor. Two of the five entities, including the savings and loan holding company that had contacted the Office of Thrift Supervision, conducted due diligence. Neither of these entities pursued further discussions with Federal Trust Corporation.

On April 29, 2008, Federal Trust Corporation announced operating results for the quarter ended March 31, 2008, including an operating loss of \$2.2 million for the quarter, and an increase in nonperforming assets to \$57.9 million at March 31, 2008 from \$47.7 million at December 31, 2007.

Effective May 12, 2008, Federal Trust Corporation and Federal Trust Bank consented to the issuance by the Office of Thrift Supervision of cease and desist orders. The orders provided that:

Federal Trust Corporation 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 could not 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 approved or provided its non-objection to Federal Trust Bank's business plan, Federal Trust Bank would not be permitted to increase its current levels of 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 approved or provided its non-objection to Federal Trust Bank's business plan, Federal Trust Bank would 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 would (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 would 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;





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

Federal Trust Bank would 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.

On May 12, 2008, Federal Trust Corporation priced its rights offering and the related standby offering. Shares of common stock would be sold to shareholders and to the standby purchasers (certain institutional investors and high net worth individuals) at a price of \$0.95 per share. Federal Trust Corporation agreed to sell to the standby purchasers up to \$23.4 million of shares of common stock. Federal Trust Corporation also agreed to provide two of these Standby Purchasers a total of 10,000,000 warrants exercisable for up to 10,000,000 shares of common stock at \$0.95 per share. As a result of the rights offering, the standby purchasers would have owned between 47.7% and 62.2% of Federal Trust Corporation's outstanding shares of common stock, and would have held warrants entitling two of the standby purchasers the right to purchase in the aggregate up to an additional 24.4% of Federal Trust Corporation's outstanding shares of common stock.

On June 5, 2008, Federal Trust Corporation announced its intention to update the financial and business information contained in its prospectus dated May 12, 2008 and to initiate a new rights offering, which could include additional standby purchasers.

On June 9, 2008, Federal Trust Corporation received an unsolicited, non-binding indication of interest from a large private equity fund that was interested in purchasing Federal Trust Corporation and Federal Trust Bank in an all-cash acquisition. This private equity fund conducted on-site due diligence on June 18, 2008. However, following further discussions between management and the private equity fund, the private equity fund determined not to pursue further negotiations.

On June 27, 2008, Federal Trust Corporation filed a prospectus with the Securities and Exchange Commission related to the new rights offering. On that same date, Federal Trust Corporation filed amendments to its annual report on Form 10-K for the year ended December 31, 2007 and its quarterly report for the quarter ended March 31, 2008. The amendments reflected recalculations and resulting reductions to regulatory capital ratios as of December 31, 2007 and March 31, 2008.

On June 27, 2008, and in accordance with the terms of the Indenture governing the debentures issued by Federal Trust Corporation to Federal Trust Statutory Trust I, Federal Trust Corporation notified the trustee of the Federal Trust Statutory Trust I of Federal Trust Corporation's intention to defer its interest payments payable September 2008 on the debentures. As a result, Federal Trust Statutory Trust I would defer its payments of dividends on the \$5.0 million of trust preferred securities it originally issued to investors in September 2003. Such notification was made to the trustee in connection with the restriction by the Office of Thrift Supervision on Federal Trust Corporation's ability to make payments to third parties in excess of \$5,000.

On July 23, 2008, Federal Trust Corporation announced that the Office of Thrift Supervision had extended the deadline for Federal Trust Corporation to raise additional capital to September 30, 2008. The Office of Thrift Supervision also extended the deadline for the Company to execute a merger agreement if the capital raising efforts were unsuccessful to November 15, 2008. On July 25, 2008, Federal Trust Corporation announced operating results for the quarter ended June 30, 2008, including an operating loss of \$2.8 million for the quarter.

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Beginning in August 2008, Stifel, Nicolaus & Company, Incorporated contacted nine new individuals or organizations that might be interested in acquiring Federal Trust Corporation, and re-contacted three organizations that had previously been contacted in April 2008. A number of these potential acquirers were only interested in acquiring Federal Trust Bank in an assisted transaction (through the Federal Deposit Insurance Corporation), whereby shareholders of Federal Trust Corporation would receive no consideration for their shares of common stock. Although some of these 12 individuals and entities submitted indications of interest and/or conducted due diligence, none maintained an interest in pursuing a transaction following their due diligence.

On August 4, 2008, following discussions with the standby purchasers in the rights offering, the Board of Directors announced that it would offer shares of stock for sale in a public offering instead of in a rights offering. Federal Trust Corporation prepared amendments to the existing agreements with the standby purchasers that reflected the terms of the new stock offering.

On August 8, 2008, the Board of Directors of Federal Trust Corporation determined that the financial statements for the three months ended March 31, 2008 as included in Federal Trust Corporation's Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the Quarter Ended March 31, 2008, and the financial statements for the three and six months ended June 30, 2008 as included in its press release dated July 25, 2008, should no longer be relied upon because Federal Trust Corporation was restating earnings previously reported for the quarter ended March 31, 2008 and for the three and six months ended June 30, 2008.

The restatement represented Federal Trust Corporation's reassessment of its operating losses and trends in past due and non-performing loans over the five quarters ending March 31, 2008. As a result of this reassessment, Federal Trust Corporation determined that, in accordance with applicable accounting literature, it was more likely than not that Federal Trust Corporation's deferred tax asset would not be realized and, therefore, Federal Trust Corporation recorded a deferred tax asset valuation allowance at March 31, 2008 of \$9.1 million. As a result of the restatement, Federal Trust Corporation's operating loss was \$11.2 million for the three months ended March 31, 2008, compared to \$2.2 million as previously reported, and was \$15.8 million for the six months ended June 30, 2008, compared to \$5.1 million as previously reported.

On August 11, 2008, Federal Trust Corporation entered into a non-binding letter of intent with Sidhu Advisors FDT, LLC (Sidhu), whereby Sidhu, or a newly-formed affiliate, would invest at least \$30 million in Federal Trust Corporation and acquire control of Federal Trust Corporation. The proposed transaction was subject to the negotiation of a definitive agreement between Federal Trust Corporation and Sidhu and other conditions, including completion of an updated due diligence review of Federal Trust Corporation by Sidhu. Following completion of this updated due diligence review, the letter of intent expired August 25, 2008 without Federal Trust Corporation and Sidhu entering into a definitive agreement. As a result of this inability to reach agreement with one of its prior standby investors, and an indication from the other primary standby investor that it was no longer interested in participating in a recapitalization transaction, Federal Trust Corporation did not continue its efforts to raise capital in a public stock offering.

On September 19, 2008, Federal Trust Corporation entered into a non-binding letter of intent with an investor group based in New York and Florida, whereby the investor group would invest between \$40 million and \$55 million in Federal Trust Corporation and acquire control of Federal Trust Corporation. Negotiations terminated following completion of due diligence. On September 30, 2008, trading in Federal Trust Corporation's common stock was halted by the American Stock Exchange.

Management of Federal Trust Corporation continued to receive indications of interest from other entities that were interested in purchasing Federal Trust Corporation and/or Federal Trust Bank. In early October 2008, Federal Trust Bank entered into a confidentiality agreement with one of these entities and that entity conducted preliminary due diligence. That entity never pursued further discussions with Federal Trust Corporation, and none of the other parties who had contacted management entered into confidentiality agreements that would enable them to conduct due diligence.

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On October 24, 2008, President and Chief Executive Officer Dennis T. Ward received a call from the Office of Thrift Supervision indicating that Mr. Ward should contact an attorney who represented an entity that might be interested in acquiring Federal Trust Corporation. Mr. Ward received a similar call from the Office of Thrift Supervision that same day with respect to another attorney who represented a second entity. Mr. Ward contacted the attorney referenced in the first call on October 24, 2008, who indicated that his client was The Hartford. Mr. Ward also left a message for the second individual on that same day. That same day, The Hartford provided Mr. Ward a form of confidentiality agreement, which Mr.&n