

HECLA MINING CO/DE/
Form 10-K
February 18, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

Annual report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 For the fiscal year ended December 31, 2014

Commission file No. 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0664171 (I.R.S. Employer Identification No.)
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6500 N. Mineral Drive, Suite 200 Coeur d'Alene, Idaho (Address of principal executive offices) (Zip Code) 208-769-4100	83815-9408
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(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.25 per share	New York Stock Exchange
Series B Cumulative Convertible Preferred Stock, par value \$0.25 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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The aggregate market value of the registrant's voting Common Stock held by non-affiliates was \$1,194,535,883 as of June 30, 2014. There were 348,689,981 shares of the registrant's Common Stock outstanding as of June 30, 2014, and 369,403,662 shares outstanding as of February 16, 2015.

Documents incorporated by reference herein:

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2015 Annual Meeting of Shareholders of the registrant, which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of the registrant's 2014 fiscal year, is incorporated herein by reference. See Part III.

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Special Note on Forward-Looking Statements

Certain statements contained in this report (including information incorporated by reference) are “forward-looking statements” and are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future production, results, performance, prospects and opportunities, including reserves and other mineralization. We have tried to identify these forward-looking statements by using words such as “may,” “might,” “will,” “expect,” “anticipate,” “believe,” “could,” “intend,” “plan,” “estimate” and similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual production, results, performance, prospects or opportunities, including reserves and mineralization, to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to, those set forth under *Item 1A. Risk Factors* and *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations*. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this report have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with United States generally accepted accounting principles (“GAAP”) or any guidelines of the Securities and Exchange Commission (“SEC”). Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable to Hecla Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

For information regarding the organization of our business segments and our significant customers, see *Note 11 of Notes to Consolidated Financial Statements*.

Information set forth in Items 1A, 1B and 2 are incorporated by reference into this Item 1.

Introduction

Hecla Mining Company and our subsidiaries have provided precious and base metals to the U.S. and worldwide since 1891 (in this report, “we” or “our” or “us” refers to Hecla Mining Company and our affiliates and subsidiaries). We discover, acquire, develop, and produce silver, gold, lead and zinc. In doing so, we intend to manage our business activities in a safe, environmentally responsible and cost-effective manner.

We produce lead, zinc and bulk concentrates, which we sell to custom smelters and brokers, and unrefined bullion bars (doré) containing gold and silver, which are further refined before sale to precious metals traders. We are organized and managed in three segments that encompass our operating units: the Greens Creek, Lucky Friday, and Casa Berardi units.

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The map below shows the locations of our operating units and our exploration and pre-development projects, as well as our corporate offices located in Coeur d'Alene, Idaho and Vancouver, British Columbia.

Our current business strategy is to focus our financial and human resources in the following areas:

- Operating our properties safely, in an environmentally responsible manner, and cost-effectively.
 - Continue optimizing and improving operations at our Greens Creek, Lucky Friday, and Casa Berardi units.
 - Expanding our proven and probable reserves and production capacity at our operating properties.
 - Conducting our business with fiscal stewardship to preserve our financial position in varying metals price environments.
 - Continuing to advance our San Sebastian project in Mexico through additional drilling and a preliminary economic study with the goal of reaching a development decision in 2015.
- Maintaining and investing in exploration and pre-development projects in the vicinities of five mining districts we believe to be under-explored and under-invested: North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; our Greens Creek unit on Alaska's Admiralty Island located near Juneau; the silver-producing district near Durango, Mexico; the Abitibi region of north-western Quebec, Canada; and the Creede district of Southwestern Colorado.
- Continuing to seek opportunities to acquire and invest in mining properties and companies. Examples include our acquisition of Aurizon Mines Ltd. ("Aurizon") and minority investments in certain exploration stage companies in 2012 and 2013.

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Below is a summary of net income (loss) for each of the last five years (in thousands):

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net income (loss)	\$17,824	\$(25,130)	\$14,954	\$151,164	\$48,983

Our financial results over the last five years have been impacted by:

- Fluctuations in prices of the metals we produce. The average, high and low daily closing market prices for silver, gold, lead and zinc for each of the last five years are as follows:

	2014	2013	2012	2011	2010
Silver (per oz.):					
Average	\$19.08	\$23.83	\$31.15	\$35.11	\$20.16
High	\$22.05	\$32.23	\$37.23	\$48.70	\$30.70
Low	\$15.28	\$18.61	\$26.67	\$26.16	\$15.14
Gold (per oz.):					
Average	\$1,266	\$1,411	\$1,669	\$1,569	\$1,225
High	\$1,385	\$1,694	\$1,792	\$1,895	\$1,421
Low	\$1,142	\$1,192	\$1,540	\$1,319	\$1,058
Lead (per lb.):					
Average	\$0.95	\$0.97	\$0.94	\$1.09	\$0.97
High	\$1.03	\$1.11	\$1.06	\$1.33	\$1.18
Low	\$0.82	\$0.88	\$0.79	\$0.81	\$

Compliance with Section 162(m) of the Code. Section 162(m) of the Code generally disallows a federal income tax deduction to public companies for compensation in excess of a certain amount to the CEO and certain highly compensated officers during any taxable year unless such compensation is performance-based and meets certain requirements. It is the policy of the Company that Options and SARs granted to such highly compensated officers shall constitute qualified “performance-based compensation” within the meaning of Section 162(m) and regulations thereunder, unless otherwise determined by the Committee in connection with the allocation of an award.

Terms of Stock Options. The exercise price per share purchasable under an Incentive Non-Qualified Stock Option (NQSO) shall not be less than the fair market value of a share of stock on the date of grant of the Option. The Committee shall determine the term of each Option, provided, that the Option shall not have a term in excess of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised, in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, and the form of such payment, including, without limitation, cash, stock, other awards or awards payable under other plans of the Company or any subsidiary or affiliate, or other property, and the form of such payment or forms in which stock will be delivered or deemed to be delivered in satisfaction of the exercise price.

Terms of Restricted Stock and RSUs. Restricted stock is stock which is subject to certain restrictions and to a risk of forfeiture. An RSU is a contract right under which the holder is entitled to receive a share of stock if certain restrictions and conditions are satisfied. The Committee will determine the period over which the restricted stock and RSUs shall be subject to such restrictions and impose such restrictions on transferability, risk of forfeiture and other restrictions. The Committee may in its discretion determine the period over which the restricted stock and RSUs shall be subject to such restrictions. Delivery of stock (or cash equivalent) in satisfaction of the exercise price with the lapse of restrictions with respect to RSUs shall occur at such times as determined by the Committee. Unless restricted by the Committee, a participant granted restricted stock shall have all of the rights of a shareholder, including the right to vote the restricted stock and the right to receive dividends thereon. In the case of RSUs, no shares of stock shall be delivered until the date an award is made, and the Committee shall determine whether such RSU award shall be subject to restrictions with dividends paid on shares of the Company’s common stock during the applicable period.

Terms of SARs. The Committee may grant SARs in tandem with an Option or otherwise. Upon exercise of a SAR, the participant will be entitled to payment of the difference in value between the exercise price and the fair market value of shares of the Company on the date of exercise. The exercise price will be at least equal to fair market value of shares of the Company as of the date of grant. The Committee shall determine the term of each SAR, provided, that the SAR may have a term in excess of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which a SAR may be exercised, in whole or in part, the methods by which the SAR may be settled, including, without limitation, cash or stock, and all other terms and conditions of the SAR.

Other Awards. The Committee is authorized to grant such other awards to participants as it deems appropriate. The Committee in its discretion may determine (an “Other Award”); provided, however, that such awards shall comply with applicable federal and state securities laws, the Company’s Listing Rules applicable to the Company. The Committee shall determine the terms and conditions, restrictions and other provisions of such other awards.

Forfeiture Provisions. In addition to any forfeiture or reimbursement conditions that may impose upon an award (including pursuant to any right or obligation that the participant may have regarding the clawback of “incentive-based compensation” under Section 304 of the Securities Exchange Act), a participant may be required to forfeit an award, or reimburse the value of a prior award, by virtue of the requirement of Section 304 of the Securities Exchange Act of 2002 (or by virtue of any other applicable statutory or regulatory requirements) to the extent that such forfeiture or reimbursement is required by such statutory or regulatory requirements.

Compliance with Legal and Other Requirements; New Plan Benefits. No shares or other benefits under any award will be issued until completion of such qualification of such shares or other required action under any federal or state regulation, listing or other required action with respect to any stock exchange or quotation system upon which the shares are listed or quoted, or compliance with the obligation of the Company, as the Committee may consider appropriate. Awards at the discretion of the Board and therefore amounts which would have been payable to eligible participants if the Plan had been in place for fiscal year 2012, or such amounts may be granted in the future, are not determinable. Awards granted to our officers during fiscal 2012 are set forth in the Outstanding Equity Awards at Year-End table above. As of April 2, 2013, the Committee has granted in 2013 restricted stock in the amount of 19,633 shares and Options to acquire 25,305 shares under the 2012

Amendment, Modification and Termination of the Plan. The Board may amend, modify or terminate the Plan or the Committee's authority to grant awards under the Plan without the consent of shareholders or participants. Any amendment to the Plan shall be subject to the approval of the Company's shareholders for approval not later than the earliest annual meeting of shareholders if the record date is after the date of such Board action if such shareholder approval is required by federal or state law or regulation or the rules of any stock exchange or automatic quotation system on which the stock may then be listed or quoted. Without the consent of a participant, no Board action may materially and adversely affect the rights of a participant under any outstanding award, unless such action is deemed necessary in order to comply with tax or securities laws or regulations. Subject to the anti-dilution provisions discussed under Shares Available; Adjustments above, the Committee may, without the approval of the Company's shareholders (i) amend the terms of an Option, SAR or Other Award to reduce the exercise price of such outstanding Option, SAR or Other Award; (ii) cancel an outstanding Option, SAR or other award in exchange for cash or other securities if the exercise price of the Option, SAR or Other Award with an exercise price that is less than the exercise price of the Option, SAR or Other Award; or (iii) cancel an outstanding Option, SAR or Other Award with an exercise price above the current stock price in exchange for cash or other securities.

Change in Control. Unless otherwise provided by the Committee in the award agreement, subject to other applicable restrictions, in the event of a Change in Control (as defined in the Plan) all non-forfeited Options, SARs, and awards carrying a right to exercise that were previously exercisable and vested shall become fully exercisable and vested as of the date of the Change in Control, and all restricted stock, RSUs, and awards subject to risk of forfeiture shall become fully vested. The Committee may, in its discretion, determine to allow a participant who holds Options or other awards, the right to elect during the period immediately following the Change in Control, in lieu of acquiring shares, to receive cash or other securities upon a formula as described in the Plan). Notwithstanding anything to the contrary in Section 8 of the Plan, with respect to an RSU or Other Award, if a Change in Control which is not a change in control as determined by Section 409A of the Code, then a Change in Control will not cause an acceleration of the payment date of an award, except to the extent that Section 409A would permit such an acceleration.

Federal Income Tax Implications of the Plan

The following provides only a general description of the application of federal income tax to awards under the Plan. This discussion is intended for the information of

considering how to vote at the annual meeting, and not as tax advice or guidance in the Plan, as the consequences may vary depending upon specific circumstances. This does not address the effects of other federal taxes or taxes imposed under state tax laws.

Incentive Stock Options. With respect to an ISO, no income is realized by the time the Option is granted or exercised. If common stock is issued to a participant of an ISO, and if the participant does not dispose of those shares in a disqualifying disposition within two years after the date of the option grant or within one year after the date of the exercise of the Option by the participant, then (i) upon the sale of the shares, any amount realized in excess of the option price will be taxed to the participant as a long-term capital gain and any loss shall be treated as a long-term capital loss, and (ii) no deduction will be allowed to the Company for the exercise of the Option for tax purposes.

The exercise of an ISO will give rise to an item of tax preference that may result in a higher tax liability for the participant. If shares of common stock acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the participant will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at exercise (or, if less, the fair market value on the disposition of the shares) over the option price paid for the shares, and the participant will be entitled to deduct the amount of income taxed to the participant for federal income tax purposes if the amount represents an ordinary and necessary business expense. The Company will require the participant to notify the Company if there is a disposition of the shares prior to the expiration of either holding period described above. Any further gain (or loss) on the disposition of the shares by the participant will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the Company.

If an ISO is exercised more than three months after termination of employment, the exercise of the Option will be taxed in the same manner as the exercise of an NQSO, except when the termination of employment is due to death or disability. In the case of death or disability, if an ISO is exercised more than one year after termination of employment, the exercise of the Option will be taxed in the same manner as an NQSO.

Nonqualified Stock Options. With respect to an NQSO, no income is realized by the participant at the time the Option is granted. Generally, at exercise, ordinary income is realized by the participant in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise. Upon the disposition of the shares acquired by exercise of the NQSO, appreciation (or depreciation) on the date of exercise is treated as either short-term or long-term capital gain (or loss), depending upon how long the shares have been held. Generally, the Company will be entitled to a federal income tax deduction equal to the amount of ordinary income (but not capital gain) realized by the participant.

Stock Appreciation Rights. With respect to an SAR, no income is realized by the participant at the time that the right is granted. Generally, at exercise, ordinary income is realized by the participant in an amount equal to the difference between the exercise price and the fair market value of the shares on the date of exercise. If shares (as opposed to cash) are delivered upon exercise, then upon disposition of the shares acquired, appreciation (or depreciation) occurring after the date of exercise is treated as either short-term or long-term capital gain (or loss), depending upon how long the shares have been held. The Company will be entitled to a federal income tax deduction equal to the amount of ordinary income (but not capital gain) taxed to the participant.

Restricted Stock. In general, no income is realized by the participant at the time the stock is granted. When restrictions on the restricted stock lapse, the participant will be taxed at ordinary income rates on the amount by which the fair market value of the stock at such time exceeds the amount (if any) paid for the stock by the recipient. The participant may elect under Section 83(b) of the Code within 30 days of the date the restricted stock is granted to be taxed differently. In this case (i) income is realized by the participant at the time the restricted stock is granted, in an amount equal to the excess of the fair market value of such shares of restricted stock at such time (determined without regard to any restrictions that apply to the shares) over the purchase price, if any, of the shares, and (ii) upon the sale or exchange of such stock, the participant will recognize capital gain or loss equal to the difference between the amount realized on the disposition and the basis of the stock, which will equal the sum of the purchase price and the amount included in gross income under Section 83(b).

With respect to a sale or exchange of the shares after the forfeiture period or the holding period to determine whether the participant has long-term or short-term capital gain or loss generally begins when the restrictions expire, and the tax basis for such shares will generally be based on the fair market value of such shares on such date. The Company will be entitled to a deduction equal to the amount that is taxable as ordinary income (capital gain) to the participant.

Restricted Stock Units. In general, no income is realized by the participant at the time the RSUs are granted. When vested RSUs result in shares (or the cash equivalent) being delivered to the participant, the participant will be subject to tax at ordinary income rates on the fair market value of the shares at such time (or the cash equivalent, if applicable). A participant may elect an election under Section 83(b) with respect to RSUs.

With respect to a sale or exchange of the shares (if any) delivered in connection with the RSUs after the holding period to determine whether the participant has long-term or short-term capital gain or loss generally begins when the shares are delivered, and the tax basis for such shares will generally be based on the fair market value of such shares on such date. The Company will generally be entitled to a deduction equal to the amount that is taxable as ordinary income to the participant.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VESTED RESTRICTED STOCK PLAN.

ITEM 3 – ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking our shareholders to cast an advisory vote to approve the compensation of the Company's named executive officers as disclosed in our proxy statement under "Executive Compensation" and "Termination of Employment and Change in Control" in the tabular disclosure and narrative disclosure regarding named executive officer compensation.

As required by Section 14A(a)(1) of the Securities Exchange Act of 1934, (the "Exchange Act"), our shareholders are entitled to vote at the Annual Meeting on the compensation of the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K at least once every three years.

Our executive compensation arrangements are designed to enhance shareholder value on an annual and long-term basis. Through the use of base pay as well as annual and long-term incentives, we seek to compensate our named executive officers for their contributions to the Company's profitability and success. Please read "Executive Compensation" beginning on page 10 and "Termination of Employment and Change in Control" beginning on page 11 of this proxy statement for additional details about our executive compensation arrangements. For information about the fiscal year 2012 compensation of our named executive officers, please see the compensation tables and narrative discussion, and we are asking our shareholders to indicate their support for our compensation arrangements in this proxy statement.

For the reasons discussed above, the Board recommends that shareholders vote in favor of the following resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K and the compensation tables and narrative discussion, is hereby APPROVED."

The affirmative vote of a majority of votes cast is required to approve the compensation of the Company's named executive officers. Because your vote is advisory, however, it will not be binding on the Board and will not overrule any decisions of the Board, nor will it create any additional fiduciary obligations for the Board. This advisory vote also does not seek to have the Board or Compensation Committee take any specific action. However, the Board and the Compensation Committee will take into account the expressed by our shareholders in their vote on this proposal and will take into account the outcome of the vote when considering executive compensation matters. If a majority of votes cast in favor of the proposal and not in favor of the proposal, Broker non-votes will not have an impact on the outcome of this advisory vote.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K.

ITEM 4 – ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY
EXECUTIVE COMPENSATION

In this advisory vote, we are asking shareholders to indicate whether the Company should conduct an advisory vote on the compensation of our named executive officers once every two years, or once every three years (i.e., on an annual, biennial or triennial basis). Alternatively, shareholders may abstain from casting a vote on this matter.

After careful consideration, our Board has determined that an annual advisory vote on executive compensation is the most appropriate alternative for the Company. By providing an advisory vote on executive compensation on an annual basis, our shareholders will be able to provide direct input on our compensation policies and practices as disclosed in the proxy statement every year. We understand that our shareholders may have different views as to the most appropriate approach for the Company.

Based on these considerations, the Board is recommending that shareholders vote on the advisory vote on executive compensation should be held once every year. It is important to note that the proxy card provides for four choices (every one, two, three or six years, or abstain) and that shareholders are not voting to approve or disapprove the Board's recommendation.

Because your vote is advisory, it will not be binding upon the Board, nor will it create any additional fiduciary duty on the part of the Board. However, the Board will take into account the outcome of the vote when determining how frequently an advisory vote on executive compensation should be conducted in the future. The frequency which receives the largest number of votes cast by shareholders will be considered by the Board as the frequency preferred by shareholders.

Legislation requires that our shareholders be given the opportunity, at least once every six years, to cast an advisory vote regarding how frequently we should conduct this advisory vote on executive compensation. In the future, the Board may in its discretion decide to conduct an advisory vote on the frequency of future advisory votes or executive compensation more frequently than every six years.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS AN ANNUAL ADVISORY VOTE ON THE FREQUENCY OF ONCE EVERY YEAR (1 YEAR) FOR FUTURE ANNUAL ADVISORY VOTES ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS REQUIRED BY SECTION 14A(a)(1) OF THE EXCHANGE ACT.

ITEM 5 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected ParenteBeard, LLP as the Company's independent auditors for the 2013 fiscal year. ParenteBeard has been the Company's independent registered public accounting firm since October 2, 2009.

In addition to selecting ParenteBeard as the Company's independent registered public accounting firm for the Company's 2013 fiscal year, the Audit Committee has directed the Board to submit the selection of independent registered public accounting firm for ratification to the Company's shareholders at the Annual Meeting.

One or more representatives of ParenteBeard are expected to be present at the Annual Meeting. The representatives will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Shareholder ratification of the selection of ParenteBeard as the Company's independent registered public accounting firm is not required by the Company's by-laws or other provisions. The Board is submitting the selection of ParenteBeard to shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Unless contrary instructions are given, the common stock represented by the proxies being solicited will be voted "FOR" the selection of ParenteBeard as the Company's independent registered public accounting firm for the Company's 2013 fiscal year.

Principal Accounting Fees and Services

The Sarbanes-Oxley Act of 2002 and the SEC auditor independence rules require independent registered public accounting firms that audit issuers to obtain pre-approval from their respective boards of directors in order to provide professional services without impairing independence.

The fees billed by the Company's independent registered public accounting firm for the 2012 and 2011 fiscal years were as follows:

Type of Service	2012(1)	2011(1)
Audit Fees (2)	\$ 163,400	145,200
Audit-Related Fees (3)	19,100	--
Tax Fees (4)	33,500	25,500
All Other Fees (5)	30,600	--
Total	\$ 246,600	170,700

(1) Consists of fees billed by ParenteBeard.

(2) Includes fees for professional services rendered for the audit of the Company's consolidated financial statements and review of consolidated financial statements for Forms 10-Q, including out-of-pocket expenses. The 2012 amount also includes fees for the provision of consents in regard to the Company's S-8 and S-3 filings.

(3) The 2012 amount relates to the audit of the Company's 401(k) plan.

- (4) Comprised of services for tax compliance.
- (5) Comprised of services for XBRL compliance.

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In accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee established policies and procedures under which all audit and non-audit services performed by the principal accountants must be approved in advance by the Audit Committee. As required by the Sarbanes-Oxley Act, all audit and non-audit services to be provided after May 15, 2003 must be pre-approved by the Audit Committee in accordance with these policies and procedures.

All services described above were approved in accordance with the Audit Committee's Pre-Approval policy described directly below.

Audit Committee Pre-Approval Procedures

The Audit Committee has adopted a formal policy concerning the pre-approval of audit and non-audit services to be provided by the Company's independent registered public accounting firm. The policy requires that all services to be performed by the Company's independent registered public accounting firm, including audit services, audit-related services, and non-audit services, be pre-approved by the Audit Committee. The policy permits the Audit Committee to delegate pre-approval authority to one or more members, provided that all pre-approval decisions are reported to the Audit Committee at its next meeting. All services being provided by the independent registered public accounting firm are required to be in accordance with the pre-approval policy. At subsequent Audit Committee meetings, the Audit Committee receives updates on services being provided by the independent registered public accounting firm, and management may present additional services for approval. Effective June 6, 2003, the effective date of the SEC rules applicable to services being provided by independent registered public accountants, each new engagement of the Company's independent registered public accounting firm has been approved in advance by the Audit Committee.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PARENTEBEARD LLC AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY'S 2013 FISCAL YEAR.

CORPORATE GOVERNANCE

General

The Company is committed to establishing sound principles of corporate governance and to promote honest, responsible and ethical business practices. The Company's corporate governance practices are actively reviewed and evaluated by the Board of Directors and, if necessary, by the Board of Directors, the Nominating and Corporate Governance Committee and the Board of Directors. This review includes comparing the Board's current governance policies with those suggested by authorities active in corporate governance as well as with those of other public companies. Based upon this evaluation, the Board has adopted the practices that it believes are the most appropriate corporate governance policies for the Company.

Board Leadership Structure and Role in Risk Oversight

The Board is composed of Charles S. Crow, III (Chairman), Robert F. Mangano, William M. Rue, Frank E. Walsh, III and John P. Costas. Mr. Mangano is the Chief Executive Officer of the Company and of the Bank. We have employed a dual leadership structure since prior to the time that we became an SEC reporting company. We separate the roles of Chairman of the Board and Chief Executive Officer in order to address differences between the two roles. The Chief Executive Officer is responsible for achieving the strategic goals of the Company and for the day to day leadership, operations and management of the Company, while the Chairman of the Board provides strategic guidance. The Chief Executive Officer, presides over meetings of the full Board and, if the Chairman is not present, presides over executive sessions of the independent directors and chairs meetings with shareholders.

Our Audit Committee is primarily responsible for overseeing the Company's financial reporting processes, and undertakes in its charter to discuss with management the Company's financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The Audit Committee meets periodically with management to discuss policies with respect to financial assessment and risk management and to review the Company's major financial reporting processes and the steps management has taken to monitor and control such exposures. Each of the other committees also considers the risk within its area of responsibilities. For example, the Compensation Committee considers the risks that may be implicated by the Company's compensation programs.

While our Audit Committee oversees the Company's risk management processes, it is not our Board, management is responsible for day-to-day risk management processes. This division of responsibilities is the most effective approach for addressing the risks of the Company and that our Board leadership structure supports this approach.

Committee Memberships

There are three standing committees of the Board of Directors: the Audit Committee (the "Audit Committee"); the Nominating and Corporate Governance Committee (the "Nominating and Corporate Governance Committee"); and the Compensation Committee (the "Compensation Committee").

Committee”). The table below provides current membership for each of the Bo

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Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Charles S. Crow, III	X	X	X
David C. Reed	X*	X	X
William M. Rue	X	X	X*
Frank E. Walsh, III	X	X	X
John P. Costas	X	X*	X

X = Committee member; * = Chairman

Director and Nominee Independence

The Board of Directors has determined that a majority of the directors and all members of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee are “independent” within the meaning of the Nasdaq independence standards. All members of the Audit Committee are also “independent” for purposes of Section 303A of the Exchange Act and that each member of the Compensation Committee is an “independent director” within the meaning of Regulation 1.162-27 under Section 162(m) (“Code Section 162(m)”) of the Internal Revenue Code of 1986, as amended (the “Code”) and is a “non-employee director” within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act (“Exchange Act”, “Rule 16b-3”).

The Board has affirmatively determined that each of Messrs. Crow, Reed, Rue, and Costas has no material relationship with the Company affecting his independence and that each is “independent” within the meaning of the independence standards of the Nasdaq. In making each of these independence determinations, the Board broadly assessed, from the standpoint of materiality and independence, all information provided by each director and nominee in response to detailed inquiries regarding independence and any direct or indirect business, family, employment, transactional relationship or affiliation of such director with the Company and considered the Company’s banking relationships with each director. In making the independence determinations, the Board also considered the following relationships: (i) with respect to Mr. Rue, the Board considered the fact that Charles E. Rue & Son, Inc., which is owned and controlled by Mr. Rue, is the Company’s insurance broker and that Mr. Rue owns 25% of a real estate partnership that has a loan from the Bank that is secured by a mortgage in favor of the Bank on property owned by the partnership; (ii) with respect to Mr. Crow, the Board considered the fact that the Company and the Bank owned or controlled by Mr. Crow are customers of, and conduct banking transactions with, the Bank in the ordinary course of business on customary terms. These transactions are conducted in the ordinary course of business, on substantially the same terms, including payment of collateral, as those prevailing at the time for comparable transactions with other customers and do not involve more than the normal risk of collectability or present other unfavorable

Audit Committee

The Audit Committee is comprised of Messrs. David C. Reed (Chairman), Charles S. Crow, III, William M. Rue and Frank E. Walsh, III. The Audit Committee is the primary communication point among non-Audit Committee directors, internal auditors, independent accountants and Company management as their respective duties relate to financial reporting and internal controls. The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to accounting policies, internal controls, operating controls, standards of corporate conduct and performance, financial reporting and sufficiency of auditing.

The principal functions of the Audit Committee include:

- assisting the Board in the oversight of the integrity of the Company's financial statements and its financial reporting processes and systems of internal controls;
- overseeing the Company's accounting and financial reporting processes and the Company's financial statements; and
- appointing and retaining, compensating and overseeing the work of any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

The Board has determined that all Audit Committee members are able to read and understand financial statements and at least one member has accounting or related financial expertise in accordance with the applicable Nasdaq rules. The Board has also determined that David C. Reed qualifies as an "audit committee financial expert" and he serves as the "audit committee financial expert." No member of the Audit Committee received compensation from the Company during fiscal year 2012 other than compensation as a director.

The Audit Committee charter is not available to security holders on the Company's website. The Audit Committee charter is included as Appendix B to this proxy statement.

Report of the Audit Committee

The Audit Committee of the Company is comprised of five independent directors on the Board of Directors, each of whom is independent for purposes of director independence membership under applicable Nasdaq and SEC rules. The Audit Committee operates under an Audit Committee charter, which was adopted in March 2004. The Audit Committee charter provides that the Audit Committee shall have the sole authority to appoint, compensate, and oversee the Company's independent registered public accounting firm.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm performs an independent audit of the financial statements and expresses an opinion on the Company's financial statements with generally accepted accounting principles in the United States of America. The Audit Committee's responsibility is to monitor and oversee the Company's independent registered public accounting firm and to report its findings to the full Board. The Audit Committee assists the Board in monitoring:

- the integrity of the financial statements of the Company;
- the independent registered public accounting firm's qualifications and independence;
- the performance of the Company's internal audit function and independent registered public accounting firm; and
- the compliance by the Company with legal and regulatory requirements.

The Audit Committee reviews the results of the Company's audit, of its interim the overall quality of the Company's accounting policies and other required including those described in Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), "Communications with Auditors," adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T; the Company's independent registered public accounting firm assists management in updating the Audit Committee concerning new accounting developments and their impact on the Company's financial reporting. The Audit Committee also meets with the Company's independent registered public accounting firm without management present.

The Audit Committee reviews and discusses with management the Company's annual financial statements and quarterly financial statements, including the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee also meets with Company management and the Company's independent registered public accounting firm present, to discuss the evaluation of the performance of the independent registered public accounting firm.

With respect to fiscal year 2012, the Audit Committee:

- met with management and ParenteBeard LLC ("ParenteBeard") and reviewed the Company's audited financial statements and discussed significant accounting policies;
 - periodically met with management to review and discuss quarterly financial statements;
 - discussed with ParenteBeard the scope of its services, including its independence;
 - reviewed the Company's internal control processes and procedures.
- discussed with ParenteBeard the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), adopted by the PCAOB in Rule 3200T;
- received and reviewed the written disclosures and letter from ParenteBeard regarding applicable requirements of the PCAOB regarding ParenteBeard's communication with the Audit Committee concerning independence, and discussed with ParenteBeard the disclosures from management and the Company; and
- reviewed and approved all audit and non-audit services provided by ParenteBeard for the year 2012.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Form 10-K for the fiscal year ended December 31, 2012 for filing with the SEC.

Members of the Audit Committee:

DAVID C. REED (Chairman)
CHARLES S. CROW, III
WILLIAM M. RUE

Compensation Committee

The Compensation Committee is comprised of Messrs. John P. Costas (Chair), John A. Crow, III, David C. Reed, William M. Rue, and Frank E. Walsh, III, each of whom is determined by the Board to be “independent” within the meaning of the NASD listing standards, and each of whom is an “outside director” within the meaning of the NYSE listing standards and is a “non-employee director” within the meaning of Exchange Act Rule 16b-1.

The Compensation Committee reviews and approves the compensation arrangements for the Company’s executives and outside directors. The Compensation Committee also reviews the Company’s equity incentive plans and makes awards pursuant to those plans.

No Compensation Committee member participates in any of the Company’s compensation programs. The Board has determined that none of the current Compensation Committee members has any material business relationships with the Company.

The Compensation Committee charter is not available to security holders on the Company’s website. The Compensation Committee charter is included as Appendix A to the Company’s annual report statement.

Role of the Compensation Committee

The Compensation Committee is appointed by the Board of Directors. Subject to review and approval by the Board, the Compensation Committee evaluates and approves the compensation of the Company’s Chief Executive Officer, its president, its executive officers and outside directors. The Compensation Committee administers the Company’s equity incentive plans. The Compensation Committee also has overall responsibility for monitoring, on an ongoing basis, the executive compensation policies, plans and programs of the Company. The Compensation Committee may delegate its authority relating to non-employee director compensation to a subcommittee consisting of one or more members when appropriate.

Compensation Committee Process and Role of Management

The Compensation Committee generally holds two regularly scheduled in-person meetings per year and additional meetings as appropriate either in person or by telephone. The Compensation Committee chair works with management in establishing the agenda for Compensation Committee meetings. Management also prepares and submits in writing to the Compensation Committee, in the course of the year for the consideration of the Compensation Committee, management’s proposed recommendations to the Compensation Committee regarding executive measures and proposed financial targets, management’s proposed recommendations regarding Compensation Committee for salary increases, management’s performance evaluations of executive officers, and other data and information, if requested by the Compensation Committee.

Although many of the compensation decisions are made during the Compensation Committee’s annual review process, the compensation planning process spans throughout the year. In the final review and approval by the Board, the Compensation Committee reviews the Company’s goals and objectives relevant to the Chief Executive Officer’s performance, evaluates the Chief Executive Officer’s performance in light of those goals and objectives, and once per year and determines the Chief Executive Officer’s compensation level.

evaluation. The Chief Executive Officer is not present during voting or discussion with respect to his compensation. On an annual basis, the Compensation Committee approves base salary, annual incentive compensation and long-term equity-based compensation of the other executive officer of the Company.

Risk Assessment of Compensation Programs

The Compensation Committee discusses, evaluates and reviews with the Chief Executive Officer all of our employee compensation programs in light of the risks posed by these programs and how to limit such risks and to assess whether any aspect of these programs encourage any employees to manipulate reported earnings to enhance their compensation. The Compensation Committee assesses whether any aspect of these programs would encourage the Company's officers to take any unnecessary or excessive risks that could threaten the Company. Included in the analysis are such factors as (i) the appropriate level of "variable" or "at risk" compensation, (ii) the appropriate levels of long-term incentives between service-based and performance-based compensation, and (iii) the risk criteria, if any, attached to the awards under employee compensation plans.

Compensation Committee Advisors

The Compensation Committee charter grants the Compensation Committee the authority to engage compensation consultants and other advisors to assist it in the performance of its responsibilities. A compensation consultant retained by the Compensation Committee reports directly to the Compensation Committee.

The Compensation Committee relies on management and outside advisers for technical guidance in conducting its affairs. It retains full authority to engage independent party advisers. In 2012, the Board engaged McLagan, an Aon Hewitt company ("Compensation Consultant"), to act as the compensation consultant to the Compensation Committee to conduct independent studies and provide recommendations with respect to the compensation of the Chief Executive Officer of the Company. The Compensation Consultant's primary role with the Company is as independent adviser to the Compensation Committee on matters relating to the Chief Executive Officer's compensation. The Compensation Committee assessed the independence of the Compensation Consultant and determined that the Compensation Committee has not raised any conflict of interest.

In 2012, the Compensation Consultant provided services to the Compensation Committee, including a review of (i) past awards made to the Chief Executive Officer of the Company, (ii) absolute and comparative Company performance results in a peer group of companies, and (iii) comparative compensation analyses for chief executive officers within the peer group, considering base salary, bonuses, stock grants, stock options and deferred compensation arrangements.

Director Compensation Process

A discussion of the Company's determination of director compensation is included in the "Director Compensation" section of this proxy statement.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is currently composed of William M. Rue (Chairman), Frank E. Walsh, III, John P. Costas, Charles S. Crum, and C. Reed. The Nominating and Corporate Governance Committee is

recommending for consideration by the Board candidates to serve as directors as well as the re-election of current directors. The committee also reviews recommendations from shareholders regarding corporate governance and director candidates. The process for submitting recommendations of director candidates is set forth below under the heading "Director Candidates."

In accordance with the marketplace rules of the Nasdaq Global Market, the Corporate Governance Committee is currently, and was during 2012, comprised of independent, non-management members of the Board of Directors.

The Nominating and Corporate Governance Committee charter is not available to shareholders on the Company's website. The Nominating and Corporate Governance Committee charter is included as Appendix D to this proxy statement.

Selection of Director Candidates

The Nominating and Corporate Governance Committee has established a policy for the consideration of director candidates, including those recommended by shareholders. The Nominating and Corporate Governance Committee, together with the President and other Board members, will from time to time as appropriate identify the need for new Board members. Particular proposed director candidates who satisfy the criteria set forth in the Charter and otherwise qualify for membership on the Board will be identified by the Nominating and Corporate Governance Committee. In identifying candidates, the Nominating and Corporate Governance Committee will seek input and participation from the President and other Board members, and other appropriate sources, to ensure that all points of view can be heard and the best possible candidates can be identified. The Nominating and Corporate Governance Committee may also, as appropriate, engage a search firm to assist it in identifying potential candidates. Members of the Nominating and Corporate Governance Committee, the President and other Board members, as appropriate, may personally interview selected director candidates and provide input to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will determine which candidate(s) are to be recommended to the Board for approval.

Diversity is one of the factors that the Nominating and Corporate Governance Committee considers in identifying nominees for director. This means that the Nominating and Corporate Governance Committee seeks nominees who bring a variety of business backgrounds, experiences and perspectives to the Board. We believe that the backgrounds and experiences of the directors, considered as a group, should provide a broad diversity of perspectives, professions, skills, geographic representations, knowledge and abilities that will enable the Board to fulfill its responsibilities. In selecting director nominees the Nominating and Corporate Governance Committee considers all aspects of a potential nominee's background, including educational background, gender, business and professional experience, and other qualities. The goal of the Nominating and Corporate Governance Committee is to identify individuals who will enhance and add valuable perspective to the Board and help the Company capitalize on business opportunities in a challenging and highly competitive market. The Nominating and Corporate Governance Committee has not adopted a formal policy with regard to the selection of director nominees.

Shareholders wishing to submit a director candidate for consideration by the Nominating and Corporate Governance Committee must submit the recommendation to the Nominating and Corporate Governance Committee, c/o President and Chief Executive Officer, Bancorp, P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey 08512 in writing at least 90 days prior to the first anniversary date of the preceding year's annual meeting. The request must be accompanied by the same information concerning the director candidate as the recommending shareholder as described in Article I, Section 9 of the Company's Charter.

shareholder nominations for director. The Nominating and Corporate Governance Committee may also request any additional background or other information from any director or the recommending shareholder as it may deem appropriate. Nothing shall limit a shareholder's right to propose a nominee for director at an annual meeting in accordance with the procedures set forth in the Company's by-laws.

All directors play a critical role in guiding the Company's long-term business strategy and overseeing the management of the Company. Board candidates are considered against various criteria which may change over time and as the composition of the Board changes. Factors, at a minimum, are considered by the Nominating and Corporate Governance Committee as part of its review of all director candidates and in recommending potential candidates to the Board:

- appropriate mix of educational background, professional background and business experience to make a significant contribution to the overall composition of the Board;
- global business and social perspective;
- if the Committee deems it applicable, whether the candidate would be considered an expert or financially literate as described in SEC or Nasdaq rules or an expert or financial expert as defined by the Sarbanes-Oxley Act of 2002;
- if the Committee deems it applicable, whether the candidate would be considered independent under Nasdaq rules and the Board's additional independence guidelines set forth in the Company's Corporate Governance Guidelines;
- demonstrated character and reputation, both personal and professional, consistent with the image and reputation of the Company;
 - willingness to apply sound and independent business judgment;
 - ability to work productively with the other members of the Board;
- availability for the substantial duties and responsibilities of a director of the Company.

Attendance at Board Meetings, Committee Meetings, and Annual Meetings

In fiscal year 2012, the Board of Directors of the Company and the Bank held 10 meetings. The Audit Committee held 5 meetings, the Compensation Committee held 2 meetings, and the Nominating and Corporate Governance Committee held 5 meetings. Each director attended at least 75% of the aggregate meetings of the Board of Directors and the committees of which the director was a member.

Our current director attendance policy provides that unless there are mitigating circumstances such as medical, family or business emergencies, Board members are expected to attend all Board meetings and all committee meetings of which the director is a member, including the Annual Meeting of Shareholders. All Board members attended last year's Annual Meeting of Shareholders.

Executive Sessions of Non-Management Directors

Our Corporate Governance Guidelines adopted in March of 2004 require non-management directors to meet in executive sessions at least two times per year. At each executive session, the non-management directors will select a director to preside at the meeting. 6 executive sessions of non-management directors were held in 2012.

Shareholder Communications Process

The Board of Directors provides a process for security holders to send communications to the Board. Information regarding the Company's process for shareholders to communicate with the Board of Directors and the manner in which such communications are forwarded is available on the Company's website located at www.1stconstitution.com, under "About Us."

Code of Business Conduct and Ethics and Corporate Governance Guidelines

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") which applies to the Company's Chief Executive Officer and principal financial and accounting officers and to all other Company directors, officers and employees. The Code of Ethics is included as an exhibit to its 2003 Annual Report on Form 10-K filed with the SEC on March 10, 2004. The Company will disclose any substantive amendments to, or waivers from, the Code of Conduct made with respect to the chief executive officer or principal financial and accounting officer in a Current Report on Form 8-K filed with the SEC.

The Company has also adopted Corporate Governance Guidelines which are included as an exhibit to its 2003 Annual Report on Form 10-K. The guidelines are intended to provide guidelines for the governance of the Company by the Board and its committees.

STOCK OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of the Company's common stock as of April 2, 2013, by each director/nominee, by the Company's executive officers, by all directors and executive officers as a group, and by any individual or entity owning 5% or more of Company common stock, if any. Except as noted below, the Company knows of no person or group that beneficially owns 5% or more of Company common stock. Unless otherwise specified, all persons listed below have sole voting power with respect to their shares of Company common stock.

Name of Beneficial Owner(1)	Amount and nature of beneficial ownership (2)	Percent of Class
Banc Fund VI L.P., Banc Fund VII L.P., and Banc Fund VIII L.P.	397,537 (3)	6.7%
Robert F. Mangano	404,596 (4)	6.4%
Frank E. Walsh, III	257,356 (5)	3.7%
William M. Rue	220,096 (6)	3.7%
Joseph M. Reardon	65,962 (7)	1.1%
Charles S. Crow, III	74,338 (8)	1.2%
David C. Reed	15,947 (9)	*
John P. Costas	306,408 (10)	5.1%
All Directors and Executives Officers of the Company as a Group (7 Persons)	1,344,703 (11)	22.0%

* Less than 1%

- (1) All correspondence to beneficial owners listed in this table except for Banc Fund VII L.P., and Banc Fund VIII L.P. is sent care of the Company executive office at P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey.
- (2) The securities “beneficially owned” by an individual are determined in accordance with the definition of “beneficial interest” set forth in SEC regulations and, accordingly, securities owned by or for, among others, the wife and/or minor children of the individual, any other relative who has the same home as the individual, as well as other persons in which the individual has or shares voting or investment power. Beneficial ownership is disclaimed as to some of the shares. A person is also deemed to beneficially own Company common stock which such person does not own but has a right to acquire or within sixty days after April 2, 2013. As of April 2, 2013, there were 5,000,000 Company common stock outstanding.

- (3) Based on information provided in a Schedule 13G filed jointly on February 1, 2011, Banc Fund VI L.P. beneficially owns 130,974 shares, Banc Fund VII L.P. beneficially owns 109,223 shares, and Banc Fund VIII L.P. beneficially owns 157,340 shares. The Banc Funds Company may be deemed beneficially owned by The Banc Funds Company, L.L.C., which is the general partner of MidBanc VI L.P., MidBanc VII L.P., and MidBanc VIII L.P. MidBanc VI L.P. is the general partner of Banc Fund VI L.P., MidBanc VII L.P. is the general partner of Banc Fund VII L.P., and MidBanc VIII L.P. is the general partner of Banc Fund VIII L.P. Charles J. Moore is the president and controlling shareholder of The Banc Funds Company, L.L.C. and manager of Banc Fund VI L.P., Banc Fund VII L.P., and Banc Fund VIII L.P. The address of each of Banc Fund VI L.P., Banc Fund VII L.P., Banc Fund VIII L.P., MidBanc VI L.P., MidBanc VII L.P., MidBanc VIII L.P., The Banc Funds Company, L.L.C., and Charles J. Moore is c/o The Banc Funds Company, L.L.C., 20 North Wacker Drive, Chicago, Illinois 60606.
- (4) Includes 313,709 shares owned directly by Mr. Mangano, options to purchase 100,000 shares of Company common stock that are currently exercisable, and 66,975 unexercised shares of restricted stock issued to Mr. Mangano under the Company's 2005 Equity Incentive Plan, which may be voted immediately upon grant.
- (5) Includes 17,037 shares owned directly by Mr. Walsh and 240,319 shares of Company common stock owned by Mulligan Holdings, L.P., over which Mr. Walsh and Mulligan Holdings, L.P. have beneficial ownership.
- (6) Includes 177,766 shares owned directly by Mr. Rue, 38,654 shares held by Mr. Rue & Sons, Inc., and 3,676 shares held by Charles E. Rue & Sons, Inc.
- (7) Mr. Reardon owns 32,942 shares directly. The amount in the table also includes 24,842 shares purchased by Mr. Reardon under the Company's 2005 Equity Incentive Plan, all of which are currently exercisable, and 8,178 shares of restricted stock issued to Mr. Reardon under the Company's 2005 Equity Incentive Plan, which may be voted immediately upon grant.
- (8) Includes 33,951 shares owned directly by Mr. Crow, 32,821 shares of Company common stock held by Crow & Associates Profit Sharing Plan, 4,984 shares of Company common stock held by Crow Family Associates, LLC, 1,582 shares of Company common stock held in trust accounts for Mr. Crow's grandchildren, and 1,000 shares of Company common stock held in Mr. Crow's wife's IRA account.
- (9) Includes 2,173 shares owned directly by Mr. Reed, 10,014 shares owned by Mr. Reed and Reed's wife and options to purchase 3,760 shares that are currently exercisable.
- (10) All such shares are owned directly by Mr. Costas.
- (11) Includes options to purchase 52,514 shares of Company common stock that are currently exercisable, and 75,153 shares of restricted stock which may be voted immediately upon grant.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act of 1934 requires the Company's officers, directors, and persons who own more than 10% of a registered class of the Company's equity securities to file with the SEC

ownership and changes in ownership with the SEC. Based on a review of the furnished to the Company, the Company believes that during the year ended De all officers, directors and 10% beneficial owners complied with applicable Se requirements.

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DIRECTOR COMPENSATION

The following table details the compensation paid to our non-employee directors ended December 31, 2012.

NON-EMPLOYEE DIRECTOR COMPENSATION

Name	Fees Earned or Stock Option Awards Paid in Cash				All Other Compensation (\$)	Total (\$)
	(1)	(2)	(3)	(4)		
Charles S. Crow, III	14,000	10,600	0	584		25,184
David C. Reed	9,000	8,850	0	530		18,380
William M. Rue	7,500	1,770	0	699		9,969
Frank E. Walsh, III	5,000	1,770	0	145		6,915
John P. Costas	11,500	1,770	0	96		13,366

(1) The amounts listed in this column reflect the dollar amount recognized for financial reporting purposes, calculated in accordance with FASB ASC Topic 718. All assumptions used in calculating these values may be found in Note 10 to our Consolidated Financial Statements in our 2012 Annual Report on Form 10-K.

(2) At the end of fiscal year 2012, the aggregate number of option awards outstanding for our directors were as follows: Mr. Reed, 3,760 options.

(3) The amounts listed in this column reflect the imputed income for our directors under the Directors' Insurance Plan described in the narrative below.

Processes, Procedures and Rationale

The Compensation Committee periodically reviews the appropriateness and cost of the compensation of non-employee directors. Subject to approval by the Board, the Compensation Committee is responsible for establishing policies that govern non-employee director compensation and for implementing, administering and interpreting the non-employee director compensation plans, programs and policies. The Compensation Committee may delegate its authority relating to non-employee director compensation to a subcommittee consisting of one or more members when appropriate.

As part of this process, the Compensation Committee regularly reviews the composition and operation of the Board and its committees and annually asks for input from all directors concerning the Board's performance. The Board also considers

amount of time spent by the directors in their duties for the Company consultation with the Compensation Committee, then determines the form non-employee directors' compensation.

Compensation Paid to Board Members

Non-employee directors receive a combination of cash and equity compensation. Currently the only management director on the Board, does not receive compensation for his services as a director.

Cash Compensation

During 2012, non-employee directors of the Company and non-employee directors were compensated for services rendered in such capacities at the rate of \$500 per month and \$500 per Board committee meeting attended. Directors serving on the Company who also serve on the Board of the Bank do not receive additional compensation for attending a Bank Board meeting that is held on a date upon which the director also attends a Company Board meeting.

Non-employee directors of the Company are also eligible to participate in the Company's Insurance Plan and Messrs. Charles S. Crow, III, William M. Rue, Frank E. W. Costas and David C. Reed currently participate in the plan. See "Directors" below. No cost of this benefit is allocable to any individual director.

Stock Grants

The Company maintains the 1st Constitution Bancorp 2006 Directors Stock Plan for its non-employee directors (which is discussed under the heading "Equity Compensation" and "2006 Directors Plan"). In 2012, each non-employee director received a grant of common stock under the 2006 Directors Plan. Mr. Crow received a grant of 1,000 shares of common stock for his service as Chairman of the Board. Mr. Reed received an additional 800 shares of common stock for his service as Chairman of the Board Committee. Unless the Board determines otherwise at the time of grant, all shares granted under the 2006 Directors Plan vest immediately upon grant.

Directors' Insurance Plan

The Company adopted the 1st Constitution Bancorp Directors' Insurance Plan (the "Insurance Plan"), which was effective as of October 1, 2002 and amended as of October 1, 2003 and June 16, 2005. The Directors' Insurance Plan covers all individuals who were members of the Board of Directors of the Company or of the Bank (who were not also employees of the Company or the Bank) on the effective date. Thereafter, members of the Board of Directors of the Company or of the Bank shall become participants in the Directors' Insurance Plan upon completion of ten years of service as a member of the applicable Board of Directors (whether or not that they are not then employed by the Company or the Bank) or at such other time as determined by the Board of Directors of the Company.

Under the Directors' Insurance Plan, a covered individual is provided with life insurance coverage in the amount of one hundred thousand dollars. Coverage will remain in effect until the individual's service as a member of the Board of Directors ceases.

The premiums for the Directors' Insurance Plan and the Company's Executive Life Insurance Program (which is discussed below under "Executive Life Insurance Program")

Company in October 2002, October 2005, October 2011 and supplement
2012. The Company has all ownership rights to the policies and all cash values

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The Directors' Insurance Plan may be amended, suspended or terminated at any time. (i) any amendment, suspension or termination of the Directors' Insurance Plan for a particular director that is not applicable to all other participants does not require the approval of the particular director, and no such amendment, suspension or termination for a particular director shall become effective with respect to the particular director without the approval of the particular director unless "Cause" (as defined in the Directors' Insurance Plan) exists with respect to the particular director, and (ii) termination may not occur without the consent of the Board of Directors following a "Change of Control" (as defined in the Directors' Insurance Plan). The Directors' Insurance Plan may be terminated or suspended (in whole or in part) nevertheless. The failure to terminate or suspend the Plan would subject the Company, its officers and directors to sanctions by a regulatory agency.

EXECUTIVE COMPENSATION

This section of the proxy statement explains our compensation program for our named executive officer and our other most highly-compensated executive officer, and we refer to them collectively in this proxy statement as our "named executive officers." The Company has elected to use the "smaller reporting company" rules issued by the SEC regarding executive compensation. Under these rules, the Company provides executive compensation disclosure for our named executive officers, including a Summary Compensation Table for the fiscal years ending December 31, 2012 and 2011, an Outstanding Equity Awards Table and certain narrative disclosures.

Summary Compensation Table

The table below summarizes the total compensation paid or earned by each of our named executive officers for the fiscal years ended December 31, 2012 and 2011.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (1) (\$)	Bonus (\$)	Stock Awards (2) (\$)	Option Awards (2) (\$)	All Other Compensation (\$)	Total (\$)
Robert F. Mangano President and CEO	2012	550,000	250,000	254,394	-	81,262 (3)	1,135,656
	2011	550,000	175,000	86,751	65,695	69,789 (3)	947,245
Joseph M. Reardon Senior Vice President and Treasurer	2012	187,500	35,000	27,870	8,070	10,538 (4)	268,978
	2011	180,000	35,000	20,550	6,750	10,464 (4)	252,764

(1) In fiscal year 2012, our named executive officers deferred the following amounts from the Company's 401(k) Plan: Mr. Mangano - \$21,530; Mr. Reardon - \$13,304. In

our named executive officers deferred the following amounts into the Compensation Deferral Plan for 2012:
Mr. Mangano – \$20,637; Mr. Reardon - \$12,792.

(2) Amounts shown in these columns reflect the aggregate grant date fair value of restricted stock awards and option awards granted during fiscal year 2011 and 2012 for financial statement reporting purposes for restricted stock awards and option awards, as determined in accordance with FASB Accounting Standards Codification 718. Additional information concerning our accounting for restricted stock and option awards granted in 2012 is included in Note 1 and Note 16 of the Notes to Consolidated Financial Statements in our 2012 Annual Report on Form 10-K and additional information concerning our accounting for restricted stock and options granted in 2011 is included in Note 1 and Note 16 of the Notes to Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

(3) Includes: (i) the value of the Company's match of employee contributions Plan; (ii) imputed income for our executive life insurance program; (iii) the Company of providing additional long term disability coverage; (iv) the a Company of a country club membership; and (v) the value of the Co automobile (\$51,492). The Company calculates the aggregate increm Company for the provision to Mr. Mangano of the Company provided car total cost of the automobile attributable to the fiscal year, including leas maintenance costs, insurance and fuel paid by the Company. This amo reduced to reflect the costs attributable to business use. Mr. Mangano is tax income attributable to personal use of the Company car and does not rece from the Company with respect to these amounts.

(4) Includes: (i) the value of the Company's match of employee contributions Plan; (ii) imputed income for our executive life insurance program; and (iii) automobile reimbursement allowance.

Employment Agreement

On July 12, 2010, the Company, upon the authorization of the Compensation C into a three-year employment agreement with Mr. Mangano (the "2010 Emplo commencing as of July 1, 2010, which replaced Mr. Mangano's prior emplo with the Company, dated as of February 22, 2005 (the "2005 Employment terms of the 2010 Employment Agreement are substantially similar to th Employment Agreement, with the exception of modifications to the term of th Mangano's base salary, the definition of "Good Reason" and the manner termination benefit due to Mr. Mangano, each as described below.

The 2010 Employment Agreement is subject to automatic one year extension extended beyond Mr. Mangano's seventieth (70th) birthday. Pursuant to the Employment Agreement, Mr. Mangano continues to serve as the President and Officer, and as a director, of each of the Company and the Bank, and:

- will receive an annual base salary for 2012 of at least \$550,000, plus a c exceed 50% of his base salary subject to annual upward adjustments for subse
 - will participate in the Company's stock equity plans on at least an an
- is entitled to participate in the employee benefit plans maintained by the C Bank, including the 401(k) program, the medical insurance and reimburse group term life insurance program, the group disability program, and the Supplemental Executive Retirement Plan; and
- is entitled to reimbursement for reasonable out-of-pocket business expens automobile, a country club membership and reimbursement for reasonab associated with his relocation to the market area of the Bank.

Under the 2010 Employment Agreement, Mr. Mangano is also entitled to rece and other termination benefits described under the heading "Termination of Change in Control Arrangements" in this proxy statement.

Mr. Mangano will be subject to a restrictive covenant upon termination. Under the restrictive covenant, Mr. Mangano may not, for one year following the discontinuation of his employment or during the remaining term of the 2012 Employment Agreement, serve as an officer, director or employee of any community bank, savings and loan or mortgage company with principal offices in Middlesex, Mercer or Somerset County, New Jersey, and which offers products and/or services from offices in Middlesex, Mercer or Somerset County, New Jersey that compete with those offered by the Bank.

Executive Life Insurance Program

The Company entered into a life insurance arrangement with several executive officers and named executive officers, in 2002. Under the terms of the individual life insurance policies, the covered employees obtain current life insurance protection while employed by the Company and accumulate cash value under the underlying policies. In the event that a covered employee terminates employment with the Company, then coverage and all rights of the employee under the agreement and the policies cease, unless the employee had both attained age 60 and 10 years of service with the Company (including years of service prior to implementation of the agreements) at the time of termination of employment, in which case coverage will remain in effect until death. In the event of a change of control (as defined in the agreements) or termination of employment, coverage will remain in effect until death. Coverage under the policies will remain in effect until termination of employment for cause (as defined in the agreements) or until the employee pays all premiums with respect to the policies.

The Company owns the policies and all cash values thereunder. Upon the death of an employee, if the agreement is still in effect, the death proceeds will be used by the Company to pay to the insured's beneficiary an amount equal to three times the covered employee's annual salary (not including bonus or other forms of compensation) in effect at the time of her death or retirement, minus amounts payable by reason of any other group-term life insurance coverage provided by the Company. The Company is entitled to all other amounts payable under the policies. During 2012, Messrs. Mangano and Reardon were parties to these policies. On December 31, 2012, the death benefit under Mr. Mangano's policy was \$1,600,000 and the death benefit payable under Mr. Reardon's policy was \$512,500.

Perquisites and Other Personal Benefits

Our named executive officers receive certain personal benefits in connection with their employment with the Company. To facilitate the business-related travel of our Chief Executive Officer, the Company provided Mr. Mangano with a late-model automobile, which he is permitted to use for this purpose. In addition, the Company pays for the operation and maintenance of the automobile, which is valued at the cost to the Company. Mr. Reardon receives a reimbursement allowance. Mr. Mangano also was reimbursed for a golf club membership and a social membership at a country club located near the Company's main office, which was used by Mr. Mangano for business meetings from time to time.

OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END

Name	Option Awards(1)		Option Exercise Price (\$)	Option Expiration Date	Stock Awards(2)	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Have Vested (#)
Robert F. Mangano						
	3,007	0	\$ 13.77	12/15/15	3,150	(2,150)
	2,865	0	\$ 13.23	12/21/16	3,184	(2,184)
	2,704	0	\$ 10.73	12/20/17	5,789	(2,000)
	3,061	766	\$ 8.23	01/02/19	11,760	(2,150)
	12,275	18,414	\$ 6.21	09/22/21	4,507	(2,150)
					8,269	(2,150)
					12,600	(2,000)
					17,716	(2,150)
Joseph M. Reardon						
	3,315	0	\$ 8.85	12/19/13	956	(2,150)
	3,159	0	\$ 11.50	12/16/14	1,447	(2,150)
	3,007	0	\$ 13.76	12/15/15	2,483	(2,150)
	2,865	0	\$ 13.24	12/21/16	3,150	(2,150)
	1,351	0	\$ 11.81	08/08/17		
	2,127	0	\$ 10.22	12/20/17		
	2,551	638	\$ 8.22	01/02/19		
	2,431	608	\$ 6.78	08/05/19		
	2,083	1,389	\$ 6.95	12/13/20		
	1,323	1,985	\$ 5.92	12/15/21		
	630	2,520	\$ 8.47	12/17/22		

(1) All option awards reflected in these columns either vested or will vest in 20% annual increments, with the first 20% vesting on the date of grant and the remaining 80% vesting in equal annual installments on the anniversary date of grant over the next ten year option term.

(2) All stock awards reflected in these columns, except those granted to Mr. Mangano from February 11, 2009 until October 27, 2010, represent restricted stock grants that either have vested or will vest in 25% annual increments, with the first 25% vesting on the date of grant and the remaining restricted stock vesting in equal annual installments on the anniversary date of grant over the next three years. Stock awards granted to Mr. Mangano before or after February 11, 2009 until October 27, 2010 vest 50% on the day following the first anniversary of the date of grant and 25% on each of the third and fourth anniversaries of the date of grant. Vested shares are subject to certain transferability restrictions.

table provides the grant date for each restricted stock award reflected above.

(3)

Footnote Reference	Grant Date
2.A	08/05/09
2.B	12/17/09
2.C	07/08/10
2.D	12/13/09
2.E	01/05/11
2.F	12/15/11
2.G	07/30/12
2.H	12/17/12
2.I	11/02/09
2.J	07/08/10
2.K	09/22/11
2.L	07/30/12

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Equity Plans

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)
Equity Compensation Plans Approved By Security Holders	216,981	\$ 8.84
Equity Compensation Plans Not Approved By Security Holders	4,913	\$ 11.81
Total	221,894	\$ 8.91

2006 Directors Stock Plan

The 1st Constitution Bancorp 2006 Directors Stock Plan (the “2006 Directors Plan”) was approved by the Board of Directors of the Company on March 23, 2006 and was adopted by the Company’s shareholders on May 18, 2006. The 2006 Directors Plan is administered by the Compensation Committee, which determines the terms of each grant under the plan.

Under the 2006 Directors Plan, the Company may grant participants stock options or restricted stock relating to an aggregate maximum of 71,701 shares (as adjusted) of the Company’s common stock. Awards may be granted under the 2006 Directors Plan to non-employee directors of the Company or directors of any of the Company’s subsidiaries or affiliates.

The exercise price of options granted under the 2006 Directors Plan must equal the fair market value of the Company common stock at the time of grant. The number of shares of Company common stock covered by the 2006 Directors Plan, and the amount awarded under each award, shall be proportionally adjusted for any increase or decrease in the number of shares of Company common stock resulting from the subdivision or consolidation of shares of Company common stock, the payment of a stock dividend or any other increase or decrease in the number of shares of Company common stock effected without receipt of consideration by the Company.

Except as otherwise determined by the Board, upon termination of service as a director of the Company during the applicable restriction period, restricted stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company, except that the Board may, in its sole discretion, waive the restrictions or forfeiture conditions relating to restricted stock.

As of April 2, 2013, there were no options to purchase shares of Company common stock and no grants of restricted shares of Company common stock (as adjusted for all dilutive securities) outstanding under the 2006 Directors Plan.

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2005 Equity Incentive Plan

The 1st Constitution Bancorp 2005 Equity Incentive Plan (the “2005 Plan”) was approved by the Board of Directors of the Company on February 17, 2005 and was approved by the shareholders of the Company on May 19, 2005.

The 2005 Plan is administered by the Compensation Committee, which determines the amount and type of each grant under the plan. Under the 2005 Plan, the Company may grant performance-based awards, options, restricted stock, or other awards determined by the Compensation Committee. The total number of shares of common stock available for grant under the 2005 Plan is an aggregate maximum of 451,719 shares of the Company’s common stock, as of the date hereof, subject to future adjustment. Participants are limited in any year to the amount of shares of common stock under the Plan relating to no more than 23,373 shares per type of award (that is, options, restricted stock, and other awards), plus the amount of the participant’s unused annual limit of shares of common stock of the same type of award as of the close of the previous year, subject to future adjustment.

Awards may be granted under the 2005 Plan to employees of the Company or its subsidiary or affiliate, including any executive officer or employee director of the Company or any other person who provides substantial services to the Company or a subsidiary or affiliate, or any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or other benefit relating to an award until such person has commenced employment with the Company, subsidiary or affiliate. Non-employee directors are not eligible to participate in the 2005 Plan.

The exercise price of options granted under the 2005 Plan must equal the fair market value of the Company common stock at the time of grant, and the term of any option cannot exceed 10 years after the date of the grant. The number of shares of Company common stock available for grant under the 2005 Plan, and the amount and grant price for each award, shall be proportionally adjusted in the event of an increase or decrease in the number of issued shares of Company common stock resulting from the subdivision or consolidation of shares or the payment of a stock dividend. The number of shares of common stock available for grant shall be adjusted for any increase or decrease in the number of shares effected without receipt of consideration from the Company.

As of April 2, 2013, there were 169,454 options to purchase shares of Company common stock and grants of 140,575 restricted shares of Company common stock (as adjusted for stock dividends) outstanding under the 2005 Plan.

2000 Employee Stock Option and Restricted Stock Plan

The 2000 Employee Stock Option and Restricted Stock Plan (the “2000 Plan”) was approved by the Board of Directors of the Company and approved by the shareholders of the Company in 2000. Under the 2000 Plan, the Company was authorized to issue stock options to eligible employees, independent contractors, agents and consultants of the Company and its subsidiaries, but excluding non-employee directors of the Company, to aid in the recruitment and retaining employees, independent contractors, agents and consultants, and to align the interests with those of shareholders. The Company was authorized to also issue restricted shares of Company restricted common stock under the 2000 Plan as a bonus to any employee or independent contractor, agent or consultant, without consideration as determined by the committee in accordance with applicable law.

The 2000 Plan was administered by the Compensation Committee, which determined the amount and option price of each grant under the 2000 Plan. Under the 2000 Plan, the option price was equal to the market value of the Company common stock at the time of grant, and the term of the grant cannot exceed 10 years after the date of the grant. The number of shares of Company common stock covered by the 2000 Plan, and the amount and option price for each option grant, was subject to proportionate adjustment for any increase or decrease in the number of shares of Company common stock resulting from the subdivision or consolidation of shares, the payment of a stock dividend or any other increase or decrease in the number of shares effected without receipt of consideration by the Company.

As of April 2, 2013, there were 47,527 options to purchase shares of Company common stock (as adjusted for all stock dividends) outstanding under the 2000 Plan and grants of options to purchase shares of Company common stock, subject to vesting based on continued service under the 2000 Plan. No grants were made under the 2000 Plan during 2012.

Directors Plan

The Board of Directors of the Company adopted a Directors Stock Option and Incentive Plan for non-employee directors (the “Directors Plan”) on March 23, 2006 and it was approved by the shareholders in May 2006. The Directors Plan provides for the purchase of a total of not more than 155,130 shares of Company common stock by non-employee directors of the Company and its subsidiaries, including the Bank. As of April 2, 2013, there were 4,913 options to purchase shares of Company common stock (as adjusted for all stock dividends) outstanding under the Directors Plan.

The Directors Plan is administered by the Compensation Committee, which determines the terms of each grant under such Directors Plan. Under the Directors Plan, the option price shall be the fair market value of the Company common stock at the time of grant, and the term of the option cannot exceed 10 years from the date of the grant. The number of shares of Company common stock covered by the Directors Plan, and the amount and timing of the exercise of an outstanding option is subject to proportionate adjustment for any increase or decrease in the number of issued shares of Company common stock resulting from the consolidation of shares or the payment of a stock dividend or any other increase or decrease in the number of shares effected without receipt of consideration by the Company.

TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

Supplemental Executive Retirement Plans

The Company maintains two Supplemental Executive Retirement Plans. The Bancorp Supplemental Executive Retirement Plan was established on October 1, 2004 (the “Old SERP”), and the 1st Constitution Bancorp 2005 Supplemental Executive Retirement Plan was established as of January 1, 2005 (the “New SERP” and, collectively with the Old SERP, “SERPS”). The SERPS provide nonqualified pension benefits to certain executive officers of the Company appointed by the Compensation Committee.

Under the SERPS, a participant vests in his benefits at a rate of 10% for each full year of service with the Company. Upon completing 10 years of service, a participant is 100% vested in his benefits under the SERPS. Notwithstanding the foregoing, a participant will be 100% vested in his benefits upon his normal retirement date, death or disability while employed by the Company, or upon a change in control. If a participant is terminated for cause, his benefits under the SERPS will be forfeited. The Board, in its sole discretion, may elect to accelerate the vesting of the pension benefit payable to any participant of the New SERP.

On December 21, 2006, our Board approved an amendment that had the effect of terminating the Old SERP effective as of December 31, 2004. The Company concurrently established the New SERP, effective as of January 1, 2005, which is administered by our Compensation Committee. All unvested benefit liabilities were transferred to the New SERP for participants employed by the Company and/or the Bank who are designated by the Compensation Committee.

as participants are eligible to participate in the New SERP. At the time that the plan was frozen, Mr. Mangano and Mr. Reardon were participants. Mr. Mangano and Mr. Reardon were both fully vested in their respective benefits under the SERPS. In connection with the plan for 2012 and 2011, respectively, the Company incurred expenses of \$353,705 for Mr. Mangano and \$82,930 and \$64,965 for Mr. Reardon, which amounts are reflected in the Summary Compensation Table above. Future participants could be added to the plan at the future action of the Compensation Committee.

The Company's primary rationale for freezing the Old SERP and adopting the New SERP was to make our supplemental executive retirement plan fully compliant with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). Had the Company with Section 409A would have resulted in adverse tax consequences for the plan.

The New SERP also increased the annual nonqualified pension benefit that participants will be entitled to receive following termination of employment. The New SERP benefit is generally equal to the participant's final base compensation, multiplied by a percentage selected for such participant by the Committee. Benefits under the New SERP are offset by benefits accrued under the Old SERP.

A participant's benefits under the SERPS as of his normal retirement date (65th birthday) are based on the percentage multiplier established by the Committee for each participant multiplied by the participant's final base compensation. The percentage multiplier used to calculate benefits under the old SERP is 50% and 25% for Mr. Mangano and Mr. Reardon, respectively. The percentage multiplier used to calculate benefits under the New SERP is 55% and 30% for Mr. Mangano and Mr. Reardon, respectively. Final base compensation means a participant's highest annual base compensation in effect for the twelve month period prior to his termination of employment. Bonuses, overtime pay, commissions, other extraordinary payments, reimbursements or other expense allowances, equity compensation, fringe benefits (including non-cash), moving expenses, deferred compensation, and welfare benefits are included in the determination of final base compensation. Notwithstanding the foregoing, if a participant dies while employed by the Company before age 65 and before a change in control, his or her compensation will be determined as of the date of death, as adjusted by 4% annually from age 65.

Mr. Mangano reached normal retirement age in 2010 but has not notified the Company with respect to any intention to retire.

Mr. Reardon, who is age 60, has not reached his normal retirement date. If Mr. Reardon terminates employment with the Company before his normal retirement date (other than death, death disability or a change in control), his normal retirement benefit under the SERPS will be reduced by 5% for each full and partial year that his termination date precedes his normal retirement date. Upon a change in control, the participant's benefit under the SERPS will be reduced by 5% for each year (or a portion thereof) by which the payment commences before he precedes his 65th birthday.

Generally, a participant elects a form of payment at the time they become eligible for benefits under the SERPS. In the event that a participant commences payment of his or her benefits under the SERPS at or following age 65 (or following a change of control), the participant may elect to receive a lifetime annuity with a 15-year minimum guaranteed payout period, or a lump sum payment that is the actuarial equivalent thereof. For payments commencing prior to age 65 (assuming a change in control), the participant will be entitled to a 15-year guarantee payout (based on a life annuity), or a lump sum that is the actuarial equivalent thereof.

If a participant terminates employment as a result of becoming disabled, he will receive an unreduced benefit commencing on his normal retirement date. The benefit under the SERPS will be paid as a lifetime annuity with a 15-year minimum guaranteed payout period. The lump sum payment that is the actuarial equivalent thereof.

If a participant dies before payment of his benefits under the SERPS commencing on his normal retirement date, he will receive a lump sum payment equal to the actuarial equivalent of the benefits payable at the later of the participant's normal retirement date or the date of his death. If a participant dies after payment of his benefits under the SERPS have commenced, he will receive a lump sum payment equal to the actuarial equivalent of the remaining benefits.

Lump sum payments are equal to the amount of the monthly annuity multiplied by the actuarial equivalent factors (mortality table and interest rate). The factors are determined by the Committee and are based upon market conditions. Current factors are based on the RP-2000 Annuity Mortality Table and the interest rate is 5.0%.

Payments from the New SERP may be delayed upon a participant's termination of employment in accordance with Section 409A of the Internal Revenue Code.

Change in Control Payments and Benefits

As discussed in more detail in the narrative following the Summary Compensation Table in this proxy statement, the Company has entered into the employment agreements with certain executives which contain change in control provisions. Additionally, we have a written change in control agreement with Mr. Reardon. Under these agreements, these executives are entitled to certain payments and benefits upon the occurrence of certain triggering events upon the executive's termination.

Mr. Mangano's 2010 Employment Agreement provides for a lump-sum payment of certain benefits to Mr. Mangano if he is terminated within 12 months after a change in control for reasons other than for cause, death or disability or if Mr. Mangano terminates his employment for any reason. Mr. Mangano's 2010 Employment Agreement also provides for a lump-sum payment and other benefits to Mr. Mangano if he is terminated other than for cause or quits for "good reason."

Mr. Reardon's change of control agreement provides for the continued payment of certain benefits for a period of 18 months if he is terminated within 18 months after a change in control for reasons other than for cause, death, disability or retirement or if Mr. Reardon terminates his employment for good reason. In addition, the vesting schedule of Mr. Reardon's benefits under the SERPS will accelerate to provide immediate and full vesting upon a change in control.

Also, under the terms of the 2005 Plan, occurrence of a change in control (as defined in the Plan) results in immediate acceleration of vesting and exercisability of unvested options and accelerated vesting of restricted stock awards, even if termination of employment has not occurred. This "single trigger" acceleration assures the named executive officer that the option or restricted stock award expired on termination of employment.

Our named executive officers are not generally entitled to receive any incremental benefits if the officer voluntarily initiates the termination of employment with the

We have these agreements with our named executive officers because we want to retain their services in case a change in control becomes a possibility. Often when this happens, officers become distracted by personal concerns about how they will be affected by the change. These agreements provide financial security in the face of a possible major event requiring executive officers' concentrated efforts.

With this in mind, we have structured the occurrence of a change in control under Mr. Mangano's 2010 Employment Agreement, Mr. Reardon's change of control agreement and Mr. Reardon's New SERP using a very broad definition of that term. The events defined in our change of control agreements are as follows:

- **Outsider stock accumulation.** Under Mr. Mangano's 2010 Employment Agreement, a change in control is generally deemed to occur if a person or business entity acquires 10% or more of our common stock. Under Mr. Reardon's New SERP, a change in control is generally deemed to occur if a person or business entity acquires 50% or more of our common stock.
- **Outsider tender/exchange offer.** Under Mr. Mangano's 2010 Employment Agreement, a change in control is generally deemed to occur upon the first purchase of our common stock under a tender offer or exchange offer by a person or entity that is not our "affiliate." This definition does not apply to Mr. Reardon's change of control agreement or his New SERP.
 - **Business combination transaction.** Under Mr. Mangano's 2010 Employment Agreement, a change in control is generally deemed to occur if we complete a merger, consolidation or a binding share exchange involving the Company's securities where the Company's securities would represent at least 50% of the voting securities of the surviving entity. Under Mr. Reardon's change of control agreement, a change in control is generally deemed to occur if we complete a merger, consolidation, or a binding share exchange involving the Company's securities other than any transaction where the Company's securities would represent at least 50% of the voting securities of the surviving entity.
- **Asset sale.** A change in control is generally deemed to occur if we complete the sale or disposition of all or substantially all of our assets, or those of our banking subsidiaries.
- **Dissolution/Liquidation.** A change in control is generally deemed to occur if we complete the dissolution or liquidation.
- **Board turnover.** A change in control is generally deemed to occur if there is a substantial and rapid turnover in the membership of our Board of Directors. Under Mr. Mangano's 2010 Employment Agreement, two-thirds (2/3) of our Board members not being "continuing directors," and under Mr. Reardon's change of control agreement and New SERP, a majority of our Board members not being continuing directors. A "continuing director" is a Board member who was serving as such at the beginning of the term of his/her office and one who was nominated or elected by the vote of at least 2/3 of the "continuing directors" who were serving at the time of his/her nomination or election.

- Controlling influence. A change in control is generally deemed to occur under Mr. Mangano's 2010 Employment Agreement, any person or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act exercises a controlling influence over the management or policies of the Company. This does not apply to Mr. Reardon's control agreement or his New SERP.
- Control of election. A change in control is generally deemed to occur under Mr. Mangano's 2010 Employment Agreement if any person acquires either directly or indirectly the election of a majority of the Company's directors. This does not apply to Mr. Reardon's change of control agreement or his New SERP.

"Cause" for termination of a named executive officer's employment means a conviction for a crime or a lesser criminal offense involving moral turpitude, the willful commission of a crime, or the Board's judgment causes or will likely cause substantial economic damage to the Company, injury to the business reputation of the Company, the commission of an act that materially impairs the performance of the named executive officer's duties, a failure by the named executive officer to perform employment duties, or an order of a federal or state regulatory agency or a court in a competent jurisdiction requiring the termination of the employment of the named executive officer.

Under Mr. Mangano's 2010 Employment Agreement, "good reason" includes the following actions by us:

- We materially reduce Mr. Mangano's responsibilities or authority (including but not limited to his responsibilities);
 - We materially reduce Mr. Mangano's base salary or benefits;
- We materially breach Mr. Mangano's 2010 Employment Agreement and that breach is not cured within 30 days after he notifies the Company of the breach.
- We require Mr. Mangano to change the location at which he must perform his duties for the Company; or
- We assign Mr. Mangano duties and responsibilities that constitute a material change in his duties compared to those previously assigned to him.

For Mr. Reardon, "good reason" means any of the following actions by us:

- We significantly reduce Mr. Reardon's authority or responsibilities;
- We assign Mr. Reardon duties that are materially different or require a significant amount of travel;
 - We reduce Mr. Reardon's base salary or fail to grant reasonable increases in salary;
- We relocate the Company's principal offices to a location outside the State of Nevada;
 - A successor to the Company fails to assume the agreement.

Under Mr. Mangano's 2010 Employment Agreement, if Mr. Mangano is terminated for cause, or quits for any reason, within 12 months after a change in control, Mr. Mangano is entitled to a benefit of a lump sum amount equal to three times the aggregate of his base salary plus a projected annual cash bonus, to be paid in one lump sum within 12 months after termination, except that such payment may be delayed until the first day of the month following termination, as may be required by Section 409A of the Internal Revenue Code.

Under Mr. Mangano's 2010 Employment Agreement, if Mr. Mangano is terminated for cause, or quits for good reason, other than in the 12-month period following a change in control, Mr. Mangano becomes entitled to a benefit equal to double the aggregate of his base salary plus any appropriate cash bonus on an annual basis at the rate then in effect. Under the 2010 Employment Agreement, this amount is payable in one lump sum within 12 months after termination, except that such payment may be delayed until the first day of the month following termination, as may be required by Section 409A of the Internal Revenue Code.

In the event that any severance payments would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Mr. Mangano as a result of the excise tax, Mr. Mangano will be entitled to receive a gross-up to offset any such tax. There is an additional payment by us to the named executive officer to offset the excise tax the executive officer has to pay, as well as any tax on the "gross-up" payment itself.

Under Mr. Reardon's change of control agreement, if he is terminated without cause or for good reason, within 18 months after a change in control, Mr. Reardon becomes entitled to a benefit amount of 18 monthly payments equal to one-twelfth of his highest base salary received in the 12 months prior to such termination. If payments under Mr. Reardon's change of control agreement would not be deductible in whole or in part under Section 280E of the Internal Revenue Code, or any combination thereof, such payments will be reduced so that payments are either fully deductible or are reduced to zero.

Mr. Reardon's benefits under the SERPS will immediately and fully vest, to the extent not already vested, upon a change in control. Under the terms of the SERPS, Mr. Reardon has the right to an annual nonqualified pension benefit to be paid following termination of employment, subject to a vesting schedule. Mr. Reardon's SERPS benefit is generally equal to his final base compensation, multiplied by a multiplier of 30%. Final base compensation is equal to Mr. Reardon's highest annual rate of base compensation in effect during the 12-month period prior to termination of employment. In the event that Mr. Reardon, who is currently age 60, terminates employment prior to age 65 (for reasons other than death, disability or change in control), then the SERPS benefit is reduced by 5% for each full month prior to which the Mr. Reardon's termination date precedes his attainment of age 65.

CERTAIN TRANSACTIONS WITH MANAGEMENT

Transactions with Related Persons

The Company, through its subsidiary, the Bank, has made loans to its directors, officers and their associates and, assuming continued compliance with generally accepted industry standards, it expects to continue to make such loans. All of these loans (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions.

persons, and (iii) did not involve more than the normal risk of collectability unfavorable features. As of December 31, 2012 and 2011, the Bank had total commitments outstanding to directors and executive officers and their affiliates of \$3,077,361, respectively, or approximately 5.0% and 5.6% of total shares of the Company, respectively, at such dates. As of December 31, 2012 and 2011, no director or executive officer of the Company or their affiliates was in default under any loan transaction with the Bank.

The Board has determined that other than the transactions described in the preceding paragraph, no transactions occurred since the beginning of 2011 involving any director, director nominee, executive officer of the Company, any known 5% shareholder of the Company or any family member of any of the foregoing persons (together “related persons”) that require disclosure as a “related person transaction”.

SHAREHOLDER PROPOSALS

New Jersey corporate law requires that the notice of shareholders’ meeting (for a regular or special meeting) specify the purpose or purposes of the meeting. Thus any submission, including shareholder proposals, must be referred to in the Company’s notice of meeting for the proposal to be properly considered at a shareholders’ meeting.

Proposals of shareholders which are eligible under the rules of the Securities and Exchange Commission to be included in the Company’s 2014 proxy materials must be submitted to the Corporate Secretary of the Company no later than December 13, 2013.

If the Company changes the date of its 2014 annual meeting of shareholders to a date less than 30 days from the anniversary of the date of its 2013 Annual Meeting, then the deadline for submission of shareholder proposals will be changed to a reasonable time before the meeting begins to print and mail its proxy materials. If the Company changes the date of the meeting in a manner that alters the deadline, the Company will so state under the heading “Change in Date of Meeting” in the first quarterly report on Form 10-Q it files with the SEC after the date change and notify its shareholders by another reasonable method.

Under our bylaws, written notice of shareholder nominations to the Board of Directors must be delivered to the Company’s Secretary not less than 90 days prior to the first annual meeting of the preceding year’s annual meeting of shareholders. Accordingly, any shareholder nomination to have a nomination considered at the 2014 annual meeting of shareholders must be accompanied by written notice (containing the information specified in our bylaws regarding the shareholder’s proposed action) to the Company’s Secretary by February 21, 2014.

OTHER MATTERS

As of the date of this proxy statement, the Board is not aware of any other matters before the Annual Meeting. However, in the event such other matters come before the persons named on the white proxy card will have the discretion to vote on them in their best judgment.

Shareholders are urged to sign the enclosed proxy, which is solicited on behalf of the Company, and return it in the enclosed envelope.

By Order of the Board of Directors

ROBERT F. MANGANO
President and Chief Executive Officer

A copy of the annual report to shareholders for the fiscal year ended December 31, 2011, accompanies this proxy statement. The annual report is a combined report with the Annual Report on Form 10-K (without exhibits) for the year ended December 31, 2011, filed with the Securities and Exchange Commission. The Company will provide copies of the Form 10-K upon payment of a reasonable fee, upon receipt of a request to the Corporate Secretary, 1st Constitution Bancorp, 2650 Route 130 North, Cranberry Township, PA 15066-08512.

1ST CONSTITUTION BANCORP

Proxy Solicited on Behalf of the Board of Directors
for the Annual Meeting of Shareholders on May 23, 2013

The undersigned hereby appoints Robert F. Mangano and Joseph M. Reardon as proxies with full power of substitution, as attorneys and proxies for the undersigned, to attend the Annual Meeting of Shareholders of 1st Constitution Bancorp (the "Company") at the Forsgate Country Club, 375 Forsgate Drive, Monroe Township, New Jersey, on May 23, 2013 at 3:00 p.m. Eastern Time, or any adjournment thereof, and to vote the number of shares of common stock of the Company that the undersigned would be entitled to vote if present in person or by proxy with the power the undersigned would possess, if personally present, as follows:

- | | | | |
|--|------|----------|------|
| 1. The election of the following nominee as director of the Company: | For | Withhold | |
| William M. Rue | o | | |
| The election of the following nominee as director of the Company: | For | Withhold | |
| Frank E. Walsh, III | o | | |
| 2. The adoption of the 1st Constitution Bancorp 2013 Equity Incentive Plan. | For | Against | |
| | o | | |
| 3. To conduct an advisory vote on executive compensation. | For | Against | |
| | o | | |
| 4. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation. | 1 Yr | 2 Yr | 3 Yr |
| | o | o | |
| 5. The ratification of the selection of ParenteBeard LLC as independent registered public accounting firm of the Company for the Company's 2013 fiscal year. | For | Against | |
| | o | | |
| 6. In their discretion, on the conduct of other business if properly raised. | | | |

If this proxy is properly signed and is not revoked, the proxies will vote as specified. If a choice is not specified, they will vote "FOR" the nominees listed in Item 1, "FOR" the frequency of holding future advisory votes set forth in Items 2, 3, and 5, 1 YEAR for Item 4, and in their discretion on the conduct of other business if properly raised.

This proxy is solicited by the Board of Directors of the Company.

Please sign exactly as your names appear hereon, indicating, where proper, or representative capacity.

Date:
2013

(Signatures)

Appendix A

1ST CONSTITUTION BANCORP

2013 EQUITY INCENTIVE PLAN

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1. Purpose. The purpose of this 2013 Equity Incentive Plan (the Constitution Bancorp, a New Jersey corporation (the “Company”), in motivating and rewarding employees and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive opportunities, to recognize individual contributions, to reward achievement and to promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. To achieve these objectives, the Plan provides for the granting of Options (both Incentive Stock Options and Nonqualified Stock Options), Restricted Stock, Restricted Stock Units, SARs and, subject to certain limitations, Other Awards.

2. Definitions. In addition to the terms defined in Section 1 above, the following capitalized terms used in the Plan have the respective meanings in this Section:

(a) “Act” shall mean the Securities Exchange Act of 1934, as amended, and applicable rulings and regulations thereunder

(b) “Award” means any Option, Restricted Stock, Restricted Stock Unit or other Award, together with any related right or interest, granted to a Participant under the Plan.

(c) “Beneficiary” means the legal representatives of the Participant’s estate as determined under the laws of descent and distribution to receive the benefits under a Participant’s Award upon the Participant’s death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the “Beneficiary” shall mean the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Participant’s Award upon such Participant’s death. Notwithstanding that a Participant’s prior Beneficiary designation of his or her spouse as Beneficiary shall be automatically revoked upon such Participant’s divorce, unless the designation is reaffirmed in writing to the Committee following such divorce.

(d) “Board” means the Company’s Board of Directors.

(e) “Change in Control” and related terms have the meanings specified in Section 10(d).

(f) “Code” means the Internal Revenue Code of 1986, as amended, and any provision of the Code or regulation (including a proposed regulation) thereunder, and any successor provisions and regulations.

(g) “Committee” means a committee selected by the Board to administer the Plan, which shall consist of two or more Qualified Members.

(h) “Covered Employee” means an Eligible Person who is a Covered Employee as defined in Section 10(d).

(i) “Effective Date” means the effective date specified in Section 10(e).

(j) “Eligible Person” has the meaning specified in Section 5(a).

(k) “Fair Market Value” means the fair market value of Stock, Awards determined by the Committee or under procedures established by the Company, or otherwise determined by the Committee, the Fair Market Value of Stock as to which the Award is to be made shall be determined as follows: (i) the closing price reported on the date in question on the principal national securities exchange or nationally recognized automated quotation system on which the Stock is then listed for trading or in the event that there are no such prices reported on such exchange or system on such date, the closing price on the last trading day of the immediately preceding date on which Stock transactions were so reported; (ii) if the Stock is not listed on such an exchange, system or market on the date in question, the last sales price (or, if there is no sales price reported, the average of the closing bid and asked prices) for the Stock on the immediately preceding date on which Stock transactions were so reported; or (iii) if the Stock is not listed on such an exchange, system or market on the date in question, the Fair Market Value shall be determined in good faith by the Committee. In all instances, with respect to Incentive Stock Options, Fair Market Value shall be determined in accordance with the rules in effect under Section 409A of the Code, and with respect to NQSOs and stock appreciation rights, Fair Market Value shall be determined in accordance with the rules in effect under Section 409A of the Code.

(l) “Incentive Stock Option” or “ISO” means any Option designated as an Incentive Stock Option within the meaning of Section 422 of the Code or any successor provision thereof, and qualifying thereunder.

(m) “Nasdaq” means The Nasdaq Stock Market, Inc.

(n) “Nonqualified Stock Option” or “NQSO” means either (i) any Option which is not an Incentive Stock Option, or (ii) an Incentive Stock Option which, at or subsequent to the time it is granted, ceases to qualify as an Incentive Stock Option because of a failure to satisfy the requirements of Section 422 of the Code or any successor provision thereto.

(o) “Option” means a right, granted to a Participant under Section 6(b), to purchase a specified number of shares of Stock at a specified price during specified time periods.

(p) “Other Awards” means Awards granted to a Participant under Section 6(b) which are not Incentive Stock Options, NQSOs, Restricted Stock or Restricted Stock Units.

(q) “Participant” means a person who has been granted an Award under Section 6(b) and whose Award remains outstanding, including a person who is no longer an Eligible Person.

(r) “Qualified Member” means a member of the Committee who is (i) a “Director” within the meaning of Rule 16b-3(b)(3), and (ii) an “outside director” within the meaning of Regulation 1.162-27 under Section 162(m) of the Code, and (iii) an “independent member” within the meaning of Nasdaq Listing Rule 5605(a)(2) and, if applicable, the then applicable rules of the principal national securities exchange on which the Stock is then traded.

(s) “Restricted Stock” means Stock granted to a Participant under Section 6(b) which is subject to certain restrictions and to a risk of forfeiture.

(t) “Restricted Stock Unit” means a Participant’s right, granted under Section 6(b), to receive one share of Stock (or the cash equivalent), subject to certain restrictions and to a risk of forfeiture, at the end of such restricted period.

(u) “Rule 16b-3” means Rule 16b-3, as from time to time in effect Participants, promulgated under the Act.

(v) “Stock” means the Company’s Common Stock.

(w) “Stock Appreciation Right” or “SAR” means rights granted to a Par
6(d).

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3. Administration.

(a) Authority of the Committee. The Plan shall be administered by the Committee. The Committee shall have full and final authority, in each case subject to and consistent with the terms of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards; to establish the terms, conditions, restrictions and limitations of Awards; to cancel or suspend Awards; to prescribe documents evidencing Awards (such Award documents need not be identical for each Participant), and to make, amend and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions and inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final and binding upon all persons interested in the Plan, including Participants, Beneficiaries, and other persons claiming rights from or through a Participant or shareholder.

(b) Manner of Exercise of Committee Authority. Each member of the Committee shall be a Qualified Member at all times. In the event that any Committee member ceases to be a Qualified Member, then without further action required, he or she shall no longer be a member of the Committee. The Committee may delegate to officers or managers of the Company or a subsidiary or affiliate, or committees thereof, the authority, subject to the approval of the Committee, to perform such functions, including administrative functions, as the Committee shall determine, to the extent that such delegation will not (i) result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to the Plan, (ii) cause Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code to fail to so qualify, or (iii) violate any law or the then applicable rules of the principle market where the Stock is then traded.

(c) Limitation of Liability. The Committee and each member thereof, and any officer or employee acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to act upon any report or other information furnished by any executive officer, director, officer or employee of the Company or a subsidiary or affiliate, the Company's independent accountants or consultants or any other agents assisting in the administration of the Plan. The Committee, any person acting pursuant to authority delegated by the Committee, any officer or employee of the Company or a subsidiary or affiliate acting at the direction of the Committee or a delegee shall not be personally liable for any action or determination made in good faith with respect to the Plan, and shall, to the extent permitted by law, be indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to the Plan.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment pursuant to Section 10(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be 369,000; provided, however, the number of shares of Stock which may be issued and delivered in connection with Awards granted as ISOs is limited to 200,000, subject to adjustment as provided in Section 10(c). The shares of Stock delivered under the Plan shall consist of authorized and unissued shares of the Company, including treasury shares, or partly out of each, as shall be determined by the Board.

(b) Share Counting Rules. The Committee may adopt reasonable counting rules to ensure appropriate counting, avoid double counting and make adjustments if the number of shares actually delivered differs from the number of shares previously counted under an Award. Shares subject to an Award under the Plan that is canceled, expires, or settled in cash or otherwise terminated without a delivery of shares to the Participant shall not be available for Awards. This Section 4(b) shall apply to the number of shares available for ISOs only to the extent consistent with applicable regulations relating to the Code.

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5. Participants.

(a) Eligibility. Awards may be granted under the Plan only to Eligible Persons for the purposes of the Plan, an “Eligible Person” means an employee of the Company or a subsidiary or affiliate, including any executive officer or employee director of the Company or a subsidiary or affiliate, or any other person who provides substantial services to the Company or a subsidiary or affiliate, or any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or benefit relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate. Non-employee directors shall not be eligible to participate in the Plan. An employee on leave of absence may be considered as still in the employment of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan, as determined by the Committee. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed to be a subsidiary or affiliate, as determined by the Committee.

(b) Per-Person Award Limitations. In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as “permissible compensation” under Section 162(m) of the Code under each of Section 6(b) relating to up to his or her Annual Limit (such Annual Limit to apply separately to each Award authorized under each specified subsection). Subject to Section 4(a), the Annual Limit, in any year during any part of which the Participant is then eligible to receive Awards, shall equal 100,000 shares, subject to adjustment as provided in Section 10(c).

6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in the Plan. In addition, the Committee may impose on any Award or the exercise thereof, from the date of grant or thereafter (subject to Section 10(f)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including requiring forfeiture of Awards in the event of termination of employment of the Participant and terms permitting a Participant to make elections relating to the vesting of an Award. The Committee shall retain full power and discretion with respect to the condition of an Award that is not mandatory under the Plan. The Committee may require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the New Jersey Business Corporation Act, and may otherwise require the payment of lawful consideration for an Award except as limited by the Plan. In any and all events, the Committee shall ensure that all Awards granted hereunder will be compliant with (or exempt from) the requirements and conditions of Section 409A of the Code, to the extent applicable, and the Plan shall be interpreted and administered accordingly.

(b) Options. The Committee is authorized to grant Options to Participants on the terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under an Option (including both ISOs and NQSOs) shall be determined by the Committee; provided that such exercise price with respect to all Options shall in no event be less than the Fair Market Value of a share of Stock on the date of grant of such Option.

(ii) Option Term; Time and Method of Exercise. The Committee shall determine the term of each Option, provided that in no event shall the term of any Option exceed ten years from the date of grant. The Committee shall determine the time or times and the circumstances under which an Option may be exercised in whole or in part (including the achievement of performance goals and/or future service requirements), the manner in which such exercise price may be paid or deemed to be paid and the form of such payment, without limitation, cash, Stock, other Awards or awards granted under the Plan, or the Company or any subsidiary or affiliate, other property (including notes and bonds) and the obligations of Participants to make payment on a deferred basis, such as "earn-out" or "exercise" arrangements, to the extent permitted by applicable law), on such terms and conditions as may be acceptable to the Committee, or any combination of the foregoing methods by or forms in which Stock will be delivered or deemed to be delivered upon exercise of Options to Participants. To the extent the Option exercise price may be required to be provided above, Stock delivered by the Participant may be (i) Stock which was owned by the Participant upon exercise of one or more ISOs, but only if such Stock has been held by the Participant for at least the greater of (a) two years from the date the ISOs were granted, or one year after the transfer of Stock to the Participant, or (ii) Stock which was not owned by the Participant upon exercise of one or more NQSOs, but only if such Stock has been held by the Participant for at least six months.

(iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that such ISOs shall be granted more than ten years after the Effective Date. Each Participant may be granted ISOs only to the extent that, in the aggregate under the Plan and all incentive stock plans of the Company or any subsidiary or affiliate, such ISOs (absent acceleration of vesting) do not become exercisable for the first time by such Participant during any calendar year in a manner which would entitle the Participant to purchase more than \$100,000 in Fair Market Value of Stock in that year (with such Fair Market Value determined as of the time of exercise). Any Options granted to a Participant in excess of such amount will be granted as NQSOs. ISOs granted to a Participant who is a 10% owner of the Company must have an exercise price of at least 110% of the Fair Market Value of the Stock at the date of grant, and must be granted more than five years from the date of grant.

(iv) Other Conditions. The receipt, transfer or exercise of all Options shall be subject to the taxation under Section 83 of the Code, and no Option shall include any feature that would constitute compensation other than the deferral of recognition of income until exercise or disposition of the Stock acquired upon exercise of the Option.

(c) Restricted Stock and Restricted Stock Units. The Committee is authorized to grant Restricted Stock and Restricted Stock Units to Participants on the following conditions:

(i) Vesting. Restricted Stock and Restricted Stock Units will vest over a period of time determined by the Committee, except that the Committee may provide for early vesting in the event of a Participant's death, disability, or retirement, or in the event of a Change of Control or other special circumstances.

(ii) Restrictions. Restricted Stock and Restricted Stock Units shall be subject to the following restrictions on transferability, risk of forfeiture and other restrictions, if any, as determined by the Committee:

may impose. Restrictions on Restricted Stock and Restricted Stock Units may or in combination at such times, under such circumstances (including based on performance goals and/or future service requirements), in such installments under such other circumstances as the Committee may determine at the time and thereafter. Delivery of Stock (or cash equivalent) in connection with the lapse with respect to Restricted Stock Units shall occur at such times (which need not be the lapse of restrictions) as the Committee shall determine. Except to the extent provided in the terms of the Plan and any Award document relating to the Restricted Stock, Restricted Stock granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote on the Restricted Stock and the right to receive dividends thereon (subject to reinvestment or other requirement imposed by the Committee (and further subject to the provisions of subsection (v) below)). In the case of Restricted Stock Units, Restricted Stock shall be issued at the time an Award is made, and the Company shall not be required to set aside a fund for the payment of such Award.

(iii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock and Restricted Stock Units that are at that time subject to restrictions shall be forfeited and, in the event of forfeiture, Restricted Stock, reacquired by the Company; provided, however, that the Committee may, from time to time, provide, by rule or regulation or in any Award document, or may determine in any particular case, that restrictions or forfeiture conditions relating to Restricted Stock will apply in whole or in part, including in the event of terminations resulting from specified causes.

(iv) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates contain an appropriate legend referring to the terms, conditions and restrictions applicable to the Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock. With respect to Restricted Stock Units, settlement shall be made in cash or in a combination of the two, as determined by the Committee.

(v) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be paid with respect to such Restricted Stock at the dividend payment date in cash or in kind, either (A) as a number of shares of unrestricted Stock having a Fair Market Value equal to the Fair Market Value of the dividends, or (B) automatically reinvested in additional Restricted Stock or other property, which shall be subject to the same terms as applied to the original Restricted Stock. With respect to Restricted Stock Units, the Committee shall determine the manner in which such Restricted Stock Unit Award will be credited with dividends paid on Stock during the applicable restriction period. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to the same restrictions and a risk of forfeiture to the same extent as the Restricted Stock to which such Stock or other property relates.

(d) Stock Appreciation Rights. The Committee is authorized to grant SARs on the following terms and conditions:

(i) Exercise Price. SARs will be denominated with an exercise price at the Fair Market Value of a share of Stock as of the date of grant. SARs may be granted on the basis of an Option, or may be granted on a freestanding basis. Upon exercise of an SAR, the Participant will be entitled to payment of the positive difference in value between the exercise price and the Fair Market Value of a share of Stock on the date of exercise.

(ii) SAR Term; Time and Method of Exercise, Other Conditions. The Committee shall determine the term of each SAR, provided that in no event shall the term exceed ten years from the date of grant. The Committee shall determine the time or times and the circumstances under which an SAR may be exercised in whole or in part (including, without limitation, achievement of performance goals and/or future service requirements), the method of exercise, and the SAR may be settled, including, without limitation, cash or Stock, and all other terms and conditions of the SAR.

(e) Other Awards. The Committee is authorized to grant such Other Awards to Participants as the Committee in its discretion may determine; provided, however, that all Other Awards shall comply with applicable federal and state securities laws, the Code, the rules, or the then applicable rules of the principal market where the Stock is traded. In all cases and all events, it is intended that all Other Awards granted hereunder will be governed by the terms and conditions of Section 409A of the Code, to the extent applicable. The Committee may determine the terms, conditions, restrictions and other provisions of such Other Awards.

7. Certain Provisions Applicable to Awards.

(a) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of the Plan and any applicable Award document, payments to be made by the Company or its affiliate upon the exercise of an Option or other Award or settlement of an Award shall be made in such forms as the Committee shall determine, including, without limitation, in cash or other Awards or other property and may be made in a single payment or transferred to a bank or on a deferred basis. The settlement of any Award may be accelerated, and cash or Stock in connection with such settlement, in the discretion of the Committee or its affiliate, may be made in one or more specified events, as determined under the applicable grant document. Installment or deferred payments may be required by the Committee (subject to the terms of the Plan) and permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment of interest on installment or deferred payments or the grant or delivery of cash or amounts in respect of installment or deferred payments denominated in Stock. In accordance with the above paragraph 7(a), it is intended that all deferred payments will be covered by (and exempt from) Section 409A of the Code, and will be administered accordingly.

(b) Exemptions from Section 16(b) Liability. With respect to a Participant who is subject to the reporting requirements of Section 16(a) of the Act in respect of the Company, the Committee shall implement transactions under the Plan and administer the Plan in a manner intended to ensure that each transaction with respect to such a Participant is eligible for an exemption from Section 16(b) available under Rule 16b-3 or otherwise is not subject to Section 16(b)). The Committee may authorize the Company to repurchase or deliver shares of Stock deliverable or delivered in connection with any Award in order to satisfy the requirements of a Participant who is subject to Section 16 of the Act incurring liability under Section 16(b).

8. Change in Control.

(a) Effect of Change in Control on Awards. Unless otherwise provided in the Award document, in the event of a Change in Control the following provisions shall apply to Awards:

(i) All non-forfeited Options, SARs and Awards carrying a right to exercise shall become previously exercisable and vested shall become fully exercisable and vested as of the date of the Change in Control, subject to applicable restrictions set forth in Section 10(a); and

(ii) All Restricted Stock, Restricted Stock Units and Awards subject to restrictions shall become fully vested, subject to applicable restrictions set forth in Section 10(b).

(iii) The Committee may, in its discretion, determine to extend to any Participant an Option the right to elect, during the 60-day period immediately following a Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant the right to elect other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award. Notwithstanding anything to the contrary hereof, the receipt of a Restricted Stock Unit or Other Award, in the event that a Change in Control occurs, shall not be a change in control as determined under Section 409A of the Code, and a Change in Control shall in no event cause an acceleration of the payment date of such award to the extent that Section 409A would permit such an acceleration.

(b) Definition of Change in Control. Change in Control shall mean any of the following events occurring after the Effective Date:

(i) the acquisition by any person, directly or indirectly, of beneficial ownership of more than thirty-five percent (35%) of the Company's voting securities;

(ii) during any period of two consecutive years, individuals who at the beginning and end of the two-year period constitute the Board (the "Continuing Directors") cease to constitute at least two-thirds (2/3) thereof; provided that, any individual who is nominated for election as a member of the Board was approved by a vote of at least two-thirds (2/3) of the Continuing Directors then in office shall be considered a Continuing Director;

(iii) the consummation of a merger or consolidation (or similar transaction) in which the Company, with or into another company (other than a merger or consolidation which would not result in the voting securities of the Company outstanding immediately prior thereto continuing to constitute more than 50% of the combined voting power of the voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company and such surviving entity outstanding immediately after such merger or consolidation;

(iv) the consummation of a sale or disposition by the Company of all or substantially all of the Company's assets; or

(v) upon approval by the shareholders of the Company of a plan of complete liquidation or dissolution of the Company.

The term "person" as used above means an individual, corporation, partnership, limited liability company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or other entity of entity not specifically listed herein, or a person or persons acting as a single person in the meaning of Sections 13(d)(3) or 14(d)(2) of the Act (other than the Company or any subsidiary of the Company) other fiduciary holding securities under any employee benefit plan of the Company. Notwithstanding the provision hereof to the contrary notwithstanding, no Change of Control shall be deemed to have occurred for purposes of the Plan as a result of any offering registered with the Securities and Exchange Commission of stock to the Company's shareholders and/or other persons in connection with an offering conducted by the Company to meet regulatory capital requirements as determined by the bank regulatory authority.

(c) Definition of Change in Control Price. The Change in Control Price in cash equal to the higher of (i) the amount of cash and fair market value of the highest price per share paid (including extraordinary dividends) in any transactions related to a Change in Control, or (ii) the highest Fair Market Value of a share of the Company's common stock during the 60-day period preceding the Change in Control, provided, however, that the Change in Control Price shall not exceed the Fair Market Value of a share of the Company's common stock as determined in accordance with Section 409A of the Code.

9. Forfeiture.

(a) Additional Award Forfeiture Provisions. In addition to any forfeiture conditions the Committee may impose upon an Award (including pursuant to any obligation that the Company may have regarding the clawback of “incentive-based compensation” under Section 10D of the Act), a Participant may be required to forfeit an Award of the Company for the value of a prior Award, by virtue of the requirement of Section 303A of the Sarbanes-Oxley Act of 2002 (or by virtue of any other applicable statutory or regulatory requirement), but only to the extent that such forfeiture or reimbursement is required by a statutory or regulatory provision.

(b) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise provided by the Committee, in the event of a forfeiture of an Award with respect to which the Participant has received paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to any Award. The Committee shall determine whether cash, other Awards or other benefits shall be issued or paid in lieu of such fractional shares or whether such fractional shares or other benefits thereto shall be forfeited or otherwise eliminated.

10. General Provisions.

(a) Compliance with Legal and Other Requirements. The Company may, if deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or other required action under any federal or state law, rule or regulation, or until completion of such other required action with respect to any stock exchange or automated quotation system on which the Stock or other securities of the Company are listed or quoted, or until completion of such other obligation of the Company, as the Committee may consider appropriate. No Participant shall be required to make such representations, furnish such information and comply with such other conditions subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, regulations, listing requirements, or other obligations.

(b) Limits on Transferability; Beneficiaries. No Award or other right under the Plan shall be pledged, hypothecated or otherwise encumbered by any lien, obligation or liability of such Participant to any party (other than the Participant or a subsidiary or affiliate thereof), or assigned or transferred by such Participant or his or her estate by will or the laws of descent and distribution or to a Beneficiary upon the death of the Participant, and such Awards or rights that may be exercisable shall be exercised during the Participant's lifetime by the Participant only by the Participant or his or her guardian or legal representative. Awards and other rights (other than ISOs) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose. The Committee may impose such limitations the Committee may deem appropriate in order that offers and sales of such Awards will meet applicable requirements of registration forms under the Securities Act of 1933, as amended, specified by the Securities and Exchange Commission). A Beneficiary or other person claiming any rights under the Plan from or through any Participant shall be deemed to accept all terms and conditions of the Plan and any Award document applicable to

except as otherwise determined by the Committee, and to any additional terms deemed necessary or appropriate by the Committee.

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(c) Adjustments and Cash-Outs. In the event that the Company shall at the number of issued shares without new consideration to the Company (in limited to, through any large, special and non-recurring dividend or other distribution in the form of cash or property other than Stock), recapitalization, forward or reverse dividend, reorganization, merger, consolidation, spin-off, combination, reorganization, exchange, liquidation, dissolution or other similar corporate transaction or event, or any such that an adjustment is determined by the Committee to be appropriate under the Plan, the Committee shall, in such manner as it may deem equitable, adjust any award under the Plan to the aggregate number of shares of Stock that may be issued under the Plan; (ii) the number of shares of Stock which may be delivered in connection with Awards granted to a Participant, the number and kind of shares of Stock by which annual per-person Award limitations are determined under Section 5, (iv) the total number of shares of Stock which may be issued under the Plan in connection with awards that are granted as ISOs under Section 4(a), (v) the number of shares of Stock subject to or deliverable in respect of outstanding Awards and (vi) the purchase price relating to any outstanding Option, SAR or Other Award. In the event that is appropriate, the Committee may make provision for a payment of cash or property in lieu of an outstanding Option. Notwithstanding any term to the contrary in this Plan, in the event of any Award granted hereunder, the Committee is specifically authorized (but not limited to) to terminate and distribute the cash value of any Award to a Participant and/or Beneficiary. In the event that the Company undergoes a merger, consolidation, acquisition, reorganization, or the sale of substantially all assets, or other similar corporate event, if following such event the Company will no longer be filing reports with the Securities and Exchange Commission under Section 12 of the Act, or if all or substantially all Shares of the Company will be owned by the entity or its affiliates, or in any such similar event as the Committee deems prudent, the Committee may, in its discretion, make such adjustments as it deems appropriate.

(d) Tax Provisions.

(i) Withholding. The Company and any subsidiary or affiliate are authorized to withhold from any Award granted, any payment relating to an Award under the Plan, any distribution of Stock, or any payroll or other payment to a Participant, amount of any Award, and other taxes due or potentially payable in connection with any transaction under the Plan, and to take such other action as the Committee may deem advisable to require the Company and Participants to satisfy obligations for the payment of withholding taxes and other taxes due or potentially payable in connection with any Award. This authority shall include authority to require a Participant to receive Stock or other property and to make cash payments in respect thereof in order to satisfy a Participant's withholding obligations, either on a mandatory or elective basis in the event that the Participant elects to receive cash. Other provisions of the Plan notwithstanding, only the minimum number of shares of Stock deliverable in connection with an Award necessary to satisfy statutory requirements will be withheld.

(ii) Required Notification of Section 83(b) Election. In the event a Participant makes an election under Section 83(b) of the Code in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to the notification required pursuant to regulations issued under Section 83(b) of the Code and any other applicable provision.

(iii) Requirement of Notification Upon Disqualifying Disposition Under Section 83(b) of the Code. If any Participant shall make any disposition of shares of Stock delivered to the Participant in connection with an Award under the Plan, the Participant shall

the exercise of Incentive Stock Options under the circumstances described in the Code (relating to certain disqualifying dispositions), such Participant Company of such disposition within ten days thereof.

(iv) Compliance with Section 162(m) of the Code. It is the intent of the Options and SARs granted to Covered Employees shall constitute qualified "perquisite compensation" within the meaning of Section 162(m) of the Code and regulations thereunder, unless otherwise determined by the Committee at the time of an Award. Accordingly, the definition of Covered Employee shall be interpreted consistently with Section 162(m) of the Code and regulations thereunder. Notwithstanding, because the Committee cannot determine with certainty whether a Participant will be a Covered Employee with respect to a fiscal year that has been completed, the term Covered Employee as used herein shall mean only a person who the Committee as likely to be a Covered Employee with respect to a specified fiscal year.

(v) Section 409A Compliance. The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Section 409A of the Code. To the extent reasonably possible and practicable, the Plan shall be administered in a manner that avoids the imposition on Participants of immediate tax recognition and additional taxes under Section 409A. To that end, and without limiting the generality of the foregoing, unless expressly provided herein or in any Award agreement, any amount payable or due hereunder in connection with an Award (including upon the satisfaction of performance criteria) shall be paid not later than two and one-half months (or such longer period as is required to cause such amounts not to be treated as deferred compensation under Section 409A of the Code) following the end of the taxable year of the Company or the Participant, as applicable. A Participant's rights with respect to the corresponding Award (or portion thereof) shall not be subject to a substantial risk of forfeiture. Notwithstanding the foregoing, neither the Company nor the Committee shall have any liability to any person in the event such Section 409A Award is subject to any such Award in a manner that results in adverse tax consequences for the Participant or any of his or her beneficiaries or transferees.

(e) Plan Effective Date and Termination. The Plan shall become effective on the date of the time as, the shareholders of the Company have approved it by the affirmative vote of a majority of the voting securities of the Company cast in person or by proxy at a meeting held in person or by vote on the subject matter at a duly held meeting of shareholders at which a quorum is present. Unless earlier terminated by action of the Board of Directors, the Plan shall remain in effect until such time as no Stock remains available for delivery under the Plan. After the termination of the Plan, the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan, except that no ISOs may be granted hereunder more than ten years following the date of adoption or approval by the shareholders of the Company, whichever occurs first.

(f) Changes to the Plan. The Board may amend, suspend or terminate the Plan at any time without the Committee's authority to grant Awards under the Plan without the consent of the Board or the approval of the Participants; provided, however, that any amendment to the Plan shall be subject to the approval of the Company's shareholders for approval not later than the earliest annual meeting of the Company if the record date is after the date of such Board action if such shareholder approval is required by federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may, in its sole discretion, determine to submit other amendments to the Plan to shareholders for approval; provided further, that, without the consent of an affected Participant, no such amendment shall materially and adversely affect the rights of such Participant under any outstanding Award under the Plan unless such action is deemed necessary in order to achieve compliance with tax law or regulations. Subject to Section 10(c) hereof, the Committee may not, without the approval of the Board or shareholder approval: (i) amend the terms of outstanding Options, SARs or Other Awards; (ii) reduce the exercise price of such outstanding Options, SARs or Other Awards in exchange for Options, SARs or Other Awards with an exercise price that is less than the exercise price of the original Option or Award; or (iii) cancel outstanding Options, SARs or Other Awards with an exercise price that is less than the current Stock price in exchange for cash or other securities.

(g) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor the submission to the shareholders of the Company for approval shall be construed to create any limitations on the power of the Board or a committee thereof to adopt such other arrangements, apart from the Plan, as it may deem desirable, including incentive

and awards which do not qualify under Section 162(m) of the Code, and such o
may be either applicable generally or only in specific cases.

(h) **Governing Law.** The validity, construction, and effect of the Plan and any Award document shall be determined in accordance with the laws of the State of New Jersey, without giving effect to principles of conflict of law or applicable provisions of federal law.

(i) **Limitation on Rights Conferred under the Plan.** Neither the Plan nor any Award document hereunder shall be construed as (i) giving any Eligible Person or Participant the right to be hired hereunder as an Eligible Person or Participant or in the employ or service of the Company or any subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to hire, terminate any Eligible Person's or Participant's employment or service at any time, or to hire or terminate any Eligible Person or Participant any claim to be granted any Award under the Plan, (iii) conferring on any Eligible Person or Participant any claim to be granted any Award under the Plan, or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant has exercised the right to transfer transferred shares of Stock in accordance with the terms of an Award or a document governing the exercise of such rights. Except as expressly provided in the Plan and an Award document, no Award document shall confer on any person other than the Company and the Participant the rights or remedies thereunder.

(j) **Severability; Entire Agreement.** If any of the provisions of this Plan and any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of its illegality or unenforceability, and the remaining provisions shall not be affected. If any provision is provided, however, if any of such provisions is finally held to be invalid, illegal or unenforceable because it exceeds the maximum scope determined to be acceptable under applicable law, such provision shall be deemed to be modified to the extent necessary to modify such scope in order to make such provision enforceable. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, understandings, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

Appendix B

1st CONSTITUTION BANCORP. AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the independence, objectivity and independence, (3) the performance of the Company's internal audit function and the internal auditor, and (4) the compliance by the Company with legal and regulatory requirements. The term "Company" as used herein means 1st Constitution Bancorp.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Committee Membership

The Audit Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence and experience requirements of applicable federal law. At least one member of the Audit Committee shall qualify as an "audit expert" in accordance with applicable SEC rules.

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Company's Nominating Committee. One of the members shall be designated as the Committee Chairperson by the Board of Directors. Audit Committee members shall be appointed by the Board.

Committee Authority and Responsibilities

The Audit Committee is to serve as a focal point for communication among the Board of Directors, the independent auditor, internal auditor and the Company's management regarding duties relate to financial accounting, reporting and internal controls. The Audit Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to the adequacy of internal, financial and operating controls, ensuring adequate policies, practices and procedures to properly safeguard the security of the Company's physical assets and personnel, monitoring corporate conduct and performance, reporting practices of the Company and the internal auditor, auditing relative thereto. It is to be the Board's principal agent in assuring the independence and adequacy of the Company's independent auditor and internal audit department and monitoring the Company's management and the adequacy of disclosure to shareholders.

The Audit Committee shall have the sole authority to appoint or replace the independent auditor and shall have principal responsibility on the behalf of the Board for the oversight of the independent auditor. The Audit Committee shall approve all audit engagements and all non-audit engagements with the independent auditor. The Audit Committee shall coordinate with management but shall not delegate these responsibilities.

The Audit Committee shall meet as often as it determines, but not less frequently than annually. The Audit Committee may when appropriate delegate authority to one or more

to one or more subcommittees.

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The Audit Committee shall have the authority, to the extent it deems necessary, to retain legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside independent auditor to attend meetings of the Committee or to meet with any advisors or consultants to the Committee. The Audit Committee shall meet with the internal auditors and with the independent auditor in separate executive sessions quarterly.

The Audit Committee shall provide regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this charter annually and recommend any changes to the Board for approval. The Audit Committee shall annually review the Committee's own performance.

The Audit Committee shall:

Financial Statement and Disclosure Matters

1. Review and discuss with management and with the independent auditor the audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and with the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the independent auditor's review of the quarterly financial statements.
3. Discuss with management and with the independent auditor significant accounting reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues arising from a review of the Company's internal controls, the development, selection or application of critical accounting policies and practices, and analyses of the effect of accounting assumptions, estimates or GAAP methods on the Company's financial statements.
4. Discuss with management the Company's earnings press releases, including "pro forma" or "adjusted" non-GAAP information, as well as prospective financial information and earnings guidance provided to analysts and rating agencies.
5. Discuss with management and the independent auditor the effect on the Company's financial statements of regulatory and accounting initiatives as well as any off-balance sheet items.
6. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's assessment and risk management policies.
7. Discuss with the independent auditor the matters required to be discussed in the Auditing Standards No. 61 relating to the conduct of the audit. In particular, discuss

(a)

the adoption of, or changes to, the Company's significant auditing and accounting policies and practices as suggested by the independent auditor, internal auditors or management.

(b) the management letter provided by the independent auditor and the Company's response to that letter.

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- (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Oversight of the Company's Relationship with the Independent Auditor

1. Review the experience and qualifications of the senior members of the independent auditor's audit team.
2. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality control procedures, (b) any material issues raised by the independent auditor's quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years in connection with more independent audits carried out by the firm, (c) any steps taken to deal with such issues, and (d) all relationships between the independent auditor and the Company. Consider the qualifications, performance and independence of the independent auditor, and consider whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and take into account the opinions of management and the internal auditor. The Audit Committee shall report its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.
3. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the independent audit partner on a regular basis.
4. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
5. Discuss with the independent auditor any issues on which the national independent auditor has been consulted by the independent auditor's audit team.
6. Meet with the independent auditor prior to the audit to discuss the planning and execution of the audit.

Oversight of the Company's Internal Audit Function

1. Periodically review the functions, responsibility and performance of the internal audit team.
2. Review significant reports to management prepared by the internal auditor and management's responses.
3. Discuss with the independent auditor the internal audit department responsibilities, staffing and any recommended changes in the planned scope of the internal audit.

Compliance Oversight Responsibilities

1. Obtain from the independent auditor assurance that Section 10A ("Audit Re Securities Exchange Act of 1934 has not been implicated.
2. Obtain reports from management, the Company's internal auditing team and auditor that the Company and its subsidiaries are in conformity with requirements and with the Company's code of business conduct and ethics.

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3. Review and, if appropriate, approve all material transactions with affiliated related parties or persons.
4. Discuss with management and the independent auditor any correspondence with governmental agencies and any employee complaints or published reports of material issues regarding the Company's financial statements or accounting practices.
5. Discuss with the Company's legal counsel any legal matters that may have an effect on the financial statements or the Company's compliance policies.

Procedures For Employee And Other Third Party Complaints And Inquiries

The Audit Committee is responsible for establishing, and periodically reviewing

- (1) the receipt, retention and treatment of any complaints received by the Company or its subsidiaries concerning any accounting, internal controls, or auditing matters; and
- (2) the submission by any Company employee of any claims or communications concerning questionable accounting or auditing matters.

The Audit Committee will work with the Company's internal audit staff in developing and reviewing procedures. The Company's internal audit staff and the senior financial staff will be responsible for insuring that any material claim or other communication concerning the foregoing is promptly brought to the attention of the Chairperson of the Audit Committee.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this section, it is the duty of the Audit Committee to plan or conduct audits or to determine whether the financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The Audit Committee is not responsible for the responsibilities of management and the independent auditor.

Appendix C

1ST CONSTITUTION BANCORP

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee is appointed by the Board of Directors (the "Board") of Constitution Bancorp (the "Company") to assist the Board with respect to the compensation of the Company's officers and its outside directors. The Committee has overall responsibility for evaluating and approving salary, incentive compensation and equity compensation for the Chief Executive Officer of the Company ("CEO") and the other officers of the Company, and for evaluating and recommending to the full Board the compensation levels of the outside directors of the Company.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's annual proxy statement.

Committee Membership

The Compensation Committee shall consist of no fewer than three members, all of whom shall be non-management directors. The Committee shall undertake reasonable efforts to ensure that the Board that at least two members of the Committee shall meet the independence requirements of the Nasdaq National Market System, the "non-employee director" standard of the Securities Exchange Act of 1934 and the "outside director" standard of Section 162(m) of the Internal Revenue Code.

The members of the Compensation Committee shall be appointed and replaced by the Board.

Committee Authority and Responsibilities

1. The Compensation Committee shall have the sole authority to retain and terminate any consultant to be used by the Committee to assist it in the evaluation of officer and director compensation levels, and the Committee shall have the sole authority to determine the consultant's fees and other retention terms. The Compensation Committee shall have the authority to obtain advice and assistance from internal or external legal, accounting and other advisors.
2. The Compensation Committee shall annually review and approve for the Board the compensation of the officers of the Company, (a) the annual base salary level, (b) the annual incentive compensation level, (c) any long-term incentive opportunity level, (d) equity compensation, and (e) any other special compensation.
3. The Compensation Committee shall regularly review and recommend to the Board the compensation of non-employee directors for their service on the Board and on committees of the Board, including any additional compensation for chairpersons.
- 4.

The Compensation Committee may when appropriate delegate authority to its members or to one or more subcommittees established by the Committee.

5. The Compensation Committee shall make regular reports to the Board.
6. The Compensation Committee shall review and reassess the adequacy of this policy and recommend to the Board any proposed changes.
7. The Compensation Committee shall annually review its own performance and report to the Board.

Appendix D

1ST CONSTITUTION BANCORP

Nominating Committee Charter

Purpose

The Nominating Committee (the “Committee”) of 1st Constitution Bancorp appointed by the Board of Directors of the Company (the “Board”):

- (1) to assist the Board by identifying individuals qualified to become Board members and recommend to the Board, consistent with the criteria set forth in the Company’s Governance Guidelines, the director nominees for the next annual meeting and directors to fill any vacancies between annual meetings;
- (2) to develop and recommend to the Board the corporate governance guidelines for the Company;
- (3) to lead the Board in its annual review of the Board’s performance;
- (4) to recommend to the Board director nominees for each Board committee;
- (5) to review and revise as necessary the Company’s Code of Business Conduct.

Committee Membership

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the Nasdaq independence requirements.

The members of the Committee shall be appointed and replaced by the Board.

Committee Authority and Responsibilities

1. The Committee shall have the sole authority to retain and terminate any search firm and to identify director candidates and shall have sole authority to approve the search firm’s fees and other retention terms. The Committee shall also have the authority to obtain assistance from internal or external legal, accounting or other advisors without the need to consult management.
2. The Committee shall actively seek and identify individuals qualified to fill Board vacancies and recommend members for recommendation to the Board when vacancies occur in the Board.
3. The Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board’s performance, to be discussed with the full Board at the end of each fiscal year.
4. The Committee shall review and reassess the adequacy of the Company’s Governance Guidelines and recommend any proposed changes to the Board for approval.

5. The Committee may form and delegate authority to subcommittees when a
6. The Committee shall make regular reports to the Board.
7. The Committee shall review and reassess the adequacy of this charter annually, any proposed changes to the Board for approval. The Committee shall annual performance.

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