FEDERAL TRUST CORP
Form S-2
June 18, 2004
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As filed with the Securities and Exchange Commission on June 18, 2004

Registration File No. 333-______

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-2

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Federal Trust Corporation

(Exact name of registrant as specified in its charter)

Florida	**59-2935028**
(State or jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

312 W. First Street

Sanford, Florida 32771

(800) 226-2829

(Address, including zip code,

and telephone number,

of registrant s principal executive offices,

including zip code)

James V. Suskiewich

President and Chief Executive Officer

312 W. First Street

Sanford, Florida 32771

(800) 226-2829

(Name, address and telephone number of agent for service)

Copies Requested to:

Herbert D. Haughton, Esq. or Richard L. Pearlman, Esq.

Igler & Dougherty, P.A.

1501 Park Avenue East

Tallahassee, Florida 32301

(850) 878-2411 Telephone

(850) 878-1230 Facsimile

Jeremy P. Ross, Esq. or John N. Giordano, Esq.

Bush, Ross, Gardner, Warren & Rudy, P.A.

220 S. Franklin Street

Tampa, Florida 33602

(813) 204-9255 Telephone

(813) 223-9620 Facsimile

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ¨

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box: ¨

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed maximum Offering price(1)	Proposed maximum Aggregate offering price(1)	Amount of Registration fee
Common stock $0.01 par value	1,200,000	$8.00	9,600,000	$1,216.32

(1) Estimated solely for the purpose of calculating the registration fee on the basis of the proposed maximum offering price per share.

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

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities and it is not soliciting an offer to buy the securities in any state where the offer of the sale is not permitted.

SUBJECT TO COMPLETION DATED JUNE 18, 2004.

PROSPECTUS

1,200,000 Shares

[logo]

Common Stock

Federal Trust Corporation is offering 1,200,000 shares of common stock. We have engaged Kendrick Pierce Securities, Inc. to act on a best efforts basis as our Sales Agent in connection with the offering. Our common stock is listed on the American Stock Exchange under the symbol FDT. On June , 2004, the closing sale price of our common stock was $____ per share.

Because the offering is being conducted on a best efforts basis, the Sales Agent is not required to sell any minimum number or dollar amount of shares and is not obligated to purchase the shares if they are not sold to the public. There is no minimum number of shares that must be sold in order to close the offering. Investors are required to purchase a minimum of 1,000 shares of stock, except for our employees, who may purchase a minimum of 100 shares.

The offering is scheduled to end on __________, 2004 or earlier at the discretion of Federal Trust. We have, the right, however, to extend the offering for up to an additional 60 days without notice to subscribers, or until __________, 2004.

Investing in our common stock involves risks, which are described in the Risk Factors section beginning on page 6 of this prospectus.

	Per Share	Total
Public offering price	$	$
Sales Agent Commission	$	$
Proceeds to us, before expenses	$	$

We will pay our Sales Agent, Kendrick Pierce Securities, Inc., a sales commission equal to 3.5% of the offering price of the shares it sells in the offering.

These securities are not deposits or savings accounts and are not insured by the FDIC or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

An escrow account at Federal Trust Bank will be established to allow for staggered closings in the offering. We expect to deliver the shares to purchasers on or about ______, 2004, upon receipt of the purchase price of the shares and subject to customary closing conditions.

KENDRICK PIERCE SECURITIES, INC.

The date of this prospectus is __________, 2004.

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PROSPECTUS SUMMARY

This section summarizes selected information contained in the prospectus and in documents incorporated by reference. This summary does not contain all the information you may wish to consider before purchasing shares. We urge you to read the entire prospectus carefully.

The Company

Federal Trust Corporation (Federal Trust) is the holding company for Federal Trust Bank (the Bank). We conduct our primary business through the Bank, which was founded in 1987. We provide a full range of banking products to consumers and small businesses in the Central Florida area from six full-service locations.

As of March 31, 2004, we had total assets of $483 million, loans of $414 million, deposits of $336 million and stockholders equity of $27.5 million. In 2003, we had net income of $2.8 million, an increase of 119% over 2001. Since December 31, 2001, our loans have grown approximately 57%, our deposits have grown approximately 49%, and our branch network has grown by three locations.

In 2001, we initiated a strategy to emphasize a community banking business model by increasing low-cost deposits and the origination of residential and commercial loans in our market area. Since initiating this strategy, we have achieved the following results:

- Increased our low-cost deposits, consisting of demand, money-market, and savings, by 173% to $111 million. These low-costs deposits represented 33.2% of our total deposits at March 31, 2004, compared to 18.1% of total deposits at December 31, 2001.
- Increased commercial loans by 391% to $103 million. Commercial loans represented approximately 25% of our total loans at March 31, 2004, compared to 11% of total loans at December 31, 2001.
- Opened three additional offices, for a total of six offices. We have also identified three additional sites for branch offices expected to open in the next 18 months.
- Hired four senior bank executives, two of whom previously served as commercial bank presidents.
- Established a centralized credit department managed by a senior credit officer with 28 years of credit administration experience.
- Maintained disciplined underwriting standards, resulting in low net charge-offs and non-performing assets.
- Installed residential loan originators in each of our branch offices.

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Our current operating strategy is to build a community bank branch network serving Central Florida through the origination and bulk purchase of residential mortgage loans, and expansion of a commercial loan portfolio. In doing so, we plan to capitalize on the opportunities created by the significant consolidation of the banking industry in Florida in recent years. Additionally, we expect to continue to purchase residential loans on properties throughout the United States to help diversify the risk in our loan portfolio.

Our market area consists of Orange, Seminole and Volusia Counties, which are located in Central Florida. These counties had combined total deposits of $24.1 billion as of June 30, 2003. Our total market area population has grown to approximately 1.8 million people and is expected to grow an additional 12.6% by 2008.

Our executive offices are located at 312 West First Street, Sanford, Florida, our telephone number is (407) 323-1121 and our website is www.federaltrust.com. Information on our website is not a part of this prospectus and is not incorporated herein by reference.

The Offering

Securities Offered for Sale:	1,200,000 shares of common stock.
Price per Share:	$______ per share.
Common Stock Issued:	Before offering - 6,661,813 shares. After offering - Up to 7,861,813 shares,
American Stock Exchange Symbol:	FDT
Use of Proceeds:	Assuming we receive $______ of net proceeds, we intend to provide up to $2.5 million of additional capital to the Bank to maintain its well capitalized regulatory classification, reduce approximately $4 million in outstanding debt owed by Federal Trust and take advantage of other revenue-enhancing opportunities.
Minimum Purchase:	The minimum number of Federal Trust shares that must be purchased by an investor is 1,000 shares; however, the minimum for our employees is 100 shares.
Offering Period:	The offering expires __________, 2004, at 5:00 p.m., Eastern Time, unless we extend the offering period for up to an additional 60 days.
Distribution of Proceeds:	At the discretion of Kendrick Pierce Securities, Inc.(Kendrick Pierce) and Federal Trust, we expect to have the first closing and issue shares to purchasers whose subscriptions have been accepted on __________, 2004, depending upon the volume of sales in the offering. If needed, additional closings will be held approximately every 15 days thereafter, or sooner.

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Information About the Offering:	Kendrick Pierce Securities, Inc. 324 South Hyde Park Avenue Tampa, Florida 33606 Telephone: (813) 244-4602 Federal Trust Corporation Attention: James V. Suskiewich or Gregory E. Smith 312 West First Street, Suite 400 Sanford, Florida 32771 Telephone: (407) 323-1833
Best Efforts Offering:	Our executive officers and directors, and Kendrick Pierce will offer the shares on a best efforts basis. This means there is no guarantee that we will be able to sell all or any of the shares offered. We will pay Kendrick Pierce a 3.5% sales commission on sales to investors other than our directors and officers.
Acceptance of Subscriptions:	We reserve the right to accept or reject any subscription, in whole or in part.
Subscriptions are Irrevocable:	Subscriptions are not revocable. You should not subscribe unless you are certain you wish to acquire shares of our common stock.

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SUMMARY FINANCIAL DATA

The following selected consolidated financial and other data are derived from and should be read with our Consolidated Financial Statements and Notes thereto, beginning on page F-1, and Management s Discussion and Analysis of Financial Condition and Results of Operations on page14. Information for interim periods is not necessarily indicative of results that may be achieved for full years.

	At or for the period ending March 31,		At or for the year ended December 31,		
	2004	2003	2003	2002	2001
	All dollars in thousands, except per share data				
Income Statement Data					
Total interest income	$ 5,798	$ 5,493	$ 20,921	$ 19,452	$ 19,950
Total interest expense	2,393	2,772	9,750	10,971	13,272
Net interest income	3,405	2,721	11,171	8,481	6,678
Provision for loan losses	550	220	650	445	540
Total other income	678	607	2,358	2,400	2,383
Total other expense	2,346	2,138	8,826	7,339	6,538
Earnings before income taxes	1,187	970	4,053	3,097	1,983
Income taxes	377	316	1,276	1,038	716
Net earnings	810	654	2,777	2,059	1,267
Balance Sheet Data					
Total assets	$ 482,739	$ 428,536	$ 468,198	$ 368,054	$ 306,481
Securities	34,082	37,299	33,615	21,520	13,948
Loans, net	413,868	357,604	398,401	308,598	264,187
Allowance for loan losses	3,283	2,332	2,779	2,110	1,765
Total deposits	335,570	294,299	314,630	278,531	225,400
Total equity	27,478	25,852	26,457	25,039	18,531
Common shares outstanding (in thousands)	6,531	6,591	6,526	6,591	5,409
Performance Ratios					
Return on average assets	0.67%	0.64%	0.64%	0.63%	0.47%
Return on average equity	12.02%	10.28%	10.79%	9.45%	7.40%
Efficiency ratio	57.5%	64.2%	65.2%	60.7%	72.2%
Net interest margin	3.01%	2.78%	2.73%	2.71%	2.58%
Asset Quality Ratios					
Nonperforming assets to total assets	0.93%	1.41%	1.58%	1.75%	1.40%
Allowance for loan losses to total loans (net of LIP)	0.79%	0.66%	0.70%	0.69%	0.67%
Net charge-offs (recoveries) to average loans	0.01%		(0.01)%	0.04%	0.17%
Capital Ratios					
Total equity to assets (Federal Trust)	5.69%	6.03%	5.65%	6.80%	6.05%
Total equity to risk-based assets (Bank)	11.6%	11.5%	11.6%	11.7%	11.4%
Per Common Share					
Net earnings per share basic	$ 0.12	$ 0.10	$ 0.42	$ 0.34	$ 0.25
Net earnings per share - diluted	$ 0.12	$ 0.10	$ 0.42	$ 0.34	$ 0.25
Book value at period-end	$ 4.21	$ 3.92	$ 4.05	$ 3.80	$ 3.43
Average common shares outstanding (in thousands):					
Basic	6,529	6,591	6,549	5,991	5,060
Diluted	6,683	6,681	6,662	6,003	5,060

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RISK FACTORS

An investment in our common stock involves risks. Before making an investment decision, you should carefully consider all of the risks described in this prospectus. If any of the events contemplated by the risk factors discussed in this prospectus actually impact us, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the trading price of our common stock could decline significantly and you could lose part or all of your investment.

We May Need to Raise Additional Capital, Which Could Dilute Your Ownership.

We may need to raise additional capital in the future to support our business, expand our operations, or maintain minimum capital levels required by our regulatory agencies. If we do sell additional shares of common stock to raise capital, the sale may dilute your ownership interest and such dilution could be substantial. At the present time, we do not expect to sell additional shares of common stock for the next 12 months.

Our Business Focus in the Central Florida Area Makes Us Vulnerable to Adverse Economic Conditions in the Area.

Our operations are materially affected by and sensitive to the economy of our market areas in Central Florida, and are particularly impacted by the economic conditions in Orange, Seminole and Volusia Counties. Because our business is focused in the market area of Orlando to Daytona Beach and suburbs adjacent to Interstate 4, we could be more adversely affected by a weakening of the area economy than banking institutions with operations in more diverse geographical areas.

A Slowdown in the Economy Could Diminish the Quality of Our Loan Portfolio and Our Financial Performance.

Recent economic indicators have shown improvement in U.S. economic activities. Possible future adverse economic developments, however, can impact the collectibility of loans and may negatively affect our earnings and financial condition. In addition, the banking industry in general is affected by the level of interest rates, general economic conditions such as inflation, recession, unemployment, and other factors beyond our control. A prolonged economic recession or other economic dislocation could cause increases in nonperforming assets and impair the values of real estate collateral, thereby causing operating losses, decreasing liquidity, and eroding capital. We cannot assure you that future declines in the economy, particularly in our market areas, will not have a material adverse effect on our financial condition, results of operations, or cash flows.

A Decline in the Real Estate Market May Result in Losses or Decreased Profitability.

Declines in real estate values could have a material adverse impact on our results of operations because of the composition of our loan portfolio. Our loan portfolio included $305.6 million of loans secured by residential real estate and $89.6 million of commercial real estate and $7.1 million of construction loans at March 31, 2004. The real estate collateralizing our commercial real estate and construction loans is concentrated primarily in our local market area of Central Florida and throughout the State. Approximately 40% of the real estate securing the wholesale residential loans that we purchase is generally located outside of Florida. These loans are subject to

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additional risks associated with the economy where the collateral is located, as well as collection risks.

We Are Subject to Government Regulation and Monetary Policy That Could Constrain Our Growth and Profitability.

We are subject to extensive federal government supervision and regulations that impose substantial limitations with respect to lending activities, purchases of investment securities, the payment of dividends, and many other aspects of the banking business. Many of these regulations are intended to protect depositors, the public, and the FDIC, but not stockholders. Future legislation or government policy could adversely affect the banking industry and our operations. Federal economic and monetary policy may affect our ability to attract deposits, make loans, and achieve our planned operating results.

We Could Be Negatively Impacted by Changes in Interest Rates and Economic Conditions.

Our results of operations may be materially adversely affected by changes in prevailing economic conditions, including declines in real estate market values, rapid changes in interest rates, and the monetary and fiscal policies of the federal government. Our profitability is driven by the spread between the interest rates earned on investments and loans and those paid on deposits and other borrowings.

As with most banking institutions, our net interest spread is affected by general economic conditions and other factors that influence market interest rates and our ability to respond to changes in such rates. At any given time, our assets and liabilities may be affected differently by a given change in interest rates. As a result, an increase or decrease in rates could have a material adverse effect on our net income, capital and liquidity. While we take measures to reduce interest rate risk, these measures may not adequately minimize exposure to interest rate risk.

An Inadequate Allowance for Loan Losses Would Result in Reduced Earnings.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. We evaluate the collectibility of our loan portfolio and provide an allowance for loan losses that we believe is adequate. If our evaluation is incorrect and defaults cause losses exceeding our allowance for loan losses, our earnings could be significantly and adversely affected. Commercial real estate, commercial business and construction lending generally involve higher credit risk than single-family residential lending. Such loans involve larger loan balances to a single borrower or groups of related borrowers. At March 31, 2004, we had balances of $89.6 million in commercial real estate loans, $7.1 million in construction loans and $13.4 million in commercial business loans.

We Face Competition from a Variety of Competitors.

We face competition for deposits, loans and other financial services from other community banks, national and regional banks, credit unions and other financial institutions. We also compete with other entities which provide financial services, including consumer finance companies, securities brokerage firms, mortgage brokers, insurance companies, and mutual funds, for loans and alternative investment products. Some of these financial institutions and financial services organizations are not subject to the same degree of regulation as we are. We have faced increased

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competition due to the Gramm-Leach-Bliley Act which allows insurance firms, securities firms, and other non-traditional financial companies to provide traditional banking services. Due to the growth of the Central Florida area, it can be expected that significant competition will continue from existing financial services providers, as well as new entrants to the market.

Our Ability to Service our Debt and Pay Dividends to our Shareholders Depends on Capital Distributions from the Bank, which are Subject to Regulatory Limits.

We are a holding company and depend upon dividends from the Bank for a significant portion of our revenues. We use dividends from the Bank to service our debt obligations and to pay dividends on our capital stock. Our ability to service our debt and pay dividends to our shareholders is further subject to restrictions under our indentures and loan covenants. The Bank s ability to pay dividends or make other capital distributions to us is subject to the regulatory authority of the Office of Thrift Supervision (OTS) and the Federal Deposit Insurance Corporation (FDIC).

This Is a Best Efforts Offering, and We May Not Be Able to Raise All the Capital We Need to Continue to Grow Our Operations.

This is a best efforts offering which means there is no guarantee that we will be able to sell all or any of the securities offered. There is no minimum number of shares that we must sell to complete the offering, and we are unable to guarantee that we will be able to sell any shares, although we have received non-binding indications of interest from our directors and executive officers. In the event we are unable to raise sufficient capital from this offering, it is likely that we will be unable to continue to grow as planned, which may adversely affect future earnings. Regardless of the number of shares that we sell in this offering, we may need to obtain additional capital in the future so that we can successfully execute our business strategy.

The Offering Price Is Not Necessarily an Indication of the Value of Our Shares.

The offering price does not necessarily bear any relationship to the book value of our assets, past operations, cash flows, losses, financial condition or any other established criteria for value. Our Board of Directors determined the offering price after consulting with our Sales Agent, Kendrick Pierce, and considering our historic and expected growth, the prior public sale of our shares and general market conditions, among other factors. Nevertheless, the offering price bears no relationship to the amount of our assets, book value, shareholders equity or other typical criteria of value, and may exceed the fair market value of our shares and the price at which shares may be sold after the offering. Consequently, you may lose a portion of your investment simply as a result of an inaccurately determined offering price.

We Have Broad Discretion as to the Use of Proceeds from the Offering. Our Failure to Effectively Apply Such Proceeds Could Affect Our Profits.

We have not allocated the proceeds of the offering to any specific purpose, and we will have significant flexibility in determining the amounts of net proceeds we will apply to different uses and the timing of such applications. We may utilize the proceeds in a manner that we believe is in our best interest but with which you may not agree and over which you will have no control.

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FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements related to our future results, including certain projections and business trends. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive, and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this prospectus, the words estimate, project, intend, believe, and expect, and similar expressions are intended to identi forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and we may not realize the results contemplated by these statements. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our business strategy or capital expenditure plans and may, in turn, affect our results of operations. In light of the significant uncertainties inherent in the forward-looking information included in this prospectus, you should not regard the inclusion of such information as our representation that we will achieve any specific strategy, objective, or other plans.

The forward-looking statements contained in this prospectus speak only as of the date of this prospectus, and we have no obligation to publicly update or revise any of these forward-looking statements. These and other statements, which are not historical facts, are based largely on our current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, the risks and uncertainties described in Risk Factors, beginning on page 6.

USE OF PROCEEDS

Assuming that we receive $______ of net proceeds from this offering, we will use up to $2.5 million to provide additional working capital to the Bank to maintain the institution s well-capitalized status. Approximately $4 million will be used to reduce outstanding debt. The remaining proceeds will be retained by Federal Trust Corporation to potentially be provided to the Bank as capital or otherwise invested.

THE OFFERING

General

Securities Offered. We are offering to sell 1,200,000 shares of our common stock. The offering is scheduled to close on ________, 2004. We have the right, however, to extend the offering for up to 60 days.

The purchase price for each share is $______. Except for our employees who may purchase a minimum of 100 shares, individuals wanting to purchase shares in this offering must purchase a minimum of 1,000 shares. Furthermore, the Board of Directors may reject any subscription, in whole or in part.

Best Efforts. We and Kendrick Pierce are offering the shares on a best efforts basis, and we are not required to issue any minimum number of shares in the offering. We will consummate the

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offering if any valid subscriptions are received, unless our Board of Directors terminates the offering entirely. The Board has engaged Kendrick Pierce to serve as the Sales Agent in this offering.

Procedure for Subscribing for Shares

If you wish to participate in the offering and invest in the shares, you may do so by completing and signing the stock order form included with this prospectus, and delivering it to us before the expiration date, together with payment in full of the subscription price for all the shares for which you have subscribed. Payment must be payable to Federal Trust Bank as escrow agent for Federal Trust Corporation and made by:

check or bank draft drawn on a U.S. bank;

cashier s check or money order; or

funds transferred via wire transfer.

The offering price will be deemed to have been received only upon:

clearance of any uncertified check; or

receipt of any certified check or bank draft drawn upon a U.S. bank, any cashier s check, money order, or wire transfer.

If you wish to pay by uncertified personal check, please note that the funds may take at least five business days to clear. Accordingly, any such payment of the subscription price should be sent in time to ensure that payment is received and clears by the expiration date of the offering.

The address to which the stock order form and payment of the offering price should be delivered is:

By Mail:	By Personal or Overnight Delivery:
Federal Trust Bank	Federal Trust Bank
P.O. Box 1867	312 West First Street, Suite 110
Sanford, Florida 32771-1867	Sanford, Florida 32771
Attn: Gregory E. Smith	Attn: Gregory E. Smith

If the amount you send with your stock order form is not the exact amount required to purchase the number of shares that you indicate are being subscribed for, or if you do not specify the number of shares to be purchased, then you will be deemed to have subscribed to purchase shares to the full extent of the payment tendered (subject to reduction to the extent necessary to comply with any regulatory limitation or conditions we impose in connection with the offering).

Failure to include the full subscription price with your subscription may cause us to reject your subscription. The method of delivery of the stock order form and payment of the subscription price will be at your election and risk. If you send your subscription by mail, we recommend that you use registered or express mail, return receipt requested.

We will decide all questions concerning the timeliness, validity, form and eligibility of stock order forms, and our decisions will be final and binding. In our sole discretion, we may waive any defect or irregularity in any subscription, may permit any defect or irregularity to be corrected within such time as we may allow, or may reject any purported subscription. Stock order forms will not be

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deemed to have been received or accepted until all irregularities have been waived or cured within the allotted time. No person has any duty to give a subscriber notice of any defect or irregularity in a stock order form submitted, and no one will incur any liability for failure to give such notice.

Sales Agent

We have entered into a Sales Agent Agreement with Kendrick Pierce to assist us in connection with the sale of our common stock in this offering on a best efforts basis. Kendrick Pierce is a broker-dealer registered with the SEC, and is a member of the National Association of Securities Dealers, Inc.

Under the terms of the Sales Agent Agreement, Kendrick Pierce will not receive any compensation in connection with the sales of common stock to our directors or employees. Kendrick Pierce is entitled to a fee of 3.5% of the dollar amount received for sales of our common stock to other investors in the offering. Selected dealers selling in the offering will be entitled to a fee not to exceed 3%. Pursuant to the terms of the Sales Agent Agreement, we will pay for Kendrick Pierce s out-of-pocket expenses up to a total of $40,000.

Kendrick Pierce has the right to terminate the Sales Agent Agreement under defined circumstances. It could terminate the Sales Agent Agreement for example, if, in its judgment, there is a material adverse change in our financial condition or operations, or market conditions brought about by an outbreak or escalation of hostilities, adverse economic conditions or other circumstances which render the sale of our common stock impracticable or inadvisable.

We and our executive officers and directors have agreed not to sell publicly, contract to sell publicly, or otherwise publicly dispose of, any shares of common stock for a period of 180 days from the date of this Prospectus, without the written consent of Kendrick Pierce.

We have agreed to indemnify Kendrick Pierce against certain liabilities including liabilities under the Securities Act of 1933, or to contribute to payments that Kendrick Pierce may be required to make in respect thereof.

The foregoing is a summary of the principal terms of the Sales Agent Agreement and does not purport to be complete. Reference is made to a copy of the Sales Agent Agreement which is on file as an exhibit to the Registration Statement.

We estimate that the total expenses of this offering, including Sales Agent expenses and commissions, will be approximately $________.

Regulatory Limitations

If you would own 10% or more of our common stock after the offering (5% in some circumstances), you will be required to provide certain information to, or seek the prior approval of the Office of Thrift Supervision. We will not be required to issue shares of common stock in the offering to any person who, in our opinion, would be required to obtain prior clearance or approval from the Office of Thrift Supervision to own or control such shares if, at the expiration date, such clearance or approval has not been obtained or any required waiting period has not expired. We reserve the right to reduce or reject, in whole or in part, any subscription which would require prior regulatory application or approval if such has not been obtained before the applicable offering expiration date.

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Subscriptions for Shares May Not Be Revoked by Subscribers but May Be Rejected by Us.

A subscriber may not revoke a subscription once it has been received. Stock order forms are not binding on us until we have accepted such subscriptions. The Board of Directors has reserved the right to reject any subscription, in whole or in part. If we reject a subscription, we will refund subscription funds as soon as practicable.

Intentions of Directors and Executive Officers

Our directors and executive officers have indicated that they intend to subscribe for approximately 55,000 shares in the offering. These intentions are not commitments and could change based upon individual circumstances at the time of the offering. Any shares purchased by directors and executive officers are intended to be held for investment.

Issuance of Common Stock

Certificates representing the shares of common stock purchased in the offering will be delivered to purchasers or their brokers as soon as practicable after subscriptions for such shares have been accepted by us.

Right to Terminate the Offering

We expressly reserve the right, at any time before or after the delivery of common stock, to terminate the offering for any reason, including, but not limited to, the offering being prohibited by law or regulation or our Board of Directors and Kendrick Pierce concluding that it is not in their best interests to complete the offering under the circumstances.

Requests for Additional Information

If you have questions or require additional information concerning the offering, please contact James V. Suskiewich, President & Chief Executive Officer of Federal Trust Corporation or Gregory E. Smith, Executive Vice President & Chief Financial Officer, at (407) 323-1833 or (800) 226-2829 or Kendrick Pierce Securities, Inc. at (813) 254-4602, extension 204.

Determination of Offering Price

The offering price of the shares was determined by the Board of Directors based upon a number of factors, including the general market conditions, the current market price of our common stock, and discussions with Kendrick Pierce. On June __, 2004, the closing price of our common stock on the American Stock Exchange was $________.

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CAPITALIZATION

The following table sets forth our capitalization at March 31, 2004, on an actual basis and on an as adjusted basis to reflect the sale of the 1,200,000 shares of common stock to be sold in this offering at a price of $______ per share (after deducting estimated offering expenses), and the application of the estimated net proceeds from the offering as described in the section of this prospectus entitled Use of Proceeds. You should read the information in the following table in conjunction with our consolidated financial statements and related notes thereto in this prospectus.

	At March 31, 2004 (historical)	Adjusted for the sale of 1,000,000 shares	Adjusted for the sale of 1,200,000 shares
		(In thousands)	
Deposits	$ 335,570	$ 335,570	$ 335,570
Federal Home Loan Bank advances	100,400	100,400	100,400
Other borrowings	5,217	1,217(1)	1,217(1)
Junior subordinated debentures	5,155	5,155	5,155
Capital lease obligation	3,262	3,262	3,262
Common stock, $0.01 par value	67		
Additional paid-in capital	22,069		
Retained Earnings	6,306	6,306	6,306
Unallocated ESOP shares (131,139 shares)	(947)	(947)	(947)
Accumulated other comprehensive income (loss)	(17)	(17)	(17)
Total capitalization	$ 477,082		

(1) Assumes $4.0 million of proceeds will be used to repay other borrowings.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

CONSOLIDATED FINANCIAL HIGHLIGHTS

($ in thousands, except per share amounts)

	March 31,		December 31,		
	2004	**2003**	**2003**	**2002**	**2001**
AT PERIOD END:					
Total assets	$ 482,739	$ 428,536	$ 468,198	$ 368,054	$ 306,481
Loans, net	413,868	357,604	398,401	308,598	264,187
Securities	34,082	37,299	33,615	21,520	13,948
Deposits	335,570	294,299	314,630	278,531	225,400
Equity	27,478	25,852	26,457	25,039	18,531
Book value per share	4.21	3.92	4.05	3.80	3.43
Shares outstanding (in thousands)	6,531	6,591	6,526	6,591	5,409
Equity-to-assets ratio	5.69%	6.03%	5.65%	6.80%	6.05%
FOR THE PERIOD:					
Interest income	$ 5,798	$ 5,493	$ 20,921	$ 19,452	$ 19,950
Interest expense	2,393	2,772	9,750	10,971	13,272
Provision for loan losses	550	220	650	445	540
Net interest income after provision for loan losses	2,855	2,501	10,521	8,036	6,138
Other income	678	607	2,358	2,400	2,383
Other expense	2,346	2,138	8,826	7,339	6,538
Net earnings	810	654	2,777	2,059	1,267
Basic earnings per share	.12	.10	.42	.34	.25
Diluted earnings per share	.12	.10	.42	.34	.25
Return on average assets	.67%	.64%	.64%	.63%	.47%
Return on average equity	12.02%	10.28%	10.79%	9.45%	7.40%
Average equity to average assets ratio	5.62%	6.19%	5.95%	6.68%	6.30%
Dividend payout ratio	16.42%	9.94%	11.81%		

Overview

For the year ended December 31, 2003, our net earnings were $2.8 million, or $0.42 per basic and fully diluted share, which represented a 35% increase in net earnings and a 24% increase in earnings per share from the previous year. For the first three months of 2004, net earnings were $810,000, or $0.12 per basic and fully diluted share, compared to $654,000, or $0.10 per basic and fully diluted share for the same period in 2003.

Our return on assets increased slightly in 2003 to 0.64% from 0.63% for 2002. Similarly, for the first three months of 2004, the annualized return on assets increased to 0.67% from 0.64% for the same period in 2003. Our return on equity for the years 2003 and 2002 were 10.79% and 9.45%, respectively. For the first three months of 2004, our annualized return on equity improved to 12.02% from 10.28% for the same period in 2003.

The continuing improvement in our earnings over the past few years is a result of our strategy to build a strong, profitable community bank in the Central Florida market area. Total assets grew $100 million, or 27% in 2003 to $468 million. Our assets continued to grow in the first quarter of 2004 and reached $483 million by March 31, 2004. With the significant level of residential loan refinancing

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activity in 2003, our total loans grew by 29% during the year. The loan growth was a major factor in our improved earnings for the year. Within the loan portfolio, our commercial real estate loans grew $33.4 million, or 75% to $78 million by December 31, 2003. The remainder of the loan growth in 2003 was primarily in loans secured by single-family homes.

During 2003 and 2004, we have been working to improve the credit quality in our portfolio and resolve delinquent accounts. Our progress in that regard is evident by the fact that we had $31,000 in charge-offs during 2003, but received $50,000 in recoveries from previously charged-off loans. More importantly, during the first quarter of 2004, non-performing loans decreased $2.6 million, or 41% from $6.4 million at December 31, 2003 to $3.8 million at March 31, 2004. The resolution of these problem loans helped us continue our earnings improvement in early 2004.

Our total deposits grew $36 million or 13% during 2003, to $315 million at December 31, 2003. The other major funding sources for our growth in 2003 were advances from the Federal Home Loan Bank, which grew $54 million to $108 million at the end of 2003. We continued our strategy of building our Central Florida footprint with the opening of three new banking branches from December 2002 to October 2003. One branch was located in Casselberry, Seminole County, and the other two were in Western Volusia County, in the towns of Deltona and Orange City. We are very pleased with the initial growth we have seen in those new markets and expect them to contribute to our continued growth in 2004.

Besides the overall growth in our assets, another significant factor impacting our earnings are market interest rates, which affect all aspects of our core business. As rates fell in 2002 and 2003, our deposit rates decreased, which reduced our interest expense despite the increase in the balances. At the same time, however, we also witnessed the significant increase in refinance activity in our residential loan portfolio and the new loans we generated and purchased were generally at lower rates than the loans which were paid off. The result of these changes was that our interest expense during 2003 decreased 11% to $9.8 million. At the same time, our interest income increased 8% during 2003 to $20.9 million, which was primarily attributed to the increased balances of loans. With the reduction in interest expense and increase in interest income our net interest income, the primary driver of our earnings grew by $2.7 million, or 32% in 2003 to $11.2 million.

General

Federal Trust was organized in February 1989 for the purpose of becoming the unitary savings and loan holding company of the Bank. During 2003, Federal Trust s corporate headquarters were located in Sanford, Florida, and its principal asset is the capital stock of the Bank. As a savings and loan holding company, Federal Trust has greater flexibility than the Bank to diversify and expand its business activities, either through newly formed subsidiaries or through acquisitions.

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Average Balance Sheet

The following table sets forth, for the periods indicated, information regarding: (i) the total dollar amount of interest income from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest rate spread; (v) net interest margin; and (vi) weighted average yields and rates. Average balances are based on average daily balances.

	For The Three Months Ended March 31,					
	2004			2003		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	($ in thousands)					
Interest-earning assets:						
Loans [1]	$ 412,119	$ 5,453	5.29%	$ 356,086	$ 5,129	5.76%
Securities	33,408	292	3.50	26,259	300	4.57
Other interest-earning assets [2]	6,716	53	3.16	9,504	64	2.69
Total interest-earning assets	452,243	5,798	5.13	391,849	5,493	5.61
Non-interest earning assets	27,840			18,922		
Total assets	$ 480,083			$ 410,771		
Interest-bearing liabilities:						
Non-interest bearing demand deposits	7,622			7,760		
Interest-bearing demand and money-market deposits	93,994	408	1.74	85,285	476	2.23
Savings deposits	8,537	31	1.45	9,707	50	2.06
Time deposits	214,230	1,219	2.28	193,088	1,507	3.12
Total deposit accounts	324,383	1,658	2.04	295,840	2,033	2.75
Borrowings [3]	123,278	735	2.38	84,274	739	3.51
Total interest-bearing liabilities	447,661	2,393	2.14	380,114	2,772	2.92
Non-interest bearing liabilities	5,459			5,212		
Stockholders equity		26,963			25,445	
Total liabilities and stockholders equity	$ 480,083			$ 410,771		
Net interest/dividend income		$ 3,405			$ 2,721	
Interest rate spread [4]			2.99%			2.69%
Net interest margin [5]			3.01%			2.78%

Ratio of average interest-earning assets to average interest-bearing liabilities	1.01	1.03

(1) Includes non-accrual loans.

(2) Includes interest-earning deposits and FHLB stock.

(3) Includes FHLB advances, other borrowings, junior subordinated debentures and capital lease obligation.

(4) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(5) Net interest margin is net interest income divided by average interest-earning assets.

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	For The Year Ended December 31,								
	2003			2002			2001		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	($ in thousands)								
Interest-earning assets:									
Loans [1]	$ 366,488	$ 19,591	5.35%	$ 279,934	$ 18,349	6.55%	$ 245,069	$ 19,235	7.85%
Securities	34,755	1,112	3.20	16,695	735	4.40	6,997	363	5.19
Other interest-earning assets [2]	7,626	218	2.86	15,871	368	2.32	6,939	352	5.07
Total interest-earning assets	408,869	20,921	5.12	312,500	19,452	6.22	259,005	19,950	7.70
Non-interest earning assets	23,942			13,756			12,762		
Total assets	$ 432,811			$ 326,256			$ 271,767		
Interest-bearing liabilities:									
Non-interest bearing demand deposits	$ 7,102	$	%	$ 5,837	$	%	$ 5,230	$	%
Interest-bearing demand and money-market deposits	92,525	1,764	1.91	56,066	1,607	2.87	22,880	824	3.60
Savings deposits	9,446	163	1.73	7,621	139	1.82	1,269	55	4.33
Time deposits	188,975	5,156	2.73	176,721	6,774	3.83	166,453	9,595	5.76
Total deposit accounts	298,048	7,083	2.38	246,245	8,520	3.46	195,832	10,474	5.35
Borrowings [3]	103,074	2,667	2.59	49,902	2,451	4.91	50,346	2,798	5.56
Total interest-bearing liabilities	401,122	9,750	2.43	296,147	10,971	3.70	246,178	13,272	5.39
Non-interest bearing liabilities	5,941			8,324			8,469		
Stockholders equity	25,748			21,785			17,120		
Total liabilities and stockholders equity	$ 432,811			$ 326,256			$ 271,767		
Net interest/dividend income	$ 11,171			$ 8,481			$ 6,678		
Interest rate spread [4]	2.69%			2.52%			2.31%		
Net interest margin [5]	2.73%			2.71%			2.58%		

Ratio of average interest-earning assets to average interest-bearing liabilities	1.02	1.06	1.05

(1) Includes non-accrual loans.

(2) Includes interest-earning deposits and FHLB stock.

(3) Includes FHLB advances, other borrowings, junior subordinated debentures and capital lease obligation.

(4) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(5) Net interest margin is net interest income divided by average interest-earning assets.

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Rate/Volume Analysis

The following table sets forth certain information regarding changes in interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (i) changes in rate (change in rate multiplied by prior volume); (ii) changes in volume (changes in volume multiplied by prior rate); and (iii) changes in rate-volume (change in rate multiplied by change in volume).

	Three Months Ended March 31, 2004 vs. 2003 Increase (Decrease) Due to Changes in ($ In thousands)			
	Rate	Volume	Rate/ Volume	Total
Interest-earning assets:				
Loans	$ (417)	$ 807	$ (66)	$ 324
Securities	(71)	82	(19)	(8)
Other interest-earning assets	11	(19)	(3)	(11)
Total	(477)	870	(88)	305
Interest-bearing liabilities:				
Deposit accounts	(529)	208	(54)	(375)
FHLB advances and other borrowings	(237)	342	(109)	(4)
Total	(766)	550	(163)	(379)
Net change in net interest income before provision for loan losses	$ 289	$ 320	$ 75	$ 684

	Year Ended December 31, 2003 vs. 2002 Increase (Decrease) Due to Changes in ($ In thousands)			
	Rate	Volume	Rate/ Volume	Total
Interest-earning assets:				
Loans	$ (3,385)	$ 5,673	$ (1,046)	$ 1,242
Securities	(201)	795	(217)	377
Other interest-earning assets	86	(191)	(45)	(150)
Total	(3,500)	6,277	(1,308)	1,469