SUSSEX BANCORP
Form 424B1
June 28, 2013

**Filed Pursuant to Rule 424(b)(1)**
**Registration No. 333-187759**

# PROSPECTUS

# Up to 1,198,300 Shares of Common Stock

We are distributing to holders of our common stock, at no charge, non-transferable subscription rights to purchase up to 1,198,300 shares of our common stock. We refer to this offering as the rights offering. In the rights offering, you will receive one subscription right for each full share of common stock owned at 5:00 p.m., Eastern time, on May 31, 2013, the record date of the rights offering.

Each subscription right will entitle you to purchase 0.35 shares of our common stock at a subscription price of $6.00 per share, which we refer to as the basic subscription right. If you fully exercise all of your basic subscription rights, and other shareholders do not fully exercise their basic subscription rights, you will be entitled to exercise an over-subscription privilege to purchase a portion of the unsubscribed shares at the same price of $6.00 per share, subject to proration and subject, further, to reduction by us under certain circumstances. To the extent you properly exercise your over-subscription privilege for an amount of shares that exceeds the number of the unsubscribed shares available to you, any excess subscription payments will be returned promptly, without interest or penalty.

The subscription rights will expire if they are not exercised by 5:00 p.m., Eastern time, on July 29, 2013. We may extend the rights offering for additional periods at our sole discretion. Once made, all exercises of subscription rights are irrevocable.

We have entered into standby purchase agreements with certain accredited investors, whom we collectively refer to as the Standby Purchasers, pursuant to which the Standby Purchasers have agreed to purchase, upon expiration of the rights offering, at the subscription price of $6.00 per share, up to 404,161 shares of common stock not subscribed for pursuant to the exercise of basic subscription rights and over-subscription privileges. The purchase of any shares by the Standby Purchasers, which we refer to as the standby offering, will be effected in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and, accordingly, will not be registered pursuant to the registration statement of which this prospectus forms a part. We refer to the rights offering together with the standby offering as the offerings.

In addition to the commitments by the Standby Purchasers, certain of our directors and executive officers have expressed their intention to purchase up to approximately 274,162 shares, collectively, by exercising their basic subscription rights and over-subscription privileges in the rights offering.

We have agreed with American Stock Transfer and Trust Company to serve as the subscription agent for the rights offering. The subscription agent will hold in escrow the funds we receive from subscribers until we complete or cancel the rights offering. We have also agreed with AST Phoenix Advisors to serve as information agent for the rights offering. If you want to participate in this rights offering and you are the record holder of your shares, we recommend that you submit your subscription documents to the subscription agent before that deadline. If you want to participate in this rights offering and you hold shares through your broker, dealer, bank or other nominee, you should promptly contact your broker, dealer, bank or other nominee and submit your subscription documents in accordance with the instructions and within the time period provided by your broker, dealer, bank or other nominee. For a detailed discussion, see The Rights Offering The Subscription Rights.

We are not requiring an overall minimum subscription to complete the rights offering. However, our board of directors reserves the right to cancel the rights offering for any reason at any time before it expires. If we cancel the rights offering, all subscription payments received will be returned promptly, without interest or penalty.

Our common stock is listed on the NASDAQ Global Market under the symbol SBBX. On June 24, 2013, the last reported sale price of our common stock was $6.20 per share. The subscription rights are non-transferrable and therefore will not be listed for trading on the NASDAQ Global Market or any other stock exchange or market. Our principal executive offices are located at 200 Munsonhurst Road, Route 517, Franklin, New Jersey 07416, and our telephone number is (973) 827-2914.

**Investing in our common stock involves risks. You should read the Risk Factors section beginning on page 14 before making your investment decision.**

| | Per Share | Total(1) |
|---|---|---|
| Subscription price | $6.00 | $7,189,800 |
| Estimated expenses | $0.22 | $260,000 |
| Proceeds to us | $5.78 | $6,929,800 |

(1) Assumes the sale of all 1,198,300 shares of common stock in the rights offering.

**Our board of directors is making no recommendation regarding your exercise of the subscription rights. You should carefully consider whether to exercise your subscription rights before the expiration date. You may not revoke or revise any exercises of subscription rights once made unless we terminate or amend the rights offering.**

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

**These securities are not savings accounts, deposits or obligations of our bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency or instrumentality.**

The date of this prospectus is June 28, 2013.

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# ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and in the documents incorporated by reference herein. We have not authorized anyone to provide you with any other or different information. If anyone provides you with information that is different from, or inconsistent with, the information in this prospectus, you should not rely on it. You should assume that the information in this prospectus and the documents incorporated by reference is accurate only as of their respective dates. This document may only be used where it is legal to sell these securities. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sales of our shares of common stock.

Neither we, nor any of our officers, directors, agents or representatives, make any representation to you about the legality of an investment in our common stock. You should not interpret the contents of this prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or jurisdiction where it would not be lawful or where the person making the offer is not qualified to do so.

No action is being taken in any jurisdictions outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in those jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions that apply in those jurisdictions to this offering or the distribution of this prospectus.

As used in this prospectus, Sussex Bancorp, Company, we, us, and our refer to Sussex Bancorp and its subsidi

# INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to incorporate by reference information we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus. We incorporate by reference each of the documents listed below, except for portions of such reports which were deemed to be furnished and not filed:

our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 14, 2013;
our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on May 15, 2013; and
our Current Report on Form 8-K, filed with the SEC on April 25, 2013.

You can also obtain these documents from us, without charge (other than exhibits, unless the exhibits are specifically incorporated by reference), by requesting them in writing or by telephone at the following address:

Sussex Bancorp
Attn: Steven M. Fusco
200 Munsonhurst Road, Route 517
Franklin, New Jersey 07416
(973) 827-2914

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# CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We may, from time to time, make written or oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission, or the SEC, our reports to shareholders and in other communications by us. These statements can often be identified by the use of forward-looking terminology such as believe, expect, intend, may, will, s planned or anticipate or similar terminology.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- local, regional, national and international economic conditions and the impact they may have on us and our customers and our assessment of that impact;
- volatility and disruption in national and international financial markets;
- changes in the level of non-performing assets and charge-offs;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- adverse conditions in the securities markets that lead to impairment in the value of securities in our investment portfolio;
- inflation, interest rate, securities market and monetary fluctuations;
- the timely development and acceptance of new products and services and perceived overall value of these products and services by users;
- changes in consumer spending, borrowings and savings habits;
- technological changes;
- the ability to increase market share and control expenses;
- changes in the competitive environment among banks, financial holding companies and other financial service providers;
- the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply, including under the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; and
- our success at managing the risks involved in the foregoing items.

Forward-looking statements speak only as of the date of this prospectus. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

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# QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

*The following are examples of what we anticipate will be common questions about the rights offering. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the rights offering. This prospectus and the documents incorporated by reference into this prospectus contain more detailed descriptions of the terms and conditions of the rights offering and provide additional information about us and our business, including potential risks related to the rights offering, the shares of our common stock offered hereby and our business. We urge you to read this entire prospectus.*

## What is the rights offering?

We are distributing, at no charge, to holders of our shares of common stock, non-transferable subscription rights to purchase shares of our common stock at a price of $6.00 per whole share. You will receive one subscription right for each share of common stock you owned as of 5:00 p.m., Eastern time, on May 31, 2013, the record date for the rights offering. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege, subject to the subscription limitations described below.

## What is the basic subscription right?

The basic subscription right gives our shareholders the opportunity to purchase up to an aggregate of 1,198,300 shares of our common stock at a subscription price of $6.00 per share. For each whole share you owned as of the record date for the rights offering, your basic subscription right gives you the opportunity to purchase 0.35 shares of our common stock. For example, if you owned 100 shares of common stock as of the record date, you would have received 100 subscription rights and would have the right to purchase 35 shares of our common stock for $6.00 per full share (or a total payment of $210.00). You may exercise all or a portion of your basic subscription rights, or you may choose not to exercise any subscription rights at all. If you exercise less than all of your basic subscription rights, you will not be entitled to purchase shares under your over-subscription privilege.

Fractional shares resulting from the exercise of basic subscription rights will be eliminated by rounding down to the nearest whole share, with the total subscription payment being adjusted accordingly. Any excess subscription payments received by the subscription agent will be returned promptly, without interest or penalty.

If you are a holder of record, the number of shares you may purchase pursuant to your basic subscription rights is indicated on the enclosed rights certificate. If you hold your shares in the name of a broker, dealer, custodian bank or other nominee who uses the services of the Depository Trust Company, or DTC, you will not receive a rights certificate. Instead, DTC will issue one subscription right to your nominee record holder for each share of our common stock that you own as of the record date. If you are not contacted by your nominee, you should contact your nominee as soon as possible.

## What is the over-subscription privilege?

If you purchase all of the shares available to you pursuant to your basic subscription right, you may also, subject to the subscription limitations described below, choose to purchase a portion of any shares that our other shareholders do not purchase through the exercise of their basic subscription rights. You should indicate on your rights certificate, or the form provided by your nominee if your shares are held in the name of a nominee, how many additional shares you would like to purchase pursuant to your over-subscription privilege.

If sufficient shares are available, we will seek to honor your over-subscription request in full, subject to the subscription limitations described below. However, if over-subscription requests exceed the number of shares available, we will allocate the available shares pro rata among the shareholders exercising the over-subscription privilege in proportion to the number of shares of our common stock that you and the other subscription rights holders have agreed to purchase by exercising the basic subscription rights, subject to the subscription limitations described below. If this pro rata allocation results in any shareholder receiving a greater number of shares than the shareholder subscribed for pursuant to the exercise of the over-subscription privilege, then such shareholder will be allocated only that number of shares for which the shareholder over-subscribed, subject to the subscription limitations described below. We will allocate the remaining shares

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among all other shareholders exercising the over-subscription privilege. If you are not allocated the full amount of shares for which you over-subscribe, you will receive a refund of the subscription price, without interest or penalty, that you delivered for those shares of our common stock that are not allocated to you. The subscription agent will mail such refunds as soon as practicable after the completion of the rights offering.

American Stock Transfer and Trust Company, our subscription agent for the rights offering, will determine the over-subscription allocation based on the formula described above.

To properly exercise your over-subscription privilege, you must deliver to the subscription agent the subscription payment related to your over-subscription privilege before the rights offering expires. If you send payment by personal check, payment will not be deemed to have been delivered to the subscription agent until the check has cleared. Because we will not know the total number of unsubscribed shares before the rights offering expires, if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares that may be available to you (i.e., the aggregate payment for both your basic subscription rights and for any additional shares you desire to purchase pursuant to your over-subscription privilege). For a detailed discussion, see The Rights Offering The Subscription Rights Over-Subscription Privilege.

Fractional shares resulting from the exercise of the over-subscription privilege will be eliminated by rounding down to the nearest whole share, with the total subscription payment being adjusted accordingly. Any excess subscription payments received by the subscription agent will be returned promptly, without interest or penalty.

## Are there any limits on the number of shares I may purchase?

Yes, we will not issue shares of common stock pursuant to the exercise of the over-subscription privilege to the extent it would result in beneficial ownership, upon completion of the offering, of any shareholder of more than the greater of (i) 4.9% of the total outstanding shares of our common stock or (ii) such shareholder s percentage of beneficial ownership on the record date for the rights offering. Further, we will not issue shares of common stock pursuant to the exercise of basic subscription rights or over-subscription privileges to any shareholder whose beneficial ownership, in our sole opinion, would exceed 9.9% of total outstanding shares of common stock, upon completion of the offering. The foregoing restrictions are collectively referred to in this prospectus as the subscription limitations.

Any subscription rights exercised for common stock that would cause the holder to exceed the subscription limitations will not be considered exercised or subscribed for by that holder. The portion of the subscription price paid by a holder for common stock not considered subscribed for will be returned to that holder, without interest or penalty, as soon as practicable after completion of the rights offering.

For a detailed discussion, see The Rights Offering Limitation on the Purchase of Shares.

## Why are we conducting the rights offering?

We are conducting the rights offering to support future growth such as expansion through acquisitions or branching, infrastructure growth or lines of business expansion as well as using a portion of the proceeds to accelerate the resolution of problem assets. Over the past several years, the banking industry, including Sussex Bancorp, has been facing challenges related to weakened local and national economic conditions. All of our capital ratios currently meet the regulatory capital requirements necessary for us to be considered a well-capitalized financial institution. However, especially during difficult times, high levels of capital are of critical importance. In addition, we believe that capital requirements may increase in the future due to financial reform legislation. The desire to strengthen our balance sheet and support future growth has led the board of directors to conclude that raising capital at this time is in the best interests of our shareholders. We expect proceeds from the rights offering to be used for general corporate purposes, including to support future growth such as expansion through acquisitions or branching, infrastructure growth or lines of business expansion or resolving problem assets. For a detailed discussion, see Use of Proceeds.

Our board of directors has chosen the structure of the rights offering to raise capital while giving existing shareholders the opportunity to limit their ownership dilution from a sale of common stock to other investors.

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# Why are there Standby Purchasers?

We entered into the standby purchase agreements with the Standby Purchasers to ensure that, if the rights offering is consummated, at least 404,161 shares of our common stock are either distributed in the rights offering or purchased subsequent to the rights offering at the same purchase price at which the rights were exercisable. Through this arrangement, we have a greater degree of certainty that we will raise gross proceeds of at least $2.4 million through the offerings. In addition, certain of our directors and executive officers have indicated that they intend to participate in the rights offering, although they are not required to do so. Collectively, we expect our directors and executive officers, together with their affiliates, to purchase approximately 274,162 shares in the rights offering, subject to regulatory approval in certain cases, which we will raise gross proceeds of at least $1.6 million. Also, if our current shareholders subscribe to purchase at least 519,977 shares in the rights offering, we will raise the full $7.2 million contemplated by the offerings.

# How does the standby offering work?

The Standby Purchasers have committed to purchase an aggregate of up to 404,161 shares of common stock, to the extent that such shares are not subscribed for pursuant to the exercise of basic subscription rights and over-subscription privileges in the rights offering, which we refer to as the unsubscribed shares. If all 1,198,300 shares are sold pursuant to the exercise of basic subscription rights and over-subscription privileges in the rights offering, there will be no unsubscribed shares, and no shares will be sold to the Standby Purchasers. If we receive subscriptions for more than 1,198,300 shares in the rights offering, we will not be able to fully satisfy the commitments of the Standby Purchasers and will use our discretion to allocate the available shares among the Standby Purchasers. Any excess payments received by us from the Standby Purchasers will be returned promptly, without interest or penalty.

# Are the Standby Purchasers receiving any compensation for their standby commitments?

No. The Standby Purchasers are not receiving compensation for their standby commitments.

# How was the subscription price determined?

The price of the shares offered in the rights offering was determined by the board of directors and is based on a variety of factors, including the need to offer the shares at a price that would be attractive to investors relative to the then current trading price for our common stock, historical and current trading prices for our common stock, general conditions in the financial services industry, the need for capital, alternatives available to us for raising capital, potential market conditions, and the desire to provide an opportunity to our shareholders to participate in the rights offering on a pro rata basis. In conjunction with the board of directors review of these factors, it also reviewed our history and prospects, including our past and present earnings, our prospects for future earnings, and the outlook for our industry, our current financial condition and regulatory status and a range of discounts to market value represented by the subscription prices in prior rights offerings of other financial institutions.

The subscription price does not necessarily bear any relationship to any other established criteria for value. You should not consider the subscription price as an indication of value of the Company or our common stock. You should not assume or expect that, after the rights offering, our shares of common stock will trade at or above the subscription price in any given time period. The market price of our common stock may decline during or after the rights offering, and you may not be able to sell the underlying shares of our common stock purchased during the rights offering at a price equal to or greater than the subscription price. You should obtain a current quote for our common stock before exercising your subscription rights and make your own assessment of our business and financial condition, our prospects for the future, and the terms of this rights offering.

## Am I required to exercise all of the subscription rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, subject to the subscription limitations, or you may choose not to exercise any subscription rights. If you do not exercise any subscription rights, the number of shares of our common stock you own will not change. However, if you choose not to exercise your subscription rights, your ownership interest in the Company will be diluted by other shareholders or standby purchases.

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In addition, if you do not exercise all of your basic subscription rights in full, you will not be entitled to participate in the over-subscription privilege.

## How soon must I act to exercise my subscription rights?

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and payment, including final clearance of any uncertified check, before the rights offering expires on July 29, 2013, at 5:00 p.m., Eastern time. If you hold your shares in the name of a broker, dealer, custodian bank or other nominee, your nominee may establish a deadline before the expiration of the rights offering by which you must provide it with your instructions to exercise your subscription rights. Although our board of directors may, in its discretion, extend the expiration date of the rights offering, we currently do not intend to do so. Our board of directors may cancel the rights offering at any time. If we cancel the rights offering, all subscription payments received will be returned promptly, without interest or penalty.

Although we will make reasonable attempts to provide this prospectus to our shareholders, the rights offering and all subscription rights will expire on the expiration date, whether or not we have been able to locate each person entitled to subscription rights.

## When will subscriptions be accepted?

We may, in our discretion, accept basic subscriptions from time to time when received rather than at the expiration of the rights offering period. If we accept any basic subscriptions prior to expiration of the offering period, all basic subscriptions then received in due form will be accepted. Over-subscription rights will not be accepted until the rights offering period has terminated.

## May I transfer my subscription rights?

No. You may not sell, transfer or assign your subscription rights to anyone. Subscription rights will not be listed on the NASDAQ Global Market or any other stock exchange or market. Rights certificates may be completed only by the shareholder who receives the certificate. The shares of our common stock issuable upon exercise of the subscription rights will be listed on the NASDAQ Global Market.

## Are we requiring a minimum overall subscription to complete the rights offering?

No. We are not requiring an overall minimum subscription to complete the rights offering.

## How long will this rights offering last?

You will be able to exercise your subscription rights only during a limited period. To exercise your subscription rights, you must do so by 5:00 p.m., Eastern time, on July 29, 2013, unless we extend this rights offering. Accordingly, if a shareholder desires to exercise its subscription rights, unless the guaranteed delivery procedures are followed, the subscription agent must actually receive all required documents and payments from the shareholder before the expiration time. We may extend the expiration time for any reason.

# Can the board of directors cancel or extend the rights offering?

Yes. Our board of directors may decide to cancel the rights offering at any time and for any reason before the closing of the rights offering. If our board of directors cancels the rights offering, any money received from subscribing shareholders will be returned promptly, without interest or penalty. We also have the right to extend the rights offering for additional periods at our sole discretion. We do not presently intend to extend the offerings.

# Has the board of directors made a recommendation to shareholders regarding the rights offering?

No. Our board of directors is not making a recommendation regarding your exercise of the subscription rights. Shareholders who exercise subscription rights will incur investment risk on new money invested. We cannot predict the price at which our shares of common stock will trade after the rights offering. The market price for our common stock may decrease to an amount below the subscription price, and if you purchase shares at the subscription price, you may not be able to sell the underlying shares of our common stock in the future at the same price or a higher price. You should make your decision based on your assessment of our

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business and financial condition, our prospects for the future, the terms of the rights offering and the information contained in, or incorporated by reference into, this prospectus. See Risk Factors for discussion of some of the risks involved in investing in our shares of common stock.

## Will our directors and executive officers participate in the rights offering?

Certain of our directors and executive officers have indicated that they intend to participate in the rights offering, although they are not required to do so. Collectively, we expect our directors and executive officers, together with their affiliates, to purchase approximately 274,162 shares in the rights offering, subject to regulatory approval in certain cases. For a detailed discussion, see The Rights Offering Insider Participation. Except for the ability to acquire shares that would require regulatory notice or approval in certain cases, our directors and executive officers are entitled to participate in the rights offering on the same terms and conditions applicable to all shareholders. Following the rights offering, our directors and executive officers, together with their affiliates, and inclusive of over-subscription commitments are expected to own an aggregate of approximately 968,941 shares of common stock, or 20.8% of our total outstanding shares of common stock if we sell 1,198,300 shares.

## How do I exercise my subscription rights?

If you are a shareholder of record (i.e., you hold a common stock certificate) and you wish to participate in the rights offering, you must deliver a properly completed and signed rights certificate, together with payment of the purchase price, to the subscription agent before 5:00 p.m., Eastern time, on July 29, 2013. If you are exercising your subscription rights through your broker, dealer, bank or other nominee, you should promptly contact your broker, dealer, bank or other nominee and submit your subscription documents and payment for the common stock subscribed for in accordance with the instructions and within the time period provided by your broker, dealer, bank or other nominee.

## What if my shares are not held in my name?

If you hold your shares of our common stock in the name of a broker, dealer, bank or other nominee, then your broker, dealer, bank or other nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf for the common stock you wish to subscribe for. Therefore, you will need to have your record holder act for you.

If you wish to participate in this rights offering and purchase shares of our common stock, please promptly contact the record holder of your shares. We will ask the record holder of your shares, who may be your broker, dealer, bank or other nominee, to notify you of this rights offering.

## What form of payment is required?

As described in the instructions accompanying the rights certificate, payments submitted to the subscription agent must be made in U.S. currency, by:

- personal check drawn on a U.S. bank;
- a certified check drawn on our wholly owned subsidiary, Sussex Bank; or

a wire transfer.

Checks must be payable to American Stock Transfer and Trust Company (acting as the subscription agent for the rights offering). If you send payment by uncertified check, payment will not be deemed to have been delivered to the subscription agent until the check has cleared. In certain cases, you may be required to provide signature guarantees.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the over-subscription privileges, the elimination of fractional shares and the subscription limitations.

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## When will I receive my new shares?

If you purchase stock in the rights offering you will receive your new shares as soon as practicable after the closing of the rights offering.

## After I send in my payment and rights certificate to the subscription agent, may I cancel my exercise of subscription rights?

No. All exercises of subscription rights are irrevocable unless the rights offering is cancelled, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase shares at the subscription price of $6.00 per share.

## What effects will the rights offering have on our outstanding common stock?

Assuming no other transactions by us involving our common shares prior to the expiration of the rights offering, and if the offering is fully subscribed through the exercise of the subscription rights, or if the Standby Purchasers purchase all unsubscribed shares, an additional 1,198,300 shares of our common stock will be issued and outstanding after the closing of the offerings, for a total of 4,629,113 shares of common stock outstanding. As a result of the offerings, the ownership interests and voting interests of the existing shareholders that do not fully exercise their basic subscription rights will be diluted. The exact number of shares that we will issue in this offering will depend on the number of shares that are subscribed for in the rights offering by our shareholders or purchased by the Standby Purchasers.

In addition, if the subscription price of the shares is less than the market price of our common stock it will likely reduce the market price per share of shares you already hold.

## How much will the Company receive from the offerings?

If all of the subscription rights (including all over-subscription privileges) are exercised in full by our shareholders or the Standby Purchasers purchase all unsubscribed shares, we estimate that we will receive gross proceeds (before expenses) of approximately $7.2 million. It is possible that we may not sell all or any of the shares being offered to existing shareholders, or that we will elect to cancel the offerings altogether.

## Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of common stock and you should consider this investment as carefully as you would consider any other investment. Among other things, you should carefully consider the risks described under the heading Risk Factors beginning on page 14 of this prospectus and in the documents incorporated by reference into this prospectus.

## If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If we do not complete the rights offering, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty. If you own shares in street name, it may take longer for you to receive your subscription payment because the subscription agent will return payments through the record holder of your shares.

## What fees or charges apply if I purchase shares in the rights offering?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If you exercise your subscription rights through a broker, dealer, custodian bank or other nominee, you are responsible for paying any fees your record holder may charge you.

## What are the U.S. federal income tax consequences of exercising my subscription rights?

For U.S. federal income tax purposes, you should not recognize income or loss in connection with the receipt or exercise of subscription rights in the rights offering. You should consult your tax advisor as to your particular tax consequences resulting from the rights offering. For a detailed discussion, see Certain U.S. Federal Income Tax Consequences.

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## To whom should I send my forms and payment?

If your shares are held in the name of a broker, dealer, custodian bank or other nominee, then you should send your subscription documents and subscription payment to that record holder. If you are the record holder, then you should send your subscription documents, rights certificate and subscription payment by mail or overnight courier to:

American Stock Transfer and Trust Company
Attention: Reorganization Department
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449

You or, if applicable, your nominee are solely responsible for completing delivery to the subscription agent of your subscription documents, rights certificate and payment. You should allow sufficient time for delivery of your subscription materials to the subscription agent and clearance of payment before the expiration of the rights offering at 5:00 p.m. Eastern time on July 29, 2013.

## Whom should I contact if I have other questions?

If you have any questions regarding us, the rights offering, completing a rights certificate or submitting payment in the rights offering, please contact AST Phoenix Advisors, the Information Agent, at (877) 478-5038. Banks and brokers may contact AST Phoenix Advisors at (212) 493-3910.

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# PROSPECTUS SUMMARY

***This summary highlights specific information contained elsewhere or incorporated by reference in this prospectus. However, this summary is not complete and does not contain all of the information you should consider before investing in our common stock, and it is qualified in its entirety by the more detailed information included in or incorporated by reference into this prospectus. To understand this offering fully, you should carefully read this entire prospectus, including the risks discussed under the Risk Factors section and our financial statements and related notes.***

## Sussex Bancorp

We are a bank holding company incorporated under the laws of the State of New Jersey in January 1996 and the parent company of Sussex Bank. Pursuant to the New Jersey Banking Act of 1948, as amended, and pursuant to approval of the board of directors and shareholders of Sussex Bank, we acquired Sussex Bank and became its holding company on November 20, 1996. Our only significant asset is our investment in Sussex Bank. At March 31, 2013, we had consolidated total assets of $518.8 million, loans of $349.7 million, deposits of $433.8 million and stockholders equity of $39.9 million.

Sussex Bank is a commercial bank formed under the laws of the State of New Jersey in 1975 and is regulated by New Jersey Department of Banking and Insurance. On October 1, 2001, Sussex Bank acquired all of the outstanding stock of Tri-State Insurance Agency, Inc., or Tri-State. Tri-State is a full service insurance agency located in Augusta, New Jersey.

Our common stock is traded on the NASDAQ Global Market under the ticker symbol SBBX. Our principal executive offices are located at 200 Munsonhurst Road, Route 517, Franklin, New Jersey 07416, and our telephone number is (973) 827-2914. Our internet address is *www.sussexbank.com.* The information contained on our web site is not part of, and is not incorporated into or included in, this prospectus.

## Reasons for the Offerings

We are raising capital to support our anticipated future growth and the acceleration of the resolution of our problem assets. We have chosen to pursue a rights offering so that our shareholders have the opportunity to avoid or limit dilution of their ownership interests in our common stock. In addition, we intend to conduct a standby offering of any shares not subscribed for in the rights offering. The standby offering would be available only to persons selected by us, in our sole discretion.

## Financial Highlights

For 2012 and first quarter of 2013, the United States economy remained relatively weak as unemployment levels were still elevated and real estate markets continued to be adversely impacted. Real estate is typically the main form of collateral for community bank lending. We have also been affected by the weakened economy and the deterioration in the real estate market, which is reflected in the credit quality of our loan portfolio. We have also experienced a significant increase in credit related costs over the last several years. During 2010 and 2011, we made considerable changes in executive and senior management and continue to make strides in controlling and mitigating our credit quality issues.

We made significant progress in 2012 and the first quarter of 2013 towards reducing our problem assets, which was one of our primary goals. For 2012, we had a 30.1% improvement in non-performing assets, or NPAs, and our total problem assets declined by 29.5% as compared to 2011. Our overall credit quality continued to show positive trends through March 31, 2013, as our total problem assets, which comprises foreclosed real estate, criticized assets and classified assets, declined $3.9 million, or 11.2%, to $31.0 million at March 31, 2013, from $34.9 million at December 31, 2012. Our total problem assets declined 50.6% from a historical high of $62.8 million at March 31, 2010, as compared to March 31, 2013, and the ratio of NPAs to total assets improved to 4.4% at March 31, 2013, from 4.6% at December 31, 2012, and 6.7% at December 31, 2011.

For the quarter ended March 31, 2013, we reported net income of $98 thousand, or $0.03 per basic and diluted share, as compared to a net loss of $195 thousand, or ($0.06) per basic and diluted share, for the same period last year. The improvement for the quarter ended March 31, 2013, in net income was largely due to an increase in gains on securities transactions and higher pre-tax earnings produced by our insurance subsidiary, Tri-State Insurance Agency, Inc., which increased $161 thousand to $200 thousand for the first quarter of 2013 as compared to the same period last year.

Total loans receivable, net of unearned income, increased $1.9 million, or 0.6%, to $349.7 million from $347.7 million at December 31, 2012. The increase was largely in commercial and industrial loans, which grew by $2.1 million, or 12.9%, to $18.2 million at March 31, 2013, as compared to December 31, 2012.

One of our primary objectives has been to increase deposits, particularly core deposits. Our total deposits increased $1.4 million, or 0.3%, to $433.8 million at March 31, 2013, from $432.4 million at December 31, 2012. The increase in deposits was due to an increase in non-interest bearing deposits of $5.4 million, or 11.3%, which was partially offset by a decrease in interest bearing checking and time deposits of $2.5 million and $2.4 million, respectively, for March 31, 2013, as compared to December 31, 2012. Our funding mix continues to improve as low cost deposits grow.

At March 31, 2013, our total stockholders equity was $39.9 million, an decrease of $457 thousand when compared to December 31, 2012. At March 31, 2013, the leverage, Tier I risk-based capital and total risk-based capital ratios for the Bank were 9.09%, 12.75% and 14.01%, respectively, all in excess of the ratios required to be deemed well-capitalized.

# Strategy

### Business Strategy

Our primary business is the ownership and supervision of Sussex Bank, a community bank that services northern New Jersey, New York and to a lesser extent northeastern Pennsylvania. Through Sussex Bank, we conduct a traditional commercial banking business, and offer services including personal and business checking accounts and time deposits, money market accounts and savings accounts. We engage in a wide range of lending activities and offer commercial, consumer, mortgage, home equity and personal loans. Through Sussex Bank s subsidiary, Tri-State Insurance Agency, we operate a full service general insurance agency, offering both commercial and personal lines of insurance.

During the last three decades we added branches and expanded across Sussex County and into Orange County, New York. We have traditionally served retail and small to mid-sized businesses in our markets. We have had success growing our market share, especially in Sussex County. At June 30, 2012, we held the number two position in deposit market share in Sussex County according to statistics provided by the Federal Deposit Insurance Corporation. In 2011, we opened a commercial loan production office and a satellite office for Tri-State Insurance Agency in Bergen County, New Jersey to support growth opportunities across northern New Jersey and into New York City.

We are a relationship-oriented community bank. Our strategy is built around relationships. Although we recognize that our customers are using technology in place of their personal interaction, we believe that banking customers still require personal attention. Our strategy embraces technology and electronic delivery channels offered with a personal touch. Making an emotional connection with our customers and providing them with an extraordinary experience is vital to our success, and today it is ingrained in our culture and is a true differentiator. To make a connection with our customers, we must understand their needs and those of their businesses and truly care about their experience with our bank. In 2012, we introduced our new tag line Closer to our Customers, which embodies what a customer can expect from Sussex Bank, a feeling of comfort, personal approach and attentiveness, combined with strong expertise and the appropriate level of technology.

We believe in our core banking strategy and that we can generate consistent returns on assets and equity that match historical levels.

## Asset Quality Recovery Plan

Sussex Bank and its customers were adversely impacted from the economic downturn as many customers in the real estate and housing sector have struggled during the extended period of the weak real estate market. We sustained significant losses between 2006 through 2009 driven by non-performing loans combined with loan charge-offs and additional loan loss provisions. Our overall total problem assets (total classified/criticized/foreclosed real estate) reached a historical high of $62.8 million at March 31, 2010. Our most severe problem assets (non-performing assets) had experienced deterioration from 2006 through 2009 as non-performing assets increased $24.6 million to $27.3 million at December 31, 2009, as compared to $2.7 million at December 31, 2006.

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In the first quarter of 2010, the board of directors hired Anthony Labozzetta as the new President and Chief Executive Officer. Since then, we changed our organizational structure by adding or promoting a number of talented leaders and by enhancing the composition of the board of directors:

Neill Schreyer, appointed to Chief Credit Officer (June 2010)
Steven M. Fusco, Executive Vice President and Chief Financial Officer (July 2010)
Vito Giannola, Executive Vice President and Chief Retail Officer (September 2010)
Kurt Breitenstein, Executive Vice President and Senior Lending Officer (June 2011)
Rene Miranda, Senior Vice President Commercial Lending (June 2011)
Patience Calderon, Vice President and Loan Operations Manager (June 2011)
Barbara Muccia, Vice President and Human Resources Director (July 2011)
Robert McNerney, appointed Director (October 2011)
Sarah Roskowsky, Vice President and Marketing Director (October 2011)
Adriano Duarte, First Vice President and Treasury Manager (November 2011)
Edward Leppert, appointed to Chairman (December 2011)
Kurt Breitenstein, appointed to Executive Vice President and Chief Lending Officer (January 2012)
Nancy Mackowiak, appointed to Vice President and Compliance Officer (July 2012)
John Ursin, appointed Director (August 2012)
Crystal Bringuier, Vice President and Controller (August 2012)

Subsequent to the hiring of the new President and Chief Executive Officer and the Chief Financial Officer, we created a strategic plan that included confronting and reducing the asset quality issues and building a new business model. The strategic plan also addressed the future need to raise capital to support our future growth as we reduce our problem assets and begin to produce results.

We continue to focus on strengthening our core operating performance and resolving legacy problem assets. The economic downturn continues to impact our level of nonperforming assets and in turn has increased our provision for loan losses and costs to resolve such problem assets. Our overall credit quality continues to improve as total problem assets (total classified/criticized/foreclosed real estate) have declined \$31.8 million, or 50.6%, to \$31.0 million at March 31, 2013, from a historical high of \$62.8 million at March 31, 2010, and have decreased 11.2% since December 31, 2012. Included in our overall total problem assets are non-performing assets, which declined 3.8% to \$22.9 million at March 31, 2013, as compared to \$23.8 million at December 31, 2012, and \$34.0 million at December 31, 2011.

We have been focused on building for the future and strengthening our core operating results within a stronger risk management framework introduced in 2010 and 2011 by the new management team. Management has significantly enhanced its risk management framework especially as it relates to interest rate risk and credit risk. We introduced a new credit culture and strengthened the credit function with the addition of new staff, the implementation of new credit policies, and the establishment of improved underwriting guidelines and controls with the goal of building a platform that could support future organic growth.

While we remain focused on resolving problem assets, we made substantial progress towards upgrading our infrastructure, building our risk management competencies, strengthening our management team, improving business processes, furthering our business development capabilities and enhancing the customer experience. Many of the changes we have implemented have not only made a substantive impact on our earnings performance and financial condition, but they have helped preserve future shareholder value.

Finally, we are attempting to raise common equity in order to strengthen our balance sheet, accelerate the resolution of problem assets and to leverage our strengths to take advantage of opportunities for growth, including expansion through acquisitions or branching, infrastructure growth or lines of business expansion that we believe will provide appropriate return to shareholders.

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# The Rights Offering

Securities to be offered by us

We are distributing to you, at no charge, one non-transferable subscription right for every share of our common stock that you owned on the record date, either as a holder of record or, in the case of shares held of record by brokers, banks, or other nominees, on your behalf, as a beneficial owner of such shares, subject to adjustments to eliminate fractional rights and the subscription limitations described below.

Subscription Price

The subscription price per share shall be equal to $6.00. You may pay the purchase price for the shares either by wire transfer or by check, or as instructed by your broker-dealer, bank or other nominee who is the record holder of your shares of our common stock. Your exercise of subscription rights will not be considered effective until your payment has cleared. In the case of immediately available funds, such as a wire transfer, funds will be deemed to clear upon receipt, but in the case of a check, up to five business days may be required for clearing and the check must clear prior to the expiration of the rights offering period.

Common stock to be outstanding after this offering

If all of our shares of common stock being offered are sold, 4,629,113 shares will be outstanding following closing of the offerings.

Basic subscription right

The basic subscription right will entitle you to purchase 0.35 of a share of common stock at a subscription price of $6.00 per share. Fractional shares resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share.

You may exercise all or a portion of your basic subscription right, or you may choose not to exercise any subscription rights at all. However, if you do not fully exercise your basic subscription right, you will not be entitled to purchase shares of common stock under your over-subscription privilege.

Over-subscription privilege

In the event that you purchase all of the shares of our common stock available to you pursuant to your basic subscription right, you may also choose to subscribe for a portion of any shares of our common stock that are not purchased by our shareholders through the exercise of their basic subscription rights, subject to the subscription limitations described below under the heading subscription limitations.

Subscription limitations

We will not issue shares of common stock pursuant to the exercise of the over-subscription privilege to the extent it would result in beneficial ownership, upon completion of the offering, of any shareholder of more than the greater of (i) 4.9% of the total outstanding shares of our common stock or (ii) such shareholder s percentage of beneficial ownership on the record date for the rights offering. Further, we will not issue shares of common stock pursuant to the exercise of basic subscription rights or over-subscription privileges to any shareholder whose beneficial ownership, in our sole opinion, would exceed 9.9% of total outstanding shares of common stock, upon completion

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of the offering. Any subscription rights exercised for common stock that would cause the holder to exceed the subscription limitations will not be considered exercised or subscribed for by that holder. The portion of the subscription price paid by a holder for common stock not considered subscribed for will be returned to that holder, without interest or penalty, as soon as practicable after completion of the rights offering.

Minimum subscription

There is no minimum subscription amount under which we would be required to cancel or terminate the rights offering.

No fractional shares

Fractional shares resulting from the exercise of either the basic subscription rights or the over-subscription privileges will be eliminated by rounding down to the nearest whole share.

Record date

May 31, 2013

Expiration date

The subscription rights will expire at 5:00 p.m., Eastern time, on July 29, 2013. We reserve the right to extend the expiration date and the rights offering period at our sole discretion.

Procedures for exercising subscription rights

To exercise your subscription rights, you must take the following steps:

If you are a registered holder of our common stock, you must deliver payment and a properly completed rights certificate to the subscription agent to be received before 5:00 p.m., Eastern time, on July 29, 2013. You may deliver the documents and payments by first class mail or courier service. If you use first class mail for this purpose, we recommend using registered mail, properly insured, with return receipt requested.

If you are a beneficial owner of shares that are registered in the name of a broker, dealer, custodian bank or other nominee, you should instruct your broker, dealer, custodian bank or other nominee to exercise your subscription rights on your behalf. Please follow the instructions of your nominee, who may require that you meet a deadline earlier than 5:00 p.m., Eastern time, on July 29, 2013.

Non-transferability of rights

The subscription rights may not be sold, transferred or assigned and will not be quoted on the NASDAQ Global Market or listed on any stock exchange or market.

Participation of directors and officers

Certain of our directors and executive officers, together with their affiliates, have indicated that they will participate in the rights offering and, collectively, we expect our directors and executive officers to purchase up to approximately 274,162 shares in the rights offering, subject to regulatory approval in certain cases, by exercising basic subscription rights and over-subscription privileges, if any.

No board recommendation

Our board of directors is not making a recommendation regarding your exercise of the subscription rights. You are urged to make your decision to invest based on your own

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| | |
|---|---|
| | assessment of our business and the rights offering. Please see Risk Factors for a discussion of some of the risks involved in investing in our common stock. |
| No revocation | All exercises of subscription rights are irrevocable, even if you later learn of information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at a subscription price of $6.00 per full share. |
| Standby purchasers | In connection with the rights offering, we have entered into standby purchase agreements with the Standby Purchasers. Subject to certain conditions, the Standby Purchasers have committed to purchase from us an aggregate of 404,161 shares at a price of $6.00 per share, if such shares are available after the exercise of the basic subscription rights and over-subscription privileges in the rights offering. For a detailed discussion, see The Standby Offering. |
| Use of proceeds | The net proceeds to us will depend on the number of subscription rights that are exercised. We expect the net proceeds from the offerings to be approximately $6.9 million, if all 1,198,300 shares are sold in the rights offering or to the Standby Purchasers. We intend to use the net proceeds we receive from the offerings for general corporate purposes, including to support future growth such as expansion through acquisitions or branching, infrastructure growth or lines of business expansion. For a detailed discussion, see Use of Proceeds. |
| U.S. federal income tax consequences | For U.S. federal income tax purposes, you should not recognize income or loss upon receipt or exercise of a subscription right. You should consult your own tax advisor as to the tax consequences to you of the receipt, exercise or lapse of the subscription rights in light of your particular circumstances. |
| Extension and cancellation | Although we do not presently intend to do so, we have the option to extend the rights offering for additional periods at our discretion. Our board of directors may for any reason cancel the rights offering at any time before the closing. If we cancel the rights offering, all subscription payments will be returned promptly, without interest or penalty. |
| Subscription agent | American Stock Transfer and Trust Company. |
| Information agent | AST Phoenix Advisors |
| Risk factors | In addition to general investment risks, purchasing our common stock in this offering will involve other specific investment considerations related to us and our business. Those matters are described in this prospectus under the heading Risk Factors beginning on page 14. You should carefully review and consider those risks before you purchase any shares. |
| Market for common stock | Our common stock is currently traded on the NASDAQ Global Market under the symbol SBBX. See Market Price of Common Stock and Dividend Policy on page 23. |

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# RISK FACTORS

*An investment in our common stock involves significant risks. You should carefully consider the risks and uncertainties and the risk factors set forth in the documents and reports filed with the SEC that are incorporated by reference into this prospectus and the risks described below before you make an investment decision regarding the common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations.*

## Risks Factors Related to Our Business

### Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for loan defaults and nonperformance. Our allowance for loan losses may not be adequate to cover actual losses, and future provisions for loan losses could materially and adversely affect the results of our operations. Risks within the loan portfolio are analyzed on a continuous basis by management and, periodically, by an independent loan review function and by the board of directors. A risk system, consisting of multiple-grading categories, is utilized as an analytical tool to assess risk and the appropriate level of loss reserves. Along with the risk system, management further evaluates risk characteristics of the loan portfolio under current economic conditions and considers such factors as the financial condition of the borrowers, past and expected loan loss experience and other factors management feels deserve recognition in establishing an adequate reserve. This risk assessment process is performed at least quarterly and as adjustments become necessary, they are realized in the periods in which they become known. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond our control, and these losses may exceed current estimates. State and federal regulatory agencies, as an integral part of their examination process, review our loans and allowance for loan losses and have in the past required an increase in our allowance for loan losses. Although we believe that our allowance for loan losses is adequate to cover probable and reasonably estimated losses, we cannot assure you that we will not further increase the allowance for loan losses or that our regulators will not require us to increase this allowance. Either of these occurrences could adversely affect our earnings.

### Our non-performing assets may continue to adversely affect our results of operations.

During 2007, we began to experience a downturn in the overall credit performance of the loan portfolio, as well as acceleration in the deterioration of general economic conditions. This deterioration, including a significant increase in national and regional unemployment levels, negatively impacted some borrowers ability to repay. Our total non-performing assets have increased to $22.9 million, or 4.4% of our total assets at March 31, 2013, from $13.5 million, or 3.4% of our total assets at December 31, 2007, but have decreased 3.8% from $23.8 million at December 31, 2012. The provision for loan losses totaled $0.9 million and $1.1 million for the three months ended March 31, 2012 and 2013, respectively. The increase in non-performing assets has negatively impacted our results of operations, through additional provisions for loan losses, reduced interest income, loan collection costs, expenses related to foreclosed real estate, further write-downs on foreclosed real estate and will continue to impact our performance until these assets are resolved. In addition, future increases in our non-performing assets will further negatively affect our results of operations. We can give you no assurance that our non-performing assets will not increase further.

## Our earnings may not grow if we are unable to successfully attract core deposits and lending opportunities and exploit opportunities to generate fee-based income.

We have experienced growth, and our future business strategy is to continue to expand. Historically, the growth of our loans and deposits has been the principal factor in our increase in net-interest income. In the event that we are unable to execute our business strategy of continued growth in loans and deposits, our earnings could be adversely impacted. Our ability to continue to grow depends, in part, upon our ability to expand our market share, to successfully attract core deposits and identify loan and investment opportunities, as well as opportunities to generate fee-based income. Our ability to manage growth successfully will also depend on whether we can continue to efficiently fund asset growth and maintain asset quality and cost controls, as well as on factors beyond our control, such as economic conditions and interest-rate trends.

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## Market conditions may adversely affect our fee based insurance business.

The revenues of our fee based insurance business are derived primarily from commissions from the sale of insurance policies, which commissions are generally calculated as a percentage of the policy premium. These insurance policy commissions can fluctuate as insurance carriers from time to time increase or decrease the premiums on the insurance products we sell.

## Changes in interest rates could adversely affect our results of operations and financial condition.

Our profitability, like that of most financial institutions, depends substantially on our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense paid on our interest-bearing liabilities. Increases in interest rates may decrease loan demand and make it more difficult for borrowers to repay adjustable rate loans. In addition, as market interest rates rise, we will have competitive pressures to increase the rates we pay on deposits, which will result in a decrease of our net interest income.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities as borrowers refinance to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and securities.

## Certain of our intangible assets may become impaired in the future.

Intangible assets are tested for impairment on a periodic basis. Impairment testing incorporates the current market price of our common stock, the estimated fair value of our assets and liabilities, and certain information of similar companies. It is possible that future impairment testing could result in a decline in value of our intangibles, which may be less than the carrying value, which may adversely affect our financial condition. If we determine that impairment exists at a given point in time, our earnings and the book value of the related intangibles will be reduced by the amount of the impairment. Notwithstanding the foregoing, the results of impairment testing on our intangible assets have no impact on our tangible book value or regulatory capital levels.

## We are subject to extensive government regulation and supervision.

We are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress, the State of New Jersey and federal regulatory agencies continually review banking and insurance laws, regulations and policies for areas warranting changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties, private lawsuits, and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

## Compliance with the recently enacted Dodd-Frank Act will alter the regulatory regime to which we are subject, and may increase our costs of operations and adversely impact our business.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry. Among other things, the Dodd-Frank Act creates a new federal Consumer Financial Protection Bureau, or CFPB, tightens capital standards, imposes clearing and margining requirements on many derivatives activities, and generally increases oversight and regulation of financial institutions and financial activities.

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The CFPB began operations on July 21, 2011. It has broad authority to write regulations regarding consumer financial products and services. These regulations will apply to numerous types of entities, including insured depository institutions such as the Bank, and mortgage servicing providers. It is impossible to predict at this time the content or number of such regulations.

The Dodd-Frank Act also requires depository institution holding companies with assets greater than $500 million to be subject to capital requirements at least as stringent as to those applicable to insured depository institutions, meaning, for instance, that such holding companies will no longer be able to count trust preferred securities issued on or after May 19, 2010 as Tier 1 capital. However, the Dodd-Frank Act allows for trust preferred securities issued before May 19, 2010, by depository institution holding companies with total consolidated assets of less than $15 billion as of year-end 2009 to continue to count as Tier 1 capital if the securities qualified as Tier 1 capital on that date for the remaining life of the security. Our trust preferred securities were issued prior to May 19, 2010. Moreover, agreements among bank regulators across the world (including the United States) known as the Basel III capital accord also call for the removal of trust preferred securities from Tier 1 capital for holding companies of all sizes, encourage more reliance on common equity as the main component of capital, and call for increased levels of capital. Rules implementing Basel III have not be yet been proposed in the United States.

In addition to the self-implementing provisions of the statute, the Dodd-Frank Act calls for over 200 administrative rulemakings by various federal agencies to implement various parts of the legislation. While some rules have been finalized and/or issued in proposed form, many have yet to be proposed. It is impossible to predict when all such additional rules will be issued or finalized, and what the content of such rules will be. We will have to apply resources to ensure that we are in compliance with all applicable provisions of the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings.

The Dodd-Frank Act and any implementing rules that are ultimately issued could have adverse implications on the financial industry, the competitive environment, and our ability to conduct business.

## We cannot predict the effect on our operations of any future legislative or regulatory initiatives.

We cannot predict what, if any, additional legislative or regulatory initiatives any governmental entity may undertake in the future, and what, if any, effects such initiatives may have on our operations. The U.S. federal, state and foreign governments have taken or are considering extraordinary actions in an attempt to ameliorate the worldwide financial crisis and the severe decline in the global economy, and to make further reforms to the U.S. financial services system. Further, there can be no assurance that any initiative enacted or adopted in response to the ongoing economic crisis will be effective at dealing with the ongoing economic crisis and improving economic conditions globally, nationally or in our markets, or that any such initiative will not have adverse consequences to us.

## There is a risk that we may not be repaid in a timely manner, or at all, for loans we make.

The risk of non-payment (or deferred or delayed payment) of loans is inherent in commercial banking. Such non-payment, or delayed or deferred payment of loans to us, if they occur, may have a material adverse effect on our earnings and overall financial condition. Additionally, in compliance with applicable banking laws and regulations, we maintain an allowance for loan losses created through charges against earnings. As of December 31, 2012 and March 31, 2013, our allowance for loan losses was $5.0 million and $5.3 million, respectively. Our marketing focus on small to medium-size businesses may result in the assumption by us of certain lending risks that are different from or greater than those which would apply to loans made to larger companies. We seek to minimize our credit risk exposure through credit controls, which include evaluation of potential borrowers available collateral, liquidity and cash flow. However, there can be no assurance that such procedures will actually reduce loan losses.

## We are in competition with many other financial service providers, including larger commercial banks which have greater resources than us.

The banking industry within our trade area is highly competitive. Our principal market area is also served by branch offices of large commercial banks and thrift institutions. In addition, in 1999 the Gramm-Leach-Bliley Financial Modernization Act of 1999, or Modernization Act, was passed into law. The

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Modernization Act permits other financial entities, such as insurance companies and securities firms, to acquire or form financial institutions, thereby further increasing competition. A number of our competitors have substantially greater resources than we do to expend upon advertising and marketing, and their substantially greater capitalization enables them to make much larger loans. Our success depends upon our ability to serve small business clients in a more responsive manner than the large and mid-size financial institutions against whom we compete in our principal market area. In addition to competition from larger institutions, we also face competition for individuals and small businesses from recently formed banks seeking to compete as home town institutions. Most of these new institutions have focused their marketing efforts on the smaller end of the small business market we serve.

## The laws that regulate our operations are designed for the protection of depositors and the public, but not our shareholders.

The federal and state laws and regulations applicable to our operations give regulatory authorities extensive discretion in connection with their supervisory and enforcement responsibilities and generally have been promulgated to protect depositors and the deposit insurance funds and to foster economic growth and not for the purpose of protecting shareholders. These laws and regulations can materially affect our future business. Laws and regulations now affecting us may be changed at any time, and the interpretation of such laws and regulations by bank regulatory authorities is also subject to change. We can give no assurance that future changes in laws and regulations or changes in their interpretation will not adversely affect our business.

## We depend on our executive officers and key personnel to continue the implementation of our long-term business strategy and could be harmed by the loss of their services.

We believe that our continued growth and future success will depend in large part upon the skills of our management team. The competition for qualified personnel in the financial services industry is intense, and the loss of our key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect our business. We cannot assure you that we will be able to retain our existing key personnel or attract additional qualified personnel. We have employment agreements with our Chief Executive Officer, Chief Financial Officer, Chief Lending Officer, Chief Retail Officer and Chief Executive Officer of Tri-State Insurance Agency, and the loss of the services of one or more of our executive officers and key personnel could impair our ability to continue to develop our business strategy.

## Changes in local economic conditions could adversely affect our loan portfolio.

Our success depends to a great extent upon the general economic conditions of the local markets that we serve. Unlike larger banks that are more geographically diversified, we provide banking and financial services primarily to customers in the two counties in the New Jersey and New York markets in which we have branches, so any decline in the economy of this specific region could have an adverse impact on us.

The ability of our borrowers to repay their loans, our financial results, the credit quality of our existing loan portfolio, and the ability to generate new loans with acceptable yield and credit characteristics may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates, adverse employment conditions and the monetary and fiscal policies of the federal government. We cannot assure you that continued negative trends or developments would not have a significant adverse effect on us.

We are in competition with many other financial service providers, includinglarger commercial banks which have gre

## The nationwide recession may adversely affect our business by reducing real estate values in our trade area and stressing the ability of our customers to repay their loans.

Our trade area, like the rest of the United States, is currently experiencing economic contraction. As a result, many companies have experienced reduced revenues and have laid off employees. These factors have stressed the ability on both commercial and consumer customers to repay their loans, and have, and may in the future continue to, result in higher levels of non-accrual loans. In addition, real estate values have declined in our trade area. Since the majority of our loans are secured by real estate, declines in the market value of real estate impact the value of the collateral securing our loans, and could lead to greater losses in the event of defaults on loans secured by real estate.

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### We cannot predict how changes in technology will impact our business.

The financial services market, including banking services, is increasingly affected by advances in technology, including developments in: telecommunications; data processing; automation; internet-based banking; telephone banking; and debit cards and so-called smart cards.

Our ability to compete successfully in the future will depend on whether we can anticipate and respond to technological changes. To develop these and other new technologies, we will likely have to make additional capital investments. Although we continually invest in new technology, we cannot assure you that we will have sufficient resources or access to the necessary proprietary technology to remain competitive in the future.

### Our information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer-relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur; or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability; any of which could have a material adverse effect on our financial condition and results of operations.

## Risks Factors Related to the Rights Offering

### The subscription price determined for the rights offering is not necessarily an indication of the fair value of our common stock.

The per share price of $6.00 in the rights offering is not necessarily related to our book value, tangible book value, multiple of earnings or any other established criteria of fair value and may or may not be considered the fair value of our common stock to be offered in the rights offering. After the date of this prospectus, our shares of common stock may trade at prices below the price in the rights offering.

In addition, the price of our common stock may fluctuate between the time you exercise your subscription rights and your receipt of shares following the conclusion of the rights offering. Once made, all exercises of subscription rights are irrevocable and, as a result, you bear the financial risk that the price of our common stock will fluctuate during that period.

### If you do not exercise your subscription rights, your percentage ownership will be diluted.

Assuming we sell the full amount of shares issuable in connection with the offerings, we will issue approximately 1,198,300 shares of our common stock. If you choose not to exercise your basic subscription rights prior to the expiration of the rights offering, your relative ownership interest in our common stock will be diluted.

## We may cancel the rights offering at any time without further obligation to you.