

FULTON FINANCIAL CORP
Form S-4
September 21, 2004
Table of Contents

As Filed With the Securities and Exchange Commission On September 21, 2004

Registration Statement No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

FULTON FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

6720
(Primary Standard Industrial
Classification Code Number)

23-2195389
(I.R.S. Employer
Identification No.)

One Penn Square
Lancaster, Pennsylvania 17602

717-291-2411

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Rufus A. Fulton, Jr.

Chairman and Chief Executive Officer

One Penn Square

Lancaster, Pennsylvania 17602

717-291-2411

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Paul G. Mattaini, Esquire
Kimberly J. Decker, Esquire
Barley Snyder, LLC
126 East King Street
Lancaster, Pennsylvania 17604-2893
Telephone: (717) 291-5201**

**Robert A. Schwartz, Esquire
Windels, Marx, Lane & Mittendorf, LLP
120 Albany Street Plaza
New Brunswick, NJ 08901
Telephone: (732) 846-7600**

Table of Contents

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Proposed Maximum	Proposed Maximum	Amount of
Securities To Be Registered	Offering Price Per Unit (2)(3)	Aggregate Offering Price (2)(3)	Registration Fee
Amount To Be Registered (1)			
Common Stock, par value \$2.50 per share (and associated stock purchase rights)(4)	\$28.71	\$141,560,598	\$17,936

- (1) Based on the maximum number of shares of the Registrant's common stock that may be issued in connection with the proposed merger of First Washington Financial Corp with and into the Registrant. In accordance with Rule 416, this Registration Statement shall also register any additional shares of the Registrant's common stock which may become issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions as provided by the agreement relating to the merger.
- (2) Estimated solely for purposes of calculating the registration fee.
- (3) Computed in accordance with Rule 457(f)(1), on the basis of the average of the high and low prices reported by NASDAQ for the common stock of First Washington Financial Corp on September 17, 2004 of \$ 28.71 and based on 4,253,097 shares of First Washington Financial Corp common stock to be exchanged in the merger and unexercised options to purchase 677,610 shares of First Washington Financial Corp common stock.
- (4) Prior to the occurrence of certain events, the stock purchase rights will not be evidenced separately from the common stock.

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, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Proxy Statement/ Prospectus

FIRST WASHINGTON FINANCIALCORP
PROXY STATEMENT
FOR SPECIAL MEETING OF SHAREHOLDERS

November 5, 2004

Nasdaq SmallCap Market Symbol: FWFC

FULTON FINANCIAL CORPORATION
PROSPECTUS FOR
6,656,455 SHARES OF FULTON FINANCIAL COMMON STOCK

Nasdaq National Market Symbol: FULT

This document constitutes a proxy statement of First Washington FinancialCorp in connection with the solicitation of proxies by the board of directors of First Washington for use at the special meeting of shareholders to be held at the [Meeting Place], on Friday, November 5, 2004, at [Meeting Time], local time. At the special meeting, First Washington shareholders will be asked to consider and vote on the following proposals:

1. To approve and adopt the Agreement and Plan of Merger, dated June 14, 2004, between First Washington FinancialCorp and Fulton Financial Corporation which provides, among other things, for the merger of First Washington with and into Fulton and the conversion of each share of common stock of First Washington outstanding immediately prior to the merger into 1.35 shares (subject to adjustment) of Fulton common stock, plus cash in lieu of any fractional share interest;
2. To adjourn the special meeting if necessary to allow First Washington time to solicit more votes in favor of the merger agreement; and
3. To transact such other business as may properly be brought before the special meeting.

This document also constitutes a prospectus of Fulton filed as part of a registration statement filed with the Securities and Exchange Commission relating to up to 6,656,455 shares of Fulton common stock being registered for this transaction. On _____, the closing price of Fulton's common stock was \$_____, making the value of 1.35 shares of Fulton common stock equal to \$_____ on that date. The closing price

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

of First Washington's common stock on that date was \$_____. These prices will fluctuate between now and the closing of the merger, but the exchange ratio in the merger will remain fixed despite these fluctuations. This document does not cover any resale of the Fulton stock being registered for this transaction by any shareholders deemed to be affiliates of Fulton or First Washington. First Washington and Fulton have not authorized any person to make use of this document in connection with any such resale.

First Washington and Fulton provided all information related to their respective companies.

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

These securities are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation or any governmental agency.

All investors should review the Risk Factors beginning on page 15.

The date of this document is _____, 2004. This document was first sent to shareholders on or about October 5, 2004.

You should rely only on the information contained in this document or to which this document has referred you. First Washington and Fulton have not authorized anyone to provide you with information that is different. You should not assume that the information in this document is accurate as of any date other than the date on the front of the document.

This document may incorporate important business and financial information about Fulton and First Washington that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request to the following persons at either First Washington or Fulton:

*George R. Barr, Jr., Secretary
Fulton Financial Corporation
One Penn Square
Lancaster, PA 17602
717-291-2411*

*Nora Rauscher, Assistant
Corporate Secretary
First Washington FinancialCorp
U. S. Route 130 and Main Street
Windsor, NJ 08561
(609) 426-1000*

To obtain timely delivery of requested documents, you must request the information no later than October 29, 2004.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>SUMMARY</u>	2
<u>Agreement to Merge (See page 21)</u>	2
<u>Each First Washington Share Will Be Exchanged For 1.35 Shares Of Fulton Common Stock (See page 28)</u>	2
<u>Comparative Per Share Data</u>	2
<u>Selected Financial Data</u>	5
<u>No Federal Income Tax On Shares Received In Merger (See page 38)</u>	9
<u>Share Information And Market Prices</u>	9
<u>Exchange Ratio Is Fair From A Financial Point Of View According To First Washington's Financial Advisors (See page 24)</u>	9
<u>No Dissenters' Rights Of Appraisal (See page 39)</u>	10
<u>Your Rights As Shareholders Will Change After The Merger (See page 47)</u>	10
<u>The Companies (See page 41 for Fulton, page 46 for First Washington)</u>	10
<u>First Washington Board Recommends Shareholder Approval (See page 23)</u>	12
<u>Vote Required To Approve Merger Agreement (See page 20)</u>	12
<u>Special Meeting To Be Held November 5, 2004 (See page 19)</u>	13
<u>Record Date Set At September 22, 2004; Voting (See page 19)</u>	13
<u>Conditions That Must Be Satisfied For The Merger To Occur (See page 30)</u>	13
<u>Regulatory Approvals Required (See page 37)</u>	13
<u>Termination And Amendment Of The Merger Agreement (See page 35)</u>	13
<u>Fulton To Continue As Surviving Corporation (See page 28)</u>	14
<u>Warrant Agreement Makes Third Party Offers For First Washington More Expensive (See page 33)</u>	14
<u>Risk Factors (See page 15)</u>	14
<u>Financial Interests of Management In The Merger (See page 39)</u>	14
<u>Accounting Treatment</u>	15
<u>Forward-Looking Information</u>	15
<u>RISK FACTORS</u>	15
<u>THE SPECIAL MEETING</u>	19
<u>Time, Date and Place</u>	19
<u>Matters to be Considered</u>	19
<u>Shares Outstanding and Entitled to Vote; Record Date</u>	19
<u>How to Vote Your Shares</u>	19
<u>Vote Required</u>	20
<u>Solicitation of Proxies</u>	21
<u>THE MERGER</u>	21
<u>Background of Merger</u>	21
<u>Recommendation of the First Washington Board of Directors and Reasons for the Merger</u>	23
<u>Compensation of Financial Advisors</u>	28
<u>Fulton's Board Of Directors' Reasons For The Merger</u>	28
<u>Effect Of The Merger</u>	28
<u>Exchange Ratio</u>	28
<u>Dividends</u>	28
<u>Stock Options</u>	29
<u>Effective Date Of The Merger</u>	29
<u>Exchange Of First Washington Stock Certificates</u>	29
<u>Conditions To The Merger</u>	30
<u>Representations and Warranties</u>	30
<u>Business Pending The Merger</u>	31
<u>No Solicitation Of Transactions</u>	32
<u>Board of Directors' Covenant to Recommend the Merger Agreement</u>	33

<u>Warrant Agreement and Warrant</u>	33
<u>Amendment: Waivers</u>	35
<u>Termination: Effect Of Termination</u>	35
<u>Management And Operations After The Merger</u>	36
<u>Employment: Severance</u>	36

Table of Contents

<u>Employee Benefits</u>	36
<u>Regulatory Approvals</u>	37
<u>Material Contracts</u>	38
<u>Material Federal Income Tax Consequences</u>	38
<u>Accounting Treatment</u>	38
<u>NASDAQ Quotation</u>	39
<u>Expenses</u>	39
<u>Resale Of Fulton Common Stock</u>	39
<u>Dissenters' Rights</u>	39
<u>Dividend Reinvestment Plan</u>	39
<u>Financial Interests Of Management in the Merger</u>	39
<u>INFORMATION ABOUT FULTON</u>	41
<u>General</u>	41
<u>Market Price Of And Dividends On Fulton Common Stock And Related Shareholder Matters</u>	41
<u>Indemnification</u>	42
<u>Description Of Fulton Financial Common Stock</u>	42
<u>INFORMATION ABOUT FIRST WASHINGTON</u>	46
<u>General</u>	46
<u>Market Price Of And Dividends On First Washington Common Stock And Related Shareholder Matters</u>	46
<u>ADJOURNMENT</u>	47
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	47
<u>EXPERTS</u>	50
<u>LEGAL MATTERS</u>	51
<u>OTHER MATTERS</u>	51
<u>SHAREHOLDER PROPOSALS</u>	51
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	51
<u>INCORPORATION BY REFERENCE</u>	51

EXHIBITS

A	Agreement and Plan of Merger, dated June 14, 2004, as amended	A-1
B	Warrant Agreement and Warrant, dated June 15, 2004	B-1
C	Opinion of Financial Advisor	C-1

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q1: What do I need to do now?

A: After you have carefully read this document, indicate on your proxy card how you want your shares to be voted, then sign and mail it in the enclosed prepaid return envelope as soon as possible, so that your shares may be represented and voted at the special meeting to be held on November 5, 2004.

Q2: If my shares are held in [street name] by my broker, will my broker vote my shares for me?

A: Maybe. **Your broker will vote your shares only if you provide instructions on how to vote.** You should follow the directions provided by your broker. Without instructions, your shares will not be voted on the merger agreement.

Q3: If my shares are held in an IRA, who votes those shares?

A. You vote shares held by you in an IRA as though you held those shares directly.

Q4: Can I change my vote after I have mailed my signed proxy card?

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a written notice to the person to whom you submitted your proxy stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card with a later date. Third, you may vote in person at the special meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q5: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, Fulton will send you written instructions for exchanging your stock certificates. Fulton will request that you return your First Washington stock certificates at that time.

Q6: When do you expect to merge?

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

A: Fulton and First Washington expect to complete the merger on or before April 15, 2005. In addition to the approval of First Washington shareholders, Fulton must also obtain regulatory approvals. Fulton and First Washington expect to receive all necessary approvals no later than April 15, 2005.

Q7: Who should I call with questions or to obtain additional copies of this document?

A: You should call either:

Nora Rauscher, Assistant Corporate Secretary
First Washington Financial Corp
U. S. Route 130 and Main Street
Windsor, NJ 08561
(609) 426-1000

George R. Barr, Jr., Secretary
Fulton Financial Corporation
One Penn Square
Lancaster, PA 17602
717-291-2411

Table of Contents

SUMMARY

*This summary highlights selected information from this document. Because this is a summary, it does not contain all of the information that is important to you. To understand the merger fully, you should carefully read this entire document and the attached exhibits. See *Where You Can Find More Information* on page 53 for reference to additional information available to you regarding Fulton and First Washington.*

Agreement to Merge (See page 21)

Fulton and First Washington entered into a merger agreement on June 14, 2004. The merger agreement provides that each share of First Washington common stock outstanding on the effective date of the merger will be exchanged for 1.35 shares (subject to adjustment) of Fulton common stock, and First Washington will merge with Fulton. In addition, the merger agreement permits First Washington to pay its shareholders a cash dividend of \$0.11 per share on each of September 30, 2004 and December 31, 2004, provided that the merger has not closed on or before the record date for the dividend on Fulton Stock to be paid on or about October 15, 2004 and January 14, 2005, respectively. In addition, First Washington may pay its shareholders a cash dividend of \$0.22 per share on March 31, 2005 and each quarter thereafter provided that the merger has not closed or the merger agreement has not been terminated, on or before the record date for the dividend on Fulton Stock scheduled to be paid on or about April 15, 2005, and thereafter on or before the record date for each subsequent quarterly Fulton dividend. A copy of the merger agreement is attached to this document as Exhibit A and is incorporated herein by reference.

Each First Washington Share Will Be Exchanged For 1.35 Shares Of Fulton Common Stock (See page 28)

If the merger is completed, you will receive 1.35 shares of Fulton common stock for each share of First Washington common stock you own, subject to adjustment in certain limited circumstances. Fulton will not issue any fractional shares, and therefore, you will receive a cash payment for any fractional shares based on the market price of Fulton common stock during a period leading up to completion of the merger. On _____, the closing price of Fulton common stock was \$_____, making the value of 1.35 shares of Fulton common stock equal to \$_____ on that date. The closing price of First Washington's common stock on that date was \$_____. Because the market price of Fulton stock fluctuates, you will not know when you vote at the special meeting what the shares will be worth when issued in the merger. The market prices of both Fulton and First Washington common stock will fluctuate prior to the merger, but the exchange ratio in the merger will remain fixed despite these fluctuations. You should obtain current market quotations for Fulton common stock and First Washington common stock.

Comparative Per Share Data

Fulton and First Washington have summarized below the per share information for each company on an historical, pro forma combined and equivalent basis. You should read this information in conjunction with the historical financial statements and the related notes contained in the annual and quarterly reports and other documents Fulton and First Washington have filed with the SEC or attached to this document. See *Where You Can Find More Information* on page 53. The Fulton pro forma information gives effect to the merger, assuming that 1.35 shares of Fulton common stock are issued for each outstanding share of First Washington common stock.

Table of Contents**Selected Historical and Pro Forma****Combined Per Share Data (A)**

<u>Fulton</u>	<u>As of or for the Year Ended December 31, 2003</u>	<u>As of or for the Six Months Ended June 30, 2004</u>
<u>Historical Per Common Share:</u>		
Average Shares Outstanding (Basic)	112,268,000	117,904,000
Average Shares Outstanding (Diluted)	113,135,000	119,372,000
Book Value	\$ 8.33	\$ 9.09
Cash Dividends	\$ 0.593	\$ 0.317
Net Income (Basic)	\$ 1.23	\$ 0.63
Net Income (Diluted)	\$ 1.22	\$ 0.62
<u>Fulton, First Washington Combined Pro Forma Per Common Share:</u>		
Average Shares Outstanding (Basic)	117,979,372	123,626,211
Average Shares Outstanding (Diluted)	119,158,866	125,559,145
Book Value	\$ 8.98	\$ 9.66
Cash Dividends	\$ 0.593	\$ 0.317
Net Income (Basic)	\$ 1.20	\$ 0.61
Net Income (Diluted)	\$ 1.19	\$ 0.60

- (A) The above combined pro forma per share information is based on average shares outstanding during the period except for the book value per share which is based on period end shares outstanding. Financial information reflects the acquisition of First Washington accounted for under the purchase method of accounting applied to historical financial information as of June 30, 2004, and for the year and six months ended December 31, 2003 and June 30, 2004, respectively. Per share dividends reflect Fulton's historic payment history. Net income utilized in the calculation of income per share does not reflect any anticipated expense savings, revenue enhancements or capital restructuring anticipated by Fulton as a result of the merger.

Table of Contents**Selected Historical and Pro Forma****Per Share Equivalent Data (A)**

First Washington	As of or for the Year Ended	As of or for the
	December 31, 2003	Six Months Ended
		June 30, 2004
<u>Historical Per Common Share:</u>		
Average Shares Outstanding (Basic)	4,230,646	4,238,675
Average Shares Outstanding (Diluted)	4,462,123	4,583,070
Book Value	\$ 8.01	\$ 7.97
Net Income (Basic)	\$ 1.12	\$ 0.63
Net Income (Diluted)	\$ 1.07	\$ 0.58
<u>Equivalent Pro Forma Per Common Share:</u>		
Book Value	\$ 12.13	\$ 13.04
Cash Dividends	\$ 0.801	\$ 0.428
Net Income (Basic)	\$ 1.62	\$ 0.83
Net Income (Diluted)	\$ 1.60	\$ 0.81

- (A) The above pro forma per share equivalent information is based on average shares outstanding during the period except for the book value per share which is based on period end shares outstanding. The number of shares in each case has been adjusted for stock dividends and stock splits by each institution through the periods. The equivalent pro forma per common share information is derived by applying the exchange ratio of 1.35 shares of Fulton common stock, \$2.50 par value per share, for each share of First Washington common stock, no par value, to the Fulton, First Washington combined pro forma per common share information.

Table of Contents**Selected Financial Data**

The following tables show selected historical consolidated summary financial data for both Fulton and First Washington. This information is derived from the consolidated financial statements of Fulton and First Washington incorporated by reference in this document. See [Where You Can Find More Information](#) on page 51.

Fulton Financial Corporation**Selected Historical Financial Data****(In thousands, except per share data)**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
FOR THE YEAR					
Interest income	\$ 435,531	\$ 469,288	\$ 518,680	\$ 519,661	\$ 465,221
Interest expense	131,094	158,219	227,962	243,874	199,128
Net interest income	304,437	311,069	290,718	275,787	266,093
Provision for loan losses	9,705	11,900	14,585	15,024	9,943
Other income	136,987	115,783	102,744	76,980	68,002
Other expenses	234,176	225,536	218,921	186,472	177,026
Income before income taxes	197,543	189,416	159,956	151,271	147,126
Income taxes	59,363	56,468	46,367	44,437	42,499
Net income	138,180	132,948	113,589	106,834	104,627
PER SHARE DATA					
Net income (basic)	\$ 1.23	\$ 1.17	\$ 1.00	\$ 0.95	\$ 0.92
Net income (diluted)	1.22	1.17	0.99	0.95	0.91
Cash dividends	0.593	0.531	0.481	0.430	0.387
AT YEAR END					
Total assets	\$ 9,767,288	\$ 8,387,778	\$ 7,770,711	\$ 7,364,804	\$ 6,787,424
Loans, Net of Unearned Income	6,159,994	5,317,068	5,373,020	5,374,659	4,882,606
Deposits	6,751,783	6,245,528	5,986,804	5,502,703	5,051,512
Long-term debt	568,730	535,555	456,802	559,503	460,573
Shareholders' equity	946,936	863,742	811,454	731,171	662,749
AVERAGE BALANCES					
Shareholders' equity	\$ 894,469	\$ 838,213	\$ 779,014	\$ 673,971	\$ 663,841
Total assets	8,802,138	7,900,500	7,520,071	7,019,523	6,533,632

Table of Contents**Fulton Financial Corporation****Selected Historical Financial Data****(In thousands, except per share data)**

	Six Months Ended	
	June 30	
	2004	2003
FOR THE PERIOD		
Interest income	\$ 235,960	\$ 217,350
Interest Expense	64,287	67,342
Net interest income	171,673	150,008
Provision for loan losses	2,540	5,325
Other income	69,266	66,199
Other expenses	133,375	113,947
Income before income taxes	105,024	96,935
Income taxes	31,314	28,830
Net income	73,710	68,105
PER SHARE DATA		
Net income (basic)	\$ 0.63	\$ 0.61
Net income (diluted)	0.62	0.61
Cash dividends	0.317	0.288
AT PERIOD END		
Total assets	\$ 10,556,421	\$ 9,767,288
Net loans	7,042,311	6,159,994
Deposits	7,430,988	6,751,783
Long-term debt	654,886	568,730
Shareholders' equity	1,107,482	946,936
AVERAGE BALANCES		
Average shareholders' equity	\$ 1,025,658	\$ 864,991
Average total assets	10,140,019	8,352,671

Table of Contents**First Washington Financial Corp****Selected Historical Financial Data****(In thousands, except for per share data)**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
FOR THE YEAR					
Interest income	\$ 20,444	\$ 20,216	\$ 20,031	\$ 18,420	\$ 15,718
Interest expense	5,926	6,817	9,582	9,515	7,576
Net interest income	14,518	13,399	10,449	8,905	8,142
Provision for loan losses	300	600	535	255	210
Other income	2,937	2,295	1,720	1,426	1,419
Other expenses	11,058	9,709	8,561	7,598	7,083
Income before income taxes	6,097	5,385	3,073	2,478	2,268
Income taxes	1,342	1,238	550	326	333
Net income	\$ 4,755	\$ 4,147	\$ 2,523	\$ 2,152	\$ 1,935
PER SHARE DATA					
Net income (basic)	\$ 1.12	\$ 0.99	\$ 0.64	\$ 0.55	\$ 0.50
Net income (diluted)	\$ 1.07	\$ 0.97	\$ 0.61	\$ 0.53	\$ 0.48
AT YEAR END					
Total assets	446,116	384,899	320,092	274,275	243,486
Loans, net of unearned income	207,294	195,122	182,155	154,726	137,005
Deposits	385,032	328,877	280,191	246,685	221,374
Long-term debt	7,500	4,500	4,500	2,000	2,500
Shareholders' equity	33,914	30,218	23,972	18,131	14,929
AVERAGE BALANCES					
Shareholders' equity	32,127	26,450	20,513	16,110	14,760
Total assets	411,918	349,211	299,200	257,294	227,917

Table of Contents**First Washington Financial Corp****Selected Historical Financial Data****(In thousands, except per share data)**

	Six Months Ended	
	June 30	
	2004	2003
FOR THE PERIOD		
Interest income	10,735	10,163
Interest expense	2,925	3,061
Net interest income	7,810	7,102
Provision for loan losses		180
Other income	1,203	1,642
Other expenses	5,604	5,265
Income before income taxes	3,409	3,299
Income taxes	734	792
Net income	2,675	2,507
PER SHARE DATA		
Net income (basic)	\$ 0.63	\$ 0.59
Net income (diluted)	\$ 0.58	\$ 0.57
Cash dividends	\$ 0.00	\$ 0.00
AT PERIOD END		
Total assets	\$ 474,408	416,513
Loans, net of unearned income	225,669	199,413
Deposits	409,294	353,714
Long-term debt	9,500	7,500
Shareholders' equity	33,817	33,177
AVERAGE BALANCES		
Average shareholders' equity	\$ 34,967	31,366
Average total assets	457,946	396,190

Table of Contents

No Federal Income Tax On Shares Received In Merger (See page 38)

First Washington shareholders generally will not recognize gain or loss for federal income tax purposes on the shares of Fulton common stock they receive in the merger. Fulton's attorneys have issued a legal opinion to this effect, which is included as an exhibit to the registration statement filed with the SEC for the shares to be issued in the merger. First Washington shareholders will be taxed on cash received instead of any fractional share. Tax matters are complicated, and tax results may vary among shareholders. Fulton and First Washington urge you to contact your own tax advisor to understand fully how the merger will affect you.

Share Information And Market Prices

Fulton common stock trades on the National Market System of the Nasdaq Stock Market under the symbol FULT. First Washington common stock trades on the SmallCap Market of the Nasdaq Stock Market under the trading symbol FWFC. The table below shows the last sale prices of Fulton common stock, First Washington common stock and the equivalent price per share of First Washington common stock based on the exchange ratio on June 14, 2004 and _____.

On June 14, 2004, the last full trading day before public announcement of the merger agreement, the per share closing price for Fulton common stock was \$19.81. Based on such closing price for such date and the conversion ratio of 1.35 shares of Fulton common stock for each share of First Washington common stock, the pro forma value of the shares of Fulton common stock to be received in exchange for each share of First Washington common stock was \$26.74.

On June 14, 2004, the last full trading day before public announcement of the merger agreement, the per share closing price for First Washington common stock was \$20.75.

The foregoing historical and pro forma equivalent per share market information is summarized in the following table.

	Historical	Pro Forma
	Price Per Share	Equivalent
	<u>Price Per Share</u>	<u>Price Per Share (1)</u>
Fulton Common Stock		
Closing Price on June 14, 2004	\$ 19.81	N/A
Closing Price on _____		N/A
First Washington Common Stock		
Closing Price on June 14, 2004	\$ 20.75	\$ 26.74
Closing Price on _____		

(1) Based upon the product of the conversion ratio (1.35) and the closing price of Fulton common stock.

Exchange Ratio Is Fair From A Financial Point Of View According To First Washington's Financial Advisors (See page 24)

Advest, Inc. has given an opinion to First Washington's board of directors that, as of both June 14, 2004 and _____, the exchange ratio in the merger is fair from a financial point of view to First Washington's shareholders. The full text of Advest's opinion is attached as Exhibit C to this document. Fulton and First Washington encourage you to read the opinion carefully. Pursuant to an engagement letter between First Washington and Advest, Inc., in exchange for Advest's services, Advest received a retainer of \$50,000 and a fee of \$75,000 upon signing of the merger agreement. In addition, Advest received a fee of \$100,000 when it delivered its opinion to First Washington and First Washington will pay Advest a transaction fee equal to 0.9% of the consideration provided for in the Merger Agreement upon closing of the transaction, less the \$225,000 in payments described above. First Washington will also reimburse Advest for its out-of-pocket expenses, up to \$5,000 without First Washington's prior approval.

Table of Contents

No Dissenters' Rights Of Appraisal (See page 39)

First Washington's shareholders are not entitled to exercise dissenters' rights under the provisions of Section 14A:11-1(1)(a)(i)(B) of the New Jersey Business Corporation Act.

Your Rights As Shareholders Will Change After The Merger (See page 47)

Upon completion of the merger, you will become a shareholder of Fulton. Fulton's Articles of Incorporation and Bylaws and Pennsylvania law determine the rights of Fulton's shareholders. The rights of shareholders of Fulton differ in certain respects from the rights of shareholders of First Washington. The most significant of these differences include:

Fulton has a shareholders rights plan. First Washington does not.

Fulton's Amended and Restated Articles of Incorporation provides that holders of not less than 85% of its then outstanding voting power may remove directors without cause, while First Washington directors may not be removed without cause.

Fulton's Bylaws may be amended by its Board of Directors or by holders of not less than 85% of its then outstanding voting power, while First Washington's By-laws may be amended by a majority of its board of directors or by the approval of a majority of the votes entitled to be cast by its shareholders.

Fulton's Amended and Restated Articles of Incorporation denies shareholders the right to take action without a shareholders' meeting, while First Washington's By-laws permit its shareholders to take an action without a shareholders' meeting if a written consent is signed by all of its holders of outstanding stock entitled to vote at such meeting.

Fulton's Amended and Restated Articles of Incorporation provides that approval of not less than 85% of the then outstanding voting power of its capital stock is required for a business combination between Fulton and an interested shareholder of Fulton unless approved by Fulton's board, in which case approval of only 2/3 of the then outstanding voting power is required, while the Certificate of Incorporation of First Washington, as amended, provides that all business combinations in which First Washington is a party are subject to the approval of at least 2/3 of votes entitled to be cast at a shareholders meeting unless approved in advance by First Washington's board, in which case approval of only a majority of the votes entitled to be cast is required.

The Companies (See page 41 for Fulton, page 47 for First Washington)

Fulton Financial Corporation

One Penn Square

Lancaster, Pennsylvania 17602

717-291-2411

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

Fulton Financial Corporation is a Pennsylvania business corporation and a registered financial holding company that maintains its headquarters in Lancaster, Pennsylvania. As a financial holding company, Fulton engages in general commercial and retail banking and trust business, and also in related financial businesses, through its 24 directly-held bank and nonbank subsidiaries. Fulton's bank subsidiaries currently operate 207 banking offices in Pennsylvania, Maryland, Delaware, New Jersey and Virginia. As of June 30, 2004, Fulton had consolidated total assets of approximately \$10.6 billion.

The principal assets of Fulton are its twelve wholly-owned bank subsidiaries:

Fulton Bank, a Pennsylvania bank and trust company which is not a member of the Federal Reserve System;

Table of Contents

Lebanon Valley Farmers Bank, a Pennsylvania bank and trust company which is a member of the Federal Reserve System;

Swineford National Bank, a national banking association which is a member of the Federal Reserve System;

Lafayette Ambassador Bank, a Pennsylvania bank and trust company which is a member of the Federal Reserve System;

FNB Bank, National Association, a national banking association which is a member of the Federal Reserve System;

Hagerstown Trust Company, a Maryland trust company which is not a member of the Federal Reserve System;

Delaware National Bank, a national banking association which is a member of the Federal Reserve System;

The Bank, a New Jersey bank which is not a member of the Federal Reserve System;

The Peoples Bank of Elkton, a Maryland bank which is not a member of the Federal Reserve System;

Skylands Community Bank, a New Jersey bank which is not a member of the Federal Reserve System;

Premier Bank, a Pennsylvania bank which is a member of the Federal Reserve System; and

Resource Bank, a Virginia bank which is a member of the Federal Reserve System.

In addition, Fulton has twelve wholly-owned nonbank direct subsidiaries:

Fulton Financial Realty Company, which leases to Fulton its corporate headquarters and primary operation center as well as three unaffiliated tenants at the corporate headquarters property;

Fulton Reinsurance Company, LTD, which engages in the business of reinsuring credit life, accident and health insurance that is directly related to extensions of credit by Fulton's bank subsidiaries;

Central Pennsylvania Financial Corp., which owns two inactive non-banking subsidiaries, as well as limited partnership interests in partnerships invested in low and moderate income housing projects for Community Reinvestment Act purposes;

FFC Management, Inc., which owns equity investments in various financial institutions, mostly commercial banks, and corporate owned life insurance policies;

Fulton Financial Advisors, National Association, a limited purpose national banking association with trust powers;

Fulton Insurance Services Group, Inc., an insurance agency;

Table of Contents

FFC Penn Square, Inc., which holds approximately \$44 million of trust preferred securities issued by an affiliate;

Drovers Capital Trust I, which has issued and outstanding approximately \$7.5 million of trust preferred securities;

Premier Capital Trust II, which has issued and outstanding approximately \$15.0 million of trust preferred securities;

PBI Capital Trust, which has issued and outstanding approximately \$10.0 million of trust preferred securities;

Resource Capital Trust II, and Resource Capital Trust III, each of which was formed for the purposes of issuing trust preferred securities; and

Virginia Financial Services, LLC, which provides management consulting services.

First Washington FinancialCorp

U. S. Route 130 and Main Street

Windsor, NJ 08561

(609) 426-1000

First Washington FinancialCorp, a New Jersey corporation, is the bank holding company for First Washington State Bank, a New Jersey state chartered bank. At June 30, 2004, First Washington had total consolidated assets of approximately \$474.4 million, deposits of approximately \$409.3 million and shareholders' equity of approximately \$33.8 million. First Washington State Bank has 16 branches located in Monmouth, Ocean, and Mercer Counties, New Jersey. First Washington State Bank is engaged principally in the business of taking deposits and making commercial loans, residential mortgage loans, consumer loans and home equity and property improvement loans. First Washington State Bank has the following wholly-owned non-bank subsidiaries:

Windsor Realty Holdings, Inc., which has owned or leased real estate where First Washington State Bank has or may in the future have operations;

FWS Holdings, Inc., which owns all of the stock of Windsor Financial, Inc., a Delaware corporation and the manager of First Washington State Bank's bond portfolio; and

Windsor Title Holdings, Inc., which offers title insurance through a 50% partnership with Windsor Title Agency, L.P.

First Washington Board Recommends Shareholder Approval (See page 23)

The First Washington Board believes that the merger is in the best interests of First Washington and its shareholders and recommends that you vote FOR approval of the merger agreement.

Vote Required To Approve Merger Agreement (See page 20)

Approval of the merger agreement requires the affirmative vote of the holders of at least a majority of First Washington's outstanding common stock. The directors and executive officers of First Washington and their affiliates together own about 45.19% of First Washington's outstanding common stock as of December 31, 2003. The directors of First Washington have signed voting agreements with Fulton pursuant to which they have agreed to vote their shares in favor of the merger.

Brokers who hold shares of First Washington common stock as nominees will not have authority to vote those shares with respect to the merger unless shareholders provide them with voting instructions.

Table of Contents

The merger does not require the approval of Fulton's shareholders.

Special Meeting To Be Held November 5, 2004 (See page 19)

First Washington will hold its special meeting of shareholders on Friday, November 5, 2004, at [Meeting Time], local time, at the [Meeting Place].

At the special meeting, you will vote on a proposal to approve the merger agreement under which First Washington would merge with Fulton, to adjourn the special meeting to solicit additional proxies, if necessary, in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement, and any other business that properly arises at the special meeting.

Record Date Set At September 22, 2004; Voting (See page 19)

You are entitled to vote at the special meeting if you owned shares of First Washington common stock at the close of business on September 22, 2004, the record date. On September 22, 2004, there were _____ shares of First Washington common stock outstanding. You will have one vote on all matters at the special meeting for each share of First Washington common stock you owned on September 22, 2004.

Conditions That Must Be Satisfied For The Merger To Occur (See page 30)

The following conditions must be met for Fulton and First Washington to complete the merger in addition to other customary conditions:

approval of the merger by First Washington's shareholders;

the absence of legal restraints that prevent the completion of the merger;

receipt of a legal opinion from Fulton's legal counsel that the merger will be tax-free to First Washington shareholders, except for any cash received in lieu of fractional shares;

the continuing accuracy of the parties' representations in the merger agreement;

no material adverse change having occurred to First Washington or Fulton;

receipt of all required regulatory approvals; and

the continuing effectiveness of the registration statement filed with the SEC.

Regulatory Approvals Required (See page 37)

Fulton and First Washington cannot complete the merger unless Fulton obtains the approvals of the Federal Reserve Board and the New Jersey Department of Banking. Fulton has filed the required applications and notices seeking approval of the merger. Although Fulton and First Washington believe regulatory approvals will be received in a timely manner, Fulton and First Washington cannot be certain when or if they will be obtained.

Termination And Amendment Of The Merger Agreement (See page 35)

First Washington and Fulton can mutually agree at any time to terminate the merger agreement without completing the merger. Either party can also terminate the merger agreement in the following circumstances:

if any condition precedent to a party's obligations under the merger agreement is unable to be satisfied by April 15, 2005, through no fault of its own; or

Table of Contents

if the other party has materially breached a representation, warranty or covenant and has not cured such breach within thirty days of receiving written notice of the breach.

In addition, Fulton may terminate the merger agreement if First Washington's board of directors exercises its fiduciary duty with respect to a proposed acquisition of First Washington by someone other than Fulton. First Washington can also terminate the merger agreement if the closing market price for Fulton Common Stock, determined by averaging the price of Fulton's stock over a ten day period occurring just before the merger, is less than both:

\$18.00; and

80% of the ratio of the Nasdaq Bank Index over the same ten-day period compared to the Index on June 14, 2004, times the price of Fulton stock on June 14, 2004.

Fulton and First Washington can agree to amend the merger agreement in any way, except that after the shareholders' special meeting they cannot decrease the consideration you will receive in the merger. Either party can waive any of the requirements of the other party in the merger agreement, except that neither party can waive any required regulatory approval.

Fulton To Continue As Surviving Corporation (See page 28)

Fulton will continue as the surviving corporation after the merger. The boards of directors and executive officers of Fulton and its subsidiaries will not change as a result of the merger, except that:

Fulton will appoint Abraham S. Opatut, one of First Washington's current directors, to its board of directors or, in the event he is unable to serve, another member of First Washington's current Board that is acceptable to Fulton;

All of First Washington State Bank's current directors are expected to remain on the board of directors of First Washington State Bank following the merger.

Warrant Agreement Makes Third Party Offers For First Washington More Expensive (See page 33)

In connection with the merger agreement, First Washington granted Fulton a warrant to purchase up to 850,000 shares of First Washington common stock at an exercise price of \$21.00 per share. The warrant acts to discourage other companies from acquiring First Washington by making third party offers for First Washington more expensive. It also provides compensation to Fulton in the event that the merger fails to close because another party gains control of First Washington. Generally, Fulton may exercise this warrant only if another party seeks to gain control of First Washington. Fulton and First Washington do not believe that any of the events which would permit Fulton to exercise the warrant have occurred as of the date of this document.

The warrant agreement and warrant are attached to this document as Exhibit B.

Risk Factors (See page 15)

Financial Interests of Management In The Merger (See page 39)

When considering the recommendation of First Washington's board of directors, you should be aware that some directors and executive officers have interests in the merger which may conflict with their interests as shareholders. These interests include:

C. Herbert Schneider, President and CEO of First Washington, has entered into a new employment agreement with First Washington State Bank that will become effective upon completion of the merger. This employment agreement replaces an existing employment agreement that Mr. Schneider has with First Washington;

Table of Contents

Executive officers and directors hold options to purchase First Washington stock that will convert into options to purchase Fulton stock. As of _____, the difference between the aggregate exercise price and the market value of the shares underlying the options held by executive officers and directors of First Washington, which represents the economic value of the options, was approximately \$_____;

Following the merger, Fulton will indemnify, and provide liability insurance to, officers and directors of First Washington; and

Following the merger, the current members of First Washington's board of directors will remain directors of First Washington State Bank, and the compensation for non-employee directors of First Washington State Bank will remain unchanged for three years following the effective time of the merger.

Accounting Treatment (see page 38)

Fulton will account for the merger under the purchase method of accounting for business combinations.

Forward-Looking Information

This document contains and incorporates some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding intent, belief or current expectations about matters including statements as to beliefs, expectations, anticipations, intentions or similar words. Forward-looking statements are also statements that are not statements of historical fact. Forward-looking statements are subject to risks, uncertainties and assumptions. These include, by their nature:

the effects of changing economic conditions in Fulton's and First Washington's market areas and nationally;

credit risks of commercial, real estate, consumer and other lending activities;

significant changes in interest rates;

changes in federal and state banking laws and regulations which could impact operations;

funding costs;

other external developments which could materially affect the business and operations of Fulton and First Washington;

the ability of Fulton to assimilate First Washington after the merger; and

other risks detailed from time to time in First Washington's and Fulton's SEC filings, including Forms 10-Q (or 10-QSB for First Washington) and 10-K (or 10-KSB for First Washington).

If one or more of these risks or uncertainties occurs or if the underlying assumptions prove incorrect, actual results, performance or achievements in 2004 and beyond could differ materially from those expressed in, or implied by, the forward-looking statements.

RISK FACTORS

An investment in Fulton common stock in connection with the merger involves the risks described below. In addition to the other information contained in this document, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement.

Table of Contents

RISK FACTORS RELATED TO THE MERGER

Fluctuations in the Market Price of Fulton Common Stock May Cause the Value of the Merger Consideration to Decrease, and First Washington's Board of Directors May be Able to Abandon the Merger as a Result of Such a Decrease.

Upon completion of the merger, your shares of First Washington common stock will be converted into shares of Fulton common stock. While the merger consideration has been structured to provide that First Washington shareholders will receive 1.35 shares of Fulton common stock for each of their shares of First Washington common stock, the value of 1.35 shares of Fulton common stock at the time of the merger is uncertain. Stock price changes may result from a variety of factors that are beyond the control of Fulton, including, among other things, changes in Fulton's business, operations and prospects, regulatory considerations and general market and economic conditions.

The aggregate market value of the Fulton common stock that you will receive in the merger is not fixed, and First Washington has the right to terminate the merger agreement and abandon the merger before the closing if Fulton's common stock, averaged over a 10 day period occurring just before the merger, is less than \$18.00 and has decreased by 20% more than the Nasdaq bank stock index when compared, in each instance, to the value of the index and Fulton Stock on June 14, 2004. The satisfaction of the termination condition creates a right, but not an obligation, to terminate. The opportunity to evaluate such termination provisions will take place only at the end of the transaction in accordance with its terms. In the event the termination provision conditions set forth above allow First Washington to terminate the Merger Agreement, Fulton shall have the right to amend the Merger Agreement and increase the exchange ratio in lieu of terminating the Merger Agreement.

The price of Fulton common stock may vary from its price on the date of this document, the date of the First Washington special meeting and the date of closing. Because the date the merger is completed will be later than the date of the special meeting, the price of the Fulton common stock on the date of the special meeting may be different than the price on the date the merger is completed.

You Will Have Less Influence as a Shareholder of Fulton Than as a Shareholder of First Washington.

As a First Washington shareholder, you currently have the right to vote in the election of the board of directors of First Washington and on other matters affecting First Washington. The merger will transfer control of First Washington to the shareholders of Fulton. Although when the merger occurs you will become a shareholder of Fulton, your percentage ownership of Fulton will be significantly smaller than your percentage ownership of First Washington. Because of this, you will have less influence on the management and policies of Fulton than you now have on the management and policies of First Washington.

Future Results for Fulton Could Differ Materially from its Historical Results or Forward-Looking Statements in its Filings with the SEC.

Fulton has made, and may continue to make, certain forward-looking statements in its filings with the SEC with respect to its acquisition and growth strategies, net interest income and margin, the ability to realize gains on equity investments, allowance and provision for loan losses, expected levels of certain non-interest expenses and the liquidity position of Fulton. Fulton cautions that these forward-looking statements are subject to various assumptions, risks and uncertainties. Because of the possibility of changes in these assumptions, risks and uncertainties, actual results could differ materially from forward-looking statements. Fulton's forward-looking statements are relevant only as of the date on which such statements are made. By making any forward-looking statements, Fulton assumes no duty to update them to reflect new, changing or unanticipated events or circumstances.

Table of Contents

Fulton's filings with the Securities and Exchange Commission include descriptions of a number of factors affecting its performance which shareholders of First Washington should consider. First Washington shareholders should review these filings with these factors in mind. Fulton believes the most material of these factors can be summarized as follows:

If market interest rates remain at historically low levels, Fulton's earnings may be negatively affected. Net interest income is the most significant component of Fulton's net income, accounting for approximately ___ % of total revenues both in 2003 and for the six months ended June 30, 2004. The ability to manage net interest income over a variety of interest rate and economic environments is important to the success of a financial institution. Net interest income growth is generally dependent upon balance sheet growth and maintaining or growing the net interest margin. Fulton's net interest income has been impacted by a series of reductions to short-term interest rates enacted by the Federal Reserve Board (FRB) over the past two years. These rate reductions resulted in significant decreases to Fulton's prime lending rate as well as a decline in the general interest rate environment. The rate reductions initially had a negative impact on Fulton's net interest income and net interest margin as its assets, particularly floating rate loans, repriced to lower rates more quickly than its time deposits. Short term interest rates remained low throughout the second quarter and first six months with the average overnight borrowing rate, or Federal funds rate, and the average prime lending rate at 1.00% and 4.00% respectively. Over the past year, the low short-term interest rates had a negative impact on Fulton's net interest income and net interest margin, as reducing the rates paid on deposits became exceedingly difficult. As a result, average rates on earning assets decreased more than the average rate paid on liabilities, causing a decrease in net interest margin in 2004. If rates remain low in the future, the net interest margin may continue to trend lower.

Market Conditions and the Composition of Fulton's Loan Portfolios Could Increase the Risk in its Loan Portfolio and Require a Higher Loan Loss Allowance. The credit risk associated with lending activities is accounted for by Fulton through its allowance and provision for loan losses. The provision is the expense recognized in the income statement to adjust the allowance to its proper balance, as determined through the application of Fulton's allowance methodology procedures. These procedures include the evaluation of the risk characteristics of the portfolio and documentation in accordance with applicable accounting standards. Management of Fulton believes that the allowance balance at June 30, 2004 is sufficient to cover losses inherent in the loan portfolio on that date and is appropriate based on applicable accounting standards. However, trends that could indicate the need for a higher provision include the general national and regional economies and the continued growth in Fulton's commercial loan and commercial mortgage portfolios, which are inherently more risky.

Fulton's Investment in Equity Securities Exposes It To Negative Movements in the Stock Prices of the Companies Whose Stock It Owns. Equity market price risk is the risk that changes in the values of equity investments could have a material impact on the financial position or results of operations of Fulton. Fulton's equity investments consist primarily of common stocks of publicly traded financial institutions. Although the carrying value of equity investments accounted for only 1.0% of Fulton's total assets, the unrealized gains on the portfolio represent a potential source of revenue and, if values were to decline significantly, this revenue source could be lost. Management of Fulton continuously monitors the fair value of its equity investments and evaluates current market conditions and operating results of the companies. Periodic sale and purchase decisions are made based on this monitoring process. Certain of Fulton's equity investments have shown negative returns in tandem with the general performance of equity markets. Fulton has evaluated, based on current accounting guidance, whether the decreases in value of any of these investments constitute other than temporary impairment which would require a write-down through a charge to earnings. In 2003, Fulton recorded a write-down for specific equity securities which were deemed to exhibit other than temporary impairment in value. If a downturn in the equity market occurs over the next 12 months, additional impairment charges may be necessary. In addition to its equity portfolio, Fulton's investment management and trust services could be impacted by fluctuations in the securities markets. A portion of Fulton's trust revenue is based on the value of the underlying investment portfolios. If securities markets contract, Fulton's revenue could be negatively impacted. In addition, the ability of Fulton to sell its brokerage services is dependent, in part, upon consumers' level of confidence in the outlook for rising securities prices.

Fulton May Not Be Able to Supplement Its Growth With Acquisitions in the Future and Future Evaluations of Goodwill Recorded in Connection With Acquisitions May Require Write-Downs. Fulton has historically supplemented its internal growth with strategic acquisitions of banks,

Table of Contents

branches and other financial services companies. There can be no assurance that Fulton will be able to effect future acquisitions on favorable terms or that Fulton will be able to assimilate acquired institutions successfully. Applicable accounting standards require that the purchase method of accounting be used for all business combinations and eliminated the use of pooling of interests for transactions initiated subsequent to June 30, 2001. Under purchase accounting, if the purchase price of an acquired company exceeds the fair value of the company's net assets, the excess is carried on the acquirer's balance sheet as goodwill. Goodwill is to be evaluated for impairment at least annually. Write-downs of the amount of any impairment, if necessary, are to be charged to the results of operations in the period in which the impairment is determined. Based on tests of goodwill impairment conducted to date, Fulton has concluded that there has been no impairment, and no write-downs have been recorded. There can be no assurance that the future evaluations of goodwill will not result in findings of impairment and write-downs.

The Level of Some of Fulton's Non-Interest Expenses is Beyond Its Control and Could Adversely Affect Its Earnings. Fulton strives to control its level of non-interest expenses. However, some of these expenses are beyond Fulton's control. For example, Fulton's defined benefit plan expense can be greatly impacted by the return realized on invested plan assets. A downturn in the equity markets could result in an increase in expense. This occurred in 2003, when Fulton's defined benefit plan expense increased 66.9%.

The Competition Fulton Faces is Increasing and May Have a Negative Impact on Fulton's Performance. The banking and financial services industries are highly competitive. Within its geographical region, Fulton's subsidiaries face direct competition from other commercial banks, varying in size from local community banks to larger regional and national banks, and credit unions. With the growth in electronic commerce and distribution channels, Fulton's banks also face competition from banks not physically located in Fulton's geographic markets.

The competition in the industry has also increased as a result of the passage of various legislation. Under such legislation, banks, insurance companies or securities firms may affiliate under a financial holding company structure, allowing expansion into non-banking financial services activities that were previously restricted. These include a full range of banking, securities and insurance activities, including securities and insurance underwriting, issuing and selling annuities and merchant banking activities. While Fulton does not currently engage in all of these activities, the ability to do so without separate approval from the Federal Reserve Board enhances the ability of Fulton and financial holding companies in general to compete more effectively in all areas of financial services.

As a result of this legislation, there is more competition for customers who were traditionally served by the banking industry. While the legislation increased competition, it also provided opportunities for Fulton to expand its financial services offerings. Fulton also competes through the variety of products that it offers and the quality of service that it provides to its customers. However, there is no guarantee that these efforts will insulate Fulton from competitive pressure which could impact its pricing decisions for loans, deposits and other services and ultimately impact financial results.

The Supervision and Regulation to Which Fulton is Subject Can be a Competitive Disadvantage. Fulton is a registered financial holding company and its subsidiary banks are depository institutions whose deposits are insured by the Federal Deposit Insurance Corporation. Fulton and its subsidiaries are subject to various regulations and examinations by regulatory authorities. In general, various statutes establish the corporate governance and eligible business activities of Fulton, certain acquisition and merger restrictions, limitations on inter-company transactions such as loans and dividends, and capital adequacy requirements, among other regulations. While these statutes are generally designed to minimize potential loss to depositors and the FDIC insurance funds, they do not eliminate risk and compliance with such statutes increases Fulton's expense, requires management's attention and can be a disadvantage from a competitive standpoint with respect to non-regulated competitors.

Monetary and Fiscal Policy May Affect Fulton's Earnings and Are Not Predictable. Fulton and its subsidiary banks are affected by fiscal and monetary policies of the federal government,

Table of Contents

including those of the Federal Reserve Board, which regulates the national money supply in order to manage recessionary and inflationary pressures. Among the techniques available to the Federal Reserve Board are engaging in open market transactions of U.S. Government securities, changing the discount rate and changing reserve requirements against bank deposits. The use of these techniques may also affect interest rates charged on loans and paid on deposits. The effect of monetary policies on the earnings of Fulton cannot be predicted.

THE SPECIAL MEETING

The board of directors of First Washington is providing this document to holders of First Washington common stock to solicit your proxy for use at the special meeting of First Washington shareholders and any adjournments or postponements of the special meeting.

Time, Date and Place

The special meeting of First Washington's shareholders will be held at [Meeting Time], local time, on Friday, November 5, 2004, at the [Meeting Place].

Matters to be Considered

The purposes of the special meeting are to consider, approve and adopt the merger agreement, to approve a proposal to adjourn the special meeting, if necessary, because more time is needed to solicit proxies, and to transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting. At this time, First Washington's board of directors is unaware of any other matters that may be presented for action at the special meeting.

A vote for approval of the merger agreement is a vote for approval of the merger of First Washington into Fulton and for the exchange of First Washington common stock for Fulton common stock. If the merger is completed, First Washington common stock will be cancelled and you will receive 1.35 shares (subject to adjustment for stock splits, stock dividends and similar matters) of Fulton common stock in exchange for each share of First Washington common stock that you hold. Fulton will pay cash in lieu of issuing any fractional share interests to you.

Shares Outstanding and Entitled to Vote; Record Date

The close of business on September 22, 2004 has been fixed by First Washington's board of directors as the record date for the determination of holders of First Washington common stock entitled to notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. At the close of business on the record date, _____ shares of First Washington common stock were outstanding and entitled to vote. Each share of First Washington common stock entitles the holder to one vote at the special meeting on all matters properly presented at the special meeting.

How to Vote Your Shares

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

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the special meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

Table of Contents

Any shareholder executing a proxy may revoke it at any time before it is voted by:

delivering to the Secretary of First Washington prior to the special meeting a written notice of revocation addressed to Nora Rauscher, Assistant Corporate Secretary, First Washington Financial Corp, U. S. Route 130 and Main Street, Windsor, NJ 08561;

delivering to First Washington prior to the special meeting a properly executed proxy with a later date; or

attending the special meeting and voting in person.

Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy.

Each proxy returned to First Washington (and not revoked) by the holder of First Washington common stock will be voted in accordance with the instructions indicated thereon. If no instructions are indicated, the proxy will be voted **FOR** approval and adoption of the merger agreement, **FOR** adjournment of the special meeting if necessary to allow First Washington time to solicit more votes in favor of the merger agreement and, as to any other proposal properly brought before the special meeting, in their discretion.

At this time, First Washington's board of directors is unaware of any matters, other than set forth above, that may be presented for action at the special meeting or any adjournment or postponement of the special meeting. If other matters are properly presented, however, the persons named as proxies will vote in accordance with their judgment with respect to such matters. The persons named as proxies by a shareholder may propose and vote for one or more adjournments or postponements of the special meeting to permit additional solicitation of proxies in favor of approval and adoption of the merger agreement.

Vote Required

A quorum, consisting of the holders of a majority of the issued and outstanding shares of First Washington common stock, must be present in person or by proxy before any action may be taken at the special meeting. Abstentions will be treated as shares that are present for purposes of determining the presence of a quorum but will not be counted in the voting on a proposal. On all matters to come before the special meeting, each share of common stock is entitled to one vote.

Under First Washington's Certificate of Incorporation, the affirmative vote of a majority of the outstanding shares of First Washington common stock, in person or by proxy, is necessary to approve and adopt the merger agreement on behalf of First Washington.

First Washington intends to count shares of First Washington common stock present in person at the special meeting but not voting, and shares of First Washington common stock for which it has received proxies but with respect to which holders of such shares have abstained on any matter, as present at the special meeting for purposes of determining whether a quorum exists. Because approval and adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of First Washington common stock, such nonvoting shares and abstentions will not be counted in determining whether or not the required number of shares have been voted to approve and adopt the merger agreement. Therefore, they will effectively act as a vote against the merger. In addition, under applicable rules, brokers who hold shares of First Washington common stock in street name for customers who are the beneficial owners of such shares are prohibited from giving a proxy to vote

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

shares held for such customers in favor of the approval of the merger agreement without specific instructions to that effect from such customers. Accordingly, shares held by customers who fail to provide instructions with respect to their shares of First Washington common stock to their broker will not be voted for or against the merger. However, failing to vote effectively acts as a vote against the merger agreement. Such broker non-votes, if any, will be counted as present for determining the presence or absence of a quorum for the transaction of business at the special meeting or any adjournment or postponement thereof.

The directors and executive officers of First Washington collectively owned approximately ____% of the outstanding shares of First Washington common stock as of the record date for the special meeting. First Washington's directors have entered into voting agreements with Fulton pursuant to which they have agreed to vote all of their shares in favor of the merger agreement.

Table of Contents

Solicitation of Proxies

First Washington will pay all costs incurred by it in connection with the solicitation of proxies from its shareholders on behalf of its board of directors with the exception of printing and mailing this document, the cost of which will be paid by Fulton. Additionally, the directors, officers and employees of First Washington and its subsidiaries may solicit proxies from shareholders of First Washington in person or by telephone, facsimile or other electronic methods without compensation other than reimbursement by First Washington for their actual expenses.

Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of First Washington common stock held of record by such persons, and First Washington will reimburse such firms, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection therewith. **You should not send in your stock certificates with your proxy card.** As described below under the caption The Merger Exchange of First Washington Stock Certificates on page 30, you will receive materials for exchanging shares of First Washington common stock shortly after the merger.

THE MERGER

The following information is intended to summarize the material aspects of the merger agreement. This description is only a summary. We have attached the full merger agreement and the warrant agreement to this document as Exhibits A and B, and we incorporate each in this document by reference. We urge you to read the merger agreement carefully.

The merger agreement provides that:

First Washington will merge into Fulton; and

You, as a shareholder of First Washington, will receive 1.35 shares (subject to adjustment for stock splits, stock dividends and similar events) of Fulton common stock for each share of First Washington common stock that you own, if the merger is completed.

First Washington may pay its shareholders a cash dividend of \$0.11 per share on each of September 30, 2004 and December 31, 2004, provided that the merger has not closed on or before the record date for the dividend on Fulton common stock to be paid on or about October 15, 2004 and January 14, 2005, respectively. In addition, First Washington may pay its shareholders a cash dividend of \$0.22 per share on March 31, 2005 and each quarter thereafter provided that the merger has not closed or the merger agreement has not been terminated, on or before the record date for the dividend on Fulton common stock scheduled to be paid on or about April 15, 2005, and thereafter on or before the record date for each subsequent quarterly Fulton dividend.

The board of directors of First Washington has unanimously approved and adopted the merger agreement and believes the merger is in your best interests. First Washington's board of directors recommends that you vote **FOR** the merger agreement.

Background of Merger

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

First Washington has, from time to time, received unsolicited indications of interest regarding potential business combination transactions. Although First Washington has generally evaluated the indications of interest it has received, its Board of Directors in the past has concluded that it was in the best interest of First Washington's shareholders that First Washington continue to implement its strategic plan and remain as a stand alone institution.

However, in late 2003 and early 2004, management and the First Washington Board of Directors began to evaluate the community-banking environment in light of anticipated increases in interest rates, enhanced competition and economic circumstances, as well as First Washington's place within its banking market. As a result of this analysis, at a meeting on February 18, 2004, the First Washington Board of Directors voted to retain Advest, Inc. as financial advisor to solicit indications of interest from potential acquirers, to analyze the indications of interest and to advise the First Washington Board of Directors on the value of the indications of interest for First Washington versus the value First Washington could expect to realize as an independent institution.

Table of Contents

In February and March of 2004, First Washington management worked with representatives of Advest to create an information package to be used by Advest in soliciting indications of interest and management reviewed with Advest lists of potentially interested bidders. Information packages were distributed to possible interested parties in late March 2004.

At a meeting on April 20, 2004, representatives of Advest met with the First Washington Board of Directors to review the three indications of interest they had received, from Fulton and two other depository institution holding companies. Representatives of Advest reviewed with the First Washington Board of Directors their analysis of the three indications of interest and, on the basis of the indications of interest, the First Washington Board of Directors elected to allow each of the three interested parties to conduct a diligence review of First Washington in order to finalize their indications of interest in First Washington.

During the last week of April and the first week of May, 2004, each of the interested parties was permitted to undertake a diligence review of First Washington. On the basis of the diligence review, each of the three interested parties submitted revised indications of interest.

At a Board Meeting of May 24, 2004, representatives of Advest presented the updated and enhanced indications of interest to the First Washington Board of Directors and analyzed each of the proposals. Representatives of Advest also analyzed the values represented by each of the indications of interest against their valuation of First Washington on a stand alone basis. In light of this analysis, the First Washington Board of Directors determined that the Fulton proposal represented the best transaction for First Washington's shareholders and authorized and directed Advest and First Washington's counsel, Windels Marx Lane & Mittendorf, to seek to negotiate the terms of a final agreement with Fulton.

Over the next two weeks, representatives of Advest and Windels Marx Lane & Mittendorf, with input from First Washington's Chairman and President, negotiated final proposed terms of the business combination with Fulton and its outside legal counsel, Barley, Snyder, Senft & Cohen, LLC.

At a meeting of the First Washington Board of Directors on June 9, 2004, counsel for First Washington reviewed with the Board of Directors the current status of negotiations with Fulton and the proposed terms which had been agreed to by the parties, including an exchange ratio of 1.35 Fulton shares for each First Washington share and the ability of First Washington to commence paying a cash dividend of \$0.11 per share in each of the third and fourth quarters of 2004. Counsel to First Washington reviewed with the Board of Directors the issues which were still open in the negotiations and the First Washington Board of Directors provided direction with regard to settling those issues.

On June 13, 2004, the First Washington Board of Directors held a special meeting to review the proposed definitive merger agreement and related documents. Counsel to First Washington reviewed the material terms of all of the agreements. Representatives of Advest reviewed with the First Washington Board of Directors their financial analysis of the terms of the transaction and rendered their oral opinion that the terms of the transaction were fair to the shareholders of First Washington from a financial standpoint. The First Washington Board of Directors, in discussing the proposed terms of the merger, identified several issues that they believed needed clarification before the agreements could be finalized. The First Washington Board of Directors authorized and directed representatives of Advest and Windels Marx to clarify these issues with Fulton's representatives, and scheduled a final board meeting to consider and vote upon the Agreement and Plan of Merger for four o'clock the next day, June 14, 2004.

Over the course of June 14, 2004, representatives of Advest, First Washington's counsel, First Washington's Chairman and First Washington's Chief Executive Officer and President negotiated with representatives of Fulton and its outside counsel in order to finalize the Agreement and Plan of Merger and associated documents. At four o'clock on June 14, 2004, the First Washington Board of Directors convened a special meeting. Counsel to First Washington reviewed with the First Washington Board of Directors the resolution of the issues the Board of Directors

had identified in its meeting on the prior day. Representatives of Advest reconfirmed to the First Washington Board of Directors their oral opinion that the terms of the Agreement and Plan

Table of Contents

of Merger were fair to the shareholders of First Washington from a financial point of view. The First Washington Board of Directors then approved the Agreement and Plan of Merger and associated documents, and directed the Chairman and the President and Chief Executive Officer of First Washington to execute the definitive agreements on behalf of First Washington.

On June 14, 2004, First Washington and Fulton each issued a press release announcing the potential merger and the execution by the parties of the merger agreement.

Recommendation of the First Washington Board of Directors and Reasons for the Merger

After careful consideration, First Washington's board of directors determined that the merger is fair to, and in the best interests of, First Washington and its shareholders. Accordingly, the First Washington board of directors unanimously approved the merger agreement and unanimously recommends that First Washington shareholders vote **FOR** approval and adoption of the merger agreement.

In approving the merger agreement, the First Washington board consulted with Advest, Inc., First Washington's financial advisors, with respect to the financial aspects and fairness of the exchange ratio from a financial point of view, and with its legal counsel as to its legal duties and the terms of the merger agreement. In arriving at its determination, the First Washington board also considered all material factors, including the following:

the financial terms of the transaction, including the implied price of a share of First Washington common stock - based upon Fulton's market price at the time the merger agreement was executed - of \$26.74 per share;

the ability of First Washington to provide some cash to its shareholders as part of the transaction, through the payment of \$0.11 per share cash dividends in the third and fourth quarters of 2004, and, in the event the transaction is not closed by the end of the first quarter of 2005, \$0.22 per share in the first quarter of 2005 and thereafter. First Washington had not historically paid cash dividends;

that Fulton, through prior acquisitions, already serves markets in Southwest and Northwest New Jersey, and that First Washington's trade area was a natural extension of Fulton's existing New Jersey trade;

the fact that Fulton's common stock is regularly traded on the Nasdaq National Market and provides greater liquidity than First Washington's stock;

that Fulton offers a broader range of products and services and the merger will provide First Washington's customers with access to these products and services;

that Fulton will continue to operate First Washington State Bank as a stand-alone subsidiary, thereby providing First Washington's existing customers the opportunity to obtain broader products and services from personnel with whom they are familiar;

the strength of Fulton's management and the similarity of the commitment to the community and operating philosophies of First Washington;

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

the opinion of Advest, Inc., that the consideration payable in the merger was fair to the First Washington shareholders from a financial point of view;

other terms of the merger agreement, including the opportunity for First Washington shareholders to receive shares of Fulton common stock in a tax free exchange; and

based upon Fulton's history of acquisitions and regulatory applications, the likelihood that the merger would be approved by appropriate regulatory authorities.

Table of Contents

All business combinations, including the merger, also include certain risks and disadvantages. The material potential risks and disadvantages to First Washington's shareholders identified by First Washington's board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

the fact that the warrant agreement entered into in connection with the merger agreement and certain other provisions of the agreement might discourage third parties from seeking to acquire First Washington, in light of the fact that Fulton was unwilling to enter into the merger agreement absent such provisions; and

the fact that the exchange ratio is fixed except in extraordinary circumstances, thus rendering First Washington shareholders subject to the risk of declines in the market price of Fulton common stock.

The discussion and factors considered by First Washington's Board of Directors are not intended to be exhaustive, but include all material factors considered. In approving the merger agreement, First Washington's board did not assign any specific or relative weights to any of the foregoing factors, and individual directors may have weighted factors differently. In addition, there can be no assurances that the benefits of the merger perceived by the First Washington Board of Directors and described above will be realized or will outweigh the risks and uncertainties.

Opinions of First Washington's Financial Advisors

By letter agreement dated as of February 20, 2004, First Washington retained Advest, Inc. as an independent financial advisor in connection with evaluating strategic alternatives, including possible business combination transactions. Advest is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Advest is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Advest acted as financial advisor to First Washington in connection with the proposed merger with Fulton and participated in certain of the negotiations leading to the Agreement. At the request of First Washington's Board, representatives of Advest participated in the June 14, 2004 meeting at which the Board considered and approved the merger agreement. At that meeting, Advest delivered to First Washington's Board its oral opinion, subsequently confirmed in writing, that, as of such date, the merger consideration was fair, from a financial point of view, to First Washington's shareholders. Advest has also delivered to First Washington's Board a written opinion dated the date of this proxy statement which is substantially identical to the June 14, 2004 opinion. THE FULL TEXT OF ADVEST'S OPINION, AS UPDATED TO THE DATE OF THE PROXY STATEMENT, IS ATTACHED AS EXHIBIT C TO THIS PROXY STATEMENT. THE OPINION OUTLINES THE PROCEDURES FOLLOWED, ASSUMPTIONS MADE, MATTERS CONSIDERED AND QUALIFICATIONS AND LIMITATIONS ON THE REVIEW UNDERTAKEN BY ADVEST IN RENDERING THE OPINION. THE DESCRIPTION OF THE OPINION SET FORTH BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE OPINION. FIRST WASHINGTON SHAREHOLDERS ARE URGED TO READ THE OPINION CAREFULLY AND IN ITS ENTIRETY IN CONNECTION WITH THEIR CONSIDERATION OF THE PROPOSED MERGER. ADVEST'S OPINION WAS DIRECTED TO FIRST WASHINGTON'S BOARD AND WAS PROVIDED TO THE BOARD FOR ITS INFORMATION IN CONSIDERING THE MERGER. THE OPINION IS DIRECTED ONLY TO THE FAIRNESS OF THE MERGER CONSIDERATION TO FIRST WASHINGTON SHAREHOLDERS FROM A FINANCIAL POINT OF VIEW. IT DOES NOT ADDRESS THE UNDERLYING BUSINESS DECISION OF FIRST WASHINGTON TO ENGAGE IN THE MERGER OR ANY OTHER ASPECT OF THE MERGER AND IS NOT A RECOMMENDATION TO ANY FIRST WASHINGTON SHAREHOLDER AS TO HOW SUCH SHAREHOLDER SHOULD VOTE AT THE SPECIAL MEETING WITH RESPECT TO THE MERGER OR ANY OTHER MATTER.

In connection with rendering its June 14, 2004 opinion, Advest reviewed and considered, among other things:

(1) the merger agreement and certain of the schedules thereto;

Table of Contents

- (2) the warrant agreement entered into by and between First Washington and Fulton in connection with the merger agreement;

- (3) certain publicly available financial statements and other historical financial information of First Washington that they deemed relevant;

- (4) certain publicly available financial statements and other historical financial information of Fulton that they deemed relevant;

- (5) financial projections for First Washington for the years ending December 31, 2003 through 2007 reviewed with management of First Washington and the views of senior management of First Washington, based on limited discussions with members of senior management regarding First Washington's business, financial condition, results of operations and future prospects;

- (6) certain pro forma analyses of the impact of the merger on Fulton's capital position prepared by and reviewed with management of Fulton and the views of the senior management of Fulton, based on limited discussions with them, regarding Fulton's business and financial condition;

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

- (8) the financial terms of certain recent business combinations in the banking industry, to the extent publicly available;

- (9) the current market environment generally and the banking environment in particular; and

- (10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as it considered relevant.

In performing its reviews and analyses and in rendering its opinion, Advest assumed and relied upon the accuracy and completeness of all the financial information, analyses and other information that was publicly available or otherwise furnished to, reviewed by or discussed with it and further relied on the assurances of management of First Washington and Fulton that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. Advest was not asked to and did not undertake an independent verification of the accuracy or completeness of any of such information and they did not assume any responsibility or liability for the accuracy or completeness of any of such information. Advest did not make an independent evaluation or appraisal of the assets, the collateral securing assets or the liabilities, contingent or otherwise, of First Washington or Fulton or any of their respective subsidiaries, or the collectability of any such assets, nor was it furnished with any such evaluations or appraisals. In addition, Advest has not conducted any physical inspection of the properties or facilities of First Washington or Fulton. As to all legal or regulatory matters affecting First Washington, Advest relied, with First Washington's consent, on the advice of First Washington's counsel.

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

Advest's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Advest assumed, in all respects material to its analysis, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. Advest also assumed, with First Washington's consent, that there has been no material change in First Washington's and Fulton's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them, that First Washington and Fulton will remain as going concerns for all periods relevant to its analyses, and that the merger will be accounted for as a purchase transaction and will not be a taxable transaction at the corporate level for federal income tax purposes.

In rendering its June 14, 2004 opinion, Advest performed a variety of financial analyses. The following is a summary of the material analyses performed by Advest, but is not a complete description of all the analyses

Table of Contents

underlying Advest's opinion. The summary includes information presented in tabular format. IN ORDER TO FULLY UNDERSTAND THE FINANCIAL ANALYSES, THESE TABLES MUST BE READ TOGETHER WITH THE ACCOMPANYING TEXT. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION OF THE FINANCIAL ANALYSES. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Advest believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Advest's comparative analyses described below is identical to First Washington and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of First Washington or the companies to which it is being compared.

The earnings projections for First Washington relied upon by Advest in its analyses were based upon internal projections provided by First Washington's management for the years ended December 31, 2004 through December 31, 2007. With respect to such financial projections, First Washington's management confirmed to Advest that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of such management of the future financial performance of First Washington and Advest assumed for purposes of its analyses that such performance would be achieved. Advest expressed no opinion as to such financial projections or the assumptions on which they were based. The financial projections furnished to Advest by First Washington were prepared for internal purposes only and not with a view towards public disclosure. These projections were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Advest also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of First Washington, Fulton and Advest. The analyses performed by Advest are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Advest prepared its analyses solely for purposes of rendering its opinion and provided such analyses to First Washington's Board at the June 13th meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Advest's analyses do not necessarily reflect the value of First Washington's common stock or the prices at which First Washington's common stock may be sold at any time.

SUMMARY OF PROPOSAL. Advest reviewed the financial terms of the proposed transaction. Based upon the exchange rate of 1.35 Fulton shares and aggregate interim period dividends of \$0.22 per share for each First Washington share and Fulton's closing market price on June 14, 2004, the per share consideration of \$26.97 and First Washington's March 31, 2004 financial information, Advest calculated the following ratios:

Transaction value/ LTM EPS	25.2x
Transaction value/book value	314%
Transaction value/tangible book value	314%
Tangible book premium/deposits	22.27%

The aggregate transaction value was approximately \$125.6 million, based upon 4.66 million fully diluted shares of First Washington common stock outstanding, which was determined using the treasury stock method at the per share transaction value. For purposes of Advest's analyses, earnings per share were based on fully diluted earnings per share.

ANALYSIS OF SELECTED MERGER TRANSACTIONS. Advest reviewed 84 transactions announced nationwide from January 1, 2002 to June 11, 2004 involving bank sales with transaction values greater than \$50 million and less than \$250 million. Advest also reviewed within this

group 15 regional transactions in NJ and PA.

Table of Contents

Advest reviewed for both groups the multiples of transaction value at announcement to last twelve months earnings, transaction value to book value, transaction value to tangible book value, transaction value to assets and tangible book premium to deposits. The table below summarizes the comparison of the First Washington transaction to the two peer groups:

<u>(In Millions)</u>	<u>FWFC</u>	<u>Nationwide</u>	<u>Regional</u>
Deal Value	\$ 126	\$ 87	\$ 90
to EPS	25.2x	22.0x	23.5x
to Book	314%	267%	292%
to Tang. Book	314%	275%	302%
to Assets	26.00%	22.43%	24.65%
Premium to Deposits	22.27%	21.37%	24.51%
Market Premium - 1 Mo.	39.98%	37.67%	40.90%
Assets	\$ 483	\$ 426	\$ 414
ROA	1.24%	1.10%	0.96%
ROE	15.86%	13.02%	11.67%
NPA / Assets	0.02%	0.25%	0.09%

DISCOUNTED TERMINAL VALUE ANALYSIS. Advest also performed an analysis which estimated the future terminal value of First Washington common stock at December 31, 2007. Advest applied price/earnings multiples ranging from 12x to 18x. The terminal values were then discounted to present values using different discount rates ranging from 10% to 16% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Washington common stock. This analysis indicated an imputed range of values per share of First Washington common stock of \$10.23 to \$18.51.

In connection with its analyses, Advest considered and discussed with the Board of Directors of First Washington how the present value analyses would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of assets and net income. Advest noted that the discounted terminal value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

PRO FORMA UNDERLYING VALUE OF THE FULTON SHARES RECEIVED. Advest performed an analysis that compares the underlying value of the shares of Fulton that shareholders of First Washington would receive as a result of the merger. In this analysis, the book value per share of \$8.58 as of March 31, 2004 and projected earnings per share for 2004 of \$1.25 were compared to the underlying book value, earnings, and dividends that each shareholder will receive as a result of the merger. The analysis was performed using an assumed exchange ratio of 1.35. Using this exchange ratio, the restated pro forma underlying book value represented by each Fulton share equates to \$11.49, an increase of 33.9%. The pro forma underlying value of First Washington's December 31, 2004 estimated earnings per share equates to \$1.80, an increase of 43.6%. First Washington, at the time of the transaction announcement, was not issuing dividends to common shareholders. On a pro forma basis as a result of the acquisition, each shareholder of First Washington common stock would receive \$0.88 in dividends for each share held.

Using publicly available information on First Washington and Fulton and applying the capital guidelines of banking regulators, Advest's analysis indicated that the merger would not permanently dilute the capital and earnings capacity of Fulton and would, therefore, likely not be opposed by the banking regulatory agencies from a capital perspective. Furthermore, Advest considered the likely market overlap and the Federal Reserve Board guidelines with regard to market concentration and concluded that possible antitrust issues do not exist.

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

Advest has relied, without any independent verification, upon the accuracy and completeness of all financial and other information reviewed. Advest has assumed that all estimates were reasonably prepared by management, and reflect their best current judgments. Advest did not make an independent appraisal of the assets or liabilities of either First Washington or Fulton, and has not been furnished such an appraisal.

Table of Contents

No company or transaction used as a comparison in the above analysis is identical to First Washington, Fulton, or the merger. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies used for comparison in the above analysis.

Compensation of Financial Advisors

Pursuant to an engagement letter between First Washington and Advest, Inc., in exchange for Advest's services, Advest will be paid (1) a transaction fee, equal to approximately 0.9% of the aggregate consideration received by First Washington's shareholders and (2) reasonable out-of-pocket expenses for its services, up to \$5,000 without First Washington's prior consent. Advest received a retainer of \$50,000 and a fee of \$75,000 upon signing of the merger agreement. In addition, Advest received a fee of \$100,000 when it delivered its opinion to First Washington and First Washington will pay Advest a transaction fee equal to 0.9% of the consideration provided for in the Merger Agreement, less the \$225,000 in payments described above, upon closing of the transaction. First Washington has agreed to indemnify Advest against certain liabilities, including certain liabilities under federal securities laws.

Fulton's Board Of Directors' Reasons For The Merger

The acquisition of First Washington was attractive to Fulton's board of directors because it presented an opportunity to acquire a performing financial institution in a market adjacent to the current markets of Fulton which would contribute to the expansion of Fulton's franchise in the State of New Jersey and into New Jersey markets that fit the profile of Fulton's desired markets in terms of economic growth and demographics.

The Fulton board of directors met at a board meeting on April 22, 2004 and approved the nature and amount of consideration that could be offered by management, and authorized the Chairman of the Board, President or any Executive Vice President to negotiate and sign the form of the definitive merger agreement. The board also unanimously approved and ratified the definitive merger agreement and related documents and the execution of the merger agreement at a regular board meeting on June 15, 2004.

Effect Of The Merger

Upon completion of the merger, First Washington will merge with and into Fulton, and the separate legal existence of First Washington will cease. As a consequence of the merger, all property, rights, debts and obligations of First Washington will automatically transfer to and vest in Fulton, in accordance with Pennsylvania and New Jersey law. Fulton, as the surviving corporation, will be governed by the Articles of Incorporation and Bylaws of Fulton in effect immediately prior to completion of the merger. The directors and executive officers of Fulton prior to the merger will continue, in their respective capacities, as the directors and executive officers of Fulton after the merger, except that Fulton will appoint to its board of directors one current director of First Washington.

Exchange Ratio

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

On the effective date of the merger, each outstanding share of First Washington common stock will automatically convert into 1.35 shares of Fulton common stock subject to adjustment in certain limited circumstances. You will receive cash instead of receiving fractional share interests of Fulton common stock.

Fulton will adjust the number of shares of Fulton common stock issuable in exchange for shares of First Washington common stock to take into account any stock splits, stock dividends, reclassifications or other similar events that may occur involving Fulton common stock or First Washington common stock prior to closing.

Dividends

The merger agreement permits First Washington to pay a regular quarterly cash dividend on each of September 30 and December 31, 2004, not to exceed \$0.11 per share of First Washington common stock outstanding, provided that the effective date of the merger does not occur on or before the record date for the Fulton dividend

Table of Contents

scheduled for October 15, 2004 and January 14, 2005, respectively. In addition, First Washington may pay its shareholders a cash dividend of \$0.22 per share on March 31, 2005 and each quarter thereafter provided that the merger has not closed or the merger agreement has not been terminated, on or before the record date for the dividend on Fulton Stock scheduled to be paid on or about April 15, 2005 and thereafter on or before the record date for each subsequent quarterly Fulton dividend. Subject to applicable regulatory restrictions, if any, First Washington State Bank may pay cash dividends to First Washington sufficient to permit payment of the dividends by First Washington. Neither First Washington nor First Washington State Bank may pay any other dividend without the prior written consent of Fulton.

Stock Options

On the effective date of the merger, each outstanding option to purchase shares of First Washington common stock will automatically convert into an option to purchase Fulton common stock. The number of shares of Fulton common stock issuable upon exercise will equal the number of shares of First Washington common stock subject to the option multiplied by 1.35, rounded to the nearest whole share. The exercise price for a whole share of Fulton common stock will equal the stated exercise price of the option divided by 1.35. The duration and other terms of the Fulton stock option will be identical to the duration and other terms of the First Washington option, except that all references to First Washington will be deemed to be references to Fulton and its affiliates where the context so requires, and will remain exercisable until the stated expiration date of the corresponding First Washington option. Except with respect to vesting requirements, options to acquire Fulton common stock will remain subject to the terms of the plans and grant agreements of First Washington under which First Washington issued the options.

Effective Date Of The Merger

The effective date of the merger will occur within thirty days following the receipt of all regulatory and shareholder approvals. Fulton and First Washington may also mutually agree on a different date. Fulton and First Washington presently expect that the effective date of the merger will occur on or before April 15, 2005.

On or prior to the effective date of the merger, Fulton and First Washington will file articles of merger with the Pennsylvania Department of State and the New Jersey Division of Revenue and such document will set forth the effective date of the merger. Either Fulton or First Washington can terminate the merger agreement if, among other reasons, the merger does not occur on or before April 15, 2005, and the terminating party has not breached or failed to perform any of its obligations under the merger agreement. See Termination; Effect of Termination on page 35.

Exchange Of First Washington Stock Certificates

Following the effective date of the merger, Fulton will send a transmittal form to each record owner of First Washington common stock. The transmittal form will contain instructions on how to surrender certificates representing First Washington common stock in exchange for certificates representing Fulton common stock.

You should not forward any First Washington stock certificates until you have received transmittal forms from Fulton. You should not return stock certificates with the enclosed proxy card.

Edgar Filing: FULTON FINANCIAL CORP - Form S-4

Until you exchange your certificates representing First Washington common stock following the merger, you will not receive the certificates representing Fulton common stock into which your First Washington shares have converted. In addition, at its option, Fulton may withhold dividends on the Fulton shares if you fail to exchange your certificates. When you surrender your First Washington certificates, you will receive any unpaid dividends without interest. For all other purposes, however, each certificate which represents shares of First Washington common stock outstanding at the effective date of the merger will evidence ownership of the shares of Fulton common stock into which those shares converted as a result of the merger. Neither Fulton nor First Washington will have liability for any amount paid in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

Table of Contents

Conditions To The Merger

The obligations of Fulton and First Washington to complete the merger are subject to various conditions, which include, among other customary provisions for transactions of this type, the following:

approval of the merger agreement by First Washington's shareholders;

receipt of all required regulatory approvals, including the expiration or termination of any notice and waiting periods;

the absence of any action, suit or proceeding, pending or threatened, which seeks to modify, enjoin or prohibit or otherwise adversely and materially affect the transaction contemplated by the merger agreement;

delivery of a tax opinion by Fulton's legal counsel to each of Fulton and First Washington;

listing of the Fulton stock to be issued as consideration on the NASDAQ National Market;

the absence of any material and adverse change in the condition, assets, liabilities, business or operations or future prospects of either party;

the accuracy in all material respects as of the date of the merger agreement and as of the effective date of the merger of the representations and warranties of the other party, except as to any representation or warranty which specifically relates to an earlier date and except as otherwise contemplated by the merger agreement;

the other party's material performance of all its covenants and obligations; and

other conditions customary for similar transactions, such as the receipt of officer certificates and legal opinions.

Except for the requirements of shareholder approval, regulatory approvals and the absence of any legal action preventing the merger, each of the conditions described above may be waived in the manner and to the extent described in Amendment; Waivers on page 35. As of the date of this document, Fulton's counsel has delivered the required tax opinion.

Representations and Warranties

The merger agreement contains customary representations and warranties relating to:

the corporate organizations of Fulton, First Washington and First Washington State Bank and their respective subsidiaries and capital structures;

the approval and enforceability of the merger agreement;

the consistency of financial statements with generally accepted accounting principles;

the filing of tax returns and payment of taxes;

the absence of material adverse changes, since December 31, 2003, in the condition, assets, liabilities, business or operations of either Fulton or First Washington, on a consolidated basis;

the absence of undisclosed material pending or threatened litigation;

Table of Contents

compliance with applicable laws and regulations;

retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974;

the quality of title to assets and properties;

the maintenance of adequate insurance;

the performance of material contracts;

the absence of undisclosed brokers or finders fees;

the absence of material environmental violations, actions or liabilities;