

FEDERAL TRUST CORP
Form PRE 14A
April 02, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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 Rule 14a-11(c) or Rule 14a-12

FEDERAL TRUST CORPORATION

(Name of Registrant as Specified in its Charter)

NOT APPLICABLE

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

FEDERAL TRUST CORPORATION

_____, 2008

To Our Shareholders:

On behalf of the Board of Directors and management of Federal Trust Corporation, you are invited to attend our 2008 Annual Meeting of Shareholders (the Annual Meeting) to be held at _____, on _____, _____, 2008, at _____:00 a.m.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describe the formal business to be transacted at the Annual Meeting. At the Annual Meeting, we will report on matters of current interest to our shareholders, including our objectives for 2008. Directors and officers of Federal Trust Corporation, as well as a representative from the accounting firm Hacker, Johnson & Smith PA, will be present to respond to any questions you may have.

YOUR VOTE IS IMPORTANT. Even if you plan to attend the Annual Meeting, please sign, date and return the enclosed Proxy Card in the envelope provided immediately. This will not prevent you from voting in person at the Annual Meeting, but will assure that your vote is counted if you find you are unable to attend the Annual Meeting.

On behalf of the Board of Directors and all of our employees, we look forward to seeing and meeting with you at the upcoming Annual Meeting.

Sincerely,

Robert G. Cox
Chairman of the Board

FEDERAL TRUST CORPORATION

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON _____, 2008

The 2008 Annual Meeting of Shareholders of Federal Trust Corporation will be held at the _____, on _____, 2008, at _____:00 a.m. At the Annual Meeting, the following items will be presented and voted upon:

1. The election of two Class III directors to our Board of Directors, each to serve for a three year term;
2. The approval of an amendment to our Restated Articles of Incorporation to increase the number of shares of authorized capital stock;
3. The approval of an issuance of shares in a non-public offering in an amount in excess of 20% of our current outstanding shares of common stock;
4. The ratification of the appointment of Hacker, Johnson & Smith PA as our independent registered public accounting firm for 2008; and
5. The adjournment of the Annual Meeting to solicit additional proxies in the event there are insufficient votes to approve the foregoing proposals.

All shareholders of record as of the close of business on _____, 2008, are entitled to vote at our Annual Meeting. A copy of our 2007 Annual Report is also enclosed.

It is very important that your shares be represented and voted at our Annual Meeting. Please complete, sign, date, and return the enclosed Proxy Card in the envelope provided, whether or not you presently plan to attend our Annual Meeting in person.

By Order of the Board of Directors,

Robert G. Cox
Chairman of the Board

Sanford, Florida
_____, 2008

FEDERAL TRUST CORPORATION

PROXY STATEMENT

2008 ANNUAL MEETING OF SHAREHOLDERS

Date, Time and Place

on _____, _____, 2008

at _____:00 a.m.

at _____

_____, Florida _____

INTRODUCTION

This Proxy Statement contains information relating to the 2008 Annual Meeting of Shareholders of Federal Trust Corporation. Through this mailing, your Board of Directors is soliciting proxies for our upcoming Annual Meeting. Our 2007 Annual Report is also enclosed with this Proxy Statement. These documents provide important information about our business, including audited financial statements, and are first being mailed to shareholders on or about _____, 2008. Unless the context indicates otherwise, all references in this proxy statement to "we," "us" or "our" mean Federal Trust Corporation and its two subsidiary companies, Federal Trust Bank and Federal Trust Mortgage Company.

VOTING PROCEDURES

It is important that your shares are represented and voted, whether it is through proxy or your presence in person at the Annual Meeting. Whether or not you plan on voting in person at the Annual Meeting we encourage you to fill out the enclosed proxy card or voting instruction form and return it, signed and dated, in the enclosed postage-paid envelope. This will ensure that your shares are voted even if you presently plan on attending in person, but are unable to attend the Annual Meeting. Proxies solicited by the Board of Directors will be voted by the proxy holders in accordance with the recommendations of the Board of Directors as provided in this Proxy Statement, unless you give contrary directions on the proxy card.

What is the recommendation of our Board?

The Board recommends that you vote:

- u **FOR** the election of the two Class III director nominees;

- u **FOR** the amendment to our Restated Articles of Incorporation to increase the number of shares of authorized capital stock;

- u **FOR** the approval of an issuance of shares in a non-public offering in an amount in excess of 20% of our current outstanding shares of common stock;

- u **FOR** the ratification of the appointment of Hacker, Johnson & Smith PA, as our independent registered public accounting firm for 2008; and

- u **FOR** the adjournment of the Annual Meeting to solicit additional proxies in the event there are insufficient votes to approve any of the above proposals.

Who is entitled to vote at our meeting and what constitutes a quorum?

Only record holders of our shares of common stock at the close of business on _____, 2008, the shareholder record date, will be entitled to vote at the Annual Meeting. Record shareholders representing a majority of our outstanding common stock, present in person or represented by proxy, constitutes a quorum. Our Restated Articles of Incorporation do not provide for cumulative voting. Shareholders are entitled to one vote for each share owned.

What are the voting rights of our shareholders?

In accordance with Florida law and our Bylaws, our directors will be elected at the Annual Meeting by a plurality of the votes cast. The amendment to our Restated Articles of Incorporation will be determined by the affirmative vote of the holders of a majority of our outstanding shares of common stock. Any other matter on which shareholders vote at the Annual Meeting will be determined by the affirmative vote of a majority of the votes cast, without regard to votes that are marked Abstain or broker non-votes. The number of shares of our common stock outstanding as of the record date was 9,436,305, held by approximately _____ shareholders in their own name. Each share of common stock entitles its owner to one vote upon each matter that comes before the Annual Meeting. A shareholder may abstain or withhold a vote with respect to any item submitted for shareholder approval. Any withheld votes will be counted as being present for purposes of determining the existence of a quorum.

How do I vote?

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your shares of common stock are represented by certificates or book entries in your name so that you appear as a shareholder on the records of our stock transfer agent, a proxy card to be used for voting those shares will be included with this Proxy Statement. You may vote those shares by completing, signing and returning the proxy card in the enclosed postage pre-paid, pre-addressed envelope.

How do I vote if my Federal Trust Corporation shares are held in street name ?

If you own shares in street name, meaning that your shares are held in an account at a bank or brokerage firm, we generally cannot mail our proxy materials directly to you. You may instead receive a voting instruction form with this Proxy Statement that you should use to instruct the bank or brokerage firm as to how your shares are to be voted. You should vote your shares by completing, signing, and returning the voting instruction form in the envelope provided. Many brokerage firms have arranged for Internet or telephonic voting of shares and provide instructions for using those services on the voting instruction form.

If your shares are held by a brokerage firm, under certain circumstances, the brokerage firm may vote your shares. Such entities have authority to vote their customers' shares on certain routine matters, including the election of directors. When a firm votes its customers' shares on routine matters, these shares are also counted for the purpose of establishing a quorum to conduct business at the meeting. A brokerage firm cannot vote its customers' shares on non-routine matters. Accordingly, these shares are not counted as votes against a non-routine matter, but rather are not counted at all for such a matter.

Who can attend our Annual Meeting?

If you own common stock of record, you may attend the Annual Meeting and vote in person, regardless of whether you have previously voted by proxy card. If you own common stock through a brokerage account, you may also attend the Annual Meeting, but in order to vote your shares at the Annual Meeting, you must obtain a legal proxy from the brokerage firm that holds your shares. You should contact your brokerage account representative to learn how to obtain a legal proxy. We encourage you to vote your shares in advance of the Annual Meeting by one of the methods described above, even if you plan on attending the Annual Meeting, so we will be able to determine in advance if a quorum is present. You may change or revoke your proxy at the Annual Meeting in the manner described below even if you have already voted by proxy card.

Can I change my vote after I return my proxy card?

Any shareholder holding common stock of record may revoke a previously granted proxy at any time before it is voted, by delivering to us a written notice of revocation or a duly executed proxy card bearing a later date, or by attending the Annual Meeting and voting in person. Any shareholder holding common stock through a brokerage firm may change or revoke previously given voting instructions by contacting their brokerage firm, or by obtaining a legal proxy from the brokerage firm and voting in person at the Annual Meeting.

How can I be admitted to the meeting?

The proxy card you received allows you to indicate whether you plan to attend our Annual Meeting. When you arrive at the meeting, you will be asked to register at the meeting registration desk. If you hold your shares in an account at a bank or brokerage firm, your name will not appear on our shareholder list. In such instance, please bring an account statement or a letter from your broker showing you are a Federal Trust Corporation shareholder as of the _____, 2008, the record date, and present this documentation at the meeting registration desk in order to be permitted to attend our Annual Meeting. Everyone who attends our Annual Meeting must abide by the rules of conduct of the meeting.

Who will pay the costs of soliciting proxies on behalf of our Board of Directors?

We will bear the cost of soliciting proxies on our behalf and the Board of Directors for the Annual Meeting. Proxies may be solicited by directors, officers or our other employees, in person or by telephone, e-mail or mail. We are requesting persons and entities holding shares in their names, or in the names of their nominees, to send proxy materials to, and obtain proxies from, such beneficial owners. Those persons and entities will be reimbursed for their reasonable out-of-pocket expenses. Due to the number of our shares that are held in street name, we have agreed to pay Regan & Associates, Inc. \$6,000 (includes reasonable out-of-pocket expenses) to assist in the solicitation and tabulation of proxies.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table contains information concerning the persons and entities known to us to be beneficial owners of 5% or more of our outstanding shares common stock as of the record date.

Name and Address of	Number of Shares	Percent of Class ⁽¹⁾
Beneficial Owner Estate of Einar Paul Robsham	488,400 ⁽²⁾	5.20%
Post Office Box 5183 Cochituate, MA 01778		
Benjamin Partners	507,960 ⁽³⁾	5.41%
589 Broadway New York, NY 10012		

(1) Based upon 9,436,305 shares outstanding as of the record date.

(2) As reported in the Schedule 13D filed with the Securities and Exchange Commission on June 19, 2000.

(3) As reported in the Schedule 13D filed with the Securities and Exchange Commission on February 15, 2007. Includes other affiliated parties, in addition to Benjamin Partners.

PROPOSAL I - ELECTION OF DIRECTORS

Our Board of Directors is presently composed of seven members. Our Articles of Incorporation provide that directors are divided into three classes, which serve for staggered three-year terms. This year, two Class III directors have been nominated by our Board of Directors.

To the best of our knowledge, other than as disclosed herein, the existing directors and the director nominees, Samuel C. Certo, PhD. and Dennis T. Ward, are not subject to any arrangements or understandings with any other person pursuant to which they were selected as a director or nominee. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to the nominee) will be voted at the Annual Meeting for the election of the nominees identified below. Each nominee has indicated his willingness to stand for election and to serve, if elected. If the nominees are unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may recommend. Should a nominee become unable or unwilling to serve, proxies will be voted for the election of such other person as the Board of Directors may choose to nominate.

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The table below sets forth certain information regarding our Board of Directors, Executive Officers and Directors of Federal Trust Bank who are not directors of Federal Trust Corporation as of [record date], including the terms of office of Board members.

Name (1)	Age	Current Term to Expire	Shares of Common Stock	
			Beneficially Owned (2)	Percent of Class
NOMINEES				
Samuel C. Certo, PhD.	61	2008	97,657(3)	1.0%
Dennis T. Ward	56	2008	3,100	*

DIRECTORS OF FEDERAL TRUST CORPORATION

CONTINUING IN OFFICE

Kenneth W. Hill	75	2009	93,314(4)	*
Eric J. Reinhold	43	2009	6,700(5)	*
Robert G. Cox	67	2010	22,759(6)	*
A. George Iglar	56	2010	55,672(7)	*
Charles R. Webb	66	2010	18,000(8)	*

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Jennifer B. Brodnax	50	N/A	104,632(9)	1.1
Mark E. McRae	39	N/A		*
Lindsay B. Sandham	49	N/A		*
Gregory E. Smith	54	N/A	66,716(10)	*

DIRECTORS OF FEDERAL TRUST BANK

WHO ARE NOT DIRECTORS OF FEDERAL TRUST CORPORATION

W. Daniel Allen	47	2008	100	*
A. Stewart Hall, Jr.	65	2008	8,160	*
All Directors and Executive Officers as a Group (13 persons)			827,965(11)	8.6%

* Less than 1%.

- (1) The mailing address for each person listed is 312 West First Street, Suite 110, Sanford, Florida 32771.
- (2) Includes shares for which the named person has sole voting and investment power, has shared voting and investment power with a spouse or holds in an IRA or other retirement plan program, unless otherwise indicated in these footnotes.
- (3) Includes 94,844 shares of common stock and 2,813 vested restricted stock units.
- (4) Includes 55,080 shares of common stock and 38,234 vested options to purchase common stock.
- (5) Includes 6,000 shares of common stock and 700 vested options to purchase common stock.
- (6) Includes 15,860 shares of common stock, 5,000 vested options to purchase common stock and 1,899 vested restricted stock units.
- (7) Includes 33,052 shares of common stock (including 6,607 shares held as trustee under the Iglar & Dougherty, P.A. Profit Sharing Plans, with respect to which Mr. Iglar shares voting and investment power) and 22,620 vested options to purchase common stock.
- (8) Includes 13,000 shares of common stock and 5,000 vested options to purchase common stock.
- (9) Includes 29,220 shares owned directly, 5,816 shares in Federal Trust Corporation's Stock Bonus Plan, over which Ms. Brodnax has sole voting and investment power, 22,504 shares in Federal Trust Corporation's 401(k) Plan, 16,493 shares held in the Federal Trust Corporation employee stock ownership plan and 30,599 vested options to purchase common stock.

- (10) Includes 19,492 shares owned directly, 8,224 shares in Federal Trust Corporation's 401(k) Plan, 4,320 shares held in the Federal Trust Corporation employee stock ownership plan and 34,680 vested options to purchase common stock.
- (11) Includes 283,724 shares of common stock, 136,833 vested options to purchase shares of common stock, 4,712 vested restricted stock units, 189,973 shares held under the Federal Trust Corporation 401(k) Plan, for which our executive officers serve as trustees and 212,723 shares held under the Federal Trust Corporation Employee Stock Ownership Plan, for which our executive officers serve as trustees.

Directors

The business experience for the past five years of each of our directors is set forth below. Unless otherwise indicated, directors have held their positions for the past five years or longer.

Samuel C. Certo, PhD. has been a director of Federal Trust Corporation since 1997 and a director of Federal Trust Bank since 1996. He is a Professor of Management and the former Dean at the Crummer Graduate School of Business at Rollins College in Winter Park, Florida. Since 1986, Mr. Certo has served as a business consultant and has published textbooks in the areas of management and strategic management.

Dennis T. Ward was named President and Chief Executive Officer and Director of Federal Trust Corporation in September 2007. Mr. Ward was also appointed Chairman of the Board, President and Chief Executive Officer of Federal Trust Bank in September 2007. Mr. Ward joined Federal Trust as Executive Vice President and Chief Operating Officer in February 2007 to provide overall coordination of the strategic initiatives to build a strong, profitable banking franchise in Central Florida. Prior to joining Federal Trust Corporation, he served as Central Florida President for Regions Bank for nine years. His previous banking experience includes International Banking for SunTrust and National Bank of Detroit. Mr. Ward is a seasoned executive with over 31 years of banking experience.

Kenneth W. Hill has been a director of Federal Trust Corporation since 1997 and a director of Federal Trust Bank since 1995. Mr. Hill was a Vice President and Trust Officer of SunBank, N.A., Orlando, Florida, from 1983 through 1995.

Eric J. Reinhold has been a director of Federal Trust Corporation since 2006. Mr. Reinhold is a Certified Financial Planner, who has served as President of Academy Planning Group since 2002 and was previously Regional Vice President for Academy Financial, both located in Orlando, Florida.

Robert G. Cox was appointed as a director of Federal Trust Corporation in November 2006. Mr. Cox is a retired bank executive, having served as the President of Summit Bank in New Jersey from 1980 to 1987, and then as the President of Summit Bancorp upon the merger of Summit Bank and UTB Financial Corp. in 1987. Mr. Cox served at Summit Bancorp until his retirement in 2000. In addition, he was recently a director at Ryan Beck & Company and is currently a member of the Board of Trustees of New Jersey SEEDS.

A. George Iglar was first elected to the Board in October 2001. He has been a principal shareholder of the law firm of Iglar & Dougherty, P.A. since it was established in 1992. The firm concentrates its practice in financial institutions, corporate and securities law. Iglar & Dougherty, P.A., served as Federal Trust Corporation's corporate counsel from 1993 until 2007.

Charles R. Webb was appointed as a director of Federal Trust Corporation in January 2007. He is currently a Principal of Ernst & Webb, LLC, a consulting firm based in Naples, Florida and Cincinnati, Ohio, which specializes in merger integration for financial institutions. Mr. Webb also has over 35 years of financial institution experience, including serving as both Chief Executive Officer and Chief Financial Officer of thrift institutions.

Executive Officers who are not Directors

The business experience for the past five years of each of our executive officers other than Mr. Ward is set forth below. Unless otherwise indicated, executive officers have held their positions for the past five years.

Jennifer B. Brodnax joined Federal Trust Bank in June 1987 during its organization. For the past 20 years with Federal Trust Bank, Mrs. Brodnax has served in various management capacities. Mrs. Brodnax was appointed Executive Vice President, Retail Banking in January 2008 and currently oversees branch office operations and profitability, strategic and operational activities associated with the development of new products and program management.

Mark E. McRae joined Federal Trust Bank as Executive Vice President and Senior Loan Officer in November 2007. Mr. McRae has 17 years of commercial banking experience, primarily focused in middle market and business banking. Prior to joining Federal Trust Corporation, from 2004 to 2007, Mr. McRae was with Regions Bank in Central Florida as Commercial Middle Market Sales Manager. From 1995 to 2003, Mr. McRae was employed by Southtrust Bank, working in Tampa, Florida.

Lindsay B. Sandham joined Federal Trust Bank in February 2007 as Senior Vice President and Chief Credit Officer. From 2005 through 2006, he was employed by Seacoast National Bank, located in Stewart, Florida. From 2004 through 2005, he was employed by SunTrust Bank, working in Orlando, Florida. From 2003 to 2004 he was employed by Equistar Financial Corporation, located in St. Petersburg, Florida. Prior to working for Equistar Financial Corporation, Mr. Sandham worked for eight years with Canadian Imperial Bank of Commerce in various credit related areas.

Gregory E. Smith was named Executive Vice President and Chief Financial Officer of Federal Trust Corporation and Federal Trust Bank in March 2003. He has worked in both large and small commercial banks and savings associations in Florida since 1979. His prior banking experience includes being President, Chief Operating Officer, Chief Financial Officer and Director. Mr. Smith is a certified public accountant and he started his career with a large accounting firm in New York, where he was a bank specialist.

Directors of Federal Trust Bank who are not Directors of Federal Trust Corporation

The business experience for the past five years of each of Federal Trust Bank's directors who are not directors of Federal Trust Corporation is set forth below. Unless otherwise indicated, individuals have held their positions for the past five years.

W. Daniel Allen has been a director of Federal Trust Bank since 2005. He is the owner of Discount Propane, Inc. located in DeBary, Florida.

A. Stewart Hall, Jr. has been a director of Federal Trust Bank since 2003. Mr. Hall was the President and Chief Operating Officer of Hughes Supply, Inc. from 1973 through 2001 and has served as the Chairman of ASHCORP, a health benefits company, since 2001.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE CLASS III DIRECTOR NOMINEES.

CORPORATE GOVERNANCE

The Securities and Exchange Commission and the American Stock Exchange (AMEX) have regulations and listing requirements that govern the corporate practices of public companies and AMEX listed companies, such as Federal Trust Corporation. The following are highlights concerning certain important aspects of our Corporate Governance program.

AMEX listing requirements require our Board of Directors to be comprised of a majority of independent directors. In determining whether a director is independent under applicable independence requirements, our Board of Directors considered any transactions and relationships between each director and any member of his immediate family or affiliates and Federal Trust Corporation and its subsidiaries and affiliates. The Board of Directors has determined that a majority of our directors are independent. Throughout this proxy statement, reference is made to being independent, which shall mean as that term is defined by Section 121A of the listing standards of AMEX.

Particular attention is paid to certain relationships between each director and management of Federal Trust Corporation and its subsidiaries, and any credit relationships that may exist between the subsidiaries and a director or a director's related interest. Generally, credit relationships with directors and their affiliates will not impair independence, provided the terms of the credit relationship are similar to terms extended to other comparable borrowers.

A director who is an executive officer or principal shareholder of a company that makes payments to or receives payments from Federal Trust Corporation and its subsidiaries for property or services in an amount which, in any one of the last three fiscal years, is more than the greater of \$200,000 or 5% of the consolidated gross revenues of either Federal Trust Corporation or such director's company will not be considered independent. Applying these standards, which are intended to comply with the AMEX corporate governance rules, and all other applicable laws, rules and regulations, the Board of Directors has determined that all of our directors presently in office are independent, except for Chief Executive Officer and President Dennis T. Ward.

We have adopted a Code of Ethics applicable to our directors and employees, including its Senior Financial Officers. A copy is available on our website at www.federaltrust.com or will be provided free of charge, upon request to Marcia Zdanys, Corporate Secretary, 312 West First Street, Sanford, Florida 32771, (407) 323-1833. Amendments to the Code of Ethics with respect to Senior Financial Officers will be disclosed on our website. Waivers to the Code of Ethics with respect to directors or executive officers will be disclosed on our website and also in any other manner required by then-applicable Securities and Exchange Commission or listing rules and regulations.

BOARD OF DIRECTORS AND STANDING COMMITTEES

Our Board of Directors conducts its business through meetings held by the full Board of Directors, as well as through its standing committees. During 2007, the Board of Directors held nine meetings. All of our directors attended at least 75% of the aggregate number of meetings of the Board of Directors and the respective committees on which they served. The directors are encouraged to attend the Annual Meetings of Shareholders. At last year's Annual Meeting, all of the directors were in attendance.

The Board has three standing committees—the Nominating and Corporate Governance Committee, the Compensation Committee and the Audit Committee. Each of these committees has adopted a written charter. These charters are available on our website at www.federaltrust.com.

The Nominating and Corporate Governance Committee considers nominees to our Board of Directors and the election of directors of our subsidiaries, as well as ensuring that Federal Trust Corporation is in compliance with applicable corporate governance principles. The Nominating and Corporate Governance Committee consists of Charles R. Webb (Chairman), Kenneth W. Hill and Robert G. Cox, each of whom is considered independent under AMEX listing standards. The Nominating and Corporate Governance Committee met once in 2007.

The Compensation Committee serves with regard to compensation and personnel policies, program and plans, including management development and succession, and to approve employee compensation and benefit programs. The Compensation Committee consists of Samuel C. Certo, PhD. (Chairman), Robert G. Cox, A. George Iglar, Eric J. Reinhold and Kenneth W. Hill, each of whom is considered independent under AMEX listing standards. In 2007, the Compensation Committee met ten times.

The Audit Committee reviews Federal Trust Corporation's auditing, accounting, financial reporting, and internal control functions; recommends our independent auditor; and reviews its services. The Audit Committee is comprised of Kenneth W. Hill (Chairman), Robert G. Cox and Eric J. Reinhold, each of whom is considered independent under AMEX listing standards. Director Cox is the Audit Committee's designated financial expert. The Audit Committee met four times during 2007.

Audit Committee Report

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Under its charter, the functions of the Audit Committee are focused on three areas:

the adequacy of internal controls and financial reporting process and the reliability of our financial statements;

the performance of the internal auditors, as well as monitoring their independence; and

our compliance with legal and regulatory requirements.

In fulfilling its oversight responsibilities, the Audit Committee (1) obtained from Federal Trust Corporation's independent registered public accounting firm (Hacker, Johnson & Smith PA), a formal written statement describing all relationships between the firm and Federal Trust Corporation that might bear on the firm's independence consistent with Independence Standards Board Standard No. 1, (2) discussed with the firm any relationships that may impact their objectivity and independence, and (3) satisfied itself as to the firm's independence. The Audit Committee also discussed with management, the internal auditors and the independent registered public accounting firm the quality and adequacy of our internal controls over financial reporting. The Audit Committee reviewed both with the independent registered public accounting firm and internal auditors their audit plans, audit scope and identification of audit risks.

The Audit Committee discussed and reviewed with the independent registered public accounting firm all communications required by Standards of the Public Company Accounting Oversight Board (United States), including those described in Statement on Auditing Standards No. 61, as amended, and, with and without management present, discussed and reviewed the results of the independent registered public accounting firm's audit of the financial statements. The Audit Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed and discussed with management and the independent registered public accounting firm the audited consolidated financial statements of Federal Trust Corporation as of and for the year ended December 31, 2007, and management's assertion on the design and effectiveness of our internal control over financial reporting as of December 31, 2007. Management has the responsibility for the preparation of the Company's consolidated financial statements and their assertion on the design and effectiveness of our internal controls over financial reporting and the independent registered public accounting firm has the responsibility for the audit of those consolidated statements and assertion.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007, and filed with the Securities and Exchange Commission. The foregoing report is respectfully submitted by the Audit Committee members:

Kenneth W. Hill, Audit Committee Chairman, Robert G. Cox and Eric J. Reinhold.

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such acts.

Nominating and Corporate Governance Committee Matters

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to our business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. In addition, the Nominating and Corporate Governance Committee is authorized by its charter to engage a third party to assist in the identification of director nominees, if it chooses to do so. The Nominating and Corporate Governance Committee seeks to identify candidates who, at a minimum, satisfy the following criteria:

has the highest personal and professional ethics and integrity and whose values are compatible with our values;

has experience and achievements that have given them the ability to exercise and develop good business judgment;

possesses a willingness to devote the necessary time to the work of the Board of Directors and its committees, which includes being available for Board of Directors and committee meetings;

has a familiarity with the communities in which we operate and/or is actively engaged in community activities;

is involved in other activities or interests that do not create a conflict with their responsibilities to Federal Trust Corporation and its shareholders; and

has the capacity and desire to represent the balanced, best interests of our shareholders as a group, and not primarily a special interest group or constituency.

The Nominating and Corporate Governance Committee will also take into account whether a candidate satisfies the criteria for independence under AMEX corporate governance listing standards.

Procedures for the Recommendation of Director Nominees by Shareholders. In March 2008, the Nominating and Corporate Governance Committee adopted new procedures for the submission of recommendations for director nominees by shareholders. If a determination is made that an additional candidate is needed for the Board of Directors, the Nominating and Corporate Governance Committee will consider candidates submitted by our shareholders. Shareholders can submit the names of qualified candidates for director by writing to us at 312 West First Street, Suite 110, Sanford, Florida 32771, Attention: Corporate Secretary. To be timely, the submission of a candidate for director by a shareholder must be received by the Corporate Secretary at least 150 days prior to the anniversary date of the proxy statement relating to the preceding year's annual meeting of shareholders. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, to be timely the recommendation for director must be delivered no later than the close of business on the 10th day following the day on which public announcement of the

date of such meeting is first made. The 2009 Annual Meeting of Shareholders is expected to be held _____, 2009.

The submission must include the following information:

a statement that the writer is a shareholder and is proposing a candidate for consideration by the Committee;

the name and address of the shareholder as they appear on our books, and number of shares of our common stock that are owned beneficially by such shareholder (if the shareholder is not a holder of record, appropriate evidence of the shareholder's ownership will be required);

the name, address and contact information for the candidate, and the number of shares of our common stock that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the shareholder's ownership should be provided);

a statement of the candidate's business and educational experience;

such other information regarding the candidate as would be required to be included in the proxy statement pursuant to Securities and Exchange Commission Regulation 14A;

a statement detailing any relationship between the candidate and Federal Trust Corporation and its affiliates;

a statement detailing any relationship between the candidate and any customer, supplier or competitor of Federal Trust Corporation or its affiliates;

detailed information about any relationship or understanding between the proposing shareholder and the candidate; and

a statement of the candidate that the candidate is willing to be considered and willing to serve as a Director if nominated and elected.

A nomination submitted by a shareholder for presentation by the shareholder at an annual meeting of shareholders must comply with the procedural and informational requirements described in our Bylaws.

EXECUTIVE COMPENSATION

Compensation Committee Determination of Executive Compensation

The Compensation Committee's responsibilities, as it pertains to executive and director compensation, include:

recommending to the Board of Directors the compensation of our executive officers and other senior executives;

ensuring that we develop, implement and maintain executive reward systems that are competitive, reasonable and motivate executive performance and contribution to Federal Trust Corporation;

establishing, reviewing and amending our compensation policies and procedures;

reviewing and approving all employment agreements and any amendments thereto, as well as change in control and severance agreements for our executive officers;

reviewing and recommending the form and amount of all awards provided to eligible executives;

reviewing and recommending to the Board of Directors the form and amount of compensation paid to our directors; and

ensuring that we have proper management succession.

At the beginning of each calendar year, the Compensation Committee, in consultation with the Chief Executive Officer, determines target base and total direct compensation levels for our executive officers based on several factors, including:

the executive officer's role and responsibilities;

the significant and perhaps unexpected business challenges that the executive has faced or is likely to face;

the total compensation of executives who perform similar duties at other companies;

the total compensation for the executive officer during the prior fiscal year;

how the executive officer has contributed to our performance during the prior year;

the executive officer's expected contribution and goals for the current year; and

our performance in comparison to peers.

The Committee's goal is to design a compensation program that will attract and retain executive officers by rewarding them for performance in relationship to achievement of corporate and personal performance goals.

The Compensation Committee has the sole authority with respect to retaining and terminating consulting firms that assist in the evaluation of the compensation of the Chief Executive Officer and other executive officers. For 2007, the Compensation Committee retained Hewitt Associates, based in Chicago, Illinois, as its compensation consultant. Hewitt and Associates was directed to review the compensation of then-President and Chief Executive Officer James V. Suskiewich. Hewitt and Associates was also engaged by the Compensation Committee to assist in the design of a management cash incentive plan, which plan was not adopted by the Compensation Committee or the Board of Directors. As part of the selection process to retain the compensation consultant, the Compensation Committee considered representations with respect to its practices and its approach to maintaining independence. During 2007, Federal Trust Corporation used the Bank Consulting Group for actuarial and related services in connection with our supplemental executive retirement plans.

Summary Compensation Table

The following Summary Compensation table provides information for the fiscal years ended December 31, 2007 and 2006 concerning the total compensation paid to the two individuals who served as Chief Executive Officer during 2007 and the three other most highly compensated executive officers of Federal Trust Corporation and its subsidiaries during the fiscal year ended December 31, 2007. These officers are referred to as the named executives in the following discussions. The columns entitled Stock Awards and Nonqualified deferred compensation earnings have been omitted as inapplicable.

Name and Principal Position	Year	Salary⁽¹⁾	Bonus	Option Awards⁽²⁾	Non equity incentive plan compensation	All Other Compensation⁽³⁾	Total
Dennis T. Ward, Chief Executive Officer and President	2007	\$ 178,846	\$	\$ 2,850	\$	\$ 15,511	\$ 197,207
James V. Suskiewich ⁽⁴⁾ Former Chief Executive Officer and President	2007	\$ 302,883	\$	\$	\$	\$ 3,016,130	\$ 3,319,013
	2006	375,000		35,829	67,968	332,879	811,676
Gregory E. Smith Executive Vice President and Chief Financial Officer	2007	\$ 164,615	\$	\$ 12,703	\$	\$ 24,228	\$ 201,546
	2006	154,423	24,722	6,726		22,725	208,696
Thomas D. Spatola ⁽⁵⁾ Former President, Federal Trust Mortgage Company	2007	\$ 153,577	\$	\$	\$	\$ 10,857	\$ 164,434
	2006	150,000	750			17,690	168,440
Jennifer B. Brodnax Executive Vice President Retail Banking, Federal Trust Bank	2007	\$ 102,885	\$	\$	\$	\$ 22,451	\$ 125,336
	2006	99,749	12,750			21,416	133,915

(1) Includes all compensation in the year earned whether received or deferred at the election of the executive.

(2) Reflects the value of stock options granted under the Amended and Restated 1998 Key Employee Stock Compensation Program. The value is the amount recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards 123(R), Share-Based Payment. The assumptions used in the valuation of these awards are included in Notes 1 and 14 to our audited financial statements for the year ended December 31, 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission.

(footnotes continued on following page)

(3) All Other Compensation for 2007 includes the value of:

	Dennis T. Ward	James V. Suskiewich	Gregory E. Smith	Thomas P. Spatola	Jennifer B. Brodnax
Health & life insurance premiums	\$ 9,282	\$ 55,357	\$ 15,329	\$ 10,857	\$ 15,329
Social/country club dues	4,441	5,198			
401(k) plan contributions	1,788	6,479	5,528		3,071
Supplemental retirement plan accrual		1,752,809	3,361		4,051
Salary accrual		1,125,000			
Use of company automobile		6,473			
Long-term care policy		1,852			
Director fees		34,000			
Unused vacation days		25,962			
Total	\$ 15,551	\$ 3,016,130	\$ 24,228	\$ 10,857	\$ 22,451

All of the director fees for Mr. Suskiewich were earned or paid in cash.

- (4) Mr. Suskiewich was terminated as President and Chief Executive Officer on October 14, 2007. In connection with his termination, under his employment agreement, Mr. Suskiewich will receive three years of base salary at \$375,000 per year and three years of health and life insurance, with a total value of \$44,500. Pursuant to his supplemental retirement plan, Mr. Suskiewich will receive \$202,500 per year for life and, upon his death, his spouse will receive 80% of such payments per year for her life. See 2007 Outstanding Equity Awards at Fiscal Year-End for a description of the effect of Mr. Suskiewich's termination on his stock options.
- (5) Mr. Spatola resigned effective November 30, 2007. He was not paid any severance in connection with his retirement. See 2007 Outstanding Equity Awards at Fiscal Year-End for a description of the effect of his resignation on his stock options.

Total Compensation Cash and Stock Incentives

Our total compensation consists of five components:

base salary;

cash performance-based annual incentives;

stock options;

deferred compensation (qualified and nonqualified); and

other benefits and limited perquisites.

Base Salary

When determining base salary, the Compensation Committee takes into consideration a number of factors, including market data, prior salary, job responsibilities and changes in job responsibilities, achievement of specified goals, individual experience, demonstrated leadership, performance potential, actual performance, and retention considerations. These factors are not weighed or ranked in any particular way. During 2007, in connection with his promotion to President and Chief Executive Officer, Dennis T. Ward received an increase in base salary of \$50,000, to \$250,000. Executive Vice President and Chief Financial Officer Gregory E. Smith and Federal Trust Bank Executive Vice President/Retail Banking Jennifer B. Brodnax received increases in base salary of \$10,000 and

\$3,000, respectively, increasing their base salaries to \$165,000 and \$103,000, respectively. For 2008, none of our executive officers received increases in base salary.

Annual Incentives

Annual cash incentives are awarded to executive officers based upon their individual performance and our financial performance. The former President and Chief Executive Officer's target bonus opportunity was set forth in his employment agreement, and included a target bonus opportunity in 2007 up to 40% of his base salary. However, the President and Chief Executive Officer was terminated prior to the potential receipt of a cash incentive in 2007. Bonuses for other executive officers are not established pursuant to incentive plans, but can be recommended by the Compensation Committee for Board of Director approval. We did not reach our expected level of performance in 2007. As such, Board of Directors adopted the Compensation Committee's recommendation not to pay cash bonuses to executive officers for 2007.

Long-Term Incentive Compensation

We also provide long-term incentive compensation to its executive officers through the 1998 Key Employee Stock Compensation Program (the Program). The Compensation Committee believes stock-based awards help align the financial interests of management with the shareholders interest, since the ultimate value of stock-based awards is tied to the value of our stock.

The Program allows us to grant stock options and stock appreciation rights. These types of awards measure financial performance over a longer period of time than the other methods of compensation. To date, our long-term incentive compensation for executive officers has been comprised of stock options only.

When granting awards, the Committee took into account the following subjective and objective factors:

each executive officer's level of responsibility;

each executive officer's contributions to Federal Trust Corporation's performance;

our past financial performance;

retention considerations; and

the practices of other financial institutions in our markets.

Prior to making a grant, the Compensation Committee also considers our share price, the volatility of the share price, and potential dilution. The Compensation Committee believes that using our stock for a significant portion of these awards helps further align the interests of the executive officers and the shareholders by providing the executive officers with an additional equity stake in Federal Trust Corporation.

We do not have a formal policy regarding ownership of our stock by our executive officers. Executive officers, however, are encouraged to maintain an equity position in Federal Trust Corporation.

Stock Options

In 2007, the Compensation Committee granted 50,000 stock options to President and Chief Executive Officer Dennis T. Ward, with an exercise price of \$4.80 per share, vesting over three years beginning one year from the date of grant. In 2007, Executive Vice President and Chief Financial Officer Gregory E. Smith and Federal Trust Bank Executive Vice President/Retail Banking Jennifer B. Brodnax were granted 10,000 options and 5,000 options, respectively, each with an exercise price of \$2.53 per share, vesting over three years beginning one year from the date of grant.

The Committee considered the total recommended grant size as compared to shares remaining in the Program. With respect to the actual size and ranges of stock option awards, the Committee used the Black-Scholes pricing model (a formula widely used to value exchange-traded options by determining the present value of the stock option award). All of the stock option grants in 2007 had an exercise price equal to the closing price of Federal Trust Corporation's common stock on the grant date and vest in three equal annual increments beginning on the first anniversary following the grant date of the award.

Deferred Compensation Benefits and Bonus Plan

Employee Stock Ownership Plan. All full-time, salaried employees are participants in the Employee Stock Ownership Plan once they have completed 1,000 hours of employment and have been employed since January 1st, the beginning of the plan year. Executive officers are eligible to participate in the Employee Stock Ownership Plan, but directors are not eligible unless they are also full-time salaried employees. Participants' interests in the Employee Stock Ownership Plan become vested after they have completed three years of employment with a minimum of 1,000 hours per year.

Employee Stock Ownership Plan contributions are determined annually by Federal Trust Corporation's Board of Directors, taking into consideration prevailing financial conditions, our fiscal requirements, and other factors deemed relevant by the Board. In general, contributions of up to 15% of total compensation paid to employees during the year can be made to the Employee Stock Ownership Plan. The contribution made on behalf of each participant equals the proportion that each participant's compensation for the year bears to the total compensation of all participants for the year. In 2007, the Board of Directors elected not to make a cash contribution to the Employee Stock Ownership Plan.

Key Employee Stock Bonus Plan. In April 2002, the Board of Directors adopted the Key Employee Stock Bonus Plan (Bonus Plan). Under the Bonus Plan, a trust has been formed to purchase up to 2% of the outstanding shares of Federal Trust Corporation's common stock on the open market. The Compensation Committee has the right to award such shares of stock to our non-executive officer employees. Any such award may contain conditions that must be met, or a vesting schedule that must be followed, prior to the shares being earned by and distributed pursuant to an employee's stock award. The termination of employment of any award recipient for reasons other than normal retirement, death or disability shall constitute revocation of the recipient's unearned award. If the termination of a recipient's employment is caused by retirement, death or disability, all unearned awards shall be deemed fully earned unless it is later discovered that the employee engaged in conduct which warranted revocation of an award.

Other Benefits and Perquisites

Executive officers receive other benefits also available to other employees. For example, we provide executive officers and other salaried employees with health and disability insurance, vacation pay, and sick pay. We also provide our Chief Executive Officer with a country club membership. The executive officers are responsible for reimbursing us for any social expenses incurred, except to the extent that they are specifically, directly, and exclusively made in connection with business development, such as for travel and boarding conferences, trade association meetings, and dinners or social outings with vendors and potential bank customers.

Retirement Benefits

Retirement benefits are intended both to recognize, over the long term, services rendered to Federal Trust Corporation and to keep our overall pay packages for executives comparable to those of our competitors in our markets. We maintain supplemental earnings and retirement plans for our Executive Vice President and Chief Financial Officer, Gregory E. Smith (\$10,000 per year at age 65, for life), and for Federal Trust Bank Senior Vice President/Retail Banking Jennifer B. Brodnax (\$20,000 per year at age 65, for life). The executive officers can opt for early retirement at age 62, provided they have ten years of service. If an officer elects early retirement, the retirement benefit would be reduced by 15%.

In addition, we maintain a 401(k) Plan, which permits participants to defer additional portions of their salary for retirement. We match a portion of these contributions for executive officers and all other eligible participants. The Committee believes it is appropriate to maintain these additional contributory plans, with the matching feature, to provide an additional incentive for the participants to further provide for their retirement.

Severance and Other Employment-Related Agreements

Federal Trust Corporation currently has severance agreements with President and Chief Executive Officer Dennis T. Ward, Executive Vice President and Chief Financial Officer Gregory E. Smith, Executive Vice President/Retail Banking Jennifer B. Brodnax and one other executive officer. We believe these types of agreements are necessary so that it is able to attract and retain key executives. The amount of each termination benefit is two times the executive officers' highest salary. The termination amounts were considered to be reasonable based upon the banking experience and knowledge of these senior executive officers. The benefits include a lump sum cash payment (base salary only) and continued health benefits for an extended period of time. In addition, the individual stock option agreements for executives who have been awarded stock options provide for full acceleration of all outstanding and unvested equity awards in the event of a change in control of Federal Trust Corporation.

2007 Outstanding Equity Awards at Fiscal Year-End

The following table discloses the stock options owned by the named executives at December 31, 2007.

Name	Number of Securities Underlying Unexercised Options Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ⁽¹⁾	Option Expiration Date
Dennis T. Ward, Chief Executive Officer and President		50,000 ⁽²⁾	\$ 4.80	10/25/2007
James S. Suskiewich ⁽³⁾	51,000		\$ 10.00	11/17/2010
Former Chief Executive Officer and President	17,000		\$ 10.00	11/17/2014
	51,000		\$ 9.92	5/5/2010
	51,000		\$ 7.47	10/23/2013
Gregory E. Smith		10,000 ⁽⁴⁾	\$ 2.53	12/17/2014
Executive Vice President and Chief Financial Officer	2,040	8,160 ⁽⁵⁾	\$ 12.16	1/29/2016
	15,300		\$ 4.99	4/24/2013
	15,300		\$ 7.47	10/23/2013
Thomas P. Spatola ⁽⁶⁾	30,600		\$ 11.76	8/1/2010
Former President, Federal Trust Mortgage Company				
Jennifer B. Brodnax		5,000 ⁽⁴⁾	\$ 2.53	12/17/2014
Executive Vice President	24,117		\$ 7.47	10/23/2013

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Retail Banking, Federal Trust	1,382	\$ 3.92	9/30/2012
Bank	5,100	\$ 3.92	5/21/2008

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- (1) Number of shares and exercise price have been adjusted for the 2% stock dividend distributed on June 12, 2006.
(2) Reflects a grant of 50,000 stock options on October 25, 2007, which vest over three years starting one year from the date of grant.

- (3) Mr. Suskiewich was terminated as President and Chief Executive Officer on October 14, 2007. Unvested options for 34,000 shares were cancelled, and all vested options were unexercised and subsequently cancelled on January 12, 2008.
- (4) Reflects a grant of options on December 17, 2007, which vest over three years starting one year from the date of grant.
- (5) Reflects a grant of 10,200 options (split-adjusted) granted January 30, 2006, which vest over five years starting one year from the date of grant.
- (6) Mr. Spatola resigned effective November 30, 2007. All vested options were unexercised and subsequently cancelled on February 29, 2008.

DIRECTOR COMPENSATION

In 2007, we paid each Federal Trust Corporation director a quarterly retainer of \$2,500, plus \$2,500 per Board meeting attended in person. We did not pay Federal Trust Corporation directors any cash compensation for membership on committees. During 2007, the Chairman of the Audit, Compensation, and Nominating and Corporate Governance Committees received a cash compensation of \$5,000, \$3,000, and \$1,250, respectively. Former Chairman James V. Suskiewich did not receive fees for serving as Chairman. However, he did receive the quarterly retainer and board fees, which are disclosed in Executive Compensation Summary Compensation.

In 2007, Federal Trust Bank paid its directors \$1,000 per full Board meeting and \$250 per committee meeting. Committee Chairs were awarded \$2,000 Chair fees. As Chairman of the Bank's Board, Mr. Suskiewich, received an additional \$500 per full Board meeting. In addition, A. Stewart Hall Jr., a director of Federal Trust Bank, who is not also a Federal Trust Corporation director, received a quarterly retainer of \$2,500 based upon his tenure as a bank director and his being Chairman of Federal Trust Bank's loan committee.

The following table summarizes the compensation paid to the non-employee directors of Federal Trust Corporation and Federal Trust Bank during 2007. No director fees were paid to directors of Federal Trust Mortgage.

2007 Director Compensation Table

Name	Federal Trust Corporation			Federal Trust Bank	All Other Compensation	Total
	Paid In Cash	Option Awards ⁽¹⁾	Stock Awards ⁽²⁾	Fees Earned		
Samuel C. Certo, PhD.	\$27,500	\$	\$17,152 ⁽³⁾	\$ 16,333	\$ 1,390 ⁽⁴⁾	\$ 62,375
Robert G. Cox	\$27,500	\$ 24,415 ⁽⁵⁾	\$19,214 ⁽⁵⁾	\$	\$	\$ 71,129
Kenneth W. Hill	\$27,500	\$ 2,367 ⁽⁶⁾	\$	\$ 17,917	\$	\$ 47,784
A. George Iglar	\$27,500	\$ 1,894 ⁽⁷⁾	\$	\$	\$	\$ 29,394
Eric J. Reinhold	\$27,500	\$ 3,260	\$	\$	\$	\$ 30,760
Charles R. Webb	\$27,500	\$ 23,282	\$	\$	\$	\$ 50,782

- (1) Reflects the value of stock options granted under the 1998 Directors' Stock Option Plan and the 2005 Directors' Stock Plan. The value is the amount recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards 123(R), Share-Based Payment. The assumptions used in the valuation of these awards are included in Notes 1 and 14 to our audited financial statements for the year ended December 31, 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission.
- (2) The value is the amount recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards 123(R), Share-Based Payment, in connection with our 2005 Director Stock Plan. Expense for restricted stock units for a year is calculated by multiplying the number of units

initially granted by the closing price of our shares of common stock on the date of grant, and then dividing that total by the number of restricted stock units that vest during the year.

- (3) At December 31, 2007, Dr. Certo had 2,813 vested restricted stock units, 1,416 unvested restricted stock units.
- (4) Reflects a premium for long-term care policy.
- (5) At December 31, 2007, Mr. Cox had 5,000 vested stock options, 45,000 unvested stock options, 1,899 vested restricted stock units and 5,697 unvested restricted stock units.
- (6) At December 31, 2007, Mr. Hill had 37,724 vested stock options.
- (7) At December 31, 2007, Mr. Iglar had 22,212 vested stock options.

1998 Directors Stock Option Plan

Our 1998 Directors Stock Option Plan (1998 Directors Plan) was approved by our shareholders at the 1998 Annual Meeting, which was subsequently amended at the 2002 Annual Meeting to increase the number of shares reserved for issuance. The 1998 Directors Plan authorizes the granting of up to 141,335 shares of common stock (adjusted for the 2% stock dividend) through the granting of compensatory stock options.

The per share exercise prices of the options that have been granted were equal to the fair market value of a share of common stock as of the date of grant. The stock options granted under the 1998 Directors Plan can be exercised any time after six months from the date of grant, up until ten years after the date of grant. Unless terminated, the 1998 Directors Plan shall remain in effect until the tenth anniversary of its effective date.

2005 Directors Stock Plan

At the 2005 Annual Meeting, our shareholders approved the adoption of the 2005 Directors Stock Plan (the 2005 Plan). Under the 2005 Plan, 91,800 shares of Federal Trust Corporation s common stock have been reserved (adjusted for the 2% stock dividend). Awards made under the 2005 Plan may be in the form of shares of common stock, stock units, or stock options. Each director of Federal Trust Corporation and its subsidiaries may be granted an annual stock retainer, in which the director annually elects to receive either shares or stock units. A stock unit is the right to receive a share of common stock on a date elected by the director. Awards made as part of an annual stock retainer will be granted quarterly to coincide with the quarterly payment of the director s annual cash retainer. The number of shares or stock units granted each quarter will be equal to up to 25% of the director s annual cash retainer divided by the fair market value per share on the date of the award.

In addition, the 2005 Plan provides that a director may elect to substitute his or her annual cash retainer or a portion thereof, with an award of shares or stock units. The number of shares or stock units granted will equal the amount of the annual cash retainer that the director has elected divided by the fair market value per share on the date of the award. While any stock unit is outstanding, the director holding the stock unit will be entitled to receive a dividend in the form of additional stock units if cash dividends are declared on outstanding shares of common stock. The amount of any such dividend will be equal to the amount of the cash dividend declared times the number of stock units held divided by the fair market value of the common stock on the date the dividend is paid. Each stock unit, including fractional stock units, will be converted to one share of common stock on the date which has been selected by the director.

The 2005 Plan also provides for discretionary awards, which may be granted by the Board in its sole discretion to recognize any additional services provided to the Board or the company or as a special grant to all directors. These discretionary awards may be in the form of stock options, award of shares, or stock units; provided, however, that any stock options granted may not be exercisable for less than fair market value per share on the date of grant, and must be exercised at least six months from the date of grant and before the earlier of: (i) up to ten years after the date of the award; or (ii) one year from the date the director s service is terminated by reason of retirement or death.

SHARES RESERVED FOR ISSUANCE UNDER STOCK PLANS

The following table sets forth information at December 31, 2007, about the number of shares reserved for issuance under our 1998 Key Employee Stock Compensation Program, the 1998 Directors Stock Option Plan, the Key Employee Stock Bonus Plan and the 2005 Directors Stock Plan. No disclosure is provided for our Employee Stock Ownership Plan, which is a qualified plan under Section 401(a) of the Internal Revenue Code.

Plan Category	Number of Securities to be		Number of Securities
	Issued Upon Exercise of Outstanding Options, Warrants or Rights	Weighted Average Exercise Price of Outstanding Options, Warrants or Rights	Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:			
1998 Key Employee Stock Compensation Program	374,283	\$ 7.87	226,701
1998 Directors Stock Option Plan	68,198	\$ 5.38	
2005 Directors Stock Plan	87,763	\$ 9.04	3,055
	530,244	\$ 7.74	229,756
Equity compensation plans not approved by security holders:			
Key Employee Stock Bonus Plan		N/A	7,050
Total	530,244	\$ 7.74	236,806

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our loan policies provide for limited types of loans to be made to directors, officers and employees. Loans made by Federal Trust Bank are also subject to the provisions of Section 22(h) of the Federal Reserve Act, which require that any credit extended by Federal Trust Bank to our directors, executive officers and principal shareholders, or any of their affiliates must:

1. be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by Federal Trust Bank with non-affiliated parties; and
2. not involve more than the normal risk of repayment or present other unfavorable features.

There are no family relationships, as defined in the Securities and Exchange Commission rules or the AMEX rules, between any of our executive officers or directors. When a transaction, however, involves an officer, director, principal shareholder or affiliate of Federal Trust Corporation, Federal Trust Bank or Federal Trust Mortgage Company, it is our policy that the transaction must be on terms no less favorable to us than could be obtained from an unaffiliated party. All such transactions must be approved in advance by a majority of Federal Trust Corporation's or Federal Trust Bank's independent and disinterested directors. As of December 31, 2007, there were no such loans outstanding. The Board of Directors has determined that Messrs. Iglar and Webb are independent, notwithstanding the relationships described below.

In the ordinary course of business, we may use the services of companies, partnerships, or firms of which our directors are officers, directors or owners. We have retained in the past the law firm of Iglar & Dougherty, P.A., Tallahassee, Florida, of which Director A. George Iglar is a member. Legal fees paid to the firm for its services, exclusive of direct costs, were \$147,795 in 2007 and \$193,535 in 2006.

We have entered into a consulting agreement with Ernst & Webb, LLC, of which Director Charles R. Webb is a Principal. Consulting fees paid to Ernst & Webb, LLC, exclusive of direct costs, were \$137,501 in 2007.

RELATIONSHIP WITH INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Auditor Fees and Services

The following table sets for the aggregate fees billed for professional services rendered to Federal Trust Corporation for years indicated.

	December 31,	
	2007	2006
Audit Fees	\$ 137,000	\$ 125,000
Audit Related Charges		
Tax Fees	11,000	10,000
All Other Fees		7,000
Total	\$ 148,000	\$ 142,000

Audit Fees were for professional services by Hacker, Johnson & Smith PA in connection with the audit of our consolidated financial statements and internal controls, reviews of the financial statements included in our quarterly filings with the Securities and Exchange Commission and statutory and subsidiary audits.

Audit Related Charges include costs for travel, lodging and courier-related charges. We were not billed for these charges.

Tax Fees were for tax compliance and consulting, including the preparation of our corporate tax returns.

All Other Fees were related to our 2006 private equity offering.

Our Audit Committee Charter provides that the Audit Committee shall approve in advance all audit, audit related, tax, and other non-audit services to be provided by the independent registered public accounting firm. In all instances, Hacker, Johnson & Smith PA's performance of the services described above for 2007 and 2006 was pre-approved by our Audit Committee.

Compatibility of Fees

The Audit Committee has considered the provision of non-audit services by Hacker, Johnson & Smith, P.A. for such services and believes that the provision of such services and their fees are compatible with maintaining Hacker, Johnson & Smith, P.A.'s independence.

PROPOSAL II - AMENDMENT TO THE RESTATED ARTICLES OF INCORPORATION

We are seeking shareholder approval to amend our Restated Articles of Incorporation to increase the number of authorized shares of our common stock to _____,000,000 shares. Our authorized capital stock currently consists of 15,000,000 shares, all of which are common stock, par value \$0.01 per share. The text of this proposed amendment is included in the proposed Articles of Amendment to Articles of Incorporation attached as Appendix A to this proxy statement.

Background

Shareholders are being asked to increase our authorized shares of common stock in order to conduct stock offerings intended to raise equity capital to improve Federal Trust Bank's capital position, as required by the Capital Plan we have adopted pursuant to a Cease and Desist Order that we entered into with the Office of Thrift Supervision on _____, 2008. The Capital Plan requires us to raise additional capital by _____, 2008. If we fail to raise capital by this date, the Cease and Desist Order would