



Community Partners Bancorp

Code of Conduct

Preface

The reputation of Community Partners Bancorp (the "**Company**") for integrity is one of our most valuable assets and is determined by the conduct of the officers, employees and directors of the Company and its subsidiary banks (the "**Banks**"). This Code of Conduct is directed to you if you are an officer, employee or director of the Company, of one of the Banks or of a subsidiary of any of them. You must never use your position with any of these entities for private gain, to advance private interests, or to obtain personal favors or benefits for yourself, your family or any other person or entity.

You are required to abide by all of the rules in this Code of Conduct unless we describe the rule as being applicable to "**Employees**," in which case the rule applies to all officers and employees but does not apply to non-employee directors. If we describe the rule as being applicable to "**Directors**," it is applicable to all persons who serve as directors of the Company, of either Bank, or of any other direct or indirect subsidiary of the Company, but it does not apply to officers or employees who do not also serve as directors. If you are uncertain about whether a particular rule applies to you, follow the rule until you are certain. Questions about the rules should be directed to the CEO or Director of Human Resources.

A basic premise of this Code of Conduct is that each employee represents Community Partners Bancorp and is obligated to act in Community Partners Bancorp's best interest, and in the best interests of its customers and stockholders, without regard to the employee's personal or financial interest or activities. Employees are expected to recognize and avoid those situations where personal or financial interest or relationships might influence or appear to influence the employee's judgment on matters affecting our institution.

Employees should understand that a conflict of interest may arise when there is a mere opportunity for conflict to occur. Although employees may not intend to create a conflict of interest, they should manage their affairs to avoid even the appearance of such a conflict. If an employee has any doubt about a certain situation, the employee should contact his/her supervisor to discuss it immediately.

This Code is not an express or implied contract and does not create or describe any obligations of the Bank. The Code supplements but does not supersede or replace other specific policies and procedures that have been adopted by the Bank.

This Code is supplemented by our Human Resources Policies and Procedures Manual and supplemental policies applying to certain categories of Employees. Please make sure you are familiar with any supplement which applies to you.

An Employee's failure to follow these rules is grounds for disciplinary action, termination of employment and possible criminal or civil prosecution. If a Director fails to follow these rules, he or she may be asked to resign from the Board.

CONFIDENTIAL AND PROPRIETARY INFORMATION/AUTHORITY/ SECURITY

1. You have and will continue to have access to knowledge and information relating to our loan and deposit customers, including their identity and financial condition, interest rates charged on loans, interest rates paid on deposits, compensating balances, and other terms and conditions of our relationship with our customers. We refer to this proprietary and confidential information as "**Confidential Information**".
2. Confidential Information is a valuable asset of ours. You must hold that information in strictest confidence and safeguard it from public disclosure.
3. No Employee is permitted to use proprietary or confidential information obtained by the Employee from a prior employer.
4. Except in the course of performing duties for us as our Employee, you must not, while you are employed by us or at any time thereafter, directly or indirectly divulge any Confidential Information to any other person or entity, or appropriate Confidential Information for the use of any person or entity. If and when you leave your employment with us, you are not permitted to remove any documents, files, computer disks or any other materials or objects that contain any Confidential Information.
5. Confidential Information may contain information which reflects favorably or adversely upon the investment value or future market value of a business enterprise. You must not disclose or use any Confidential Information in any manner to

obtain personal advantage or to provide advantage to others. For example, Confidential Information obtained by the Commercial Loan Department shall not be used by the Trust Department in making investments for fiduciary accounts. In addition, you must not use, or assist any other person or entity in using, Confidential Information to enhance your investment portfolio or that of any other person or entity.

6. All Employees are required to perform their job responsibilities in an honest and conscientious manner. Many Employees are entrusted with different levels of authority and security clearances in order to perform various banking functions. Some examples are tellers' control over cash, individuals with monetary posting capabilities on our computer system, control over keys and combinations to vaults and safes, and check signing authorities. Security codes and procedures must never be divulged and dual control procedures, where applicable, must be strictly followed.
7. Confidential Information includes information contained in our computer-maintained customer databases. You must not use, divulge, copy or otherwise reproduce such databases or any of the information contained therein except for our business purposes.
8. All Employees are prohibited from duplicating any software they use at work, except for backup purposes. This prohibition includes duplication for personal use by the Employee. Any Employee who provides software which we own or license to any outside third party, including clients or customers, is in violation of this policy. All information that is stored on our computer system is our sole property. Our computers must not be used for personal business and you are prohibited from running non-Company programs on our computers.

DISCRIMINATION/HARASSMENT

1. State and federal banking statutes, rules and regulations, as well as general anti-discrimination statutes of the United States and the State of New Jersey, prohibit discrimination in lending and other banking activities. Moreover, it is our policy not to discriminate against any existing or potential employees, customers, suppliers or vendors, based upon race, creed, handicap, disability, color, national ancestry, national origin, nationality, sex, age, sexual orientation or marital status.
2. Our policy is to promote and maintain a work environment in which all Employees and customers are treated with respect and decency. No form of discriminatory or disrespectful conduct (sexual or non-sexual) by or toward any Employee or customer will be tolerated. Sexual and non-sexual harassment are among the forms of prohibited conduct. In addition, sexual harassment is illegal. Unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature may constitute sexual harassment.

PERSONAL INVESTMENTS

1. You must disclose in writing to the CEO and Board any "substantial ownership" that you have in a customer or vendor or a financial institution that competes with us. A "**substantial ownership**" is the direct or beneficial ownership of (i) more than \$10,000 in stock or debt in any private company or (ii) more than 1% of the common stock or debt of any publicly traded company. You must provide this information when you first sign a statement indicating your receipt of this Code of Conduct, and you must update it promptly whenever the nature and scope of the investments you hold change, whether due to purchases, sales, stock dividends or otherwise. If a conflict of interest exists or arises between your investments and your obligations to us, we will take appropriate action, which, in the case of Employees, includes possibly (a) requiring you to divest yourself of all of the investments that create the conflict of interest or potential conflict of interest, or (b) requiring you to resign your position with us.
2. As an Employee you should be prudent in your investments and not engage, or permit any agent or broker to engage, on your behalf, in unwarranted speculation in securities or commodities.
3. If you have access to Confidential Information, you are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the Company, either Bank or any other direct or indirect subsidiary of the Company should be considered Confidential Information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. If you have any questions, please consult your personal attorney.
4. Under no circumstances may you buy or sell the security of any company or bank at any time when you know that we are buying such securities for our account or you know that we may seek to acquire that company or bank.
5. You are not permitted to buy or sell the security of any company or bank when you know that our Trust Department is actively buying or selling securities of the same company or bank if your transactions might affect the market in which the Trust Department is trading.
6. You must not accept offers to buy any security at terms more favorable than those available to the general public if those offers come to you because of your position with us.

GIFTS AND FEES

1. Federal law prohibits you from seeking or accepting anything of value in connection with any of our transactions or business where there is an intent to corruptly influence or reward you. The law also prohibits anyone from offering or giving anything of value to you with that intent.
2. Employees may accept gifts only if they are non-cash gifts of nominal value (less than \$250). However, you should never

accept a gift in circumstances in which it may appear to others that your business judgment has been compromised. Similarly, an Employee may not accept or allow a close family member to accept gifts, services, loans or preferential treatment from anyone - customers, suppliers or others - in exchange for a past, current or future business relationship with us.

3. You must not accept any fee or other form of remuneration which violates any law and, in any event, you must not accept any fee or other form of remuneration from one of our customers, prospective customers or suppliers without the written approval of the CEO. We have supplemental policies which may impose various limitations or require various reports or approvals on particular categories of persons or business units. Please make sure you are familiar with any supplemental rules which may apply to you.
4. You must not accept, directly or indirectly, any bequest or legacy from one of our customers, except where the customer is a close relative of yours. This prohibition also applies to members of your immediate family and it will continue to apply even after you are no longer working. If you learn about such a legacy being contained in a customer's will, you must deliver immediately a written report describing all pertinent facts to the CEO and Board.
5. You must not borrow from our customers, prospective customers, suppliers or any other persons or companies with which we do business unless the individual or entity is related to you or engaged in lending in the usual course of business, and then only on terms no more favorable than those offered to others under similar circumstances.
6. The prohibitions and reporting requirements in items 1-5 above **do not apply** to you or your dependents or families accepting any of the following things:
 - a. Gifts or bequests based upon family or long-time, close personal relationships, when the circumstances clearly indicate that it is these relationships rather than the business of the persons concerned which are the motivating factors in the gifts or bequests. In situations involving the receipt or furnishing of gifts, entertainment or services from established friends who are also customers, prospective customers, suppliers or other persons with whom we do business, you or your dependent or family member must use prudent judgment and should consider seeking guidance from an appropriate senior officer.
 - b. Food and entertainment at regular business luncheons, dinners, meetings or sporting events where the purpose of such event is to hold bona fide business discussions (not to exceed \$250 in aggregate value per Employee and dependent per event). If the aggregate value per Employee and dependent of a particular activity is believed in good faith to be greater than \$250 but less than \$1,000 the estimated cost must be reported to the CEO. Amounts estimated in good faith to exceed \$1,000 in aggregate value per Employee and dependent per event must be reported to the CEO and Chairman of Audit Committee and must be returned to the donor. In all cases, you are encouraged to pay for yourself. In golf outings and similar sporting or non-sporting events held for charitable purposes where the charity receives a substantial portion of the proceeds, the event will be exempt from the dollar limitation. The acceptance of tickets to certain one-time events, such as major sporting play-offs, will not be allowed because the value may far exceed the ticket price. The acceptance of sporting event tickets, theatre tickets or other event tickets or similar items from a customer when the customer does not attend the event are a gift and do not fit within this exception.
 - c. **Loans from other banks or other financial institutions on customary terms to finance proper credit needs, such as home mortgage and consumer credit loans. However, all officers stipulated under the resolutions of a Bank's Board of Directors with respect to the application of Federal Reserve Regulation O (generally, senior vice president and above) are required to report any borrowing from another bank or financial institution which is in excess of the amount that they may borrow from the Bank for the same type of loan.**
 - d. Awards given by charitable, civic, religious or similar organizations for meritorious contributions or achievement.

CONFLICTS OF INTERESTS AND OUTSIDE ACTIVITIES

1. Employees shall not engage in any business activity or employment that interferes with their duties to us or our shareholders, divides their loyalty or creates a possible conflict of interest.
2. Officers must make full written disclosure to the CEO and Board and obtain written approval from the CEO of all proposed outside employment, directorships or fiduciary appointments.
3. Employees are encouraged to participate in civic organizations and political activities provided that their participation does not unduly interfere with their duties to us and is not otherwise detrimental to us.
4. You are encouraged and expected to give your loan, deposit and trust work to us. Although this may be viewed as a conflict, as long as the relationships are on an arm's-length basis and, where applicable, comply with Regulation O, the conflict of interest prohibition shall not apply to these transactions.
5. In the ordinary course of their business, Directors (or a business in which the Director is a partner, significant shareholder, director or executive officer) may provide services to us or to our customers in a transaction with us, subject to disclosure to and approval by the CEO and subject to disclosure to and approval by the Board of Directors when the CEO reasonably believes there is the potential for a material conflict between our interests and the Director's or his client's interests.
6. There may be occasions when a relative of yours (or a business in which the relative is a partner, significant shareholder, director or executive officer) is retained by us as service or product suppliers or otherwise. In such circumstances, prior approval by the Board of Directors and competitive pricing are required. In the case of Employees who are not part of senior management, CEO approval may substitute for Board approval.

CORPORATE OPPORTUNITIES

You are prohibited from taking for yourself personally, opportunities that are discovered through the use of corporate information or position without the consent of the Board.

ADMINISTRATION

1. All Employees must review this Code of Conduct and sign a statement to that effect setting out any information called for by the Code or that might affect such individual's adherence to the Code. In addition to the disclosures required by the statement, each Employee shall report promptly, in writing, the existence of any relationship or interest which might involve or appear to involve a conflict of interest as such relationships or interests arise.
2. This Code of Conduct and all decisions arising in connection with it shall be determined by our CEO and Board of Directors. In certain cases, circumstances may exist which may warrant the CEO and the Board of Directors granting an exception to the Code of Conduct. An Employee claiming such circumstances must present them to the Board in writing.
3. All Employees are hereby advised that any violation of this Code of Conduct is grounds for disciplinary action, termination of employment and possible criminal or civil prosecution.
4. From time to time, situations will arise that are not clearly covered by this Code of Conduct. When such situations arise, the Employee should promptly discuss them with the CEO or the CEO's appointed representative, the Director of Human Resources.

WAIVERS OF THIS CODE

Any waiver of this Code for executive officers or Directors may be made only by the Board or a Board committee and will be promptly disclosed as required by law or stock exchange regulation. Circumstances under which this Code expressly requires Board or CEO approval do not constitute waivers of this Code.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. Employees are expected to cooperate in internal investigations of misconduct.

Employees may report ethical violations in confidence and without fear of retaliation.

If your situation requires that your identity be kept secret, your anonymity will be protected. We do not permit retaliation against Employees for good faith reports of ethical violations. Accordingly, no Employee will be subject to retaliation or discipline for providing, in good faith, reports or other information concerning suspected violations of law or this Code. If you believe that you are the subject of retaliation or that your job status has been adversely affected as a result of reporting under this Code, you should contact the CEO or the Director of Human Resources.

Reports concerning questionable accounting, auditing, financial reporting, or internal financial controls matters.

If your report concerns questionable accounting, auditing, financial reporting, or internal financial controls matters and in good faith you believe that we have not responded or will not respond in an appropriate manner or with appropriate action to your report, you may make an anonymous and/or confidential report to Community Partners Bancorp Audit Committee, 1250 Highway 35 South, Middletown, New Jersey 07748

DISCLOSURE AND RECORDKEEPING

If an employee believes he/she will be in violation of this Code of Conduct, the employee must disclose the facts of the situation to his or her supervisor or other appropriate officer. Failure to do so is a separate breach of this Code.

Disclosure should always be in writing, and a written response to the employee should be given by senior management. A file of disclosures and responses should be maintained by each affiliate.

EMPLOYMENT OF RELATIVES

The Bank recognizes that the employment of relatives may create potential conflicts of interest. Consequently, we have adopted a policy that provides that relatives will be considered for employment, similar to other applicants; however, they may not work in the same area of responsibilities or duties and may not report to one another, either directly or indirectly. An Officer of the Bank at the level of Senior Vice President or higher must approve any exception to this policy, in writing.

POLITICAL ACTIVITY

The Bank is prohibited from making corporate contributions for political purposes. This includes contributions of "anything" of value" such as the use of facilities, equipment, and personnel. The Bank believes, however, that it is important for citizens to take an active interest in governmental processes. Directors, officers and employees are encouraged to be well-informed concerning political issues and to take an active interest in such matters. In such cases, employees participate in political and civic activities as individuals and not as representatives of the Bank. To avoid any interpretation of the Bank sponsorship or endorsement, the Bank's name or address should not be used in any manner. While Bank policy prohibits the use of corporate funds in political activities, this is not intended to discourage directors, officers or employees from making personal contributions for political purposes. Directors, officers or employees must not, however, be reimbursed by the Bank if any way for such contributions.

COMPLIANCE PROCEDURES

You and we must work to ensure prompt and consistent action against violations of this Code. However, in some situations difficult judgments are required. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- a. Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- b. Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process.
- c. Seek help from our resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it with the CEO or the Director of Human Resources. If that also is not appropriate, you may address your concerns to: Community Partners Bancorp Audit Committee, 1250 Highway 35 South, Middletown, New Jersey 07748.