

1ST CONSTITUTION BANCORP  
Form DEF 14A  
April 19, 2019

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

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

**Exchange Act of 1934 (Amendment No.    )**

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

**1st Constitution Bancorp**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction::

5. Total fee paid:

Fee paid previously with preliminary materials.

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

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

**1ST CONSTITUTION BANCORP**

**P.O. Box 634**

**2650 Route 130 North**

**Cranbury, New Jersey 08512**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD THURSDAY, MAY 30, 2019**

To Our Shareholders:

The 2019 Annual Meeting of Shareholders of 1st Constitution Bancorp will be held on Thursday, May 30, 2019 at 3:00 p.m. Eastern Time at the Forsgate Country Club, 375 Forsgate Drive, Monroe Township, New Jersey, 08831.

At the Annual Meeting, shareholders will be asked to consider and vote upon the following matters:

1. The election of three directors to the Company's Board of Directors;
2. The adoption of the 1st Constitution Bancorp 2019 Equity Incentive Plan;
3. The approval of the compensation of our named executive officers on an advisory (non-binding) basis;
4. The frequency of the advisory vote to approve the compensation of our named executive officers on an advisory (non-binding) basis;
5. The ratification of the selection of BDO USA LLP as the Company's independent registered public accounting firm for the 2019 fiscal year; and
6. The conduct of other business if properly raised.

Shareholders of record at the close of business on April 10, 2019 are entitled to notice of, and to vote at, the Annual Meeting. Whether or not you contemplate attending the Annual Meeting, we suggest that you promptly execute the enclosed proxy and return it to the Company or submit your proxy on the Internet as instructed on the enclosed proxy card. You may revoke your proxy at any time prior to the exercise of the proxy by delivering to the Company a later-dated proxy or by delivering a written notice of revocation to the Company.

The Board of Directors of the Company believes that the election of the nominees and the proposals being submitted to the shareholders are in the best interest of the Company and its shareholders and urges you to vote in favor of the nominees and the proposals.

**Important notice regarding the availability of proxy materials for the 2019 Annual Meeting of Shareholders:**

The Proxy Statement for the 2019 Annual Meeting of Shareholders and 2018 Annual Report to Shareholders are available at: <http://www.astproxyportal.com/ast/20330/>.

By Order of the Board of Directors

ROBERT F. MANGANO  
President and Chief Executive Officer  
Cranbury, New Jersey

April 18, 2019

**YOUR VOTE IS IMPORTANT**

To assure your representation at the Annual Meeting, please vote your proxy as promptly as possible, whether or not you plan to attend the Annual Meeting. The prompt return of proxies will save the Company the expense of further requests for proxies to ensure a quorum at the Annual Meeting. A stamped self-addressed envelope is enclosed for your convenience.

**1ST CONSTITUTION BANCORP**

**P.O. Box 634**

**2650 Route 130 North**

**Cranbury, New Jersey 08512**

**PROXY STATEMENT FOR ANNUAL MEETING  
OF SHAREHOLDERS TO BE HELD ON MAY 30, 2019**

**GENERAL PROXY STATEMENT INFORMATION**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board of Directors” or the “Board”) of 1st Constitution Bancorp (the “Company”) for use at the 2019 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on May 30, 2019, at 3:00 p.m. Eastern Time, at the Forsgate Country Club, 375 Forsgate Drive, Monroe Township, New Jersey, 08831.

The first date on which this proxy statement and the enclosed form of proxy are being sent to the shareholders of the Company is on or about April 18, 2019.

The Company’s principal executive office is 2650 Route 130 North, P.O. Box 634, Cranbury, New Jersey 08512. 1st Constitution Bank is a wholly-owned subsidiary of the Company and is sometimes referred to as the “Bank.”

**Outstanding Securities and Voting Rights and Procedures**

The Board of Directors fixed the close of business of the Company (5:00 p.m. Eastern Time) on April 10, 2019 as the record date and time for determining shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record as of that date and time will be entitled to notice of, and to vote at, the Annual Meeting.

On the record date, there were 8,628,773 shares of common stock of the Company outstanding and eligible to be voted at the Annual Meeting. Each share is entitled to one vote on each matter properly brought before the Annual Meeting. Other than Company common stock, there are no other outstanding securities of the Company entitled to vote at the Annual Meeting.

For each proxy timely submitted by a shareholder and that is not revoked, the shares represented thereby will be voted at the Annual Meeting in the manner specified on the proxy. However, if a proxy solicited by the Board of Directors does not specify how it is to be voted, it will be voted as the Board recommends, that is, (a) "FOR" the election of the three nominees for director named in this proxy statement; (b) "FOR" the adoption of the 1st Constitution Bancorp 2019 Equity Incentive Plan; (c) "FOR" the approval (on an advisory basis) of the compensation of our named executive officers; (d) to conduct an advisory vote on the frequency of holding future advisory votes on executive compensation every year; (e) "FOR" the ratification of the selection of BDO USA LLP as the Company's independent registered public accounting firm for the 2019 fiscal year; and (f) in connection with the conduct of other business, if properly raised, in accordance with the judgment of the person or persons named as proxies. If, for any reason, either nominee for director is unable or unavailable to serve or for good cause will not serve, an event that we do not anticipate, the shares represented by the accompanying proxy will be voted for a substitute nominee designated by the Board or the size of the Board may be reduced.



To vote your proxy by mail, please sign your name exactly as it appears on your proxy card, date and mail your proxy card in the envelope provided as soon as possible. If you wish to vote using the Internet, you can access the web page at [www.voteproxy.com](http://www.voteproxy.com) and follow the on-screen instructions. Have your proxy card available when you access the web page and use the control number shown on your proxy card when prompted to do so. If you vote using the Internet, you must vote no later than 11:59 p.m. Eastern Time on May 29, 2019.

If any other matters are properly presented at the Annual Meeting for consideration, such as consideration of a motion to adjourn the Annual Meeting to another time or place, the persons named as proxies will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote, unless the shareholder otherwise specifies in the proxy. As of the date of this proxy statement, we do not anticipate that any other matters will be raised at the Annual Meeting.

### **Required Vote**

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote generally is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker “non-votes” are counted as present and entitled to vote for purposes of determining a quorum. A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power with respect to that item and has not received voting instructions from the beneficial owner.

Certain proposals, such as the ratification of the appointment of auditors, are considered “routine” matters, and brokers generally may vote on behalf of beneficial owners who have not furnished voting instructions. For “non-routine” proposals, such as the election of directors, the proposal to adopt the 1st Constitution Bancorp 2019 Equity Incentive Plan, the advisory vote to approve the compensation of our named executive officers and the advisory vote regarding the frequency of future advisory votes on executive compensation, brokers may not vote on the proposals unless they have received voting instructions from the beneficial owner.

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required to elect a director. An abstention or a broker non-vote will have no effect on the outcome of the vote on the election of a director. The affirmative vote of a majority of the votes cast at the Annual Meeting is required to adopt the 1st Constitution Bancorp 2019 Equity Incentive Plan, approve the compensation of our named executive officers and to ratify the selection of BDO USA LLP as the Company’s independent registered public accounting firm for the 2019 fiscal year. For the proposal regarding the frequency of future advisory votes on executive compensation, the choice receiving the highest number of votes cast will be considered by the Board as the expected preference of shareholders. The vote for the approval of the compensation of our named executive officers and the vote for the frequency of future advisory votes on executive compensation are on an advisory basis and are therefore non-binding. For these last four proposals, abstentions and broker non-votes will not be counted as votes and, accordingly, will have no effect on the outcome of the vote.

Election inspectors appointed for the Annual Meeting will tabulate the votes cast by proxy or in person at the meeting. The election inspectors will determine whether or not a quorum is present. Votes will NOT be considered cast if the shares are not voted for any reason, including an abstention indicated as such on a written proxy or ballot, if directions are given in a written proxy to withhold votes, or if the votes are withheld by a broker.

### **Revocability of Proxies**

Any shareholder giving a proxy has the right to attend and to vote at the Annual Meeting in person. If your shares are held in the name of a bank, broker, or other holder of record, you must obtain a proxy executed in your favor from the holder of record to be able to vote at the Annual Meeting. If you submit a proxy and then wish to change your vote, you will need to revoke the proxy that you have submitted. You can revoke your proxy at any time before it is exercised by voting in person at the Annual Meeting or by timely delivery of a properly executed, later-dated proxy or a written revocation of your proxy. A later-dated proxy or written revocation must be received before the meeting by the Corporate Secretary of the Company, at P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey 08512, or it must be delivered to the Corporate Secretary at the Annual Meeting before proxies are voted. You may also revoke your proxy by submitting a new proxy via the Internet no later than 11:59 p.m. Eastern Time on May 29, 2019.

### **Multiple Copies of Annual Report and Proxy Statement**

When more than one holder of Company common stock shares the same address, we may deliver only one annual report and one proxy statement to that address unless we have received contrary instructions from one or more of those shareholders. Similarly, brokers and other intermediaries holding shares of Company common stock in “street name” for more than one beneficial owner with the same address may deliver only one annual report and one proxy statement to that address if they have received consent from the beneficial owners of the stock.

We will deliver promptly, upon written or oral request, a separate copy of the annual report and proxy statement to any shareholder, including a beneficial owner of stock held in “street name,” at a shared address to which a single copy of either of those documents was delivered. You may make such a request in writing to Stephen J. Gilhooly, Senior Vice President and Chief Financial Officer, 1st Constitution Bancorp, at P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey 08512, or by calling Mr. Gilhooly at (609) 655-4500. This proxy statement and the annual report are available at: <http://www.astproxyportal.com/ast/20330/>.

You may also contact Mr. Gilhooly at the address or telephone number above if you are a shareholder of record of the Company and you wish to receive a separate annual report or proxy statement, as applicable, in the future, or if you are currently receiving multiple copies of our annual report and proxy statement and want to request delivery of a single copy in the future. If your shares are held in “street name” and you want to increase or decrease the number of copies of our annual report and proxy statement delivered to your household in the future, you should contact the broker or other intermediary who holds the shares on your behalf.

### **Solicitation of Proxies**

This proxy solicitation is being made by the Board. The cost of the solicitation will be borne by the Company. In addition to the use of the mail, proxies may be solicited personally or by telephone, facsimile, email, or other electronic means by officers, directors and employees of the Company. We will not specially compensate those persons for such solicitation activities. Although we do not expect to do so, we may retain a proxy-soliciting firm to assist us in soliciting proxies. If so, we would pay the proxy-soliciting firm a fee and reimburse it for certain out-of-pocket expenses. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners of common stock held of record by such persons, and we will reimburse such persons for their reasonable expenses incurred in forwarding the materials.

## **Accelerated Filer Status**

The Company satisfies the criteria to be both a “smaller reporting company” and an “accelerated filer,” and is therefore entitled to provide scaled disclosure in this proxy statement consistent with the rules of the Securities and Exchange Commission (the “SEC”) applicable to smaller reporting companies. The Company has elected to not provide scaled disclosure and to instead include in this proxy statement the disclosure required by an accelerated filer that is not also a smaller reporting company. This is consistent with the Company’s determination to continue to provide disclosure in its annual and periodic reports as an accelerated filer (that is not also a smaller reporting company) for the foreseeable future.

## **ITEM 1 – ELECTION OF DIRECTORS**

The Company’s Board of Directors is divided into three separate classes of directors, designated as Class I, Class II and Class III. The directors in Class I are serving a three-year term that expires at the 2021 Annual Meeting; the directors in Class II are serving a three-year term that expires at the 2019 Annual Meeting; and the directors in Class III are serving a three-year term that expires at the 2020 Annual Meeting, and in each case until their successors are duly elected and qualified. At each Annual Meeting of Shareholders, one class of directors is elected for terms of three years to succeed to those directors in the class whose terms then expire.

The Company’s certificate of incorporation requires each class of directors to consist as nearly as possible of one-third of the authorized number of directors. In the event that a nominee stands for election as a director at an annual meeting of shareholders as a result of an increase by the Board of Directors of the authorized number of directors and such nominee is to serve in a class of directors whose term is not expiring at such annual meeting of shareholders, the nominee, if elected, may stand for an initial term expiring concurrent with the expiration of the term of the directors in the class to which such nominee is elected as a director.

The director nominees for election at the 2019 Annual Meeting are the three nominees for election as Class II directors: James G. Aaron, Antonio L. Cruz and William M. Rue, who, if elected, will each serve a three-year term expiring in 2022 and until their successors are duly elected and qualified.

The number of nominees was determined by the Board of Directors pursuant to the Company’s by-laws. If, for any reason, any nominee for director is unable or unavailable to serve or for good cause will not serve, the shares represented by the accompanying proxy will be voted for a substitute nominee designated by the Board or the size of the Board may be reduced. The Board believes that the named nominees are available, and, if elected, will be able to serve.

## **DIRECTORS AND EXECUTIVE OFFICERS**

The following tables set forth (i) the name, age and class of the nominees for election to director, the names, ages and classes of the directors whose terms extend beyond 2019 and the name and age of the executive officers of the Company who do not also serve as directors of the Company, (ii) the other positions and offices presently held by such persons with the Company, if any, (iii) the period during which such persons have served on the Board of Directors, if applicable, (iv) the expiration of each director's term as a director if such nominee is elected as a director at the 2019 Annual Meeting and (v) the principal occupations and employment of such persons during the past five years. Additional biographical information for each person follows the tables.

**NOMINEES FOR ELECTION AT 2019 ANNUAL MEETING**

<b>Name and Position with the Company, if any</b>	<b>Age Class</b>	<b>Director Since</b>	<b>If Elected, Expiration of Term</b>	<b>Principal Occupation</b>
James G. Aaron	74 II	2016	2022	Attorney, Partner, Ansell Grimm & Aaron, Ocean Township, NJ
Antonio L. Cruz	63 II	2016	2022	Retired Attorney
William M. Rue, Director and Corporate Secretary	71 II	1999	2022	Chairman, Chas E. Rue & Son, Inc., Hamilton, New Jersey

Set forth below is the name of, and certain biographical information regarding, the director nominees.

*James G. Aaron* is a senior member and shareholder in the law firm of Ansell, Grimm & Aaron, P.C., located in Ocean Township, New Jersey, and has been with such law firm since 1996. Mr. Aaron chairs the firm's Municipal Law and Bankruptcy Practice Department. Mr. Aaron is licensed to practice law in the State of New Jersey, the United States District Court for the District of New Jersey, the United States District Court for the Eastern District of New York, and the United States Court of Claims, and is a member of the Monmouth County and New Jersey State Bar Associations. Mr. Aaron served as the municipal attorney for the City of Long Branch from 1994 to 2018. Mr. Aaron is a founder of Central Jersey Bank, N.A., a federally chartered institution, and served from 1996 until 2010 as a director and member of its executive committee. Mr. Aaron also served as a director of Colonial American Bank, and as chairman of the Board of Directors of Rumson-Fair Haven Regional Bank (prior to its merger with the Bank in February 2014). Mr. Aaron has served as a director of the Company since 2016 and as a director of the Bank since 2014, where he serves on the Loan and Investment Committee and the Nominating Committee. Mr. Aaron is currently a member of the Board of Trustees of Monmouth Medical Center, which is a part of the Saint Barnabas Medical System, where he serves on the strategic planning, medical practices, and community action committees. Mr. Aaron is also a member of the Board of Trustees of the Axelrod Performing Arts Center, the vice president and chairman of the Board of Directors of ERBA Co., Inc., and a member of the Board of Trustees of the New Jersey Jewish Home for Rehabilitation and Nursing. Additionally, Mr. Aaron served as a member of the proxy board of trustees of Hollywood Golf Club in Deal, New Jersey from 2009 to 2017, and as president of Hollywood Golf Club from 2014 to 2017. Mr. Aaron received his B.A. degree from Dickinson College in Carlisle, Pennsylvania and his J.D. from New York University School of Law.

Mr. Aaron is qualified to serve on our Board of Directors because of his education, his business skills and expertise, including service on the Board of Directors of the Bank, and his extensive legal knowledge, acquired through the years from private legal practice, as well as from his service on other boards.

*Antonio L. Cruz* has served as a director of the Company since 2016 and as a director of the Bank since 2003, where he serves on the Loan and Investment Committee and the ALCO Committee. Mr. Cruz was an attorney in private practice in Perth Amboy, New Jersey. Previously, he served as a general counsel to the Perth Amboy Board of Education and has represented a number of financial institutions as a review attorney in both residential and commercial real estate law. Mr. Cruz was a member of the Hispanic Bar Association of New Jersey in which he served as a member of the Board of Trustees for many years. Additionally, Mr. Cruz served as the Commissioner of Middlesex County Utilities for 16 years and as a member of the Board of Directors of Raritan Bay Medical Center in Perth Amboy, New Jersey. Mr. Cruz received his J.D. from Northeastern University School of Law in Boston, Massachusetts, and practiced civil litigation and transactional real estate for 28 years.



Mr. Cruz is qualified to serve on our Board of Directors because of his education, his business skills and expertise, including service on the Board of Directors of the Bank, and his extensive legal knowledge, acquired through the years from private legal practice, as well as from his service on other boards.

*William M. Rue* has served as a director of the Company since 1999 and as a director of the Bank since 1989. Mr. Rue has served as the Corporate Secretary of the Company since 2013. Mr. Rue has served as the Chairman of Chas. E. Rue & Son, Inc., an insurance agency that has its principal office in Hamilton, New Jersey, in which role he has been since February 2013, and served previously as its President from 1985 to February 2013. Mr. Rue is a director of The Rue Foundation, a nonprofit corporation, and is a general partner at 3812 Quakerbridge Realty, LLC. Mr. Rue also served as Chairman of Rue Financial Services, Inc., a financial services provider, from 2002 to 2012. Mr. Rue has been a Chartered Property Casualty Underwriter since 1972 and an Associate in Risk Management since 1994. Mr. Rue also serves as a director for each of the following organizations: Selective Insurance Group, Inc. (a Nasdaq Global Select Market listed company), PL Services, LLC, Robert Wood Johnson University Hospital Corporation and Robert Wood Johnson University Hospital at Hamilton (where he serves as chairman of the Board of Directors). In addition, Mr. Rue is a member of the Board of Trustees of Rider University, a nonprofit private university, where he serves on the compensation committee. Mr. Rue is also a Certified Insurance Counselor.

Mr. Rue is qualified to serve on our Board of Directors and brings valuable insight to our Board of Directors as a result of his broad range of business skills and his insurance and financial literacy and expertise. Mr. Rue honed these skills and expertise during his long and successful business career, in which he served as president of an insurance agency and president of a financial services provider, as well as through his service on nonprofit boards of directors.

**DIRECTORS WHOSE TERMS EXTEND BEYOND THE 2019 ANNUAL MEETING**

<b>Name and Position with the Company, if any</b>	<b>Age</b>	<b>Class</b>	<b>Director Since</b>	<b>Expiration of Term</b>	<b>Principal Occupation</b>
Charles S. Crow, III, Chairman of the Board	69	I	1999	2021	Attorney, Crow & Cushing, Princeton, New Jersey
J. Lynne Cannon	72	I	2016	2021	Chief Executive Officer, Consulting, Princeton Management Development Institute, Trenton, NJ
Carmen M. Penta	74	I	2017	2021	CPA, Partner, Addeo, Polacco & Penta, LLC, Eatontown, New Jersey
William J. Barrett	63	I	2017	2021	Adjunct Professor, LeMoyne College CPA, Retired Partner, Ernst & Young, LLP
Edwin J. Pisani	69	III	2016	2020	CPA, Retired Partner, Ernst & Young, LLP
Roy D. Tartaglia	68	III	2016	2020	Retired CEO
Robert F. Mangano, President and Chief Executive Officer	73	III	1999	2020	President and Chief Executive Officer, 1st Constitution and 1st Constitution Bank, Cranbury, New Jersey

Set forth below are the names of, and certain biographical information regarding, the directors of the Company whose terms extend beyond the 2019 Annual Meeting.

*Charles S. Crow, III* has served as the Chairman of the Board of the Company and of the Bank since March 2005. From February 2000 until May 2005, Mr. Crow served as Corporate Secretary of the Company. Mr. Crow is a partner in the law firm of Crow & Cushing in Princeton, New Jersey, which is the successor to Crow & Associates. From January 1, 1992 to November 30, 1998, Mr. Crow was a partner in the law firm of Crow & Tartanella in Somerset, New Jersey. Mr. Crow serves as a director and Audit Committee member of the following funds: QCM OTUS Fund SPC LTD AFP SP; Blenheim Commodity Fund, Ltd; Blenheim Global Markets Fund, Ltd.; Parsoon Opportunity Fund Ltd.; Tenor Opportunity Master Fund, Ltd.; Tenor Opportunity Fund, Ltd.; Aria Opportunity Fund, Ltd.; and Aria Opportunity Offshore Fund, Ltd. Mr. Crow previously served as a director of the following funds: Arden-Sage

Multi-Strategy Fund; Arden Sage Multi-Strategy TEI Fund; Arden Investment Series Trust (ARDNX); and Blenheim Diversified Dynamic Alpha Fund Ltd. Mr. Crow also currently serves as a member of the Board of Managers of Investor Analytics LLC. In the past, Mr. Crow has served as a trustee with respect to alternative mutual funds and other registered investment advisory companies registered with the SEC under the Investment Company Act of 1940. The companies mentioned are private open-ended fund companies invested in traditional and alternative investments. Mr. Crow is also a director and member of the Compensation and Finance Committees of Centurion Ministries, Inc., a nonprofit entity that seeks to vindicate and free from prison those individuals who are factually innocent of the crimes for which they have been convicted, and is also a trustee of the Antique Boat Museum in Clayton, New York, serving on the Audit and Finance Committees.

Mr. Crow is qualified to serve on our Board of Directors because of his education, his business skills and expertise, and his extensive legal knowledge, acquired over the years from private legal practice as well as through his service on other boards.

*J. Lynne Cannon*, has served as a director of the Company and the Bank since 2016. Ms. Cannon has served as Chief Executive Officer of the Princeton Management Development Institute, a firm serving biotechnology and pharmaceutical businesses, since June 2006. Prior to this, Ms. Cannon served as Global Senior Vice President of Human Resources for Novartis Biomedical Research Institute and for Bristol Myers Pharmaceutical Research. Ms. Cannon has more than 30 years of corporate and consulting experience in areas such as global strategic business and human resources management, organizational development and restructuring, executive search and selection and leadership development. Ms. Cannon holds graduate degrees in Organizational and Counseling Psychology from Columbia University where she has also pursued doctoral studies. Ms. Cannon has been a member of the RWJ Hamilton Board of Directors for more than 16 years, where she has served as the Chair and Vice Chair. Ms. Cannon is also a former member of the Arcadia University Board of Trustees, where she served on the governance committee, and the Mercer County Community College Foundation Board of Trustees.

Ms. Cannon is qualified to serve on our Board of Directors because of her education, her business skills and expertise, and her extensive consulting experience, as well as her service on other boards.

*Carmen M. Penta*, has served as a director of the Company and the Bank since 2017. Mr. Penta, a Certified Public Accountant, has been a partner at the firm of Addeo, Polacco & Penta, LLC in Eatontown, New Jersey since 2014. From January 1998 to March 2014, Mr. Penta was a partner at EisnerAmper LLP. Prior to that, Mr. Penta was a partner in the accounting firms of Wiener, Penta & Goodman, P.C., and Amper, Politziner & Mattia, P.C., Certified Public Accountants and Consultants. Mr. Penta previously served as a director for Colonial American Bank, where he served as a member of the Colonial American Bank compensation committee and loan committee and as chairman of the audit committee. Colonial American Bank subsequently merged into Ocean First Bank. Mr. Penta also served as a member of the Board of Directors of Central Jersey Bancorp from January 26, 2006 until November 30, 2010 when Central Jersey Bancorp was merged with and into Kearny Financial Corp. Prior to the consummation of the combination of Central Jersey Bancorp and Allaire Community Bank on January 1, 2005, Mr. Penta served as a member of the Board of Directors of Monmouth Community Bancorp (the predecessor to Central Jersey Bancorp) since its inception. Mr. Penta also served as a member of the Board of Directors of Central Jersey Bank, N.A. since its inception. Mr. Penta serves on the Board of Trustees of the Brookdale Foundation. He is a former member of the Congressional Award Council, a past member of the Advisory Board of Jersey Shore Bank, past Assistant Treasurer for the Long Branch Ronald McDonald House and served on the Board of Directors of the West Long Branch Sports Association. He is also a member of the New Jersey Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the Finance Committee of Big Brothers, Big Sisters. Mr. Penta attended Pennsylvania State University and received a B.S. degree from Monmouth University.

Mr. Penta is qualified to serve on our Board of Directors because of his education, his business skills and expertise, and his extensive accounting knowledge, acquired through the years from practicing as a certified public accountant, as well as from his service on other boards.

*William J. Barrett*, has served as a director of the Company and the Bank since 2017. Mr. Barrett, a Certified Public Accountant, retired from Ernst & Young LLP in June 2016, where he was a partner since October 1989. While at

Ernst & Young LLP, Mr. Barrett provided accounting, auditing and advisory services to clients across a variety of industries, including local, regional and international banks and other financial services organizations. Mr. Barrett has experience in advising on business strategy, risk management, business technology and technology-related risks, including cybersecurity. Since August 2016, Mr. Barrett has been an adjunct professor at LeMoyne College in Syracuse, New York and served as a member of its Board of Trustees and Finance And Audit Committee from 2008 to 2017. Additionally, Mr. Barrett currently serves on the Risk Advisory Committee of Geller and Company, a financial and professional services firm in New York. Mr. Barrett has a B.S. degree in Accounting from LeMoyne College and an M.B.A. in Finance from Case Western Reserve University.

Mr. Barrett is qualified to serve on our Board of Directors because of his education, his business skills and expertise, extensive accounting knowledge and extensive experience with enterprise and technology-related risks.

*Edwin J. Pisani*, a Certified Public Accountant, has served as a director of the Company since 2016, as a director of the Bank since 2014, and has over 40 years of audit and advisory experience in the financial services industry, most recently as the managing partner of Ernst & Young LLP's Risk Management and Regulatory Consulting practice, from which he retired in June 2014. Mr. Pisani also serves on the Board of Directors of Centurion Ministries, Inc., a nonprofit organization, and on the Boards of Directors and Audit Committees of Peak Offshore Funds, and ECOM Financial Services, formerly known as CSCC Trade. Mr. Pisani has a B.S. in electrical engineering from Clarkson University, a Masters of Business Administration from Carnegie Mellon University, and a Masters of Accounting from Northwestern University.

Mr. Pisani is qualified to serve on our Board of Directors because of his education, his business skills and expertise, and his extensive financial and accounting knowledge.

*Roy D. Tartaglia* was a co-founder and has served as a director of the Company since 2016 and the Bank since 1989, where he serves on the Loan and Investment Committee. Prior to his retirement in 2000, Mr. Tartaglia was the chief executive officer of RTK Group, a telecommunications company, where he oversaw mergers and acquisition activity, operations, finance and marketing functions. Mr. Tartaglia was educated at Brandywine College, and was named to Who's Who Among Students in American Junior Colleges (1971).

Mr. Tartaglia is qualified to serve on our Board of Directors because of his education, his business skills and expertise, including service on the Board of Directors of the Bank, and his extensive management knowledge, gained through years of serving as a chief executive officer.

*Robert F. Mangano* is the President and Chief Executive Officer of the Company and of the Bank, in which roles he has served since 1996. Prior to joining the Bank in 1996, Mr. Mangano was President and Chief Executive Officer of Urban National Bank, a community bank in northern New Jersey, for a period of three years and a Senior Vice President of another bank for one year. Prior to such time, Mr. Mangano held a senior position with Midlantic Corporation for 21 years. Mr. Mangano is Chairman of the Audit Committee of the Englewood Hospital Medical Center and serves on the Board of Trustees of Englewood Hospital Medical Center and its parent board.

Mr. Mangano is qualified to serve on our Board of Directors because of his business skills and experience, his extensive knowledge of financial and operational matters acquired from a long and illustrious career working for several banks in increasingly senior roles and leadership positions, and his deep understanding of the Company's and the Bank's people and products that he has acquired in over 20 years of service.

## **Directors**

No director of the Company, other than Messrs. Crow and Rue, is also currently a director of any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any company registered as an investment company under the Investment Company Act of 1940. Each of the above directors of the Company also serves as a director of the Bank.

**EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

<b>Name and Position with the Company</b>	<b>Age</b>	<b>Principal Occupation</b>
Stephen J. Gilhooly,  Senior Vice President, Chief Financial Officer and Treasurer	66	Senior Vice President and Chief Financial Officer, 1st Constitution and 1st Constitution Bank, Cranbury, New Jersey
John T. Andreacio, Executive Vice President and Chief Lending and Credit Officer	56	Executive Vice President and Chief Lending Officer, 1st Constitution and 1st Constitution Bank, Cranbury, New Jersey

Set forth below are the names of, and certain biographical information regarding, executive officers of the Company who do not serve as directors of the Company. Our other executive officer, Mr. Mangano, serves as the President and Chief Executive Officer and as a director of the Company.

*Stephen J. Gilhooly* has served as the Senior Vice President and Chief Financial Officer of the Company and the Bank and as the Treasurer of the Company since April 1, 2014. Prior to April 1, 2014, Mr. Gilhooly served as the Bank's Senior Vice President and Chief Financial Officer. Prior to joining the Bank, Mr. Gilhooly most recently served as Senior Vice President and Treasurer of Florida Community Bank, Weston, Florida, from May 2011 to May 2013. Prior to joining Florida Community Bank, Mr. Gilhooly served as Executive Vice President and Treasurer of the banking subsidiaries of Capital Bank Financial Corporation (formerly North American Financial Holdings) ("CBF") beginning in September 2010. Mr. Gilhooly served as Executive Vice President, Treasurer and Chief Financial Officer of TIB Financial Corp. ("TIB"), Naples, Florida, from 2006 to 2010, prior to its acquisition by CBF. Before joining TIB, Mr. Gilhooly worked for 15 years with Advest, Inc. in New York as Director in its Financial Institutions Group. Mr. Gilhooly earned a B.S. degree in Economics and a M.S. degree in Accounting from the Wharton School of the University of Pennsylvania. He is a Certified Public Accountant and a Chartered Global Management Accountant.

*John T. Andreacio* has served as the Executive Vice President and Chief Lending and Credit Officer of the Company since January 2018 and the Bank since September 2014. Mr. Andreacio joined 1st Constitution in March 2012 and has used his extensive management and credit knowledge to enhance the Company's credit and lending function. Prior to joining the bank, Mr. Andreacio was President and Chief Executive Officer of Northern State Bank, a community bank in northern New Jersey, for a period of three years. Prior to that time, Mr. Andreacio held senior positions with National Penn Bank/KNBT and First Union Bank.



**Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE DIRECTOR NOMINEES.**

## ITEM 2 – THE ADOPTION OF THE 1ST CONSTITUTION BANCORP 2019 EQUITY INCENTIVE PLAN

### General

The Board has approved for submission to the Company's shareholders the 1st Constitution Bancorp 2019 Equity Incentive Plan (the "Plan"). The Plan provides that the Committee (as defined below) may grant participants stock options ("Options"), restricted stock, restricted stock units ("RSUs"), stock appreciation rights ("SARs") or such other awards as the Committee may determine. The number of shares of common stock to be reserved and available for awards under the Plan will be 400,000 plus any remaining available shares under the 2013 Equity Incentive Plan (the "2013 Plan"). As of the close of business on April 10, 2019, the value of the shares of common stock to be reserved and available for awards under the Plan was \$7,352,000 based on the closing price of the common stock of the Company on such date of \$18.38 per share) .

If the Company's shareholders approve the Plan, (i) the Committee shall discontinue granting awards under the 2013 Plan; and (ii) none of the shares that may be returned to the 2013 Plan in accordance with its provisions will be added to the number of shares available for grant under the Plan.

If the Company's shareholders fail to approve the Plan, the Company intends to continue to utilize the shares remaining available for future grants under the 2013 Plan in accordance with the terms of that plan.

### Description of the Plan

The following is a general description of the material features of the Plan. This description is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached as Appendix A.

*Purpose.* The purpose of the Plan is to assist the Company in attracting, retaining, 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 compensation opportunities, to recognize individual contributions, to reward achievement of Company goals, and to promote the creation of long-term value for shareholders by closely aligning the interests of participants with those of shareholders.

*Types of Awards.* The Plan provides that the Company may grant participants Options, restricted stock, RSUs, SARs or such other awards as the Committee may determine. Options awarded under the Plan may either be options that qualify as incentive stock options (“ISOs”) under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or options that do not, or cease to, qualify as ISOs under the Code (“nonqualified stock options” or “NQSOs”).

*Eligibility.* Awards may be granted under the Plan to employees of the Company or any subsidiary or affiliate, including any executive officer or employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and 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 exercise any right 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. As of December 31, 2018, the Company had three employees, and the Bank had 194 employees.

*Administration.* The Plan will be administered by a committee of two or more directors selected by the Board, who are “non-employee directors” within the meaning of Rule 16b-3 of the Exchange Act, and “independent” within the meaning of Nasdaq Listing Rules applicable to the Company (the “Committee”). The Committee shall have full and final authority to select participants, to grant awards, to determine the type and number of awards, to establish the terms, conditions, restrictions and other provisions of awards (including, but not limited to, provisions intended to complement the Company’s insider trading policy), to cancel or suspend awards, to prescribe documents evidencing or setting terms of awards, amendments thereto, 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 or reconcile 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 shall be final, conclusive, and binding upon all persons interested in the Plan.

*Shares Available; Adjustments.* A total of 400,000 shares (plus any remaining available shares under the 2013 Plan) have been reserved for issuance under the Plan and, if the Plan is approved at the Annual Meeting, will be available for delivery in connection with awards under the Plan. Shares delivered under the Plan shall be authorized and unissued shares, or treasury shares, or partly out of each, as shall be determined by the Board. If any awards under the Plan, in whole or in part, are forfeited, terminated, expire unexercised, are settled in cash in lieu of shares, are exchanged for other awards or are released from a reserve for failure to meet the maximum payout, the shares that were subject to or reserved for such awards shall again be available for awards under the Plan to the extent of such forfeiture, termination, expiration, settlement in cash, or exchange of such awards or to the extent the shares were so released from a reserve. However, shares tendered to satisfy an exercise price, shares withheld to satisfy tax withholding, and shares not delivered under stock appreciation right awards shall not be available for subsequent reissuance. With respect to shares reserved and available for ISOs, the rules described in this section shall apply only to the extent consistent with applicable regulations relating to ISOs under the Code.

In the event that the Company changes the number of issued common shares without new consideration to the Company (including, but not limited to, through any large, special and non-recurring dividend or other distribution, recapitalization, forward or reverse split, stock dividend, reorganization, merger, or other similar corporate transaction or event affects the common stock such that an adjustment is determined by the Committee to be appropriate under the Plan), then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the aggregate number of shares that may be issued under the Plan, (ii) the number and kind of shares which may be delivered in connection with awards granted thereafter, (iii) the annual per person award limitations described below, (iv) the number of shares available for grant as ISOs (v) the number and kind of shares subject to or deliverable in respect of outstanding awards, and (vi) the exercise or purchase price relating to any outstanding Option, SAR, or other award under the Plan. The Committee intends to make this adjustment for future annual stock dividends issued to holders of the Company’s common stock, if any.

*Per-Person Award Limitations.* Participants are limited in any year to awards under the Plan relating to no more than 100,000 shares per type of award (that is, (i) Options, (ii) restricted stock and RSUs, (iii) SARs, and (iv) other awards).

*Vesting.* The minimum stated vesting period for awards covering at least 95% of the shares reserved under the Plan shall be one (1) year.

*Terms of Stock Options.* The exercise price per share purchasable under either an ISO or a 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 no Option 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 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 granted under other plans of the Company or any subsidiary or affiliate, or other property, and the methods by or forms in which stock will be delivered or deemed to be delivered in satisfaction of Options. Unless otherwise set forth in an Option award agreement, a participant's Options shall become fully vested upon termination of employment as a result of his or her death or Disability (as defined in the Plan).

*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 participant 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 will vest, and will impose such restrictions on transferability, risk of forfeiture and other restrictions as the Committee may in its discretion determine. Time-based restricted stock and RSUs shall automatically vest upon a participant's termination of employment as a result of death or Disability, unless otherwise provided in the applicable award agreements. Delivery of stock (or cash equivalent) in connection with the lapse of restrictions with respect to RSUs shall occur at such times as the Committee shall determine. 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 issued at the time an award is made, and the Committee shall determine whether such RSU award will be credited with dividend equivalents equal to dividends paid on shares of the Company's common stock during the applicable restricted period and, if so, when and in what form such dividend equivalents will be paid. In no event shall any dividends or dividend equivalents be paid unless and until the award associated with such dividend or dividend equivalent has vested.

*Terms of SARs.* The Committee may grant SARs in tandem with an Option or 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. The exercise price will be at least equal to fair market value of a share of stock as of the date of grant. The Committee shall determine the term of each SAR, provided that no 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, an 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. Unless otherwise set forth in an SAR award agreement, a participant's SARs shall become fully vested upon termination of employment as a result of death or Disability.

*Other Awards.* The Committee is authorized to grant such other awards to participants as the Committee in its discretion may determine (an "Other Award"); provided, however, such other awards shall comply with applicable federal and state securities laws, the Code and Nasdaq Listing Rules applicable to the Company. The Committee shall determine the terms, conditions, restrictions and other provisions of such other awards.

*Forfeiture Provisions.* In addition to any forfeiture or reimbursement conditions the Committee may impose upon an award (including pursuant to any right or obligation that the Company may have regarding the clawback of “incentive-based compensation” under Section 10D of the Exchange Act), a participant may be required to forfeit an award, or reimburse the Company for the value of a prior award, by virtue of the requirement of Section 304 of the Sarbanes-Oxley Act of 2002 (or by virtue of any other applicable statutory or regulatory requirement or Company policy), but only to the extent that such forfeiture or reimbursement is required by such statutory or regulatory provision or Company policy.

*Compliance with Legal and Other Requirements; New Plan Benefits.* No shares, or payments of other benefits under any award will be issued until completion of such registration or qualification of such shares or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the shares are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate. Awards are subject to the discretion of the Board and therefore amounts which would have been received by the eligible participants if the Plan had been in place for fiscal year 2018, or such amounts which may be granted in the future, are not determinable. Awards granted to our named executive officers during fiscal year 2018 are set forth in the Outstanding Equity Awards at 2018 Fiscal Year End table below. As of April 2, 2019, the Committee has granted in 2019 restricted stock awards in the amount of 8,000 shares, 10,300 performance-based restricted stock units and Options to acquire 2,500 shares under the 2013 Plan.

*Amendment, Modification and Termination of the Plan.* The Board may amend, suspend 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 submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any 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. Without the consent of an affected participant, no Board action may materially and adversely affect the rights of such participant under any outstanding award, unless such action is deemed necessary in order to achieve compliance with tax or securities laws or regulations. Subject to the anti-dilution adjustment provisions discussed under *Shares Available; Adjustments* above, the Committee may not, without the approval of the Company's shareholders (i) amend the terms of an outstanding 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 Option, SAR or Other Award with an exercise price that is less than the exercise price of the original 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 document or subject to other applicable restrictions, the treatment of an award in the event of a Change in Control (as defined in the Plan) will depend on whether or not the award is assumed or substituted by the surviving entity.

With respect to awards assumed by a surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, if within two (2) years after the effective date of the Change in Control, a Participant's employment is terminated and such termination is a Qualifying Termination (as defined in the Plan), then:

all non-forfeited Options, SARs and awards carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested, subject to applicable restrictions set forth in the Plan;

all time-based vesting restrictions on outstanding awards, other than Options and SARs, shall lapse, and payout shall be made within ninety (90) days following the date of the Qualifying Termination; and



with respect to all awards subject to performance-based vesting restrictions:

for any award as to which the applicable performance period is more than (50% completed at the time of the Qualifying Termination, the performance period shall be deemed to end as of the date of the Qualifying Termination and the Participant shall receive, within ninety (90) days following the date of the Qualifying Termination, the greater of (x) payout of the award based on actual performance achievement during the performance period through the date of the Qualifying Termination, (y) if applicable, the result obtained by applying the Change in Control Price (as defined in the Plan) for purposes of measuring Company performance with that of the comparison group at that time under the applicable program, and (z) the award at 100% of target performance under the applicable program; and

(1) for any award as to which the applicable performance period is not more than 50% completed at the date of the Qualifying Termination, the Participant shall receive within ninety (90) days following the date of the Qualifying Termination, the award at 100% of target performance under the applicable program.

With respect to awards which are not assumed by a surviving entity or otherwise equitably converted or substituted in connection with a Change in Control:

outstanding Options and SARs shall become fully vested and shall remain exercisable for the remainder of their terms;

time-based vesting restrictions on outstanding awards other than Options and SARs shall lapse and payout shall be made within ninety (90) days following the date of the Change in Control; and

with respect to all awards subject to performance-based vesting:

for any awards to which the applicable performance period is more than 50% completed at the date of the Change in Control, the performance period shall be deemed to end as of the date of the Change in Control and the Participant shall receive, within ninety (90) days following the date of the Change in Control, the greater of (x) payout of the award based on actual performance achievement during the performance period through the date of the Change in Control, (y) if applicable, the result obtained by applying the Change in Control Price for purposes of measuring Company performance with that of the comparison group at that time under the applicable program and (z) the award at 100% of target performance under the applicable program; and

(1) for any award as to which the applicable performance period is not more than 50% completed at the date of the Change in Control, the Participant shall receive, within ninety (90) days following the date of the Change in Control the award at 100% of target performance under the applicable program.

Notwithstanding anything to the contrary within Section 8 of the Plan, with respect to an RSU or Other Award, if a Change in Control occurs which is not a change in control as determined by Section 409A of the Code, then such 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 laws to awards under the Plan. This discussion is intended for the information of shareholders considering how to vote at the annual meeting, and not as tax advice or guidance to participants in the Plan, as the consequences may vary depending upon specific circumstances. The summary does not address the effects of other federal taxes or taxes imposed under state, local or foreign tax laws.

*Incentive Stock Options.* With respect to an ISO, no income is realized by the participant at the time the Option is granted or exercised. If common stock is issued to a participant upon exercise of an ISO, and if the participant does not dispose of those shares in a disqualifying disposition within two (2) years after the date of the Option grant or within one (1) year after the shares are issued to 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 sustained will be a long-term capital loss, and (ii) no deduction will be allowed to the Company for federal income tax purposes.

The exercise of an ISO will give rise to an item of tax preference that may result in alternative 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, then generally (i) 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 amount realized on the disposition of the shares) over the Option price paid for the shares, and (ii) the Company 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. Consequently, the Company will require the participant to notify the Company if there is a disposition prior to the expiration of either holding period described above. Any further gain (or loss) realized 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 (3) months after termination of employment, the Option will be taxed in the same manner as the exercise of an NQSO, except when termination of employment is due to death or disability. In the case of death or disability, if an ISO is exercised more than one (1) 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 disposition of the shares acquired by exercise of the NQSO, 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. Generally, 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.

*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 under the SAR, 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. Generally, 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 restricted stock is granted. When restrictions on the restricted stock lapse, the participant will be subject to tax at ordinary income rates on the amount by which the fair market value of the restricted stock at such time exceeds the amount (if any) paid for the stock by the recipient. However, a participant may elect under Section 83(b) of the Code within thirty (30) days of the date of receipt of the restricted stock 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 which apply to the shares) over the purchase price, if any, of the shares, and (ii) upon the subsequent sale or exchange of such stock, the participant will recognize capital gain or loss measured by the difference between the amount realized on the disposition and the basis of the restricted stock, which will equal the sum of the purchase price and the amount included in gross income under Section 83(b) of the Code.

With respect to a sale or exchange of the shares after the forfeiture period has expired, 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 generally will be entitled to a deduction equal to the amount that is taxable as ordinary income (but not 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 not make an election under Section 83(b) of the Code with respect to RSUs.

With respect to a sale or exchange of the shares (if any) delivered in connection with an RSU, 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 VOTE “FOR” THE PLAN.**

## **ITEM 3 – ADVISORY VOTE ON EXECUTIVE COMPENSATION**

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

As required by Section 14A(a)(1) of the Exchange Act, our shareholders are entitled to vote at the 2019 Annual Meeting to approve the compensation of the Company’s named executive officers, as disclosed in this proxy statement, pursuant to Item 402 of Regulation S-K (“say on pay vote”). The shareholder vote on executive compensation is an advisory vote only, and is not binding on the Company, the Board of Directors or the Compensation Committee. At our 2013 annual meeting of shareholders held on May 23, 2013, an advisory vote was held on the frequency of the say on pay vote. In such advisory vote, the Company’s shareholders voted to hold an advisory vote on the compensation of the Company’s named executive officers once every year. Our shareholders are again being asked to vote, on an advisory (non-binding) basis, on the frequency of the say on pay vote at the 2019 Annual Meeting. Please refer to “Item 4 – Advisory Vote the Frequency of the Say On Pay Vote” below for more information on this proposal.

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 our short-term and long-term profitability and success and their efforts to increase shareholder value. Please read the Compensation Discussion and Analysis beginning on page 38, “Executive Compensation” beginning on page 38 and “Termination of Employment and Change in Control Arrangements” beginning on page 58 of this proxy statement for additional details about our executive compensation arrangements, including information about the 2018 compensation of our named executive officers. We believe that the compensation of our named executive officers for 2018 was consistent with our compensation philosophy and our performance. We are asking our shareholders to indicate their support for our named executive officers’ compensation arrangements as described in this proxy statement. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers described 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 of the Company’s named executive officers, as disclosed in the Company’s Proxy Statement for the 2019 Annual Meeting of Shareholders, pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion, is hereby **APPROVED** on an advisory basis.”

The affirmative vote of a majority of votes cast is required to approve the compensation of our named executive officers. Because your vote is advisory, it will not be binding upon or overrule any decisions of the Board or of the Compensation Committee, nor will it create any additional fiduciary duty on the part of the Board or of the Compensation Committee. This advisory vote also does not seek to have the Board or the Compensation Committee take any specific action. However, the Board and the Compensation Committee value the view 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 in the future. In considering the outcome of this advisory vote, the Board will review and consider all shares voted in favor of the proposal and not in favor of the proposal. Abstentions and broker non-votes will have no impact on the outcome of this advisory vote.

## **Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” 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 THE FREQUENCY OF THE SAY ON PAY VOTE**



In this advisory vote, we are asking shareholders to indicate whether the Company should conduct a say on pay vote once every year, 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 say on pay vote 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 us with 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 what is the best approach for the Company.

Based on these considerations, the Board is recommending that shareholders vote that a say on pay vote should be held once every year, but it is important to note that the proxy card provides for four choices (every one, two, or three 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 a say on pay vote should be conducted in the future. The frequency that receives the highest number of votes cast by shareholders will be considered by the Board as the frequency that has been elected 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 a say on pay vote. Our shareholders last cast an advisory vote on the frequency of the say on pay vote at the 2013 annual meeting of shareholders, and to hold an advisory vote on the compensation of the Company's named executive officers once every year. In the future, the Board may, in its discretion, decide to hold an advisory vote on the frequency of future advisory votes on executive compensation more often than once every six years.

## **Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" A FREQUENCY OF ONCE EVERY YEAR FOR FUTURE ADVISORY (NON-BINDING) SHAREHOLDER 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 BDO USA LLP ("BDO") as the Company's independent registered public accounting firm for the 2019 fiscal year. BDO has served as the Company's independent registered public accounting firm since June 28, 2013. The Company's shareholders ratified the selection of BDO as the

Company's independent registered accounting firm for the 2018 fiscal year at the Company's 2018 annual meeting of shareholders on May 24, 2018.

### **Ratification of the Selection of BDO by Shareholders**

In addition to selecting BDO as the Company's independent registered public accounting firm for the Company's 2019 fiscal year, the Audit Committee has directed that management submit the selection of the Company's independent registered public accounting firm for ratification by the Company's shareholders at the 2019 Annual Meeting.

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

Shareholder ratification of the selection of BDO as the Company’s independent registered public accounting firm is not required by the Company’s By-laws or otherwise. However, the Board is submitting the selection of BDO 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 BDO. Unless contrary instructions are given, the shares of common stock represented by the proxies being solicited will be voted “FOR” the ratification of the selection of BDO as the Company’s independent registered public accounting firm for the Company’s 2019 fiscal year.

### Principal Accounting Fees and Services

The Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and the SEC auditor independence rules require all public accounting firms that audit issuers to obtain pre-approval from their respective audit committees in order to provide professional services without impairing independence.

The fees billed by BDO, the Company’s independent registered public accounting firm, relating to the 2018 and 2017 fiscal years were as follows:

<b>Type of Service</b>	<b>2018</b>	<b>2017</b>
Audit Fees <sup>(1)</sup>	\$326,200	310,809
Audit-Related Fees <sup>(2)</sup>	\$27,000	65,185
Tax Fees <sup>(3)</sup>	\$30,364	22,504
All Other Fees	\$--	--
<b>Total</b>	<b>\$383,564</b>	<b>398,498</b>

Includes fees for professional services rendered for the audit of the Company’s annual consolidated financial (1) statements and review of consolidated financial statements included in Forms 10-Q, including out-of-pocket expenses.

Includes fees for professional services rendered in connection with the review of the Registration Statement filed (2) on Form S-4 filed in connection with the acquisition of New Jersey Community Bank for 2017 and the Bank’s compliance with the Federal Housing Authority (“FHA”) Title II Single Family Lending Program for 2017 and 2018.

(3) Includes fees for services rendered for tax compliance.

In accordance with the Sarbanes-Oxley Act, the Audit Committee established policies and procedures under which all audit and non-audit services performed by the Company’s principal accountants must be approved in advance by the Audit Committee. As provided in the Sarbanes-Oxley Act, all audit and non-audit services 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 permitted 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 any pre-approval decisions are reported to the Audit Committee at or prior to its next meeting. Specific services being provided by the independent registered public accounting firm are regularly reviewed 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. 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 BDO USA LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY'S 2019 FISCAL YEAR.**

## **CORPORATE GOVERNANCE**

### **General**

The Company is committed to establishing sound principles of corporate governance which 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 requested by the Board of Directors, the Nominating and Corporate Governance Committee of the Board of Directors. This review includes comparing the Board's current governance policies and practices with those suggested by authorities active in corporate governance, as well as the practices of other public companies. Based on this evaluation, the Board has adopted those policies and practices that it believes are the most appropriate corporate governance policies and practices for the Company.

### **Board Leadership Structure and Role in Risk Oversight**

The Board is currently composed of Charles S. Crow, III (Chairman), Robert F. Mangano, James G. Aaron, William J. Barrett, J. Lynne Cannon, Antonio L. Cruz, Carmen M. Penta, Edwin J. Pisani, Roy D. Tartaglia and William M. Rue. Mr. Crow serves as the Chairman of the Boards of Directors of the Company and of the Bank, and Mr. Mangano serves as the President and Chief Executive Officer of the Company and of the Bank. We separate the roles of Chairman of the Board and Chief Executive Officer in recognition of the differences between the two roles, as we have done since prior to the time that we became an SEC reporting company in 2001. The Chief Executive Officer is responsible for implementing the strategic goals of the Company and for the day to day leadership, operations and performance of the Company, whereas the Chairman of the Board provides strategic guidance to the Chief Executive Officer, presides over meetings of the full Board and, if the Chairman is independent, presides over executive sessions of the independent directors.

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

While our Audit Committee oversees the Company’s risk management processes with input from our Board, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.

## Committee Memberships

The Board of Directors maintains an Audit Committee (the “Audit Committee”); a Nominating and Corporate Governance Committee (the “Nominating and Corporate Governance Committee”); and a Compensation Committee (the “Compensation Committee”). The table below provides the current membership for each of these Board committees. Mr. Mangano does not serve on any committee of the Company’s Board of Directors.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Charles S. Crow, III	X	X	X*
William M. Rue	X	X*	X
Edwin J. Pisani	X*		
Roy D. Tartaglia	X		X
J. Lynne Cannon		X	
James G. Aaron		X	X
Antonio L. Cruz		X	X
William J. Barrett	X		
Carmen M. Penta		X	

X = Committee member; \* =  
Chairman

## Director and Nominee Independence

The Board of Directors has affirmatively determined that a majority of the directors, and all of the members of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee, are “independent” within the meaning of the Nasdaq independence standards. The Board has further determined that the members of the Audit Committee are also “independent” for purposes of Section 10A(m)(3) of the Exchange Act and that each member of the Compensation Committee is an “outside director” within the meaning of Regulation 1.162-27 under 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, Rue, Pisani, Tartaglia, Aaron, Cruz, Penta and Barrett and Ms. Cannon have no material relationship with the Company affecting his or her independence as a director and that each is “independent” within the meaning of the independence standards established by Nasdaq. In making each of these independence determinations, the Board considered and broadly assessed, from the standpoint of materiality and independence, all of the information provided by each director and nominee in response to detailed inquiries concerning his or her independence and any direct or indirect business, family, employment, transactional or other relationship or affiliation of such director with the Company and considered the deposit and other 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 Chas. E. Rue & Son, Inc., which is owned and controlled by Mr. Rue, acts as the Company's insurance broker, and that Mr. Rue, certain of Mr. Rue's family members and certain entities owned or controlled by Mr. Rue are customers of, and conduct banking transactions with, the Bank in the ordinary course of business on customary terms; (ii) with respect to Mr. Crow, the Board considered the fact that certain entities 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; (iii) with respect to Mr. Aaron, the Board considered the fact that Ansell, Grimm & Aaron, P.C., a law firm where Mr. Aaron is a partner, provided legal services to the Bank, that Mr. Aaron and his spouse have a home equity line of credit with the Bank with no balance outstanding as of March 31, 2019, and that Mr. Aaron has an ownership interest in an entity that has a line of credit with the bank which has balance outstanding as of March 31, 2019; (iv) with respect to Mr. Cruz, the Board considered that Mr. Cruz and his spouse have a residential mortgage with the Bank, that Mr. Cruz and his spouse have a home equity line of credit with the Bank with no outstanding balance at March 31, 2019, that an entity in which Mr. Cruz's spouse has an ownership interest leases a branch in Perth Amboy, NJ to the Bank, and that certain entities owned or controlled by Mr. Cruz are customers of, and conduct banking transactions with, the Bank in the ordinary course of business on customary terms; (v) with respect to Mr. Tartaglia, the Board considered that Mr. Tartaglia is a customer of, and maintains a deposit account with, the Bank in the ordinary course of business on customary terms; and (vi) with respect to Mr. Penta, the Board considered that Mr. Penta has an ownership interest in an entity that has a construction line of credit with the Bank, which upon completion of such construction, will become a permanent amortizing commercial mortgage loan, that Mr. Penta has an ownership interest in an entity that has a commercial mortgage with the Bank and that Mr. Penta maintains a deposit account with the Bank. These transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

## **Audit Committee**

The Audit Committee is currently comprised of Messrs. Edwin J. Pisani (Chairman), Charles S. Crow, III, William J. Barrett, William M. Rue and Roy D. Tartaglia, each of whom served on the Audit Committee for all of 2018. The Audit Committee serves as a communication point among non-Audit Committee directors, internal auditors, employees of the Company's independent registered public accounting firm and Company management with respect to, among other things, financial accounting, financial reporting and internal controls. The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to accounting policies, internal controls, financial and operating controls, standards of corporate conduct and performance, financial reporting practices 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 audits of 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 management expertise in accordance with the applicable Nasdaq rules. The Board has also determined that Edwin J. Pisani qualifies as an “audit committee financial expert” and he serves as the Company’s “audit committee financial expert.” No member of the Audit Committee received any compensation from the Company during fiscal year 2018 other than compensation for services as a director or member of a Committee of the Board. The Audit Committee charter is available on the Investor Relations/Governance Documents page of our website at [www.1stconstitution.com](http://www.1stconstitution.com).

### **Report of the Audit Committee**

The Audit Committee of the Company is currently comprised of five independent directors appointed by the Board of Directors, each of whom is independent for purposes of Audit Committee membership under applicable Nasdaq and SEC rules. The Audit Committee operates under the Audit Committee charter, which was adopted in March 2004 and most recently amended on December 15, 2016. The Audit Committee charter provides that the Audit Committee shall have the sole authority to appoint or replace 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 annual independent audit of the financial statements and expresses an opinion on the conformity of those financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the “PCAOB”). The Audit Committee’s responsibility is to monitor and oversee these processes and 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 and interim quarterly reviews, as well as the overall quality of the Company’s accounting policies and other required communications, including those described by Auditing Standard No. 1301, as adopted by the PCAOB. The Company’s independent registered public accounting firm assists management, as necessary, in updating the Audit Committee concerning new accounting developments

and their potential impact on the Company's financial reporting. The Audit Committee also meets five (5) times a year with the Company's independent registered public accounting firm without management present.

The Audit Committee reviews and discusses with management the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee also meets with Company management, without the Company's independent registered public accounting firm present, to discuss management's evaluation of the performance of the independent registered public accounting firm.

With respect to fiscal year 2018, the Audit Committee:

met with management and BDO and reviewed and discussed the Company's audited financial statements and discussed significant accounting issues;

periodically met with management to review and discuss quarterly financial results;

discussed with BDO the scope of its services, including its audit plan;

reviewed the Company's internal control processes and procedures;

discussed with BDO the matters required to be discussed by PCAOB Auditing Standard No. 16 (communications with the Audit Committee);

received and reviewed the written disclosures and letters from BDO required by applicable requirements of the PCAOB regarding BDO's communications with the Audit Committee concerning independence, and discussed with BDO its independence from management and the Company; and

reviewed and approved all audit and non-audit services provided by BDO during fiscal year 2018.

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2018 for filing with the SEC.

#### Members of the Audit Committee

EDWIN J. PISANI (Chairman)  
ROY D. TARTAGLIA  
CHARLES S. CROW, III  
WILLIAM M. RUE  
WILLIAM J. BARRETT

#### Compensation Committee

The Compensation Committee is currently comprised of Messrs. William M. Rue (Chairman), Charles S. Crow, III, James G. Aaron, Antonio L. Cruz and Carmen M. Penta and Ms. J. Lynne Cannon, each of whom served on the Compensation Committee for all of 2018, except for Mr. Penta, who was appointed to the Compensation Committee at the organizational meeting of the Board of Directors following the 2018 annual meeting of shareholders. Each member of the Compensation Committee has been determined by the Board to be “independent” within the meaning of the Nasdaq independence standards, and each of whom is an “outside director” within the meaning of Code Section 162(m) and is a “non-employee director” within the meaning of Exchange Act Rule 16b-3.

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

No Compensation Committee member participates in any of the Company’s employee 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 available on the Investor Relations/Governance Documents page of our website at [www.1stconstitution.com](http://www.1stconstitution.com).

#### *Role of the Compensation Committee*

The Compensation Committee is appointed by the Board of Directors. Subject to the final review and approval by the Board, the Compensation Committee evaluates, determines and approves the compensation of the Company's Chief Executive Officer, Chief Financial Officer, principal accounting officer to the extent that the principal accounting officer is not the Chief Financial Officer, other executive officers and outside directors. The Compensation Committee administers the Company's equity 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 each year and additional meetings as appropriate, either in person or by telephone. Generally, the Compensation Committee Chairman works with management in establishing the agenda for Compensation Committee meetings. Management also prepares and submits information during the course of the year for the consideration of the Compensation Committee, such as management's proposed recommendations to the Compensation Committee for performance measures and proposed financial targets, management's proposed recommendations to the 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. Subject to the final review and approval by the Board, the Compensation Committee reviews and approves the Company's goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in light of those goals and objectives at least once per year and determines the Chief Executive Officer's compensation level based on this evaluation. The Chief Executive Officer is not present during voting or deliberations with respect to his compensation. On an annual basis, the Compensation Committee also reviews and approves base salary, annual incentive compensation and long-term equity-based compensation of the other executive officers of the Company.

#### *Risk Assessment of Compensation Programs*



The Compensation Committee discusses, evaluates and reviews with the Company's senior risk officer all of our employee compensation programs in light of the risks posed to us by such programs and how to limit such risks and to assess whether any aspect of these programs would encourage any employees to manipulate reported earnings to enhance their compensation and assess whether any aspect of these programs would encourage the Company's senior executive officers to take any unnecessary or excessive risks that could threaten the value of the Company. Included in the analysis are such factors as (i) the appropriate levels of "fixed" and "variable" or "at risk" compensation, (ii) the appropriate levels of long-term incentive compensation between service-based and performance-based compensation and (iii) the risk and performance criteria, if any, attached to the awards under employee compensation plans. Based on this assessment, the Compensation Committee determined that the Company's executive compensation programs are not reasonably likely to encourage the Company's senior executive officers to take unnecessary or excessive risks that could have a material adverse effect on the Company.

### *Compensation Committee Advisors*

The Compensation Committee charter grants the Compensation Committee full authority to engage compensation consultants and other advisors to assist it in the performance of its responsibilities. Prior to retaining, or seeking advice from, a compensation consultant or other advisor, the Compensation Committee must consider the independence of such compensation consultant or other advisor, taking into consideration the factors set forth in the Compensation Committee charter. A compensation consultant retained by the Compensation Committee reports directly to the Compensation Committee.

The Compensation Committee relies on management and outside advisers for staff work and technical guidance in conducting its affairs. It retains full authority to engage independent third party advisers. In 2018, the Compensation Committee engaged Pearl Meyer & Partners, LLC (the “Compensation Consultant”) as compensation consultant to the Compensation Committee to conduct independent studies and provide recommendations with respect to executive and employee compensation. The Compensation Consultant’s primary role with the Company is as independent adviser to the Compensation Committee on matters relating to executive and employee compensation. The Compensation Committee assessed the independence of the Compensation Consultant and determined that its work for the Compensation Committee has not raised any conflict of interest.

In 2018, the Compensation Consultant provided services to the Compensation Committee, including (i) a refreshed compensation review for up to 10 executive officers of the Company and/or the Bank, including the Company’s named executive officers, (ii) an assessment of the Bank’s compensation components compared to survey and peer group data and (iii) recommendations for total compensation opportunity guidelines (i.e., base salary and short and long-term incentive targets). The Compensation Consultant does not provide any services to the Company or any of its subsidiaries other than the services provided to the Compensation Committee.

### *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 comprised of Messrs. Charles S. Crow, III (Chairman), William M. Rue, James G. Aaron, Roy D. Tartaglia and Antonio L. Cruz, each of whom served on the

Nominating and Corporate Governance Committee for all of 2018. The Nominating and Corporate Governance Committee is responsible for recommending, for consideration by the Board, candidates to serve as directors of the Company, as well as the re-election of current directors. The committee also reviews recommendations from shareholders regarding director candidates and corporate governance. The procedure for submitting recommendations of director candidates is set forth below under the caption "Selection of Director Candidates."

In accordance with the marketplace rules of the Nasdaq Global Market, the Nominating and Corporate Governance Committee is currently, and was during 2018, composed entirely of independent members of the Board of Directors.

The Nominating and Corporate Governance Committee charter is available on the Investor Relations/Governance Documents page of our website at [www.1stconstitution.com](http://www.1stconstitution.com).

*Selection of Director Candidates*

The Nominating and Corporate Governance Committee has established a policy regarding the consideration of director candidates, including those recommended by shareholders. The Nominating and Corporate Governance Committee, together with the President and CEO 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 below 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 CEO, other Board members, and other appropriate sources, to ensure that all points of view can be considered 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 CEO 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. Therefore, the Nominating and Corporate Governance Committee seeks nominees for recommendation who bring a variety of business backgrounds, experiences and perspectives to the Board. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a broad diversity of experience, professions, skills, geographic representations, knowledge and abilities that will allow the Board to fulfill its responsibilities. In selecting director nominees for recommendation, the Nominating and Corporate Governance Committee considers all aspects of a potential nominee's background, including educational background, gender, business and professional experience, and particular skills 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 who will help us capitalize on business opportunities in a challenging and highly competitive market. The Nominating and Corporate Governance Committee has not adopted a formal diversity 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 Secretary, 1st Constitution Bancorp, P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey 08512, in writing, not less than 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 and the recommending shareholder as described in Article I, Section 9 of the Company's By-laws for shareholder nominations for director. The Nominating and Corporate Governance Committee may also request any additional background or other information from any director candidate or the recommending shareholder as it may deem appropriate. Nothing above 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 in overseeing the management of the Company. Board candidates are considered based on various criteria which may change over time and as the composition of the Board changes. The following 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 director 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 a financial expert or financially literate, as described in SEC or Nasdaq rules, or an audit committee financial expert, as defined by the Sarbanes-Oxley Act;

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; and

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 2018, the Board of Directors of the Company and the Bank held 15 meetings, the Audit Committee held eight meetings, the Compensation Committee held four meetings and the Nominating and Corporate Governance Committee held one meeting. Each director attended at least 75% of the aggregate meetings of the Board of Directors and the committees of which such 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 participate in all Board meetings and in all meetings of committees on which the director is a member and to attend the annual meeting of shareholders. All members of the Board at the time of last year's annual meeting of shareholders attended such annual meeting of shareholders, except for Ms. Cannon, who was unable to attend due to personal reasons.

### **Executive Sessions of Non-Management Directors**

Our Corporate Governance Guidelines, which were adopted in March of 2004 and most recently amended on February 21, 2019, require non-management directors to meet in executive sessions at least two times per year. At each executive session, the Chairman of the Board will preside at the executive session. In the event the Chairman of the Board is not available, the Chairman of the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee, respectively, will preside in his place. Seven executive sessions of non-management directors were held in 2018.

### **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](http://www.1stconstitution.com), under "Investor Relations".

### **Code of Business Conduct and Ethics and Corporate Governance Guidelines; Hedging**

The Company has adopted a Code of Business Conduct and Ethics (the “Code of Conduct”), 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 Conduct is available on the Company’s website under the “Investor Relations” tab. The Company will disclose any substantive amendments to, or waivers from, provisions of the Code of Conduct made with respect to the chief executive officer or principal financial and accounting officer(s) on its website.

The Company has also adopted Corporate Governance Guidelines which are intended to provide guidance to the Board and its committees regarding the governance of the Company. The Corporate Governance Guidelines were most recently amended on February 21, 2019, to provide for a director retirement policy, which provides that no person shall be eligible for election or re-election as a director after such person attains the age of seventy-five (75) years, except that the Board may waive this policy with respect to any such person upon the approval of a majority of the directors then in office. Both the Code of Conduct and the Corporate Governance Guidelines are available on the Investor Relations/Governance Documents page of our website at [www.1stconstitution.com](http://www.1stconstitution.com).

The Company has not adopted any formal practice or policy regarding the ability of our employees, officers or directors, or any of their designees, to purchase financial instruments, or otherwise engage in transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company’s common stock.

### **STOCK OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS**

The following table sets forth information concerning the beneficial ownership of Company common stock, as of April 10, 2019, by each director/nominee, by the Company’s named executive officers, by all directors and executive officers as a group and by any individual or group 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 and investment power with respect to their shares of Company common stock.

<b>Name of Beneficial Owner - Principal Shareholders (2)</b>	<b>Amount and nature of beneficial ownership (1)</b>	<b>Percent of Class</b>
Banc Fund VII L.P., Banc Fund VIII L.P., Banc Fund IX L.P. and Banc Fund X L.P.	661,753 (3)	7.67%
<b>Name of Beneficial Owner – Directors and Executive</b>		



**Officers**

Robert F. Mangano	566,118 (4)	6.56%
William M. Rue	257,295 (5)	2.98%
Charles S. Crow, III	97,753 (6)	1.13%
Edwin J. Pisani	22,200 (7)	*
Roy D. Tartaglia	81,758 (8)	*
J. Lynne Cannon	4,394 (9)	*
James G. Aaron	19,249 (10)	*
Antonio L. Cruz	133,150 (11)	1.54%
Carmen M. Penta	6,998 (12)	*
William J. Barrett	2,100 (13)	*
Stephen J. Gilhooly	13,923 (14)	*
John T. Andreacio	31,164 (15)	*

**All Directors and Executives Officers of the Company  
as a Group (12 Persons)**

**1,236,102 (16)** **14.33%**

\* Less than 1%

The securities “beneficially owned” by an individual are determined in accordance with the definition of “beneficial interest” set forth in SEC regulations and, accordingly, may include securities owned by or for, among others, the spouse and/or minor children of the individual and any other relative who has the same home as the individual, as (1) well as other securities as to which the individual has or shares voting or investment power. Beneficial ownership may be disclaimed as to some of the shares. A person is also deemed to beneficially own shares of Company common stock that such person does not own, but has a right to acquire presently or within sixty days after April 10, 2019. As of April 10, 2018, there were 8,628,773 shares of Company common stock outstanding.

All correspondence to beneficial owners listed in this table, except for Banc Fund VII L.P., Banc Fund VIII L.P., (2) and Banc Fund IX L.P., is sent care of the Company to its principal executive office at P.O. Box 634, 2650 Route 130 North, Cranbury, New Jersey 08512.

Based on information provided in a Schedule 13G/A filed jointly on February 12, 2019. Banc Fund VII L.P. beneficially owns 153,568 shares, Banc Fund VIII L.P. beneficially owns 332,606 shares and Banc Fund IX L.P. beneficially owns 175,579 shares. The shares in question may be deemed beneficially owned by The Banc Funds Company, L.L.C., which is the general partner of MidBanc VII L.P., MidBanc VIII L.P., MidBanc IX L.P. and MidBanc X L.P. MidBanc VII L.P. is the general partner of Banc Fund VII L.P., MidBanc VIII L.P. is the general (3) partner of Banc Fund VIII L.P., MidBanc IX L.P. is the general partner of Banc Fund IX L.P. and MidBanc X L.P. is the general partner of Banc Fund X L.P. Charles J. Moore is the principal shareholder of The Banc Funds Company, L.L.C. and manager of Banc Fund VII L.P., Banc Fund VIII L.P., Banc Fund IX L.P. and Banc Fund X L.P. The address of each of Banc Fund VII L.P., Banc Fund VIII L.P., Banc Fund IX L.P., Banc Fund X L.P., MidBanc VII L.P., MidBanc VIII L.P., MidBanc IX L.P., MidBanc X L.P., The Banc Funds Company, L.L.C. and Mr. Moore is c/o The Bank Funds Company, L.L.C., 20 North Wacker Drive, Suite 3300, Chicago, IL 60606.

Includes 502,504 shares owned directly by Mr. Mangano, options to purchase 33,834 shares of Company common stock, which are currently exercisable or that will become exercisable within sixty days after April 10, 2019, and (4) 29,780 unvested shares of restricted stock issued to Mr. Mangano under the Company’s 2005 Equity Incentive Plan and 2013 Equity Incentive Plan, which may be voted immediately upon grant.

Includes 205,629 shares owned directly by Mr. Rue, 2,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Rue under the (5) Company’s 2015 Directors Stock Plan, which may be voted immediately upon grant, 42,615 shares held by Mr. Rue’s wife and 6,051 shares held by Chas. E. Rue & Sons, Inc., over which Mr. Rue may be deemed to have beneficial ownership.

Includes 42,325 shares owned directly by Mr. Crow, 4,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Crow under (6) the Company’s 2015 Directors Stock Plan, which may be voted immediately upon grant, 39,185 shares held by Crow & Cushing Profit Sharing Plan, 5,494 shares held by Crow Family Associates, LLC, 4,096 shares held in accounts for Mr. Crow’s grandchildren, and 1,653 shares held in Mr. Crow’s wife’s IRA account, over which Mr. Crow may be deemed to have beneficial ownership.

Includes 17,600 shares owned directly by Mr. Pisani, 4,100 shares of restricted stock that have vested or that will (7) vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Pisani under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant.

(8) Includes 36,990 shares owned directly by Mr. Tartaglia, 2,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, 500 unvested shares of restricted stock issued to Mr. Tartaglia under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant, 350 shares held in trust for the benefit of Mr. Tartaglia's grandson, 21,550 shares held in Mr. Tartaglia's IRA account, and 19,868 shares held by the Tartaglia Family Trust, over which Mr. Tartaglia may be deemed to have beneficial ownership.

(9) Includes 1,394 shares owned directly by Ms. Cannon, 2,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Ms. Cannon under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant.

(10) Includes 6,525 shares owned directly by Mr. Aaron, 2,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Aaron under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant, 2,500 shares held in Mr. Aaron's IRA account, 2,362 shares held by ERBA Co Inc., and 4,862 shares held by the Aaron Family Partnership and Investment Company, over which Mr. Aaron may be deemed to have beneficial ownership.

(11) Includes 130,150 shares owned directly by Mr. Cruz, 2,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Cruz under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant.

(12) Includes 4,998 shares owned directly by Mr. Penta, 1,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Penta under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant.

(13) Includes 100 shares owned directly by Mr. Barrett, 1,500 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 500 unvested shares of restricted stock issued to Mr. Barrett under the Company's 2015 Directors Stock Plan, which may be voted immediately upon grant.

(14) Includes 3,306 shares directly owned by Mr. Gilhooly, options to purchase 5,348 shares that are currently exercisable or that will become exercisable within sixty days after April 10, 2019, and 5,269 shares of unvested restricted stock issued to Mr. Gilhooly under the Company's 2013 Equity Incentive Plan, which may be voted immediately upon grant.

(15) Includes 8,137 shares directly owned by Mr. Andreacio, 780 shares indirectly owned by Mr. Andreacio through the Company's 401(k) Plan, options to purchase 2,283 shares that are currently vested and exercisable, and 12,274 shares of restricted stock that have vested or that will vest within sixty days after April 10, 2019, and 7,690 unvested shares of restricted stock, which may be voted immediately upon grant.

(16)

Includes options to purchase 41,465 of Company common stock, which are currently exercisable or that will become exercisable within sixty days after April 10, 2019 and 42,739 unvested shares of restricted stock, which may be voted immediately upon grant.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, 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 reports of ownership and changes in ownership with the SEC. Based on a review of the reports furnished to the Company, the Company believes that during the year ended December 31, 2018, all officers, directors and 10% beneficial owners complied with applicable Section 16(a) filing requirements except that, due to a technological failure, one Form 4 for James G. Aaron was inadvertently filed one day late. The Form 4 reported four transactions, two of which were timely reported.

**DIRECTOR COMPENSATION**

The following table details the compensation paid to our non-employee directors for the year ended December 31, 2018.

**NON-EMPLOYEE DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (1))	Option Awards (\$)	All Other Compensation (\$ (2))	Total (\$)
Charles S. Crow, III	19,600	42,200	--	463	62,263
William M. Rue	13,600	21,100	--	847	35,547
Edwin J. Pisani	12,100	37,980	--	501	50,581
Roy D. Tartaglia	17,600	21,100	--	1,692	40,392
J. Lynne Cannon	10,800	21,100	--	560	32,460
James G. Aaron	16,600	21,100	--	0	37,700
Antonio L. Cruz	14,300	21,100	--	421	35,821
Carmen M. Penta	16,600	21,100	--	535	38,235
William J. Barrett	12,100	21,100	--	165	33,365

The amounts listed in this column reflect the dollar amount to be recognized for financial statement reporting purposes, calculated in accordance with FASB ASC Topic 718. A discussion of the assumptions used in (1) calculating these values may be found in Note 1 of the Notes to Consolidated Financial Statements in our 2018 Annual Report on Form 10-K.

(2)

The amounts listed in this column reflect imputed income attributable to Bank Owned Life Insurance (“BOLI”) 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 competitiveness of the compensation of non-employee directors. Subject to approval by the Board of Directors, the Compensation Committee is responsible for establishing policies that govern non-employee director compensation and for implementing, administering and interpreting 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 structure, composition and operation of the Board and its committees and annually solicits comments from all directors concerning the Board’s performance. The Board also considers the significant amount of time spent by the directors in their duties for the Company. The Board, in consultation with the Compensation Committee, then determines the form and amount of non-employee director compensation.

## **Compensation Paid to Board Members**

Non-employee directors receive a combination of cash and equity compensation. Mr. Mangano, currently the only management director on the Board, does not receive any separate compensation for his service as a director.

### ***Cash Compensation***

During 2018, non-employee directors of the Company were compensated for services rendered in such capacity at the rate of \$800 per Board meeting attended and \$500 per Board committee meeting attended.

Non-employee directors of the Company are also eligible to participate in the Directors' Insurance Plan and Messrs. Charles S. Crow, III, William M. Rue, Edwin J. Pisani, Roy D. Tartaglia, Antonio L. Cruz, Carmen M. Penta and William J. Barrett and Ms. J. Lynne Cannon currently participate in the plan. See "Directors' Insurance Plan" below. No cost of this benefit is allocable to any individual director.

### ***Stock Grants***

The Company currently maintains the 1st Constitution Bancorp 2015 Directors Stock Plan (the "2015 Directors Plan"), an equity plan for its non-employee directors (which is discussed under the heading "Equity Plans" below). The 2015 Directors Plan was adopted by the Board of Directors of the Company on March 19, 2015 and was approved by our shareholders on May 21, 2015. The 2015 Directors Plan is administered by the Compensation Committee, which determines the terms of each grant under the plan.

Under the 2015 Directors Plan, the Company may grant participants stock options or shares of restricted stock relating to an aggregate maximum of 52,500 shares (as adjusted for all stock dividends) of the Company's common stock. Awards may be granted under the 2015 Directors Plan only 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 2015 Directors Plan must equal at least 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 2015 Directors Plan, and the amount and grant price for each award, shall be proportionally adjusted for any 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 or any other increase or decrease in the number of shares effected without receipt of consideration by the Company.

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

In 2018, each non-employee director received a grant of 1,000 shares of common stock under the 2015 Directors Plan. Mr. Crow received a grant of an additional 1,000 shares of common stock for his service as Chairman of the Board. Mr. Pisani received a grant of an additional 800 shares of common stock for his service as Chairman of the Audit Committee. These grants vest in equal installments on the first anniversary and second anniversary of the grant date, provided that the recipients of the grants are serving as directors of the Company on such anniversaries of the grant date.

As of March 31, 2019, there were no options to purchase shares of Company common stock outstanding under the 2015 Directors Plan. As of March 31, 2019, grants of 34,390 restricted shares of Company common stock (as adjusted for all stock dividends) have been previously made under the 2015 Directors Plan and 18,110 shares (as adjusted for all stock dividends) remain available for future issuance under the 2015 Directors Plan.

### *Directors' Insurance Plan*

The Company adopted the 1st Constitution Bancorp Directors' Insurance Plan (the "Directors' Insurance Plan"), which was effective as of October 1, 2002 and amended as of February 19, 2004 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 become participants in the Directors' Insurance Plan after completion of ten years of service as a member of the applicable Board of Directors (provided that they are not then employed by the Company or the Bank) or at such earlier 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 even if 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") were paid by the Company in October 2002, October 2005, October 2011, October 2012, June 2016, September 2017 and October 2017. The premium paid in 2017 was \$1,145,256. The Company has all ownership rights to the policies and all cash values thereunder.

The Directors' Insurance Plan may be amended, suspended or terminated at any time, except that (i) any amendment, suspension or termination of the Directors' Insurance Plan with respect to 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 with respect to a particular director shall become effective with respect to the particular director without his or her approval unless "Cause" (as defined in the Directors' Insurance Plan) exists with respect to a particular director; and (ii) termination may not occur without the consent of an affected director following a "Change of Control" (as defined in the Directors' Insurance Plan). Nevertheless, the Directors' Insurance Plan may be terminated or suspended (in whole or in part) at any time if failure to terminate or suspend the Plan would subject the Company, its officers or its directors to sanctions by a regulatory agency.

Mr. James G. Aaron does not participate in the Directors' Insurance Plan. Pursuant to an agreement with the Company, the Company has provided a death benefit to Mr. Aaron equal to \$100,000 in lieu of providing him with a Bank

Owned Life Insurance Policy. In 2018, the Company incurred an expense of \$2,408 related to the death benefit provided to Mr. Aaron.

## EXECUTIVE COMPENSATION

### Compensation Discussion & Analysis

This Compensation Discussion & Analysis (“CD&A”) explains our executive compensation program for our named executive officers (“NEOs”) listed below. For 2018, we provide information for only three NEOs, as we did not have any other executive officers who oversaw a principal business unit, division or function or any other officers who performed a policy making function for the Company in 2018. This CD&A also describes the Compensation Committee’s process for making pay decisions, as well as its rationale for specific decisions related to the fiscal year ended December 31, 2018 (“fiscal 2018”).

NEO	Title
Robert F. Mangano	President & Chief Executive Officer (“CEO”)
Stephen J. Gilhooly	Senior Vice President, Chief Financial Officer (“CFO”) and Treasurer
John Andreacio	Executive Vice President, Chief Credit and Lending Officer

### Executive Summary

#### *2018 Key Business Achievements*

1st Constitution demonstrated record results in 2018, driven by the growth of the Company’s loan portfolio and a significant year-over-year increase in net interest margin. Our leadership team continued to execute on our strategic priorities, allowing the Company to continue to capitalize on the right opportunities for long-term growth and profitability, as well as to deliver the value that we believe our shareholders have come to expect. We believe it is our unique and diverse model that drives our sustainable growth and has contributed to the following overall results for 2018:

Net income for fiscal 2018 was \$12.0 million, or \$1.40 per diluted share. Excluding merger related expenses, net income would have been \$13.4 million, or \$1.56 per diluted share. \*

The Company’s net interest margin increased to 4.09% for fiscal 2018, up from 3.81% for the fiscal year ended December 31, 2017 (“fiscal 2017”).

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Total assets increased by \$98.6 million to \$1.2 billion at December 31, 2018 from December 31, 2017 due primarily to a \$93.3 million increase in total loans.

· At December 31, 2018, loans totaled \$883.2 million, up 11.81% from December 31, 2017.

· At December 31, 2018, deposits totaled \$950.7 million, an increase of \$28.7 million, or 3.1%, from December 31, 2017.

· The Company continued to have a strong capital position in fiscal 2018.

· The ratio of non-performing loans to total loans decreased to 0.75% in fiscal 2018 from 0.90% in fiscal 2017.

· The Company increased its quarterly dividend from \$0.06 to \$0.75 per share in the third quarter of 2018.

· The Company closed and fully integrated the merger of New Jersey Community Bank with and into the Bank in the second quarter of 2018.

\* Please see Appendix A to the Proxy Statement for information on non-GAAP reconciliation.

### *Shareholder Value Creation*

In addition to our strong results for fiscal 2018, the Company continues to be widely recognized for its long-term financial performance, prudent risk management, technology, capital generation and product quality. We believe our ability to generate strong shareholder returns over long-term periods has been driven by the strength of our senior leadership team and their continued efforts to create shareholder value by staying focused on our growth and profitability goals. This can be seen in 1st Constitution's 105% annualized Total Shareholder Return over the five-year period ended December 31, 2018, which exceeded the returns of the S&P 500 Index and SNL US Bank Index (\$1B-\$5B).

### *2018 Shareholder Engagement and Response to Say-On-Pay*

We value our shareholders' perspective on our business and regularly interact with shareholders through engagement activities, including our annual meeting of shareholders, quarterly calls and annual investor conferences. Through these interactions, we can reach our top shareholders representing approximately 30% of shares outstanding about key governance and compensation topics specific to the Bank, along with other topics and trends our shareholders wish to discuss.

At the Company's 2018 Annual Meeting of Shareholders, we received majority support for our executive compensation program, with approximately 71% of the shareholders who voted on the "say on pay" proposal approving the compensation of our NEOs. This result demonstrated that our shareholders are broadly supportive of our overall executive compensation approach. We will continue to ensure that our executive compensation program will remain aligned with our business strategy and investor expectations.

As such, the Compensation Committee continued to strengthen the executive compensation program by taking the following key steps in 2019:

**Approved and fully implemented a new Long-Term Incentive Plan (the "LTIP"), with an emphasis on performance-based equity awards.** Awards under the LTIP are conditioned upon the following key elements:

o

The potential number of shares that can vest will range from 0% to 150% of target, depending on the Bank's Reported Return on Average Assets ("ROAA") performance relative to an FDIC peer group average of all commercial banks of similar size in the New York Geographic Region during the same time period. ROAA will be adjusted for non-recurring income and expenses.

Performance-based restricted stock units are granted at target and will vest annually on a pro-rata basis during the three-year performance period of January 1, 2019 through December 31, 2021 in accordance with the schedule below:

**1st Constitution vs.**

	<b>% of Performance Units Earned</b>
<b>FDIC Peer Index</b>	
75 <sup>th</sup> Percentile and above	150%
50 <sup>th</sup> Percentile	100%
40 <sup>th</sup> Percentile	50%
Below 40 <sup>th</sup> Percentile	0%

2018 Target LTIP opportunities are expressed as a percentage of base salary and were established according to the NEO's level of responsibility. For fiscal 2018 performance, which was awarded in 2019, target award opportunities were as follows:

<b>NEO</b>	<b>Target Award Opportunity (as a % of base salary)</b>
Robert F. Mangano	50%
Stephen J. Gilhooly	25%
John Andreacio	30%

These awards were granted based on the Compensation Committee's assessment of corporate and individual performance in 2018 and used a combination of equity vehicles, as follows:

<b>NEO</b>	<b>Performance-Based Restricted Units</b>	<b>Stock Options*</b>	<b>Restricted Stock Awards</b>
	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>
Robert F. Mangano	8,000	0	8,000
Stephen J. Gilhooly	1,000	1,000	0
John Andreacio	1,300	1,500	0

\*The exercise price of the stock options issuable under the awards granted on January 2, 2019 is \$19.38 per share, which was the closing price of the Company's common stock on the date of grant. There can be no assurance that any value will be realized. Stock options have a vesting schedule of 20% per year, commencing on the effective date of the grant and for the next four anniversaries of the grant date. The stock options are also contingent upon the continued employment of the holder through each vesting date.



**Approved and Implemented a new Annual Incentive Plan.** Made decisions about annual incentive payouts consistent with the design implemented in 2018. For fiscal 2018, annual incentive plan payouts were based on financial results and strategic/individual performance against pre-established goals, subject to the achievement of a threshold adjusted net income goal. If the threshold net income goal had not been achieved, no portion of the annual incentive award would have been paid.

**Approved “double-trigger” vesting provisions.** The equity-based awards for fiscal 2018 performance, which were granted in 2019, reflect a new double-trigger vesting provision upon a change-of-control.

**Adopted a formal Clawback Policy.** We adopted a Clawback Policy which covers incentive compensation that was awarded based on material non-compliance with any financial reporting requirements under applicable securities laws. The Clawback Policy is triggered by a restatement of the Company’s financial statements. Excess compensation, determined to be the amount of compensation that would not have been paid to the employee if the financial statements were correct at the time of the payment, would be subject to recoupment.

These changes were modeled on best-practices and the Company’s policies underpinning our executive compensation program, such as stock ownership guidelines, annual risk assessments, and engaging an independent compensation consultant, which promote sound compensation governance and are in the best interests of our shareholders and executive officers.

## **What Guides Our Program**

### *Our Compensation Philosophy*

Our executive compensation program is designed to ensure that we execute on our goal to establish a community bank with the means to deliver a superior level of service and enhance long-term shareholder value. Our compensation philosophy is driven by the following guiding principles that underpin the critical connections between performance, long-term value creation, talent management and compensation governance:

Performance-Driven	A portion of an executive officer’s total compensation should be variable (“at-risk”) and linked to the achievement of specific short- and long-term performance objectives.
Shareholder-Aligned	Executive officers should be compensated through pay elements (base salaries and short- and long-term incentives) designed to enhance shareholder value by making the Bank, which is our primary operating subsidiary, a driving force towards providing shareholders with a suitable rate of return on their investment.
Competitively-Positioned	Target compensation should be competitive with that being offered to individuals in comparable roles at other companies with which we compete for talent to ensure that we employ the best people to lead our success.
Responsibly-Governed	Decisions about compensation should be guided by best-practice governance standards and rigorous processes that encourage prudent decision-making.

### *The Principal Elements of Pay*

Our compensation philosophy is supported by the following principal elements of pay:

<b>Pay Element</b>	<b>How It's Paid</b>	<b>Purpose</b>
Base Salary	Cash (Fixed)	Provide a competitive base salary rate relative to similar positions in the market and enable the Company to attract and retain critical executive talent.
Annual Incentives	Cash (Variable)	Reward executive officers for delivering on annual financial and strategic objectives that contribute to the creation of shareholder value.
Long-Term Incentives	Equity (Variable)	Provide incentives for executive officers to execute on longer-term financial goals that drive the creation of shareholder value. Grant incentives that support stock ownership and aid in the Company's retention strategy.

## **Our Decision-Making Process**

The Compensation Committee oversees the executive compensation program for our NEOs. The Compensation Committee is comprised of independent, non-employee members of the Board of Directors. The Compensation Committee works very closely with its independent consultant and management to examine the effectiveness of the Company's executive compensation program throughout the year. Details of the Compensation Committee's authority and responsibilities are specified in the Compensation Committee charter, which was most recently amended on December 15, 2016. The charter is available under the "Investor Relations" tab on the Company's website at [www.1stconstitution.com](http://www.1stconstitution.com).

### ***The Role of the Compensation Committee***

The Compensation Committee is appointed by the Board. Subject to the final review and approval by the Board, the Compensation Committee evaluates, determines and approves the compensation of the NEOs, including the Company's CEO, and its non-employee directors. The Compensation Committee administers the Company's equity plans and has overall responsibility for monitoring the Company's executive compensation policies, plans and programs. The Compensation Committee may delegate its authority relating to non-employee director compensation to a subcommittee consisting of one or more members when appropriate.

### ***The Role of Management***

The Compensation Committee generally holds two regularly scheduled in-person meetings a year and additional meetings as appropriate, either in person or by telephone. Generally, the Compensation Committee Chairman works with management in establishing the agenda for Compensation Committee meetings. Management also prepares and submits information during the course of the year for the consideration of the Compensation Committee, such as management's proposed recommendations to the Compensation Committee for performance measures and proposed financial targets, management's proposed recommendations to the 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. Subject to the final review and approval by the Board, the Compensation Committee reviews and approves the Company's goals and objectives relevant to the CEO's compensation, evaluates the CEO's performance in light of those goals and objectives and determines the CEO's compensation level based on this evaluation. The CEO is not present during voting or deliberations with respect to his compensation. On an annual basis, the Compensation Committee also reviews and approves base salary, annual

incentive compensation and long-term equity-based compensation of the other executive officers of the Company.

*The Role of the Independent Consultant*

The Compensation Committee has the full authority to engage compensation consultants and other advisors to assist it in the performance of its responsibilities. Prior to retaining, or seeking advice from, a compensation consultant or other advisor, the Compensation Committee must consider the independence of such compensation consultant or other advisor. The independent compensation consultant retained by the Compensation Committee reports directly to the Compensation Committee.

In 2018, the Compensation Committee engaged Pearl Meyer & Partners, LLC (“Pearl Meyer”) as its independent compensation consultant. The Compensation Committee assessed the independence of Pearl Meyer and determined that its work for the Compensation Committee has not raised any conflicts of interest.

In 2018, Pearl Meyer provided services to the Compensation Committee, including (i) a refreshed compensation review for the NEOs; (ii) an assessment of the Company’s and the Bank’s compensation components compared to survey and peer group data; (iii) recommendations for total compensation opportunity guidelines (i.e., base salary and short- and long-term incentive targets); (iv) assisted with additional modifications to the annual incentive plan; and (v) assisted in the development of a performance-based long-term incentive program. Pearl Meyer does not provide any services to the Company or any of its subsidiaries other than the services provided to the Compensation Committee.

### ***The Role of the Peer Group***

The Compensation Committee strives to set a competitive level of total compensation for each NEO as compared with executive officers in similar positions at peer companies. For purposes of setting 2018 compensation levels, in conjunction with the recommendation of Pearl Meyer, the Compensation Committee considered publicly-available data from industry compensation surveys and proxy statements from the group of peer companies listed below. (Industry survey data was data collected from surveys of bank holding companies or banks with an asset size of approximately \$1.0 billion. Proxy data was compiled for publicly-traded commercial bank holding companies or banks with assets between approximately \$900 million and \$2.5 billion.)

- BCB Bancorp, Inc.
- Bank of Princeton
- Bankwell Financial Group, Inc.
- Chemung Financial Corporation
- Evans Bancorp Inc.
- First Bank
- Malvern Bancorp, Inc.
- Metropolitan Bank Holding Corp.
- Parke Bancorp, Inc.
- Pathfinder Bancorp, Inc.
- Patriot National Bancorp, Inc.
- SB One Bancorp
- Stewardship Financial Corporation
- Two River Bancorp
- Unity Bancorp, Inc.

It is important to note that this market data is not the sole determinant in setting pay levels for executive officers of the Company. The Compensation Committee also considers Company and individual performance and the nature of an individual’s role within the Company, as well as his or her experience and contributions to his or her current role when making its compensation-related decisions.

## The 2018 Executive Compensation Program in Detail

### *Base Salary*

We provide each of our NEOs with a competitive fixed annual base salary. The base salaries for our NEOs are reviewed annually by the Compensation Committee by taking into account the results achieved by each executive officer, his or her future potential, scope of responsibilities and experience, and competitive pay practices. The NEOs received base salary increases ranging between approximately 3% and 6%, based on a review of market data, individual performance and the Company's continued growth and performance. Base salaries for each NEO are shown below:

<b>NEO</b>	<b>2017</b>	<b>2018</b>	<b>% Change</b>
Robert F. Mangano	\$642,250	\$660,000	2.76%
Stephen J. Gilhooly	\$220,000	\$230,000	4.55%
John Andreacio	\$320,000	\$340,000	6.25%

### *2018 Annual Incentives*

The annual incentive plan for 2018 afforded our NEOs the opportunity to earn a performance-based annual cash award. The annual incentive plan is designed to focus executives on achieving pre-established annual financial and strategic goals that drive long-term shareholder value. This cash incentive award is contingent corporate financial performance relative to budget and individual performance.

Annual incentive awards are paid out of an incentive pool. The incentive pool is established by the Compensation Committee based on budgeted net income adjusted for non-recurring income and expenses. Award payouts can range between 0% and 150% of target based on actual results.

*Target Award Opportunities.* Target annual bonus opportunities are expressed as a percentage of base salary and were established according to each NEO's level of responsibility. For 2018, target award opportunities were as follows:

<b>NEO</b>	<b>Target Award Opportunity (as a % of base salary)</b>
Robert F. Mangano	50%
Stephen J. Gilhooly	10%
John Andreacio	20%

*2018 Performance Measures, Weightings and Results.* The Compensation Committee establishes performance measures on an annual basis that are tailored to the Company’s financial performance (adjusted net income) and individual NEO performance. The weights and performance goals of these factors are summarized in the following table:

<b>Performance Measure</b>	<b>Weight</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Adjusted Net Income	80%	\$ 8 million	\$10 million	\$12 million
Individual Performance	20%	Discretionary		

At the end of fiscal 2018, the Compensation Committee determined a payout percentage based on year-end adjusted net income results, as well as an assessment of each NEO’s performance and contribution toward the Company’s strategic goals.

For fiscal 2018, net income, as adjusted to exclude the effect of merger related expenses, was \$13.4 million. \* As a result, the NEOs each earned maximum-level payouts (150% of target) on the corporate financial component of their target awards, which comprises 80% of the overall award. In assessing individual performance, the Compensation Committee determined that each NEO executed on his strategic priorities, allowing the Company to continue capitalizing on opportunities for long-term growth and profitability. Consequently, each of the NEOs also earned above-target payouts on the individual component of their target awards, which comprises 20% of the overall award. Based on these results, the following table lists the actual awards awarded by the Compensation Committee to the NEOs for 2018 performance:

\* Please see Appendix A to the Proxy Statement for information on non-GAAP reconciliation.



	<b>Actual Payout (as a % of Target)</b>	<b>Actual Cash Payout</b>
Robert F. Mangano	144%	\$475,000
Stephen J. Gilhooly	141%	\$32,500
John Andreacio	140%	\$95,500

### **2018 and 2019 Long-Term Incentives**

As described under “2018 Shareholder Engagement and Response to Say-On-Pay” above, the Compensation Committee approved and fully implemented a new Long-Term Incentive Plan (“LTIP”), effective in 2019, with an emphasis on performance-based equity. Equity grants awarded under the LTIP combine a variety of equity-based vehicles. For a discussion of the awards granted under the LTIP in January 2019, please refer to page 40. The remainder of this section summarizes the equity grants awarded by the Compensation Committee in 2018 for fiscal 2017 performance under the former long-term incentive plan design.

In recognition of performance achieved in fiscal 2017, on January 2, 2018, Mr. Mangano was granted 18,000 restricted stock awards. Mr. Gilhooly and Mr. Andreacio received grants of awards using a combination of restricted stock awards and stock options. Mr. Gilhooly was granted 1,000 restricted stock awards and 1,000 stock options. Mr. Andreacio was granted 1,000 restricted stock awards and 1,000 stock options. In recognition of achieving mid-year performance goals, on August 13, 2018, Mr. Gilhooly and Mr. Andreacio also received 1,500 and 3,700 restricted stock awards, respectively.

### ***Why Stock Options?***

Stock options provide meaningful incentives for management to execute on the longer-term financial and strategic growth goals that drive the creation of shareholder value. That is because they provide value to the NEOs and other officers of the Company only if the price of the Company’s stock appreciates over time. Specifically, the value of the award depends on the price of Company common stock in the future as compared to the exercise price of the options granted.

The exercise price of the stock options issuable under the awards granted on January 2, 2018 is \$18.30 per share, which was the closing price of Company common stock on the date of grant. There can be no assurance that any value will actually be realized. Stock options vest in 20% increments on each of the first five anniversaries of the date of grant. These stock options are also contingent upon the continued employment of the holder through each vesting date.

Termination of employment for any reasons other than death or disability results in the forfeiture of any unvested options. Vesting and exercisability of unvested options may also accelerate under special circumstances such as involuntary termination associated with a change in control.

***Why Restricted Stock Awards?***

Restricted stock awards are intended to provide the NEOs and other officers of the Company with the economic equivalent of a direct ownership interest in the Company during the vesting period and provide the Company with significant retention security regardless of post-grant share price volatility. Grants of restricted stock awards vest in 25% increments on each of the first four anniversaries of the date of grant. Termination of employment for any reasons other than death or disability results in the forfeiture of any unvested shares. The vesting of unvested shares may also accelerate under special circumstances, such as certain involuntary terminations associated with a change in control.

## Other Practices, Policies and Guidelines

### *Stock Ownership Guidelines*

The Company maintains stock ownership guidelines that are designed to promote our ownership culture and further align the interests of our shareholders and senior management. Our NEOs are expected to acquire and hold a minimum of Company common stock that is equal to a multiple of his or her annual base salary within five years from the time he or she becomes an NEO.

Title	Guideline as a Multiple of Salary
CEO	3x
Other NEOs	2x

The following ownership interests are considered when determining compliance with stock ownership guidelines:

- Common shares held directly or indirectly;
- Common shares (on an as converted full value basis) held in 401(k) or other benefit plan; and
- All vested or unvested stock options, restricted stock or stock units.

All of our NEOs are currently in compliance with the guidelines.

### *2018 Risk Assessment*

Each year, the Company performs a detailed risk analysis of each of its compensation programs. If warranted, the Compensation Committee will recommend changes to address concerns or considerations raised in the risk review process. Changes may be recommended for the program design or its oversight and administration in order to mitigate unreasonable risk, if any such risk is determined to exist. The Compensation Committee has concluded that the Company's compensation arrangements do not encourage any employees to take unnecessary and excessive risks. We do not believe that any risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

***Benefits & Perquisites***

Our NEOs also generally participate in other employee benefit plans on the same terms as all of our other employees. NEOs are entitled to participate in the employee benefit plans maintained by the Company and the Bank, including the 401(k) program, the medical insurance and reimbursement program, the group term life insurance program, and the group disability program.

Our NEOs also receive certain personal benefits in connection with their employment with the Company. To facilitate the business-related travel of our CEO, the Company provides Mr. Mangano with a late-model automobile, which he uses for this purpose. In addition, the Company pays for the operation and maintenance of this automobile, which is valued at cost to the Company. In 2018, Mr. Mangano was also reimbursed for a golf club membership and a social membership at a country club located near the Company's main office, which facilities are used by Mr. Mangano for business meetings and other business purposes, from time to time.

The other NEOs receive limited perquisites, which include automobile allowances and fuel reimbursement cards.

### ***Executive Life Insurance Program***

The Company has life insurance arrangements with certain executive officers of the Company. These employer-paid arrangements provide for a life insurance benefit of three times his or her annual base salary in the event of death while employed with the Company. Benefits are based on the annual base salary in effect at the time of death or retirement, minus amounts payable by reason of any other group term life insurance coverage provided by the Company.

All coverage under these arrangements terminates upon termination of a covered executive officer's employment with the Company. However, with the exception of termination for cause, coverage will remain in effect after termination only if (i) the executive is at least 60 years old and has a minimum of 10 years of service with the Company, or (ii) there is a change in control.

### ***Supplemental Executive Retirement Plan ("SERP")***

The Company maintains the SERP, which is a non-qualified, unfunded retirement plan, to provide a competitive level of pay replacement to executive officers designated by the Compensation Committee upon retirement. The Compensation Committee administers the SERP in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee is also responsible for designating eligible participants. As of December 31, 2018, Mr. Mangano was the only eligible participant. He is 100% vested in his SERP benefit, pursuant to the terms of the SERP.

SERP benefits are generally equal to the product of (i) a participant's final base compensation times (ii) a percentage multiplier selected for such participant by the Compensation Committee. Final base compensation means a participant's highest annual rate of base compensation in effect for the twelve month period prior to his or her termination from employment. Bonuses, overtime pay, commissions, other extraordinary payments, reimbursements or other expense allowances, equity compensation, fringe benefits (cash and non-cash), moving expenses, deferred compensation, and welfare benefits are excluded, and amounts contributed to the Company's 401(k) plan and cafeteria plan are included in the determination of final base compensation. The percentage multiplier used to calculate benefits under the SERP for Mr. Mangano is 55%.

In 2018, the Compensation Committee authorized retirement allocations under the SERP to Mr. Mangano, as listed in the 2018 Nonqualified Deferred Compensation table and as included in the All Other Compensation column of the 2018 Summary Compensation Table. For 2018 and 2017, respectively, the Company incurred expenses of \$303,528 and \$325,498 for Mr. Mangano in connection with the retirement allocations under the SERP, which amounts are not reflected in the 2018 Summary Compensation Table.

### *Employment Agreements*

The Company maintains employment agreements with the following NEOs, as summarized below:

#### Mangano Agreement

The Company and Mr. Mangano are parties to an employment agreement (the “Mangano Agreement”) dated July 1, 2010, as amended, whereby Mr. Mangano serves as the President and Chief Executive Officer, and as a director, of each of the Company and the Bank. The Mangano Agreement has a term of three years, with automatic one-year extensions starting on the first anniversary of the date of the Mangano Agreement and then on each anniversary (i.e., July 1) of such date thereafter, absent notice of non-renewal.

The Mangano Agreement provides for a minimum base salary of \$505,000, an annual cash bonus of up to fifty percent (50%) of base salary, and participation in the Company’s equity plans. It also provides for participation in employee benefit plans and use of an automobile and a country club membership.

The Mangano Agreement provides certain severance and change in control (CIC) benefits to Mr. Mangano, as follows:

Termination without “just cause” or for “good reason” (other than in connection with a CIC): Lump sum severance payment equal to two times the sum of his base salary plus appropriate cash bonus;

Termination due to death or disability: Base salary through date of termination plus appropriate cash bonus, prorated to date of termination, plus, in the case of disability, non-monetary employee benefits provided for under the Mangano Agreement;

Termination for “just cause”: No severance payment;

Termination without “just cause” or by Mr. Mangano for any reason in connection with or within 12 months after a CIC: Lump sum severance payment equal to three times the sum of his base salary plus a projected cash bonus.

Pursuant to a legacy program that has been in place for Mr. Mangano since the inception of the Mangano Agreement, if any of these severance payments would be subject to the excise tax imposed by Section 4999 of the Code, Mr. Mangano will be entitled to receive a gross-up to offset any such amounts. Employment agreements entered subsequent to Mr. Mangano's agreement do not contain gross-up provisions.

Upon Mr. Mangano's retirement, his outstanding stock options will vest, but unvested restricted stock and restricted stock unit awards will be forfeited unless he enters into a consulting agreement (described below) with the Company. In this case, the unvested restricted stock and RSUs will continue to vest during the consultancy period.

The Mangano Agreement requires that the Company offer to enter into such a consulting agreement with Mr. Mangano in connection with his retirement, pursuant to which he may provide consulting services for no more than fifteen (15) hours per calendar month and be paid no salary other than reimbursement of expenses. Any such consulting agreement shall remain in place for at least as long as is necessary for Mr. Mangano's unvested restricted stock and restricted stock units to vest.



The Mangano Agreement includes a covenant not to compete with the Company effective during the term of the Mangano Agreement and for one year following the termination or discontinuation of Mr. Mangano's employment or services. Mr. Mangano's compensation is also subject to recoupment pursuant to the Company's clawback policy and otherwise as required by law.

The Mangano Agreement and the Andreacio Agreement (described below) generally contain the following definitions:

A CIC occurs (i) if more than 35% of our common stock is acquired, (ii) upon a tender or exchange offer, (iii) if any person directly or indirectly acquires control of the election of a majority of the Company's directors, (iv) if any person or group within the meaning of Sections 13(d)(3) or 14(d)(2) of the Exchange Act exercises a controlling influence over the management or policies of the Company, (v) if we experience a substantial and rapid turnover in the membership of our Board of Directors (changes in Board membership occurring within any period of 2 consecutive years result in two-thirds (2/3) of our Board members not being continuing directors unless such change in Board members is approved by at least two-thirds (2/3) of our Board), (vi) if our shareholders approve a merger or consolidation with another company (other than a merger where the Company is the surviving company and which does not result in a reclassification or reorganization of the Company's shares or a change in the Company's directors, other than the addition of three or fewer directors; (vii) if our shareholders approve a sale or disposition of all or substantially all of our assets, or (viii) if we adopt a plan of dissolution or liquidation.

"Just cause" includes (i) the conviction of a felony or criminal offense involving moral turpitude, (ii) the willful commission of an act likely to cause substantial economic damage to the Company or injury to the business reputation of the Company, (iii) fraud in the performance of his duties, (iv) a continued, willful failure to perform employment duties, or (v) an order of a federal or state regulatory agency or court of competent jurisdiction requiring his termination of employment.

"Good reason" includes (i) a material reduction in responsibilities, authority, base salary or benefits, (ii) a material and uncured breach of the agreement by the Company, (iii) relocation, or (iv) material diminution of duties and responsibilities.

#### Andreacio Agreement

The Company and Mr. Andreacio are parties to an employment agreement (the "Andreacio Agreement") dated January 1, 2015 whereby he serves as the Executive Vice President and Chief Credit Officer of the Bank. The Andreacio Agreement has a term of two years, with automatic one-year extensions starting on the first anniversary of the date of the agreement, and then on each anniversary (i.e., January 1) of such date thereafter, absent notice of non-renewal.

The Andreacio Agreement provides for a minimum base salary of \$250,000, an annual cash bonus determined by the Compensation Committee, and participation in the Company's equity plans. It also provides for participation in employee benefit plans and an automobile allowance.

The Andreacio Agreement provides certain severance and change in control (“CIC”) benefits to Mr. Andreacio, as follows:

Termination without “just cause” or for “good reason” (other than in connection with a CIC): Lump sum severance payment equal to two times the sum of his base salary plus most recent cash bonus.

Termination due to death or disability: Base salary through date of termination plus appropriate cash bonus, prorated to date of termination, plus, in the case of disability, non-monetary employee benefits provided for under the Andreacio Agreement, subject to his employee contributions for such benefits.

Termination for “just cause” or quit: No severance payment.

Termination without “just cause” or by Mr. Andreacio for any reason in connection with or within 12 months after a CIC: Lump sum severance payment equal to two times the sum of his base salary plus most recent cash bonus.

If any of these severance payments would be subject to the excise tax imposed by Section 4999 of the Code, Mr. Andreacio’s severance will be cut-back to the extent necessary to avoid such taxes.

The Andreacio Agreement includes a covenant not to compete with the Company effective during the term of the Andreacio Agreement and for one year following the termination or discontinuation of Mr. Andreacio’s employment or services. Mr. Andreacio’s compensation is also subject to recoupment pursuant to the Company’s clawback policy and otherwise as required by law.

#### Gilhooly Letter Agreement

Mr. Gilhooly is a party to an agreement with the Company dated January 31, 2014. It provides for Mr. Gilhooly’s starting annual base salary of \$200,000 and an initial grant of 3,000 stock options, vesting at 20% per year beginning on date of grant. It also provides for his eligibility to participate in our annual cash bonus program, equity and employee benefit plans, and a car allowance.

#### *Equity Incentive Plans*

Our 2005 Equity Incentive Plan (the “2005 Plan”) and our 2013 Equity Incentive Plan (the “2013 Plan”) provide our NEOs with CIC and severance benefits with respect to their equity awards (if not otherwise covered by an employment agreement). Under the terms of the 2005 Plan, upon the occurrence of a CIC (as defined in the 2005 Plan), all unvested stock options and restricted stock awards shall vest. The award agreements under the 2005 Plan also provide that all outstanding awards shall become fully vested and exercisable upon the death, disability or in some cases retirement of the NEO. The terms of the 2013 Plan similarly provide for a “single trigger” acceleration of outstanding awards upon a CIC (as defined in the 2013 Plan) unless otherwise provided by the Compensation Committee. The award agreements under the 2013 Plan also provide that all outstanding awards shall become fully vested and exercisable upon the death or disability of the NEO. Unless otherwise provided in any employment agreement or change in control agreement between the NEO and the Company, all unvested shares of restricted stock will be forfeited upon the NEO’s termination of employment for reasons other than death or disability.

### **Tax and Accounting Considerations**

We take tax, accounting and regulatory requirements into consideration in choosing the particular elements of our compensation programs and in the procedures we use to set and pay those elements. We want to pay compensation in the most tax-effective manner reasonably possible and, therefore, take tax considerations into account.

Section 409A of the Code provides that deferred compensation (including certain forms of equity awards) is subject to additional income tax and interest unless it is paid pursuant to a plan and procedures that meet certain requirements of the Code. It is our intention to deliver compensation that complies with the requirements under Section 409A.

We have generally granted all of our stock options to NEOs as incentive stock options under Section 422 of the Code, subject to the volume limitations contained in the Code. Generally, for stock options that do not qualify as incentive stock options, upon exercise of the options, the holders of the stock options recognize taxable income and we are entitled to a tax deduction. For stock options that qualify as incentive stock options, we do not receive a tax deduction and the holder of the stock option may receive more favorable tax treatment than he or she would otherwise receive for a non-qualified stock option. For federal income tax purposes, the NEO will generally be deemed to have received compensation income on each vesting date equal to the fair market value of the shares vesting on such date, and the Company will generally be entitled to a tax deduction for such amount as compensation expense unless limited by tax rules.

### **Compensation Committee Report**

This report is submitted by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed and discussed with management the CD&A contained in this Proxy Statement. Based on its review of the CD&A and its discussions with management, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has agreed, that the CD&A be included in this Proxy Statement.

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Respectfully submitted by the Compensation Committee,

WILLIAM M. RUE, CHAIRMAN

CHARLES S. CROW, III

J. LYNNE CANNON

JAMES G. AARON

ANTONIO L. CRUZ

CARMEN M. PENTA

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**Summary Compensation Table**

The table below summarizes the total compensation paid to or earned by each of the Company's named executive officers for the fiscal years ended December 31, 2018, 2017 and 2016.

**SUMMARY COMPENSATION TABLE<sup>(1)</sup>**

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
	(2)	(2)	(2)	(3)	(3)	(4)	(4)
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Robert F. Mangano President and CEO	2018	660,000	475,000	329,400	–	77,440 (4)	1,541,840
	2017	642,250	375,000	373,000	–	97,425 (4)	1,487,675
	2016	592,250	450,000	300,938	–	71,110 (4)	1,414,298
Stephen J. Gilhooly Senior Vice President, CFO and Treasurer	2018	230,000	32,500	51,750	18,300	11,844 (5)	344,394
	2017	220,000	20,000	44,450	18,650	11,486 (5)	314,586
	2016	210,000	20,000	25,080	12,579	11,244 (5)	278,903
John T. Andreacio <sup>(6)</sup> Executive Vice President and Chief Lending and Credit Officer	2018	340,000	95,500	100,810	18,300	16,909 (7)	571,519
	2017	320,000	70,000	87,450	18,650	15,583 (7)	511,683

The Company has only three executive officers, as such term is defined in Rule 3b-7 of the Exchange Act, for (1) fiscal year 2018, and two executive officers for fiscal years 2017 and 2016. The Company is voluntarily providing Mr. Andreacio's compensation for fiscal year 2017.

(2) Amounts include compensation deferred under the Company's 401(k) Plan as follows: In fiscal year 2018, our named executive officers deferred the following amounts into the Company's 401(k) Plan: Mr. Mangano - \$24,500, Mr. Gilhooly - \$23,998 and Mr. Andreacio - 20,688. In fiscal year 2017, our named executive officers deferred the following amounts into the Company's 401(k) Plan: Mr. Mangano - \$20,798, Mr. Gilhooly - \$20,341 and Mr. Andreacio - \$18,796. In fiscal year 2016, our named executive officers deferred the following amounts

into the Company's 401(k) Plan: Mr. Mangano - \$20,342 and Mr. Gilhooly - \$20,378.

Amounts shown in these columns reflect the aggregate grant date fair value of restricted stock awards and option awards, as determined in accordance with FASB ASC Topic 718. Additional information concerning our accounting for restricted stock and options granted in 2018 is included in Note 1 and Note 16 of the Notes to Consolidated Financial Statements in our 2018 Annual Report on Form 10-K and additional information concerning our accounting for restricted stock and options granted in 2017 is included in Note 1 and Note 15 of the Notes to Consolidated Financial Statements in our 2017 Annual Report on Form 10-K.

Includes: (i) the value of the Company's match of employee contributions under our 401(k) Plan; (ii) imputed income attributable to BOLI; (iii) the annual cost to the Company of a country club membership; and (iv) the value of the Company provided automobile of \$41,830 for 2018, \$42,152 for 2017 and \$42,762 for 2016. For fiscal year 2016, also includes the cost to the Company of providing additional long term disability coverage. The Company calculates the aggregate incremental cost to the Company for the provision to Mr. Mangano of the Company provided car as the sum of the total cost of the automobile attributable to the fiscal year, including lease payments, plus maintenance costs, insurance and fuel paid by the Company. This amount has not been reduced to reflect the costs attributable to business use. Mr. Mangano is taxed on the imputed income attributable to personal use of the Company car and does not receive tax assistance from the Company with respect to these amounts.



(5) Includes: (i) the value of the Company's match of employee contributions under our 401(k) Plan and (ii) the value of an automobile reimbursement allowance.

Mr. Andreacio became an executive officer of the Company in January 2018. Although Mr. Andreacio was not an (6) executive officer for the Company in 2017, we are voluntarily providing his compensation for fiscal year 2017 in the Summary Compensation Table.

(7) Includes: (i) the value of the Company's match of employee contributions under our 401(k) Plan, (ii) the value of an automobile reimbursement allowance and (iii) imputed income attributable to BOLI.

## GRANTS OF PLAN-BASED AWARDS

The following table sets forth the grants that each NEO received under the 2013 Executive Incentive Plan in 2018.

Name	Grant Date	All Other	All Other	Exercise or	Grant Date
		Stock	Option		
		Awards:	Awards:	Option	Option
		Number of	Number of	Awards	Awards
		Shares of	Securities	(\$/Sh)	
		Stock or	Underlying		
		Units	Options		
		(#)	(#)		(\$)
Robert F. Mangano	1/2/2018 (1)	18,000	--	--	329,0400
Stephen J. Gilhooly	1/2/2018 (1)	1,000	--	--	18,300
	1/2/2018 (2)	--	1,000	18.30	18,300
	8/13/2018 (3)	1,500	--	--	33,450
John T. Andreacio	1/2/2018 (1)	1,000	--	--	18,300
	1/2/2018 (2)	--	1,000	18.30	18,300
	8/13//2018 (3)	3,700	--	--	82,510

- (1) Award of shares of restricted stock that vest in equal installments on January 2, 2019, January 2, 2020, January 2, 2021 and January 2, 2022.
- (2) 20% of the options granted became exercisable on the date of grant. The remaining options become exercisable in equal annual installments on January 2, 2019, January 2, 2020, January 2, 2021 and January 2, 2022.
- (3) Award of shares of restricted stock that vest in equal installments on August 13, 2019, August 13, 2020, August 13, 2021 and August 13, 2022.

### **2013 Equity Incentive Plan**

The 1st Constitution Bancorp 2013 Equity Incentive Plan (the “2013 Plan”) was adopted by the Board of Directors of the Company on March 21, 2013 and was approved by our shareholders on May 23, 2013. A total of 406,822 shares (as adjusted for all stock dividends) have been reserved and are available for delivery in connection with awards under the 2013 Plan; however, the total number of shares which may be issued and delivered in connection with awards that are granted as incentive stock options (“ISOs”) is limited to 220,500 as adjusted for all stock dividends). Shares delivered under the 2013 Plan shall be authorized and unissued shares or treasury shares, or partly out of each, as shall be determined by the Board of Directors of the Company. Shares subject to an award under the 2013 Plan that are canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the participant will again be available for awards, but with respect to shares reserved and available for ISOs, only to the extent consistent with applicable regulations relating to ISOs under the Code.

The 2013 Plan is administered by the Compensation Committee, which determines the terms of each grant under the plan. Under the 2013 Plan, the Company may grant participants stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”) or such other awards as the Compensation Committee may determine to employees of the Company or any subsidiary or affiliate, including any executive officer or employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and 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 exercise any right 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 2013 Plan.

Participants are limited in any year to awards under the 2013 Plan relating to no more than 110,250 shares per type of award (that is, options, restricted stock and other awards).

The exercise price per share purchasable under an option shall not be less than the fair market value of a share of Company common stock on the date of grant of the option. The Compensation Committee shall determine the term of each option, provided, that no option may have a term in excess of ten years from the date of grant. The Compensation 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 granted under other plans of the Company or any subsidiary or affiliate, or other property, and the methods by or forms in which Company common stock will be delivered or deemed to be delivered in satisfaction of options.

The Compensation Committee may grant SARs in tandem with an option or on a freestanding basis. Upon exercise of a 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 Company common stock on the date of exercise. The exercise price will be at least equal to the fair market value of a share of Company common stock as of the date of grant. The Compensation Committee shall determine the term of each SAR, provided that no SAR may have a term in excess of ten years from the date of grant. The Compensation 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.

The Compensation Committee will determine the period over which restricted stock and RSUs will vest, and will impose such restrictions on transferability, risk of forfeiture and other restrictions as the Compensation Committee may, in its discretion, determine. Delivery of stock (or cash equivalent) in connection with the lapse of restrictions with respect to RSUs shall occur at such times as the Compensation Committee shall determine. Unless restricted by the Compensation 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 issued at the time an award is made, and the Compensation Committee shall determine whether such award of RSUs will be credited with dividends paid on shares of the Company’s common stock during the applicable restricted period.



The Compensation Committee is authorized to grant such other awards to participants as the Compensation Committee, in its discretion, may determine; provided, however, that such other awards shall comply with applicable federal and state securities laws, the Code, as applicable, and Nasdaq Listing Rules applicable to the Company. The Compensation Committee shall determine the terms, conditions, restrictions and other provisions of such other awards.

The 2013 Plan contains customary anti-dilution provisions pursuant to which the Compensation Committee may, in such manner as it may deem equitable, make certain adjustments in the event of a stock dividend, stock split, recapitalization or other similar transaction, including adjustments to the aggregate number of shares that may be issued under the 2013 Plan and the number of shares available for grant as ISOs.

As of March 31, 2019, there were 61,064 options to purchase shares of Company common stock (as adjusted for all stock dividends) under the 2013 Plan. As of March 31, 2019, grants of 329,899 restricted shares of Company common stock (as adjusted for all stock dividends) have been previously made under the 2013 Plan and 15,859 shares (as adjusted for all stock dividends) remain available for future issuance under the 2013 Plan. If the Company's shareholders approve the 2019 Equity Incentive Plan (the "Plan") at the Annual Meeting, (i) any remaining available shares under the 2013 Plan will be available for issuance under the Plan; (ii) the Committee shall discontinue granting awards under the 2013 Plan; and (iii) none of the shares that may be returned to the 2013 Plan in accordance with its provisions will be added to the number of shares available for grant under the Plan. As of the close of business on April 10, 2019, the value of the shares of common stock to be reserved and available for awards under the Plan was \$7,643,488 (based on the closing price of the common stock of the Company on such date of \$18.38 per share).

### **2005 Equity Incentive Plan**

The 1st Constitution Bancorp 2005 Equity Incentive Plan (the "2005 Plan") was adopted by the Board of Directors of the Company on February 17, 2005 and was approved by our shareholders on May 19, 2005. Following the adoption of the 2013 Plan by shareholders on May 23, 2013, (i) the Compensation Committee discontinued granting awards under the 2005 Plan; (ii) no shares that currently remain available for future grant under the 2005 Plan will be added to the number of shares available for grant under the 2005 Plan; and (iii) none of the shares that may be returned to the 2005 Plan in accordance with its provisions will be added to the number of shares available for grant under the 2005 Plan.

The 2005 Plan is administered by the Compensation Committee, which determines the terms of each grant under the plan. Under the 2005 Plan, the Company was able to grant participants stock options, restricted stock, or other awards determined by the Compensation Committee relating to an aggregate maximum of 474,304 shares of the Company's common stock (as adjusted for all stock dividends). Participants were limited in any year to awards under the 2005 Plan relating to no more than 24,541 shares per type of award (that is, options, restricted stock, and other awards) (as adjusted for all stock dividends), plus the amount of the participant's unused annual limit relating to the same type of

award as of the close of the previous year, subject to future adjustment.

Awards were granted under the 2005 Plan to employees of the Company or any subsidiary or affiliate, including any executive officer or employee director of the Company, a consultant or other person who provided substantial services to the Company or a subsidiary or affiliate, and any person who had been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee did not receive any payment or exercise any right relating to an award until such person had commenced employment with the Company or a subsidiary or affiliate. Non-employee directors were 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 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 covered by the 2005 Plan, and the amount and grant price for each award, were proportionally adjusted for any 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 or any other increase or decrease in the number of shares effected without receipt of consideration by the Company.

As of March 31, 2019, there were 89,204 options to purchase shares of Company common stock (as adjusted for all stock dividends) outstanding under the 2005 Plan. As of March 31, 2019, grants of 59,170 restricted shares of Company common stock (as adjusted for all stock dividends) have been previously made under the 2005 Plan. As a result of the adoption of the 2013 Plan by shareholders on May 23, 2013, no shares are available for future grant under the 2005 Plan.

#### OUTSTANDING EQUITY AWARDS AT 2017 FISCAL YEAR-END

The following table represents stock options and stock awards outstanding for each named executive officer as of December 31, 2018.

Name	Option Awards(1)				Stock Awards(2)	
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
	(#)	(#)	(\$)		(#)	(\$)(3)
Robert F. Mangano	Exercisable	Unexercisable				
	4219	0	7.46	01/02/19	4961 a	98,873
	33,834	0	5.63	09/22/21	12,560 c	250,321
					15,000 e	298,950
				18,000 g	358,740	
Stephen J. Gilhooly	3308	0	9.30	04/02/24	394 b	7852
	630	420	11.98	01/04/26	1,000 d	19,930
	400	600	18.65	01/03/27	750 e	14,948
	200	800	18.30	01/02/28	1125 f	22,421
					1000 g	19,930
					1500 h	29,895

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John T. Andreacio

0	221	10.24	01/06/24	1312 b	26,148
221	221	10.10	01/02/25	525 c	10,463
210	420	11.98	01/04/26	2750 d	54,808
400	600	18.65	01/03/27	750 e	14,948
200	800	18.30	01/02/28	3000 f	59,790
				1000 g	19,930
				3700 h	73,741

(1) All option awards reflected in these columns vest 20% at grant and 20% in annual equal installments on the first four anniversaries of the date of grant. Each option has a ten year term.

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All stock awards reflected in these columns represent restricted stock grants, which vest in 25% annual increments (2) on the first four anniversaries of the date of grant. Vested shares are subject to certain transferability restrictions. The following table provides the grant date for each restricted stock award reflected above.

<b>Footnote Reference</b>	<b>Grant Date</b>
a	01/02/15
b	07/16/15
c	01/04/16
d	07/28/16
e	01/03/2017
f	07/28/2017
g	01/02/18
h	08/13/18

(3) Amounts in this column reflect the number of unvested shares of restricted stock multiplied by the closing market price per share of 1st Constitution common stock on the last trading day in 2018, which was \$19.93.

#### OPTION EXERCISES AND STOCK VESTED

The following table shows amounts realized by the named executive officers upon the vesting of stock awards during 2018. The named executive officers did not exercise any option awards during 2018.

<b>Name</b>	<b>Number of Shares Acquired on Vesting</b>	<b>Value Realized on Vesting (\$)(1)</b>
	(#)	
Robert F. Mangano	6,202 (2)	112,876
	4962 (3)	90,805
	6,280 (4)	114,296
	5000 (7)	92,500
Stephen J. Gilhooly	394 (5)	8,451
	500 (6)	10,975
	250 (7)	4,625

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	375 (8)	8,231
John T. Andreacio		
	138 (2)	2,512
	1,102 (9)	22,756
	1313 (5)	28,164
	262 (4)	4,768
	1375 (6)	30,181
	250 (7)	4,625
	1000 (8)	21,950

Amounts in this column reflect the number of shares vested multiplied by the closing market price per share of 1st (1) Constitution common stock on the vested date (or the next trading day if the vesting date fell on a date on which there was no trading on the Nasdaq Global Market, LLC).

- (2) Reflects award of restricted stock granted on January 6, 2014, 25% of which vested on January 6, 2018.
- (3) Reflects award of restricted stock granted on January 2, 2015, 25% of which vested on January 2, 2018.
- (4) Reflects award of restricted stock granted on January 4, 2016, 25% of which vested on January 4, 2018.

- (5) Reflects award of restricted stock granted on July 16, 2015, 25% of which vested on July 16, 2018.
- (6) Reflects award of restricted stock granted on July 28, 2016, 25% of which vested on July 28, 2018.
- (7) Reflects award of restricted stock granted on January 3, 2017, 25% of which vested on January 3, 2018.
- (8) Reflects award of restricted stock granted on July 28, 2017, 25% of which vested on July 28, 2018.
- (9) Reflects award of restricted stock granted on September 18, 2014, 25% of which vested on September 18, 2018.

**PENSION BENEFITS**

**Supplemental Executive Retirement Plans**

The Company maintains a Supplemental Executive Retirement Plan (the “SERP”), which is a non-qualified, unfunded retirement plan, to provide a competitive level of pay replacement to executive officers designated by the Compensation Committee upon retirement. As of December 31, 2018, Mr. Mangano was the only eligible participant.

Name	Plan Name	Number of Years	Present Value of	Payments During
		Credited Service	Accumulated	
		(#)	Benefit (\$)	Last Fiscal Year
Robert F. Mangano	SERP	21	\$4,439,679	0
Stephen J. Gilhooly	--	--	--	--
John T. Andreacio	--	--	--	--

**Termination of Employment and Change in Control Arrangements**

As discussed in more detail in the CD&A of this proxy statement, the Company has entered into certain agreements with Messrs. Mangano and Andreacio and maintains certain plans that will require the Company to provide compensation to our NEOs in the event of a termination of employment or a change in control. The table below reflects the amount of compensation payable to each of Messrs. Mangano, Gilhooly and Andreacio assuming that each of the hypothetical termination and change in control situations described in the table occurred on December 31, 2018.

<b>Compensation and/or Benefits Payable Upon Termination or Change in Control</b>	<b>Termination Without Just Cause or For Good Reason</b>	<b>Termination Due to Death or Disability</b>	<b>Termination for "Just Cause"</b>	<b>Termination Without "Just Cause" or for any reason in connection with or within 12 Months of a Change in Control</b>
	(\$)	(\$)	(\$)	(\$)
<b>Robert F. Mangano</b>				
Cash Severance (1)	1,795,000	-	--	2,455,000
Acceleration of Equity Awards (2)	1,543,320	1,543,320	--	1,543,320
Non-Qualified Pension Benefits (3)	4,410,673	4,410,673	--	4,410,673
Life Insurance Benefits (4)	1,980,000	1,980,000	--	1,980,000
<b>Total Termination Benefits</b>	<b>9,728,993</b>	<b>7,933,993</b>	<b>--</b>	<b>10,388,933</b>

Compensation and/or Benefits Payable Upon Termination or Change in Control	Termination Without Just Cause or For Good Reason	Termination Due to Death or Disability	Termination for "Just Cause"	Termination Without "Just Cause" or for any reason in connection with or within 12 Months of a Change in Control
<b>Stephen J. Gilhooly</b>				
Cash Severance	--	--	--	44,230
Acceleration of Equity Awards	--	159,768	--	159,768
Non-Qualified Pension Benefits	--	--	--	--
Life Insurance Benefits (4)	--	--	--	--
<b>Total Termination Benefits</b>	--	<b>159,768</b>	--	<b>203,998</b>
<b>John T. Andreacio</b>				
Cash Severance (1)	775,500	--	--	775,500
Acceleration of Equity Awards	--	272,864	--	272,864
Non-Qualified Pension Benefits	--	--	--	--
Life Insurance Benefits (4)	--	1,020,000	--	1,020,000
<b>Total Termination Benefits</b>	<b>775,500</b>	<b>1,292,864</b>	--	<b>2,068,364</b>

(1) Amounts include lump sum payments and any cash bonus to which the NEO was entitled on December 31, 2018.

Upon Mr. Mangano's retirement, his outstanding stock options will vest, but unvested restricted stock and (2) awards of RSUs will be forfeited unless he enters into a consulting agreement with the Company. In this case, the unvested restricted stock and RSUs will continue to vest during the consultancy period.

(3) Amounts include benefits that Mr. Mangano would be entitled to under the SERP, in which he is fully vested.

(4) Amounts include the employer paid life insurance of three times annual base salary in the event of death while employed. Coverage will remain in effect after termination only if (i) the executive is at least 60 years old and has a minimum of 10 years of service with the Company, or (ii) there is a change in control unless terminated for

cause.

## **CEO PAY RATIO**

In accordance with Item 402(u) of Regulation S-K, we have elected to identify our median employee every three years unless a significant change in employee population or employee compensation arrangements has occurred. Because there has been no change in our employee population or employee compensation arrangements in fiscal 2018 that we reasonably believe would result in a significant change to our pay ratio disclosure for fiscal 2018, we are using the same median employee identified in 2017 to calculate our 2018 CEO pay ratio. For information regarding the process utilized to identify our median employee, please refer to our Proxy Statement for the 2018 Annual Meeting of Shareholders.

We determined that the 2018 annual total compensation of the median employee was \$56,359. Mr. Mangano's 2018 annual total compensation was \$1,541,840, and the ratio of Mr. Mangano's 2018 annual total compensation to the median employee's 2018 annual total compensation was 27:1.

## **CERTAIN TRANSACTIONS WITH RELATED PERSONS**

### ***Policy for Transactions with Related Persons***

The Board has adopted a policy addressing the Company's procedures with respect to the review, approval and ratification of "related person transactions" that are required to be disclosed pursuant to Item 404(a) of Regulation S-K. The policy provides that any transaction, arrangement or relationship, or series of similar transactions, in which the Company will participate or has participated and a "related person" (as defined in Item 404(a) of Regulation S-K) has or will have a direct or indirect material interest, and which exceeds \$120,000 in the aggregate, is subject to review. In its review of related person transactions, the Nominating and Corporate Governance Committee reviews the material facts and circumstances of the transaction and takes into account certain factors, where appropriate, based on the particular facts and circumstances, including: (i) the nature of the related person's interest in the transaction; (ii) the significance of the transaction to the Company and to the related person; and (iii) whether the transaction is likely to impair the judgment of the related person to act in the best interest of the Company.

The Board has determined that, other than the transactions described in the following section, no transactions occurred since January 1, 2017 involving any director, director nominee or executive officer of the Company, any known 5% shareholder of the Company or any immediate family member of any of the foregoing persons (together "related persons") that would require disclosure as a "related person transaction."

### ***Transactions with Related Persons***

The Company, through its subsidiary, the Bank, has made loans to its directors and executive officers and their affiliates and, assuming continued compliance with generally applicable credit 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 with other persons, and (iii) did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2018, the Bank had total loans and loan commitments outstanding to directors and executive officers and their affiliates of \$ 5,805,000, or approximately 4.6% of total shareholder's equity, respectively, at such dates. Rent of approximately \$126,000 was paid in 2018 to an entity affiliated with a director for the lease of one of the Company's offices. As of December 31, 2018, no director or executive officer of the Company or their affiliates was in default under any loan transaction with the Company or the Bank. As of December 31, 2017, the

Bank had total loans and loan commitments outstanding to directors and executive officers and their affiliates of \$2,718,930 and \$3,336,621, respectively, or approximately 2.44% and 2.99% of total shareholder's equity, respectively, at such dates. Rent of approximately \$122,000 was paid in 2017 to an entity affiliated with a director for the lease of one of the Company's offices. As of December 31, 2017, no director or executive officer of the Company or their affiliates was in default under any loan transaction with the Company or the Bank.



## **SHAREHOLDER PROPOSALS**

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

Proposals of shareholders which are eligible under the rules of the SEC to be included in the Company's 2020 proxy materials must be received by the Corporate Secretary of the Company no later than December 20, 2019.

If the Company changes the date of its 2020 annual meeting of shareholders to a date more than 30 days from the anniversary of the date of its 2019 Annual Meeting, then the deadline for submission of shareholder proposals will be changed to a reasonable time before the Company begins to print and mail its proxy materials. If the Company changes the date of its annual meeting in a manner that alters the deadline, the Company will so state under Part II, Item 5 of the first Quarterly Report on Form 10-Q it files with the SEC after the date change, or will notify its shareholders by another reasonable method.

Under our By-laws, 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 anniversary of the preceding year's annual meeting of shareholders. Accordingly, any shareholder who wishes to have a nomination considered at the 2020 annual meeting of shareholders must deliver a written notice (containing the information specified in our By-laws regarding the shareholder and the proposed action) to the Company's Secretary by March 1, 2020.

## **OTHER MATTERS**

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

Shareholders are urged to vote by Internet or sign the enclosed proxy and return it in the enclosed envelope. The proxy is solicited on behalf of the Board.

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, 2018 accompanies this proxy statement. The annual report is a combined report with the Company's Annual Report on Form 10-K (without exhibits) for the year ended December 31, 2018 filed with the SEC. The Company will provide copies of the exhibits to the Form 10-K upon payment of a reasonable fee, upon receipt of a request addressed to the Corporate Secretary, 1st Constitution Bancorp, 2650 Route 130 North, Cranbury, New Jersey 08512.**

**Appendix A****1<sup>ST</sup> Constitution Bancorp****Reconciliation of Non-GAAP Measures<sup>(1)</sup>****(Dollars in thousands, except per share data)****(Unaudited)**

## Adjusted Net Income

Net income	\$12,048
Adjustments:	
Revaluation of deferred tax assets	(28 )
Merger-related expenses	2,141
Gain on bargain purchase	(230 )
Income tax effect of adjustments <sup>(2)</sup>	(568 )
Adjusted net income	\$13,363
Adjusted net income per diluted share	
Adjusted net income	\$13,363
Diluted shares outstanding	8,593,509
Adjusted net income per diluted share	\$1.56

<sup>1</sup> The Company used the non-GAAP financial measures, Adjusted Net Income, Adjusted Net Income per diluted share, Adjusted return on average assets and Adjusted return on average equity, because the Company believes that it

is helpful to readers in understanding the Company's financial performance and the effect on net income of the merger-related expenses and the gain from the bargain purchase recorded in connection with the NJCB merger. These non-GAAP measures improve the comparability of the current period results with the results of the prior periods. The Company cautions that the non-GAAP financial measures should be considered in addition to, but not as a substitute for, the Company's GAAP financial results.

<sup>2</sup> Tax effected at an income tax rate of 30.09%, less the impact of non-deductible merger-related expenses and the non-taxable gain from the bargain purchase.





1ST CONSTITUTION BANCORP Proxy Solicited on Behalf of the Board of Directors for the Annual Meeting of Shareholders on May 30, 2019 The undersigned hereby appoints Robert F. Mangano and Stephen J. Gilhooly and each of them, with full power of substitution, as attorneys and proxies for the undersigned, to attend the 2019 Annual Meeting of Shareholders of 1st Constitution Bancorp (the "Company"), to be held at the Forsgate Country Club, 375 Forsgate Drive, Monroe Township, New Jersey, on May 30, 2019, 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, and with all the power the undersigned would possess, if personally present, as follows: (Continued and to be signed on the reverse side.) . 1.1 14475 . ANNUAL MEETING OF SHAREHOLDERS OF 1ST CONSTITUTION BANCORP May 30, 2019 NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement and proxy card are available at <http://www.astproxyportal.com/ast/20330> Please sign, date and mail your proxy card in the envelope provided as soon as possible. Please detach along perforated line and mail in the envelope provided. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND "FOR" PROPOSALS 2, 3 AND 5, AND "1 YEAR" ON PROPOSAL 4. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x If this proxy is properly signed and is not revoked, the proxies will vote as specified herein or, if a choice is not specified, they will vote "FOR" the three nominees listed in Item 1, "FOR" the proposals 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. To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. 1. The election of the following nominees as a director of the Company: FOR WITHHOLD James G. Aaron Antonio L. Cruz William M. Rue FOR AGAINST ABSTAIN 2. The adoption of the 1st Constitution Bancorp 2019 Equity Incentive Plan. 3. To conduct an advisory vote on executive compensation. 1 YEAR 2 YEARS 3 YEARS ABSTAIN 4. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation. 5. The ratification of the selection of BDO USA LLP as independent registered public accounting firm of the Company for the Company's 2019 fiscal year. 6. In their discretion, on the conduct of other business if properly raised. Signature of Shareholder Date: Signature of Shareholder Date: Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person. 0 ANNUAL MEETING OF SHAREHOLDERS OF 1ST CONSTITUTION BANCORP May 30, 2019 PROXY VOTING INSTRUCTIONS INTERNET - Access "[www.voteproxy.com](http://www.voteproxy.com)" and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page. 0 Vote online until 11:59 PM EST the day before the meeting. MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible. IN PERSON - You may vote your shares in person by attending the Annual Meeting. GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.astfinancial.com](http://www.astfinancial.com) to enjoy online access. COMPANY NUMBER ACCOUNT NUMBER NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement and proxy card are available at <http://www.astproxyportal.com/ast/20330> Please detach along perforated line and mail in the envelope provided IF you are not voting via the Internet. THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND "FOR" PROPOSALS 2, 3 AND 5, AND "1 YEAR" ON PROPOSAL 4. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x If this proxy is properly signed and is not revoked, the

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proxies will vote as specified herein or, if a choice is not specified, they will vote "FOR" the three nominees listed in Item 1, "FOR" the proposals 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. To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. 1. The election of the following nominees as a director of the Company: FOR WITHHOLD James G. Aaron Antonio L. Cruz William M. Rue FOR AGAINST ABSTAIN 2. The adoption of the 1st Constitution Bancorp 2019 Equity Incentive Plan. 3. To conduct an advisory vote on executive compensation. 1 YEAR 2 YEARS 3 YEARS ABSTAIN 4. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation. 5. The ratification of the selection of BDO USA LLP as independent registered public accounting firm of the Company for the Company's 2019 fiscal year. 6. In their discretion, on the conduct of other business if properly raised. Signature of Shareholder Date: Signature of Shareholder Date: Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.