

SANDY SPRING BANCORP INC
Form PRE 14A
March 08, 2010

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):
N/A
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.

Edgar Filing: SANDY SPRING BANCORP INC - Form PRE 14A

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 2010 ANNUAL MEETING OF SHAREHOLDERS

Date: Wednesday, May 5, 2010

Time: 3:00 p.m., EDT

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

The 2010 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 III directors with terms expiring at the 2013 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 2010; and
- (4) A shareholder proposal on the declassification of the board of directors; and
- (5) Such other business as may properly come before the annual meeting or any adjournment thereof.

Enclosed with this notice is a proxy card, the 2010 proxy statement and 2009 Annual Report on Form 10-K. Only holders of record of Bancorp's common stock as of the close of business on March 10, 2010 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 29, 2010

Important Notice Regarding the Availability of Proxy Materials for the
2010 Annual Meeting of Shareholders to be held on May 5, 2010
This proxy statement and the 2009 Annual Report on Form 10-K are available at
www.sandyspringbank.com/proxy

Table of Contents

General Information	3
Who Can Vote	3
Executing Your Right to Vote	3
Recent Changes In Regulations Will Affect Your Vote	3
Costs of Proxy Solicitation	3
Telephone and Internet Voting	4
Changing Your Vote	4
Delivery and Accessibility of Proxy Materials	4
PROPOSAL I: Election of Directors	4
Information About Nominees and Incumbent Directors	4
Corporate Governance and Other Matters	7
Corporate Governance Policy and Code of Business Conduct	7
Director Independence	7
Board Leadership Structure	7
Chairman Selection Process	7
Board's Role in Risk Oversight	7
Board Committees	8
Director Attendance at Meetings	9
Director Compensation	10
Stock Ownership of Directors and Executive Officers	12
Owners of More Than 5% of Bancorp's Common Stock	13
Transactions and Relationships with Management	13
Section 16(a) Beneficial Ownership Reporting Compliance	13
Compensation Discussion and Analysis	14
Restrictions on Executive Compensation for TARP-CPP Participants	14
Compensation Actions in 2009	14
Overall Compensation Philosophy and Guiding Principles	15
Compensation Decision Process	15
Role of the Compensation Committee, Management and the Compensation Consultants in the Executive Compensation Process	15
Compensation Structure and Elements	16
Factors for Determining Compensation	18
Employment and Change-in-Control Agreements with Named Executive Officers	19
Impact of Accounting and Tax on the Form of Compensation	20
Stock Ownership Guidelines	20
Compensation Committee Report	21
Executive Compensation Tables	23
PROPOSAL II: A Non-Binding Resolution to Approve the Compensation of the Named Executive Officers	29
PROPOSAL III: The Ratification of the Appointment of Grant Thornton LLP as the Independent Registered Public Accounting Firm for the Year 2010	30
Audit and Non-Audit Fees	30
Audit Committee's Pre-Approval Policies and Procedures for Services	31
Report of the Audit Committee	31
PROPOSAL IV: A Shareholder Proposal on the Declassification of the Board of Directors	32
Shareholder Proposals and Communications	34

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 2010 annual meeting of shareholders on Wednesday, May 5, 2010, at 3:00 p.m. EDT at Ten Oaks Ballroom, 5000 Signal Bell Lane, Clarksville, Maryland 21029. The notice of annual meeting, the proxy card, and this proxy statement are being first mailed on or about March 24, 2010, to shareholders of record as of the close of business on March 10, 2010 (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 16,606,427. 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 with the exception of the shareholder proposal (Proposal IV) which will receive no vote. 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.

Recent Changes in Regulations Will Affect Your Vote

If you hold your shares through a bank or broker it is critical that you cast your vote if you want it to count in the election of directors (Proposal I of this proxy statement). In the past, if you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Changes in regulations have taken away the ability of your bank or broker to vote your shares in the election of directors without your specific instruction. Thus, if you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on routine items such as the ratification of the appointment of the Bancorp's independent registered public accounting firm (Proposal III). If you are a registered shareholder, meaning you hold your shares directly with Bancorp, and you do not return your proxy, no votes will be cast on your behalf on any of the items of business at the annual meeting.

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.

3

Telephone and Internet Voting

Bancorp is pleased to offer its shareholders the convenience of voting by telephone and online via the Internet. Please check your proxy card for instructions.

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) by attending the annual meeting and casting a ballot in person.

Delivery and Accessibility of 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 Annual Report on Form 10-K for the year ended December 31, 2009, 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

The board of directors is divided into three classes, nearly equal in number as possible. In general, the term of only one class of directors expires each year, and the directors within that class or their successors are elected for a term of three years or until their successors are elected and qualified.

The following changes have occurred in the composition of the board since the last annual meeting. On December 31, 2009, Chairman Hunter R. Hollar, former President and CEO of Bancorp, retired from the board of directors as announced on October 1, 2009. On January 1, 2010, Vice Chairman Robert L. Orndorff succeeded Mr. Hollar as Chairman of the Board. Upon the recommendation of the Nominating Committee, Mr. Dennis A. Starliper was elected to the board of directors and took the oath of office on February 24, 2010. He will serve until his election by the shareholders at the annual meeting.

Therefore, a total of four director-nominees are before you for election: Solomon Graham, Gilbert L. Hardesty, Lewis R. Schumann, and Dennis A. Starliper, all of whom are incumbent directors in Class III. 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.

Information About Nominees and Incumbent Directors

The following information sets forth the names of the four nominees for election describing their skills, experience and qualifications for election. Each has given his 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 background, skills, and experience of 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. At this time, none of the directors serve on any other public or for-profit company board.

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.

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

Class III Directors – Nominees for Terms to Expire at the 2013 Annual Meeting:

Solomon Graham, 67, Director since 1994

Mr. Graham is the founder and President of Quality Biological, Inc., a biotechnology firm providing reagents for medical research established in 1983. A prominent, award-winning businessman in the local community, Mr. Graham has served on the boards of several non-profit organizations as well as being an advisor to state and local government. Mr. Graham brings his business expertise as well as superior insight to local issues within Bancorp's market area.

Gilbert L. Hardesty, 69, Director since 1997

Prior to his retirement in 1997, Mr. Hardesty worked as the President of Annapolis Federal Savings Bank and its successor organization Crestar Bank-Annapolis for a total of 11 years. Before that, Mr. Hardesty was an executive with Clark Melvin & Associates, Inc., an insurance and brokerage firm. Mr. Hardesty is valued by the board for his financial industry knowledge and executive management experience. As chairman of the Chesapeake Advisory Board, Mr. Hardesty has been instrumental in developing business in the eastern region of Bancorp's market.

Lewis R. Schumann, 66, Director since 1994

Mr. Schumann is an attorney and principal in Miller, Miller and Canby, Chtd, one of the oldest local law firms, where he heads the firm's tax and business division. In addition to specializing in tax issues, Mr. Schumann has expertise in commercial leasing and real estate development. Mr. Schumann brings extensive professional expertise and business acumen to the board. His firm is located in the heart of Bancorp's service area and is a prominent center of influence in the local business community.

Dennis A. Starliper, 63, Director since 2010

Mr. Starliper worked for Provident Bankshares Corporation for 24 years and held the position of Chief Financial Officer for 10 years. He retired in 2009. Prior to joining Provident, Mr. Starliper worked for Fairchild Industries, a Fortune 500 aerospace manufacturer. The qualifications that led to Mr. Starliper's election were his deep industry experience with a large and respected, local bank; his corporate experience with a publicly-traded company; and his financial expertise.

Incumbent Class I Directors – Continuing

Susan D. Goff, 64, Director since 1994

Ms. Goff is the former President of Mid-Atlantic Medical Services, Inc., (MAMSI) a publicly-held company. In 2004, MAMSI was sold to UnitedHealthcare and Ms. Goff became the regional executive overseeing all products in seven states. She retired in 2005. As chairman of the Compensation Committee for Bancorp, Ms. Goff has augmented her considerable executive management experience through regular continuing education on current trends in executive and board compensation.

Robert, L. Orndorff, Chairman, 53, Director since 1991

Mr. Orndorff is the founder and President of RLO Contractors, Inc., a leading residential and commercial excavating company based in central Maryland. Mr. Orndorff's experience in building a highly successful business with a strong reputation for quality, teamwork, and integrity is a testament to his leadership ability and strongly aligned with Bancorp's culture and values. He has been active in local civic organizations and brings to the board his business experience and knowledge of the local market.

David E. Rippeon, Director, 61, Director since 1997

Mr. Rippeon is President and CEO of Gaithersburg Farmers Supply Inc., a dealership in heavy farm equipment. Under Mr. Rippeon's leadership, the company has expanded into three counties in Maryland, consistent with Bancorp's market, and has significantly increased sales. Mr. Rippeon is valued for his business experience and knowledge of the local market.

Daniel J. Schrider, Director, 45, Director since 2009

Mr. Schrider was named President and CEO of Sandy Spring Bancorp, Inc. on January 1, 2009 and joined the board at that time. Mr. Schrider started his career with Sandy Spring Bank in 1989 and achieved significant success in the commercial banking area. He joined the executive team in 2003 as the Chief Credit Officer and leader in commercial services. Mr. Schrider is active in professional and civic organizations and currently serves on the board of the Maryland Bankers Association.

Incumbent Class II Directors - Continuing

Mark E. Friis, Director, 54, Director since 2005

Mr. Friis is President and principal owner of Rodgers Consulting, Inc., a land planning and engineering firm. He is a member of the American Institute of Certified Planners and has numerous affiliations with area professional and civic organizations as well as local government. Mr. Friis is valued for his business management experience and in-depth knowledge of the local economy. Mr. Friis chairs the Bank's Frederick Advisory Board.

Pamela A. Little, Director, 56, Director since 2005

Ms. Little has over 25 years of experience in companies ranging from privately held start-up firms to large, publicly-traded government contracting firms. Since 2007, she has been the CFO of ATSC, a publicly-traded provider of IT services. She is the former CFO of Athena Innovative Solutions, Inc. (2005-2007) and the former CFO of ZKD, Inc. (2004-2005) where she was responsible for negotiating the sale of the firm. Ms. Little is valued for her range of business experience with public companies, and her financial expertise.

Craig A. Ruppert, Director, 56, Director since 2002

Mr. Ruppert is President and CEO of The Ruppert Companies which is comprised of commercial landscape construction and management located in five states; tree-growing operations; and industrial property development. Mr. Ruppert is a former Class B director of the Federal Reserve Bank of Richmond, and has been recognized for being a noted, local philanthropist. A highly successful entrepreneur, Mr. Ruppert strengths lie in strategic planning, executive management, and business expertise.

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, may be found on Bancorp's investor relations Web site maintained at www.sandyspringbank.com.

Director Independence

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."

The board of directors has affirmatively determined that all directors other than Mr. Schrider are independent under Nasdaq's listing standards. The board of directors complies with or exceeds the independence requirements for the board and board committees established by the Nasdaq Stock Market Inc., federal securities and banking laws and the additional standards included in Bancorp's Corporate Governance Policy.

Board Leadership Structure

The Corporate Governance Policy provides for the selection of a chairman of the board from among the independent directors and states that it is the policy of the board to separate the offices of the chairman and the chief executive officer. This allows the chairman to maintain an independent role in the oversight of management. The chairman of the board also chairs the Executive and Governance Committee which is comprised of the chairmen of the other standing committees (see Executive and Governance Committee description on page 8).

Chairman Selection Process

In 2009, the board discussed and agreed upon a more robust and inclusive process for the annual election of the chairman of the board beginning in 2011. It was decided that each year, the Executive and Governance Committee would solicit input from all directors for desired characteristics and accept nominations for chairman. The Committee would consider the nominees and inform the board of the candidate(s) for consideration at the annual organization meeting. It is generally understood that this process may result in more frequent changes to the position of chairman than in the past.

Board's Role in Risk Oversight

Bancorp's board fulfills a significant role in the oversight of risk in the company both through the actions of the board as a whole and those of its committees. Credit risk is overseen specifically by the Credit Risk Committee which monitors overall asset quality and the adequacy of the allowance for loan and lease losses. The Compensation

Committee reviews semi-annual reports on risk to the company associated with incentive compensation plans. The Audit Committee meets regularly with the independent registered public accounting firm, to receive reports on the results of the audited financial statements. In addition, the Audit Committee receives internal audit reports to monitor operational risk throughout the company. The board receives quarterly updates from the Bancorp's Asset Liability Committee to ensure compliance with policies concerning interest rate risk, liquidity risk, and capital adequacy. Finally, the board receives a quarterly update from the General Counsel on any pending large litigation in order to be aware of any potential legal risk facing Bancorp or any of its subsidiaries.

Board Committees

Bancorp's board of directors has the following standing committees: Audit, Executive and Governance, Compensation, Credit Risk, and Nominating. The charter for each committee 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 2009 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 meet all requirements and independence standards as defined in applicable law, regulations of the SEC, Nasdaq's listing standards, the Federal Deposit Insurance Act and related regulations. The board has determined that Pamela A. Little qualifies as an audit committee financial expert under the Nasdaq listing standards and applicable securities regulations. During 2009, the Audit Committee held eleven meetings.

Executive and Corporate Governance Committee - This committee conducts board business between regular monthly meetings as needed 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. This committee was re-structured in 2009 to be comprised of the chairmen of the standing committees of the board, the chairman of the board, the president and CEO, and the "lead director" if one is appointed by the board. During 2009, the Executive and Corporate Governance Committee held sev