

SANDY SPRING BANCORP INC

Form DEF 14A

March 16, 2009

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. ___)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material pursuant to §240.14a-12

SANDY SPRING BANCORP, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

N/A

2. Aggregate number of securities to which transaction applies:

N/A

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

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4. Proposed maximum aggregate value of transaction:

N/A

5. Total fee paid:

N/A

Fee paid previously with preliminary materials:

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

1. Amount Previously Paid:

N/A

2. Form, Schedule or Registration Statement No.:

N/A

3. Filing Party:

N/A

4. Date Filed:

N/A

17801 Georgia Avenue, Olney, Maryland 20832

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS

Date: Wednesday, April 22, 2009

Time: 3:00 p.m., EDT

Place: Ten Oaks Ballroom
5000 Signal Bell Lane
Clarksville, MD 21029

The 2009 annual meeting of shareholders of Sandy Spring Bancorp, Inc. (Bancorp) will be held as indicated above for the purposes of considering:

- (1) The election of four (4) director nominees to serve as Class I directors with terms expiring at the 2012 annual meeting, in each case until their successors are duly elected and qualified; and
- (2) A non-binding resolution to approve the compensation of the named executive officers; and
- (3) The ratification of the appointment of Grant Thornton LLP as the independent registered public accounting firm for the year 2009.
- (4) Such other business as may properly come before the annual meeting or any adjournment thereof.

Enclosed with this notice is a proxy card, the 2009 proxy statement and 2008 Annual Report on Form 10-K. Only holders of record of Bancorp's common stock as of the close of business on February 25, 2009 will be entitled to notice of, and to vote at, the annual meeting, or any adjournment thereof. Please complete the proxy card and mail it in the enclosed envelope. You may also choose to vote your shares using the Internet, as explained on the proxy card. If you attend the meeting, you may withdraw your proxy and vote in person.

By order of the board of directors,

Ronald E. Kuykendall
General Counsel & Secretary

Olney, Maryland
March 16, 2009

Important Notice Regarding the Availability of Proxy Materials for the
2009 Annual Meeting of Shareholders to be held on April 22, 2009

This proxy statement and Bancorp's 2008 Annual Report on Form 10-K are available
electronically at
www.sandyspringbank.com/proxy

**YOUR VOTE IS VERY IMPORTANT. PLEASE VOTE YOUR SHARES BY COMPLETING AND RETURNING
THE ENCLOSED PROXY CARD OR VOTING YOUR SHARES ELECTRONICALLY, WHETHER OR NOT
YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING.**

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SANDY SPRING BANCORP, INC.
PROXY STATEMENT

General Information

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Sandy Spring Bancorp, Inc. (Bancorp) to be used at the 2009 annual meeting of shareholders on Wednesday, April 22, 2009, at 3:00 p.m. EDT at Ten Oaks Ballroom, 5000 Signal Bell Lane, Clarksville, Maryland. The notice of annual meeting, the proxy card, and this proxy statement are being first mailed on or about March 16, 2009, to shareholders of record as of the close of business on February 25, 2009 (the Record Date).

Who Can Vote

You can vote if you owned shares of Bancorp common stock, par value \$1.00 per share, as of the close of business on the Record Date. Each share of common stock is entitled to one vote. The number of common shares outstanding on the Record Date was approximately 16,445,178. When you give Bancorp your proxy, you authorize Bancorp to vote your shares per your instructions whether or not you attend the annual meeting. The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of common stock is necessary to constitute a quorum at the annual meeting.

Executing Your Right to Vote

By completing and returning the enclosed proxy card in time to be voted at the annual meeting, the shares represented by it will be voted in accordance with the instructions marked on the card. Executed but unmarked proxies will be voted on all business matters as recommended by the board of directors. Proxies marked as abstentions and proxies for shares held in the name of a bank, broker, or other nominee marked as not voted will be counted only for purposes of determining a quorum at the annual meeting.

The board of directors does not know of any other matters that are to come before the annual meeting except for incidental, procedural matters. If any other matters are properly brought before the annual meeting, the persons named in the accompanying proxy card will vote the shares represented by each proxy on such matters as determined by a majority of the board of directors.

Costs of Proxy Solicitation

The cost of soliciting proxies will be borne by Bancorp. In addition to the solicitation of proxies by mail, Bancorp also may solicit proxies through its directors, officers, and employees. Bancorp also will request persons, firms, and corporations holding shares in their names or in the name of nominees that are beneficially owned by others to send proxy materials to and obtain proxies from those beneficial owners and will reimburse the holders for their reasonable expenses in doing so.

Internet Voting

Bancorp is pleased to offer its shareholders the convenience of voting online via the Internet. Please check your proxy card for instructions. Please be aware that if you vote your shares over the Internet, you may incur costs or charges from your Internet access provider for which you are responsible.

Changing Your Vote

Your presence at the annual meeting will not automatically revoke your proxy. However, you may revoke a proxy at any time prior to its exercise by 1) filing a written notice of revocation with Ronald E. Kuykendall, General Counsel and Secretary; or 2) delivering to Bancorp a duly executed proxy bearing a later date; or 3) attending the annual meeting and casting a ballot in person.

Delivery and Accessibility Proxy Materials

Bancorp plans to take advantage of the householding rules of the Securities and Exchange Commission (SEC) that permit the delivery of one set of the proxy materials to shareholders who have the same address to achieve the benefit of reduced printing and mailing costs. Shareholders residing at a shared address will continue to receive separate proxy cards. If you wish to receive a separate set of materials, please write or call as specified below, and we will promptly mail them to you at no charge. If a bank, broker or other nominee holds your shares, please contact your bank, broker or nominee directly.

The 2008 Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC, but excluding exhibits, is provided with this proxy statement and both documents are available on the Internet at www.sandyspringbank.com/proxy. Shareholders may obtain a copy of the exhibits to the Annual Report on Form 10-K by writing Ronald E. Kuykendall, General Counsel and Secretary, at Sandy Spring Bancorp, Inc., 17801 Georgia Avenue, Olney, Maryland 20832. Shareholders also may access a copy of the Form 10-K including exhibits on the SEC Web site at www.sec.gov.

PROPOSAL I: Election of Directors

In accordance with Bancorp's articles of incorporation and bylaws, the board of directors has set the total number of directors at thirteen. The articles of incorporation divide the directors into three classes, as nearly equal in number as possible. In general, the term of office of only one class of directors expires in each year, and their successors are elected for terms of three years or until their successors are elected and qualified.

At the annual meeting a total of four director-nominees are before you for election, all of whom are incumbent Bancorp directors. With respect to the election of directors, a plurality of all the votes cast at the annual meeting will be sufficient to elect a nominee as a director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES NAMED BELOW AS A DIRECTOR OF BANCORP.

Information as to Nominees and Incumbent Directors

The following information sets forth the names of the four nominees for election. Each has given his or her consent to be nominated and has agreed to serve if elected. If any person nominated by the board of directors is unable to accept election, the proxies will be voted for the election of such other person or persons as the present board of directors may designate.

Also provided is information on the remaining incumbent directors. Unless described otherwise, each director has held his or her current occupation for at least five years, and the ages listed are as of the Record Date. Bancorp's Corporate Governance Policy and Bylaws require a director to retire immediately following the annual meeting following the date on which he or she attains 70 years of age. Therefore, Directors Charles F. Mess, Sr. and Marshall H. Groom will be retiring from service at the close of the annual meeting.

All directors of Bancorp and its principal subsidiary Sandy Spring Bank (the Bank) are composed of the same persons. Throughout this proxy statement, the singular use of "board of directors" or "board" shall be intended to refer to both boards unless otherwise indicated.

Incumbent Class I Directors – Nominees for Terms to Expire at the 2012 Annual Meeting:

Name and Position(s) Held with Bancorp	Age	Principal Occupation and Employer	Member of Board Since	Current Term Expires
Susan D. Goff Director	63	Retired. Former executive of Mid-Atlantic Medical Services, Inc., a health maintenance organization.	1994	2009
Robert L. Orndorff Director	52	President of RLO Contractors, Inc., an excavating contractor in Dayton, Maryland.	1991	2009
David E. Rippeon Director	60	President and CEO of Gaithersburg Equipment Co., Frederick Equipment Co., and Howard County Equipment, tractor and equipment dealerships.	1997	2009
Daniel J. Schrider Director	44	President and CEO of Sandy Spring Bancorp, Inc. and Sandy Spring Bank	2009	2009

Incumbent Class II Directors - Continuing

Mark E. Friis Director	53	President and CEO and owner of Rodgers Consulting, Inc., a land planning and engineering firm in Germantown, Maryland.	2005	2011
Hunter R. Hollar Chairman	60	Retired. Former President and Chief Executive Officer of Sandy Spring Bancorp, Inc. and Sandy Spring Bank	1990	2011
Pamela A. Little Director	55	CFO of ATS a provider of IT services to the federal government in McLean, Virginia (2007); former CFO of Athena Innovative Solutions, Inc. (2005-2007); former CFO of ZKD, Inc. (2004-2005). All of these firms are government contractors.	2005	2011
Craig A. Ruppert Director	55	President and owner of The Ruppert Companies, comprised of nursery and landscaping, business and investment management, and commercial real estate development and management businesses.	2002	2011

Incumbent Class III Directors - Continuing

Solomon Graham Director	66	President and CEO of Quality Biological, Inc., a biotechnology firm providing reagents for medical research.	1994	2010
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Gilbert L. Hardesty Director	68	Retired. Former President of Crestar Bank-Annapolis and former President of Annapolis Federal Savings Bank.	1997	2010
Lewis R. Schumann Director	65	Attorney. Partner in Miller, Miller and Canby, Chtd in Rockville, Maryland	1994	2010

Corporate Governance and Other Matters

Corporate Governance Policy and Code of Business Conduct

Bancorp's business affairs and strategic direction are overseen by its board of directors. The board remains committed to setting a tone of the highest ethical standards and performance for Bancorp's management, officers, and company as a whole. The board believes that strong corporate governance practices are a critical element of doing business today. To that end, the Corporate Governance Policy is reviewed periodically to ensure it reflects the best interests of Bancorp and its shareholders.

In addition, Bancorp's board of directors has adopted a Code of Business Conduct applicable to all directors, officers, and employees of Bancorp and its subsidiaries. It sets forth the legal and ethical standards that govern the conduct of business performed by Bancorp and its subsidiaries. The Code of Business Conduct includes a Code of Ethics established pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, related SEC regulations, and the listing standards of the Nasdaq Stock Market, Inc.

More information about corporate governance, including the Corporate Governance Policy and the Code of Ethics, and board committee charters may be found on Bancorp's investor relations Web site maintained at www.sandyspringbank.com.

Director Independence

The board of directors has affirmatively determined that all directors other than Mr. Hollar and Mr. Schrider are independent under Nasdaq's listing standards. Those independent directors are: Mark E. Friis, Susan D. Goff, Solomon Graham, Marshall H. Groom, Gilbert L. Hardesty, Pamela A. Little, Charles F. Mess, Sr., Robert L. Orndorff, David E. Rippeon, Craig A. Ruppert, and Lewis R. Schumann.

The board of directors complies with or exceeds the independence requirements for the board and board committees established by the Nasdaq stock market, federal securities and banking laws and the additional standards included in Bancorp's Corporate Governance Policy.

In accordance with the Corporate Governance Policy, no more than two inside directors may be on the board at any one time. All other directors must be independent. An inside director is defined as a director that is employed or was employed within the last three years as either an officer of Bancorp or the Bank and serves as a member of the board of directors. In making its determination of independence, the board of directors did not consider any transactions, relationship, or arrangements that are not included in the section of this proxy statement entitled "Transactions and Relationships with Management."

Board Committees

Bancorp's board of directors has the following standing committees: Audit, Executive and Corporate Governance, Human Resources and Compensation, and Nominating. Each committee has a written charter which may be found on Bancorp's investor relations Web site at www.sandyspringbank.com. The functions, composition, and number of meetings for these committees in 2008 were as follows:

Audit Committee - The Audit Committee is appointed by the board to assist in monitoring the integrity of the financial statements and of financial reporting, including the proper operation of internal and disclosure controls and procedures in accordance with the Sarbanes-Oxley Act of 2002, compliance with legal and regulatory requirements and the independence and performance of internal and external auditors. The Audit Committee reviews the Forms 10-K and

10-Q prior to filing. All members of the committee are independent as defined in applicable law, regulations of the SEC, Nasdaq's listing standards, and the Federal Deposit Insurance Act and related regulations (the FDIA). Members of the committee also meet all other applicable requirements of the SEC, FDIA, and Nasdaq's listing standards for financial, accounting or related expertise. The board of directors has determined that Pamela A. Little qualifies as an audit committee financial expert under the Nasdaq listing standards and applicable securities regulations. During 2008, the Audit Committee held six meetings.

Executive and Corporate Governance Committee - This committee conducts board business between regular monthly meetings and provides oversight and guidance to the board of directors to ensure that the structure, policies, and processes of the board and its committees facilitate the effective exercise of the board's role in the governance of Bancorp. The committee reviews and evaluates the policies and practices with respect to the size, composition, independence and functioning of the board and its committees as stated in the Corporate Governance Policy. During 2008, the Executive and Corporate Governance Committee held thirteen meetings.

Human Resources and Compensation Committee – Members of this committee are independent directors within the meaning of the Nasdaq listing standards. The Human Resources and Compensation Committee recommends salaries and other compensation for executive officers, considers other compensation and benefit plans and makes recommendations to the board regarding grants and awards under the 2005 Omnibus Stock Plan. During 2008, the Human Resources and Compensation Committee held six meetings.

Nominating Committee - Members of this committee are independent directors within the meaning of the Nasdaq listing standards. The Nominating Committee makes recommendations to the board of directors with respect to nominees for election as directors. In exercising its responsibilities, the Nominating Committee considers general, minimum criteria and particular goals and needs of Bancorp for additional competencies or characteristics. Each director of Bancorp is expected to exhibit the highest standards in exercising his or her duty of loyalty, care and commitment to all shareholders and to protect the values and legacy of the organization. Additionally, directors must manage themselves well in their personal department and display the ability to challenge the thinking of others and to influence them with constructive approaches. Directors must be able to read and act upon complex financial statements and analyses. Finally, directors need to be able to apply informed judgment and long-term, conceptual and systemic thinking to all decisions. The board gathers input from all directors prior to the recruitment of a new director in order to form a collective picture of the competencies needed. The board also values diversity and seeks to include women and members of minority groups as well as to maintain a range of thinking and personality styles. The Nominating Committee encourages suggestions for qualified candidates to the board from the Chief Executive Officer, the Chairman of the Board, other directors, and from shareholders, and is responsible for the evaluation of such suggestions. Shareholders may submit suggestions for qualified director candidates by writing to Ronald E. Kuykendall, General Counsel and Secretary, at Sandy Spring Bancorp, Inc., 17801 Georgia Avenue, Olney, Maryland 20832. Submissions should include information regarding a candidate's background, qualifications, experience and willingness to serve as a director. In addition, the Nominating Committee may consider candidates submitted by a third party search firm hired for the purpose of identifying director candidates. The Nominating Committee uses the same process for evaluating all nominees, including those recommended by shareholders, using the board membership criteria described above. Please see "Shareholder Proposals and Communications." During 2008, the Nominating Committee held seven meetings.

2008 Board Committees

Name	Executive	Audit	Human Resources	Nominating
Mark E. Friis		X		X
Susan D. Goff	X		Chairman	
Solomon Graham			X	Chairman
Marshall H. Groom	X			X
Gilbert L. Hardesty	X			X
Hunter R. Hollar	X			
Pamela A. Little		Chairman		
Charles F. Mess, Sr.		X	X	
Robert L. Orndorff	Chairman		X	

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David E. Rippeon		X	X	
Craig A. Ruppert	X	X		X
Lewis R. Schumann	X			

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Director Attendance at Meetings

During 2008, the board of directors held twelve regular joint meetings with attendance averaging 98%. All incumbent directors attended well over 75% of the aggregate of (a) the total number of meetings of the board of directors and (b) the total number of meetings held by all committees on which they served.

Director Compensation

Meeting Fees – Non-employee directors of Sandy Spring Bank received an annual retainer of \$11,200. The chairman of the Audit Committee received an additional retainer of \$6,000 and all other committee chairmen received an additional retainer of \$4,000. Non-employee directors received \$880 for attendance at each meeting of the board of directors and also \$800 for attendance at each committee meeting. Bancorp directors do not receive any additional compensation (beyond compensation received for service as Bank directors); however, non-employee directors would receive a fee of \$880 for attendance at a meeting of Bancorp's board of directors not held in conjunction with a meeting of the Bank's board of directors.

Directors of the Bank are eligible to defer all or a portion of their fees under the Director Fee Deferral Plan. The amounts deferred accrued interest at the Wall Street prime rate in 2008. Beginning in 2009, deferred compensation will accrue interest at a rate that is not considered "above market" or preferential. Except in the case of death or financial emergency, deferred fees and accrued interest are payable only following termination of a director's service on the board. In the event a director dies during active service, the Bank may pay benefits that exceed deferred fees and accrued interest to the extent the Bank owns an insurance policy in effect on the director's life at the time of death that pays a greater amount than the total of deferred fees and accrued interest.

Non-Cash Compensation - Bancorp directors are also eligible to receive non-incentive stock options, stock appreciation rights, and restricted stock under Bancorp's 2005 Omnibus Stock Plan. These options have a maximum term of seven years and an exercise price that may not be less than 100% of the closing price of the common stock on the date of grant. Director options are included in the computation of share dilution. In 2008, non-employee directors were granted options for a total of 13,860 shares at a grant price of \$27.96 with a three year vesting schedule and 3,080 shares of restricted stock with a five year vesting schedule. Under the Director Stock Purchase Plan, directors may elect to apply from 50% to 100% of their annual retainers to purchase newly issued Bancorp common stock at market value.

2008 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	Nonqualified Deferred Compensation Earnings (4)	Total
John Chirtea(5)	\$ 6,640	\$ -	\$ -	\$ -	\$ 6,640
Mark E. Friis	34,760	3,186	4,617	218	42,781
Susan D. Goff	38,480	3,186	4,617	5,853	52,136
Solomon Graham	32,160	3,186	4,617	4,588	44,551
Marshall H. Groom	39,360	1,174	1,364	-	41,898
Gilbert L. Hardesty	37,760	3,186	4,617	-	45,563
Pamela A. Little	32,560	3,186	4,617	921	41,284
Charles F. Mess, Sr.	30,560	3,186	4,617	781	39,144
Robert L. Orndorff	38,480	3,186	4,617	8,112	54,395
David E. Rippeon	29,680	3,186	4,617	-	37,483
Craig A. Ruppert	37,760	3,186	4,617	-	45,563
Lewis R. Schumann	29,760	3,186	4,617	7,315	44,878
W. Drew Stabler(5)	9,840	-	-	-	9,840

- (1) All or a portion of the reported cash compensation may be deferred under the Director Fee Deferral Plan. Please see the description of "Director Compensation" on page 8.
- (2) On March 26, 2008 the directors noted above were granted 280 shares of restricted stock. The value reported represents the compensation expense recognized for financial statement reporting purposes in accordance with FAS 123(R) for outstanding restricted stock awards for each director. At December 31, 2008, each non-employee director had 441 unvested shares of restricted stock with the exception of Mr. Groom who had 280 shares.
- (3) On March 26, 2008 each non-employee director received stock options for 1,260 shares. The value reported represents the compensation expense recognized for financial statement reporting purposes in accordance with FAS 123(R) for outstanding stock option awards for each director. As of the Record Date directors held total outstanding options for the following number of shares: Friis-3,299; Goff-7,721; Graham-6,959; Groom-6,420; Hardesty-12,527; Little-3,299; Mess-9,072; Orndorff-11,680; Rippeon-8,761; Ruppert-7,215; Schumann-11,314.
- (4) Amount reported is the "above-market" interest paid on deferred compensation pursuant to the Director Fee Deferral Plan as described under "Director Compensation" on page 8.
- (5) Messrs. Stabler and Chirtea retired from the board on April 23, 2008. The reported compensation reflects amounts earned or accrued from January 1, 2008 through April 23, 2008.

Stock Ownership of Directors and Executive Officers

The following table sets forth information as of February 13, 2009, with respect to the shares of common stock beneficially owned by each director continuing in office and nominee for director of Bancorp, by all directors and executive officers of Bancorp as a group, and by the following executive officers of Bancorp and Bank: Hunter R. Hollar, Daniel J. Schrider, Philip J. Mantua, Frank Small, R. Louis Caceres and Sara E. Watkins (Named Executive Officers for 2008). Directors qualifying shares are included in shares owned.

Name