

SANDY SPRING BANCORP INC

Form DEFA14A

March 10, 2006

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 Rule 14a-11(c) or Rule 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)(4) and 0-11.

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

2. Aggregate number of securities to which transaction applies:

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

4. Proposed maximum aggregate value of transaction:

5. Total Fee Paid:

Fee paid previously with preliminary materials:

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

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

Edgar Filing: SANDY SPRING BANCORP INC - Form DEFA14A

17801 Georgia Avenue
Olney, Maryland 20832
301-774-6400

March 13, 2006

Dear Shareholder:

On behalf of the Board of Directors, we are pleased to invite you to the Annual Meeting of Shareholders on Wednesday, April 19, 2006 at 3:00 p.m., at the Indian Spring Country Club, 13501 Layhill Road, Silver Spring, Maryland. The official notice of meeting and proxy statement on the following pages contain information about the meeting. The Board of Directors recommends that you vote FOR the election of the director-nominees and FOR the ratification of appointment of the independent registered public accounting firm. We have also enclosed the 2005 Annual Report, including our financial statements. In addition to the business matters contained in the proxy statement, we will review operating results for the past year and other information concerning Sandy Spring Bancorp, Inc. We believe you will find the meeting to be informative.

Even if you own only a few shares it is important that your shares be represented at the meeting and we urge you to vote your shares by returning your proxy card as soon as possible. If you have any questions, please call Ronald E. Kuykendall, Executive Vice President, General Counsel and Secretary, at 301-774-6400 or 800-399-5919.

Thank you for the cooperation and continuing support you have given this institution.

Sincerely,

/s/ W. Drew Stabler
W. Drew Stabler
Chairman of the Board

/s/ Hunter R. Hollar
Hunter R. Hollar
President and Chief Executive Officer

NOTE: THIS PAGE INTENTIONALLY LEFT BLANK

SANDY SPRING BANCORP, INC.

17801 Georgia Avenue, Olney, Maryland 20832

NOTICE OF 2006 ANNUAL SHAREHOLDERS MEETING

Date: Wednesday, April 19, 2006

Time: 3:00 p.m., Eastern Time

Place: Indian Spring Country Club
13501 Layhill Road
Silver Spring, Maryland 20906

A Proxy and Proxy Statement for the Annual Meeting and the 2005 Annual Report on Form 10-K are enclosed. The Proxy Statement and Proxy are being furnished to you in connection with the solicitation of proxies by Bancorp's Board of Directors for use at the Annual Meeting.

The purposes of the Annual Meeting are:

- (1) To elect the six (6) directors named in the attached Proxy Statement, two to serve as Class II directors with terms expiring at the 2008 Annual Meeting, and four to serve as Class III directors with terms expiring at the 2009 Annual Meeting, in each case until their successors are duly elected and qualified;
- (2) To ratify the appointment of McGladrey & Pullen, LLP as the independent registered public accounting firm for the year 2006; and
- (3) To transact any other business as may properly come before the Annual Meeting.

Note: The Board of Directors is not aware of any other business to come before the Annual Meeting. Only shareholders of record of Sandy Spring Bancorp's common stock as of the close of business on March 6, 2006 will be entitled to notice of, and to vote at, the Annual Meeting, or any adjournment thereof. To grant a proxy to vote your shares, you are requested to fill in and sign the enclosed Form of Proxy and to mail it in the enclosed envelope. The Proxy will not be used if you attend and choose to vote in person at the Annual Meeting. Please vote promptly whether or not you expect to attend the Annual Meeting.

In the event that there are not sufficient votes to conduct the election of directors or to approve other business properly before the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by Bancorp.

By Order of the Board of Directors,

/s/ Ronald E. Kuykendall
Ronald E. Kuykendall
Executive Vice President,
General Counsel & Secretary

March 13, 2006
Olney, Maryland

IT IS IMPORTANT THAT THE PROXY CARD BE RETURNED PROMPTLY. WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING, PLEASE SIGN, DATE, AND COMPLETE THE PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF THIS ENVELOPE IS MAILED IN THE UNITED STATES.

SANDY SPRING BANCORP, INC.

Proxy Statement

Table of Contents

| | |
|--|----|
| Solicitation, Voting, and Revocability of Proxies | 5 |
| Election of Directors | 6 |
| Corporate Governance and Other Matters | 8 |
| Code of Business Conduct | 10 |
| Stock Ownership of Directors and Executive Officers | 10 |
| Owners of More Than 5% of Bancorp's Common Stock | 11 |
| Executive Compensation | 12 |
| Report of the Human Resources Committee | 17 |
| Stock Performance Comparisons | 19 |
| Shareholder Proposals and Communications | 20 |
| Transactions and Relationships with Management | 20 |
| Compliance with Section 16(a) of the Securities Exchange Act of 1934 | 21 |
| Ratification of Selection of Independent Registered Public Accounting Firm | 21 |
| Audit and Non-Audit Fees | 21 |
| Report of the Audit Committee | 22 |
| Appendix A □ Audit Committee Charter | 23 |

SANDY SPRING BANCORP, INC.

Proxy Statement

Annual Meeting of Shareholders
April 19, 2006

Solicitation, Voting, and Revocability of Proxies

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 2006 Annual Meeting of Shareholders. The Annual Meeting will be held on Wednesday, April 19, 2006, at 3:00 p.m. Eastern Time at the Indian Spring Country Club, 13501 Layhill Road, Silver Spring, Maryland. The Notice of Annual Meeting, the Form of Proxy, and this Proxy Statement are being first mailed together on or about March 20, 2006, to shareholders of record as of the close of business on March 6, 2006.

If the enclosed Form of Proxy is properly executed and returned to Bancorp 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 form. **Executed but unmarked proxies will be voted FOR Proposal I to elect the six director-nominees of Bancorp's Board of Directors as directors; and FOR Proposal II to ratify the appointment of the independent registered public accounting firm.** Proxies marked as abstentions and shares held in street name that have been designated by brokers on proxies as not voted will not be counted as votes cast, but will be counted for purposes of determining a quorum at the Annual Meeting. Bancorp 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 will vote the shares represented by each proxy on such matters as determined by a majority of the Board of Directors.

The presence of a shareholder at the Annual Meeting will not automatically revoke that shareholder's proxy. However, shareholders may revoke a proxy at any time prior to its exercise by filing with Ronald E. Kuykendall, Executive Vice President, General Counsel and Secretary, a written notice of revocation; by delivering to Bancorp a duly executed proxy bearing a later date; or by attending the Annual Meeting and voting in person.

Many shareholders whose shares are held in an account at a brokerage firm or bank will have the option to submit their proxies or voting instructions electronically through the Internet or by telephone. Shareholders should check their proxy card or voting instructions forwarded by their broker, bank or other holder of record to see which options are available. Shareholders submitting proxies or voting instructions via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that would be borne by the shareholder. To revoke a proxy previously submitted electronically through the Internet or by telephone, a shareholder may simply submit a new proxy at a later date before the taking of the vote at the Annual Meeting, in which case, the later submitted proxy will be recorded and the earlier proxy will be revoked.

The cost of soliciting proxies will be borne by Bancorp. In addition to the solicitation of proxies by mail, Bancorp also may solicit proxies personally or by telephone or telegraph through its directors, officers, and regular 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.

The securities that can be voted at the Annual Meeting consist of shares of common stock, par value \$1.00 per share (the "Common Stock"), of Bancorp. Each share entitles its owner to one vote on all matters. The close of business on March 6, 2006 has been fixed by the Board of Directors as the record date for determination of shareholders entitled to vote at the Annual Meeting. There were approximately 2,219 record holders of the Common Stock as of February 8, 2006. The number of shares outstanding on February 8, 2006 was approximately 14,797,402. 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.

A copy of the Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission ("SEC"), but excluding exhibits, is provided with this proxy statement. Shareholders may obtain a copy of the exhibits to the Annual Report on Form 10-K by writing Ronald E. Kuykendall, Executive Vice President, 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 Website at www.sec.gov or through the Company's Investor Relations Website maintained at www.sandyspringbank.com.

Shareholders whose shares are held in a brokerage firm or bank and who share the same address may receive only one Annual Report on Form 10-K and one Proxy Statement, unless the shareholder has provided contrary instructions. Shareholders who wish to receive separate copies of the Annual Report on Form 10-K or the Proxy Statement or who wish to receive separate copies of future annual reports and proxy statements, and shareholders sharing an address who received multiple copies of these documents but wish to request delivery of single copies of them should follow the instructions provided by the shareholders' brokerage firms or banks or contact Mr. Kuykendall at the above address or by phone at 301-774-6400 or 800-399-5919.

PROPOSAL I : Election of Directors

The Board of Directors has set the total number of directors at fourteen, in accordance with Bancorp's Articles of Incorporation and Bylaws. Bancorp's 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 and until their successors are elected and qualified. At the Annual Meeting a total of four director-nominees will be elected for three-year terms and two director-nominees will be elected for two-year terms. With respect to the election of directors, each shareholder of record on the record date is entitled to one vote for each share of Common Stock held. A plurality of all the votes cast at the Annual Meeting will be sufficient to elect a nominee as a director.

Information as to Nominees and Incumbent Directors

The following table sets forth the names of the Board of Directors' six nominees for election as directors. Also shown is certain other information, some of which has been obtained from Bancorp's records and some of which has been supplied by the nominees and continuing directors, with respect to their principal occupations during at least the past five years, their ages at December 31, 2005, the periods during which they have served as directors, and the positions they currently hold with Bancorp. It is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as directors of the two nominees listed below for terms of two years and four nominees listed below for terms of three years unless otherwise directed by the shareholder. The Board of Directors believes that each of the nominees will stand for election and will serve if elected as director. If any person nominated by the Board of Directors fails to stand for election or is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

Incumbent Class II □ Director-Nominees for Terms to Expire at the 2008 Annual Meeting:

| Name | Age | Position(s) Held with Bancorp | Member of Board Since(1) | Current Term Expires |
|------------------|------------|--------------------------------------|---------------------------------|-----------------------------|
| Mark E. Friis | 50 | Director | 2005 | 2006 |
| Pamela A. Little | 51 | Director | 2005 | 2006 |

Incumbent Class III □ Director-Nominees for Terms to Expire at the 2009 Annual Meeting:

| Name | Age | Position(s) Held with Bancorp | Member of Board Since⁽¹⁾ | Current Term Expires |
|-------------------------|------------|--------------------------------------|--|-----------------------------|
| Susan D. Goff | 60 | Director | 1994 | 2006 |
| Robert L. Mitchell | 69 | Director | 1991 | 2006 |
| Robert L. Orndorff, Jr. | 49 | Director | 1991 | 2006 |
| David E. Rippeon | 56 | Director | 1997 | 2006 |

Continuing Directors:**Incumbent Class I Directors:**

| | | | | |
|---------------------|----|------------------------------------|------|------|
| Solomon Graham | 62 | Director | 1994 | 2007 |
| Gilbert L. Hardesty | 65 | Director | 1997 | 2007 |
| Charles F. Mess | 67 | Director | 1987 | 2007 |
| Lewis R. Schumann | 62 | Director | 1994 | 2007 |
| W. Drew Stabler | 68 | Chairman of the Board of Directors | 1986 | 2007 |

Incumbent Class II Directors:

| | | | | |
|------------------|----|---|------|------|
| John Chirtea | 68 | Director | 1990 | 2008 |
| Hunter R. Hollar | 57 | President, Chief Executive Officer and Director | 1990 | 2008 |
| Craig A. Ruppert | 52 | Director | 2002 | 2008 |

(1) The Boards of Directors of Bancorp and its principal subsidiary, Sandy Spring Bank (the "Bank"), are composed of the same persons. Includes term of office as a director of the Bank prior to the formation of Bancorp as the holding company for the Bank in January 1988.

The principal occupation(s) and business experience of each nominee and director of Bancorp for at least the last five years are shown below:

Director-Nominees:

Mark E. Friis is President and Chief Executive Officer and senior principal of Rodgers Consulting, Inc., a land planning and engineering firm.

Susan D. Goff is a retired executive, formerly employed by Mid-Atlantic Medical Services, Inc., a health maintenance organization.

Pamela A. Little is Chief Financial Officer of Athena Innovative Solutions, Inc.

Robert L. Mitchell is Chairman and Chief Executive Officer of Mitchell and Best Group, LLC, which is engaged in home building and real estate development.

Robert L. Orndorff, Jr. is President of RLO Contractors, Inc., an excavating contractor.

David E. Rippeon is President and Chief Executive Officer of Gaithersburg Equipment Company and Frederick Equipment Company, a tractor and equipment dealership.

Incumbent Directors:

John Chirtea is a Real Estate Consultant who is retired from LCOR, a real estate development company.

Solomon Graham is founder, President, and Chief Executive Officer of Quality Biological, Inc., a biotechnology firm providing reagents for medical research.

Gilbert L. Hardesty is a retired bank executive, having served as President of Crestar Bank[□]Annapolis from June 1994 to June 1997 and as President of Annapolis Federal Savings Bank from April 1986 to June 1994.

Hunter R. Hollar is President and Chief Executive Officer of Bancorp and the Bank.

Charles F. Mess, M.D. is practicing Physician of Potomac Valley Orthopedic Associates Chtd.

Craig A. Ruppert is President and owner of The Ruppert Companies, comprised of nursery and landscaping, business investment and management, and commercial real estate development and management businesses.

Lewis R. Schumann is a Partner in the Rockville, Maryland law firm of Miller, Miller and Canby, Chtd.

W. Drew Stabler is a Partner in Sunny Ridge Farm, a crop and livestock operation.

The Board of Directors recommends a vote "FOR" each of the nominees named above as a director of Bancorp.

Corporate Governance and Other Matters

During 2005, each of Bancorp's and the Bank's Boards of Directors held twelve regular meetings.

The average attendance was 98% for meetings of Bancorp's and the Bank's Boards of Directors. All incumbent directors attended 75% or more of the aggregate of (a) the total number of meetings of the Boards of Directors and (b) the total number of meetings held by all committees on which they served during the period of their service during the year.

Bank directors who are not employed by the Bank receive an annual retainer of \$12,500 (\$25,000 for the Chairman), plus \$6,000 for Audit Committee Chairman and \$4,000 for all other Committee Chairmen and fees of \$1,000 for attendance at each meeting of the Board of Directors. Directors also receive \$800 for each committee meeting. Bancorp directors who are not employed by Bancorp do not receive any additional compensation (beyond compensation received for service as bank directors) except as follows. Such directors receive fees of \$1,000 for attendance at each meeting of Bancorp's Board of Directors not held in conjunction with a meeting of the Bank's Board of Directors. Bancorp directors are also eligible to receive non-incentive stock options under Bancorp's 2005 Stock Plan. These options have a maximum term of 10 years and an exercise price that may not be less than 100% of the fair market value of the common stock on the date of grant. Director options are included in the computation of share dilution. Options for 24,132 shares were granted in 2005 to directors who were not employees of Bancorp or any of its subsidiaries, based upon their meeting attendance, at an exercise price of \$38.13. Under the Director's 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.

Directors of the Bank are eligible to defer all or a portion of their fees under Director Fee Deferral Agreements between the Bank and individual directors. Amounts deferred accrue interest at the prime rate. 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. The Director Fee Deferral Agreements also provide for benefits that may exceed deferred fees and accrued interest in the event a party dies while a director of the Bank, but only 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.

Bancorp's Board of Directors has standing Audit, Executive, Human Resources and Nominating Committees. The Executive Committee performs the functions of a corporate governance committee. The Human Resources Committee performs the functions of a compensation committee. The functions, composition, and number of meetings for these committees in 2005 were as follows:

Audit Committee—The Audit Committee is composed of John Chirtea, Chairman, Mark E. Friis, Gilbert L. Hardesty, Pamela A. Little, Charles F. Mess, David E. Rippeon and Craig A. Ruppert. The Audit Committee is appointed by the Board to assist the Board 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 Securities and Exchange Commission ("SEC"), the Federal Deposit Insurance Act and related regulations (the "FDIA"), and the Listing Standards of the NASDAQ Stock Market, Inc., (the "Listing Standards"). Members of the committee also meet all other applicable requirements of the SEC, FDIA, and Listing Standards for financial, accounting or related expertise. The Board of Directors has determined that Mr. Hardesty and Mr. Ruppert qualify as audit committee financial experts under the Listing Standards and applicable securities regulations. During 2005, four meetings were held.

Executive Committee—The Executive Committee is composed of W. Drew Stabler, Chairman, Solomon Graham, Gilbert L. Hardesty, Hunter R. Hollar, Robert L. Mitchell, Robert L. Orndorff, Jr. and Lewis R. Schumann. In addition to conducting board business between regular monthly meetings, the Executive Committee serves the function of a corporate governance committee. It 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 the Company. The committee reviews and evaluates the policies and practices with respect to the size, composition, independence and functioning of the Board and its committees and reflects those policies and practices in the Corporate Governance Policy and the written charter, which is available on the Investor Relations area of Bancorp's Website at www.sandyspringbank.com. During 2005, thirteen meetings were held.

Human Resources (Compensation) Committee—The Human Resources Committee is composed of Robert L. Mitchell, Chairman, John Chirtea, Susan D. Goff, Charles F. Mess, Robert L. Orndorff, Jr., David E. Rippeon and W. Drew Stabler. Members of the committee are independent directors within the meaning of the Listing Standards. The Human Resources Committee recommends salaries and other compensation for executive officers, conducts an annual review of the salary budget, considers other compensation and benefit plans and makes recommendations to the Board, deals with matters of personnel policy and, with the Stock Option Committee, administers the 2005, 1999 and 1992 Stock Option Plans. During 2005, four meetings were held. In 2005, no Bancorp executive officer served as a member of the compensation committee of another entity that had an executive officer who served as a Bancorp director, and no Bancorp executive officer served as a director of another entity that had an executive officer serving on Bancorp's Human Resources Committee.

Nominating Committee—The Nominating Committee is composed of Robert L. Orndorff, Jr., Chairman, Solomon Graham, Gilbert L. Hardesty, David E. Rippeon, Craig A. Ruppert and W. Drew Stabler. Members of the committee are independent directors within the meaning of the 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 their ability to challenge the thinking of others and to influence them with constructive approaches. Directors must be able to read and act on financial information including, but not limited to, balance sheets, income statements and cash flow 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 Board of Directors of Bancorp has adopted a written charter for the Nominating Committee and a Corporate Governance Policy that also relates to director nominees and the nominating process. The Charter and Policy are available on the Investor Relations area of Bancorp's Website at www.sandyspringbank.com. The Nominating Committee encourages suggestions for nominees 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 communicate such

suggestions for nominees to the Nominating Committee in care of Bancorp's Secretary. Please see "Shareholder Proposals and Communications" on page 20. Five meetings of the Nominating Committee were held during 2005.

Code of Business Conduct

Bancorp's Board of Directors has adopted a Code of Business Conduct applicable to all directors, officers, and employees of Bancorp and its subsidiaries that 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. The Code of Business Conduct is available on the Investor Relations area of Bancorp's website at www.sandyspringbank.com.

Stock Ownership of Directors and Executive Officers

The following table sets forth information as of February 8, 2006 (the latest practicable date), with respect to the shares of Common Stock beneficially owned by each director continuing in office and nominee for director of Bancorp, by certain executive officers of Bancorp, and by all directors and executive officers of Bancorp as a group.

| <u>Name</u> | <u>Amount and Nature of Beneficial Ownership (1)(2)(3)</u> | <u>Percentage of Common Stock Outstanding</u> |
|--|---|--|
| John Chirtea | 45,297 | * |
| Mark E. Friis | 1,763 | * |
| Susan D. Goff | 9,075 | * |
| Solomon Graham | 14,173 | * |
| Gilbert L. Hardesty | 13,124 | * |
| Hunter R. Hollar | 132,108 | * |
| Pamela A. Little | 263 | * |
| Charles F. Mess | 18,146 | * |
| Robert L. Mitchell | 23,837 | * |
| Robert L. Orndorff, Jr. | 173,140 | 1.17% |
| David E. Rippeon | 21,050 | * |
| Craig A. Ruppert | 32,506 | * |
| Lewis R. Schumann | 94,521 | * |
| W. Drew Stabler | 63,206 | * |
| Frank H. Small | 71,234 | * |
| R. Louis Caceres | 21,525 | * |
| Daniel J. Schrider | 24,164 | * |
| Ronald E. Kuykendall | 20,194 | * |
| All directors and executive officers as a group (21 persons) | 853,986 | 5.80% |

* Less than 1%.

(1) Under the rules of the SEC, an individual is considered to "beneficially own" any share of Common Stock which he or she, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares: (1) voting power, which includes the power to vote, or to direct the voting of, such security; and/or (2) investment power, which includes the power to dispose, or to direct the disposition, of such security. In addition, an individual is deemed to be the beneficial owner of any share of Common Stock of which he or she has the right to acquire voting or investment power within 60 days of March 6, 2006. Includes 358,423 shares of Common Stock subject to outstanding options which are exercisable within 60 days of March 6, 2006. Of this total, the "Named Executive Officers," Hunter R. Hollar, Frank H. Small, R. Louis Caceres, Daniel J. Schrider and Ronald E. Kuykendall hold options to purchase 108,284 shares, 64,284 shares, 20,946 shares, 21,548 shares, and 18,865 shares of Common Stock, respectively. Other executive officers (who are not "Named Executive Officers")

and directors hold options for 59,356 shares which are exercisable within 60 days. Beneficial ownership also includes 861 shares, 3,595 shares, and 1,210 shares of Common Stock owned by Mr. Hollar, Mr. Small, and Mr. Schrider, respectively, and 7,290 shares of Common Stock owned by executive officers who are not "Named Executive Officers," as participants in Bancorp's Cash and Deferred Profit Sharing Plan. In addition, Mr. Small owns 355 shares, Mr. Schrider owns 520 shares, Mr. Caceres owns 207 and Mr. Kuykendall owns 1,329 shares and executive officers who are not "Named Executive Officers" own 1,994 shares in the Employee Stock Purchase Plan which are reflected in beneficially owned shares. Under the Employee Stock Purchase Plan, shares are placed under option and are purchased at 85% of their fair market value on the exercise date through monthly payroll deductions of not less than 1% or more than 10% of cash compensation paid in the month.

(2) Includes shares owned directly by directors and executive officers of Bancorp as well as shares held by their spouses and minor children and trusts of which certain directors are trustees. Also includes 77,484 shares held by a trust for which Mr. Schumann is trustee, but in which he has no pecuniary interest.

(3) Only whole shares appear in the table. Fractional shares that may arise from participation in the dividend reinvestment plan are not shown.

Owners of More Than 5% of Bancorp's Common Stock

Beneficial owners of more than 5% of the common stock are required to file certain ownership reports under the federal securities laws. The following table shows the common stock beneficially owned by the person who has filed a report reporting beneficial ownership that exceeds 5% of Bancorp's outstanding common stock at March 6, 2006.

| <u>Name</u> | <u>Amount and Nature of Beneficial Ownership⁽¹⁾</u> | <u>Percentage of Shares Outstanding⁽²⁾</u> |
|------------------------------------|---|--|
| T. Rowe Price Associates, Inc. (3) | 1,121,330 | 7.6% |

(1) Beneficial ownership is defined by rules of the Securities and Exchange Commission, and includes shares that the person has or shares voting or investment power over. A decision to disclaim beneficial ownership or to include shares held by others is made by the shareholder, not by Bancorp.

(2) Calculated by Bancorp based upon shares reported as beneficially owned by the listed persons and shares of Bancorp common stock outstanding at February 14, 2006.

(3) The address of T. Rowe Price Associates, Inc., is 100 East Pratt Street, Baltimore, MD 21202.

Executive Compensation

Summary Compensation Table

The following table sets forth the cash and noncash compensation for each of the last three years awarded to or earned by (i) the Chief Executive Officer, and (ii) each of the four other most highly compensated executive officers of Bancorp whose salary and bonus earned in 2005 exceeded \$100,000 (the "Named Executive Officers").

| Name and Principal Position in 2005 | Year | Annual Compensation Salary | Annual Compensation Bonus | Long-Term Compensation Stock Option Grants (Shares) | All Other Compensation ^(*) |
|---|------|----------------------------|---------------------------|---|---------------------------------------|
| Hunter R. Hollar | 2005 | \$ 405,000 | \$ 264,018 | 22,500 | \$ 9,450 |
| President and Chief Executive Officer of Bancorp and the Bank | 2004 | 397,593 | 0 | 18,650 | 0 |
| | 2003 | 371,923 | 120,055 | 16,950 | 1,750 |
| Frank H. Small | 2005 | 285,000 | 163,760 | 11,875 | 9,450 |
| Executive Vice President and Chief Operating Officer of Bancorp and the Bank | 2004 | 280,556 | 0 | 11,250 | 0 |
| | 2003 | 257,885 | 67,234 | 10,325 | 1,167 |
| Daniel J. Schrider | 2005 | 210,000 | 104,034 | 6,395 | 9,450 |
| Executive Vice President and Chief Credit Officer of the Bank | 2004 | 210,000 | 0 | 6,625 | 0 |
| | 2003 | 160,000 | 53,810 | 5,000 | 931 |
| R. Louis Caceres | 2005 | 210,000 | 103,995 | 6,395 | 9,450 |
| Executive Vice President of the Bank | 2004 | 210,000 | 7,979 | 6,050 | 0 |
| | 2003 | 140,531 | 89,592 | 5,000 | 1,167 |
| Ronald E. Kuykendall | 2005 | 190,000 | 68,400 | 6,395 | 8,635 |
| Executive Vice President, General Counsel & Secretary of Bancorp and the Bank | 2004 | 185,970 | 0 | 6,050 | 0 |
| | 2003 | 174,138 | 32,869 | 5,000 | 1,016 |

* Amounts shown in this column pertain to deferred compensation under Bancorp's Cash and Deferred Profit Sharing Plan. The amount of indirect compensation in the form of personal benefits received in 2005 by Messrs. Hollar, Small, Schrider, Caceres, and Kuykendall did not exceed 10% of the annual compensation paid to each such executive officer.

Equity Compensation Plans. Bancorp maintains equity compensation plans to attract, retain, and motivate key officers of Bancorp and the Bank by providing them with a stake in the success of Bancorp as measured by the value of its shares.

The 2005 Omnibus Stock Plan (the "2005 Stock Plan"), which was approved by the shareholders at the 2005 Annual Meeting of Shareholders, authorizes the issuance of up to 1,800,000 shares of Common Stock and other stock based awards over its 10 year term, after which date no awards may be granted. The plan provides that the Stock Option Committee may grant stock options, stock appreciation rights (SARs) and restricted stock to directors and key employees designated by the committee. The Stock Option Committee is comprised of all disinterested (outside) directors (i.e., all directors other than Mr. Hollar). As of February 8, 2006, options for 249,061 shares were outstanding under the 2005 Stock Plan. No SARs or restricted stock awards have yet been granted under this plan.

The 2005 Stock Plan replaced the 1999 Stock Option Plan ("the 1999 Option Plan"), which was terminated except with respect to options that were outstanding on the plan's termination date. The 1999 Option Plan, which was approved by the shareholders at the 1999 Annual Meeting of Shareholders and amended at the 2002 Annual

Meeting, authorized the issuance of up to 1,600,000 shares of Common Stock, subject to certain adjustments for changes in Bancorp's capital structure. The 1999 Option Plan had a term of 10 years from its effective date (February 24, 1999) after which date no stock options could be granted. As of February 8, 2006, options for 701,187 shares were outstanding under the 1999 Option Plan. The 1999 Option Plan replaced a plan adopted in 1992 (the "1992 Option Plan"), which was terminated except with respect to options that were outstanding on the plan's termination date. As of February 8, 2006, options for 54,225 shares were outstanding under the 1992 Option Plan.

Under the Option Plans, the maximum option term is 10 years from the date of grant. Options granted under the Option Plans prior to 1996 were immediately exercisable upon grant. Options granted from 1996 through 2005 were exercisable as follows: one-third upon the date of grant, one-third upon the first anniversary of the date of grant, and one-third upon the second anniversary of the date of grant. The exercise price of a stock option may not be less than 100% of the fair market value of the Common Stock on the date of grant. The exercise price of stock options must be paid for in full in cash or shares of Common Stock, or a combination of both. The Stock Option Committee has the discretion when making a grant of stock options under the 1999 Plan to impose restrictions on the shares to be purchased in exercise of such options.

The Committee also has the authority to cancel stock options outstanding under the Option Plans with the consent of the optionee and to grant new options at a lower exercise price in the event that the fair market value of the Common Stock at any time prior to the exercise of the outstanding stock options falls below the exercise price of such option. However, no awards under the 2005 Stock Plan may be repriced or exchanged for awards with lower exercise prices without the approval of shareholders.

The following table presents disclosure regarding stock based plans in existence at December 31, 2005, consisting of the 1992 option plan, the 1999 option plan (each expired but having outstanding options that may still be exercised), and the 2005 Stock Plan each of which was approved by the shareholders.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c) |
|--|--|---|--|
| Equity compensation plans approved by security holders(1) | 1,004,473 | \$33.08 | 1,550,939 |
| Equity compensation plans not approved by security holders | 0 | 0 | 0 |
| Total | 1,004,473 | \$33.08 | 1,550,939 |

(1) Consists of the Option Plans.

Option Grants in 2005

The following table contains information concerning the grant of stock options under the Option Plans to the Chief Executive Officer and each of the other "Named Executive Officers." The Option Plans do not provide for the grant of stock appreciation rights.

Individual Grants

| Name | Options Granted (Number of Shares) ⁽¹⁾ | % of Total Options Granted to Employees in Year | Exercise or Base Price (\$ per Share) ⁽²⁾ | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|----------------------|---|---|--|-----------------|--|------------|
| | | | | | 5% | 10% |
| Hunter R. Hollar | 22,500 | 10.00% | \$ 38.13 | 12/14/2012 | \$ 349,262 | \$ 813,928 |
| Frank H. Small | 11,875 | 5.28 | \$ 38.13 | 12/14/2012 | 184,333 | 429,573 |
| Daniel J. Schrider | 6,395 | 2.84 | \$ 38.13 | 12/14/2012 | 99,268 | 231,336 |
| R. Louis Caceres | 6,395 | 2.84 | \$ 38.13 | 12/14/2012 | 99,268 | 231,336 |
| Ronald E. Kuykendall | 6,395 | 2.84 | \$ 38.13 | 12/14/2012 | 99,268 | 231,336 |

(1) Options granted during 2005 are exercisable as follows: one-third upon the date of grant, one-third upon the first anniversary of the date of grant, and one-third upon the second anniversary of the date of grant.

(2) In each case, the exercise price is equal to the fair market value of the Common Stock on the date of grant.

Aggregated Option Exercises in 2005 and Year End Option Values

The following table sets forth information concerning the exercise of options by the Chief Executive Officer and the other "Named Executive Officers" during 2005 and the value of options held by these individuals at December 31, 2005.

| Name | Shares Acquired on Exercise (Number of Shares) | Value Realized ⁽¹⁾ | Number of Unexercised Options at Year End Exercisable/Unexercisable (Number of Shares) | Value of Unexercised In-the-Money Options at Year End ⁽¹⁾ Exercisable/Unexercisable |
|----------------------|--|-------------------------------|--|--|
| Hunter R. Hollar | 4,500 | \$116,415 | 108,284/21,217 | \$812,996/\$0 |
| Frank H. Small | 3,000 | 65,850 | 64,284/11,667 | 600,251/0 |
| Daniel J. Schrider | 0 | 0 | 21,548/6,471 | 92,086/0 |
| R. Louis Caceres | 0 | 0 | 20,946/6,280 | 66,417/0 |
| Ronald E. Kuykendall | 3,750 | 70,650 | 18,865/6,280 | 28,647/0 |

(1) The difference between the fair market value of the underlying securities at exercise or year end and the exercise or base price.

Pension Plan Table

The table below shows estimated annual benefits payable upon retirement to persons in the specified remuneration and years-of-service categories. The benefits are provided on a 10-year certain and life basis and are not subject to deduction for Social Security or other offset amounts. The benefits shown are based on years of service after December 31, 2000 only and assume a constant salary for all future years. The benefit that the participant had earned as of December 31, 2000, is based on the final average salary formula in effect prior to January 1, 2001 and must be added to the benefit shown.

| Annual Earnings | Post 12/31/00 Years of Credited Service at Retirement | | | | | | | |
|--------------------|---|----------|----------|----------|-----------|-----------|-----------|-----------|
| | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 |
| \$ 25,000 | \$ 2,187 | \$ 4,375 | \$ 6,562 | \$ 8,750 | \$ 10,937 | \$ 13,125 | \$ 15,312 | \$ 17,500 |
| 75,000 | 6,562 | 13,125 | 19,687 | 26,250 | 32,812 | 39,375 | 45,937 | 52,500 |
| 125,000 | 10,937 | 21,875 | 32,812 | 43,750 | 54,687 | 65,625 | 76,562 | 87,500 |
| 150,000 | 13,125 | 26,250 | 39,375 | 52,500 | 65,625 | 78,750 | 91,875 | 105,000 |
| 175,000 | 15,313 | 30,625 | 45,938 | 61,250 | 76,563 | 91,875 | 107,188 | 122,500 |
| 210,000 or more | 18,375 | 36,750 | 55,125 | 73,500 | 91,875 | 110,250 | 128,625 | 147,000 |

Earnings covered by the Pension Plan are total wages, including elective pre-tax contributions under Section 401(k) of the Internal Revenue Code, overtime pay, bonuses, and other cash compensation, which for the named executives correspond, in general, to the total of the amounts in the "Salary" and "Bonus" columns in the Summary Compensation Table, up to a total of \$210,000. Retirement benefits equal the sum of two parts: (a) the benefit accrued as of December 31, 2000, based on the formula of 1.5% of highest five-year average salary as of that date times years of service as of that date, plus (b) 1.75% of each year's earnings after December 31, 2000 (1.75% of career average earnings). In addition, if the participant's age plus years of service as of January 1, 2001 equal at least 60, and the participant had at least 15 years of service at that date, he or she will receive an additional benefit of 1% of year 2000 earnings for each of the first 10 years of service completed after December 31, 2000. Early retirement is also permitted by the Pension Plan at age 55 after at least 10 years of service. As of February 25, 2005, Bancorp's executive officers shown in the compensation table had accumulated the following years of credited service toward retirement: Mr. Hollar 15 years, Mr. Small 15 years, Mr. Schrider 17 years, Mr. Caceres 7 years, and Mr. Kuykendall 6 years.

The above does not reflect an amendment of the plan effective January 1, 2006, which reduces benefits earned after that date from 1.75% to 1.0% of earnings.

Supplemental Executive Retirement Agreements. The Bank, upon the recommendation of the Human Resources Committee, has entered into individual Supplemental Executive Retirement Agreements ("SERAs") with certain executives of the Bank, including Mr. Hollar and each of the "Named Executive Officers." The SERAs are designed to provide certain post-retirement benefits to enable a targeted level of covered retirement income to be met and to provide certain pre-retirement death and disability benefits should the executive die or become disabled prior to retirement age. The annual post-retirement deferred compensation benefit is designed to replace between 65% and 70% of the executive's projected final average pay at retirement date in conjunction with the Bank's Pension Plan and Deferred Profit Sharing Plan, Social Security retirement benefits, and any benefits payable to the executive under a prior employer's pension plan. Normal retirement benefits are payable in equal monthly payments over 15 years or until the death of the executive, whichever is longer. Using a 70% income replacement target for Mr. Hollar, an annual amount of \$558,356 per year has been projected to be paid over a 15-year period at age 65. Executives who reach age 60 with ten years of service are eligible for reduced benefits upon early retirement, payable over 15 years. Reduced benefits also are available in the event of disability, voluntary termination, or termination by the Bank without just cause. Benefits payable by reason of the death of the executive are based upon accrued retirement benefits or, if greater, the approximate value of payments received by the Bank under insurance coverage obtained by the Bank on the executive's life, and are payable over 15 years.

Change-in-Control Benefits. If within six months prior to, or two years after, a change-in-control, the Bank terminates the employment of an executive who is a party to a SERA or the executive voluntarily terminates employment for good reason, the executive is eligible for normal retirement or early retirement benefits, at his or her election. These benefits are payable beginning at the retirement (or early retirement) age if the

change-in-control has been approved by a majority of the directors of the Bank who were directors prior to the change-in-control, or otherwise beginning in the month following the executive's termination.

Employment Agreements. In 2003, Bancorp and the Bank entered into an Employment Agreement (the "Agreement") with Hunter R. Hollar (the "Executive") which replaced an earlier agreement. The Boards of Directors of Bancorp and the Bank believe that the Agreement assures fair treatment of the Executive in relation to his career with Bancorp by assuring him of some financial security. The agreement also protects the shareholders by encouraging the Executive to continue his attention to his duties without distraction in a potential merger or takeover circumstance and by helping to maintain the Executive's objectivity in considering any proposals to acquire Bancorp.

The Agreement has an initial term of three years, and is subject to automatic one-year extensions of such term each year, provided that neither Bancorp nor the Executive had given written notice at least 60 days prior to the renewal date of intention not to renew. The Agreement provides for the payment of cash and other benefits to the Executive, including a fixed salary, reviewed annually and subject to increase or decrease at the Board of Directors' discretion, which at year-end 2005 was \$405,000. The Executive is entitled to participate in bonus and fringe benefits, incentive compensation, life insurance, medical, profit sharing and retirement plans, and to continued participation in a supplemental retirement arrangement. The Executive is entitled to reimbursement of reasonable business expenses, the use of an automobile (with reimbursement for expenses), and membership dues at a country club. With minor exceptions, the Agreement terminates, and there will be no additional payments due under it, upon termination based upon death, retirement, or just cause (as defined) by Bancorp, or upon voluntary termination by the Executive without good reason (as defined). Upon termination for disability, the Executive is entitled to receive his salary through the term of the Agreement, reduced by payments under any disability plan maintained by Bancorp, plus regular employee benefits. Upon termination of the Executive without just cause by Bancorp, or with good reason by the Executive, the Executive is entitled to salary and bonuses for the remaining term of the Agreement, payable in a lump-sum based upon prior year compensation levels. The Executive is prohibited from conflicts of interest, and is required to maintain the confidentiality of nonpublic information regarding Bancorp and its customers. The Executive also is bound by a covenant not to compete and not to interfere with other employees of Bancorp if the Executive's employment is terminated for just cause, disability, or retirement or he resigns without good reason.

Change-in-Control Benefits. In the event of a change-in-control of Bancorp, the Executive is entitled to payment of certain benefits. If within six months prior to, or two years after, a change-in-control, Bancorp terminates the Executive's employment without good cause, or the Executive voluntarily terminates employment for good reason (as defined in the Agreement), then Bancorp, or its successor, is required to make a lump-sum cash payment to the Executive equal to 2.99 times the sum of the Executive's annual salary at the highest rate in effect during the preceding twelve months and bonuses for the preceding calendar year. The Executive also would be entitled to continued participation for a three-year period in certain Bancorp-sponsored health and welfare plans. The Agreement requires Bancorp and the Bank to hold Mr. Hollar harmless from the federal excise tax assessable to him if payments and benefits exceed the amount allowable as a deduction under Section 280G of the Internal Revenue Code. As of December 31, 2005, if a change-in-control had occurred and the Executive had terminated employment with good reason or had been terminated from employment without just cause, then \$1,545,172 would have been payable to the Executive under the change-in-control provisions of the Agreement. Bancorp does not believe that payment of this amount would have a material adverse affect on the financial or operating condition of Bancorp or the Bank.

Agreements with Other Named Executive Officers. Each of the other "Named Executive Officers" has entered into employment agreements with Bancorp and the Bank. The material terms and conditions of each of these agreements are similar to those of the Agreement entered by Mr. Hollar, except that (a) each of them is for an initial term of two years, and (b) the compensation and duties, and provisions relating to duties, are different in each agreement. The agreements call for the employment of Mr. Small, Mr. Caceres, Mr. Schrider, and Mr. Kuykendall, at Bancorp and or the Bank at minimum base salaries of \$285,000, \$210,000, \$210,000 and \$190,000, respectively.

[Back to Contents](#)

Report of the Human Resources Committee

The Human Resources Committee is appointed by the Board of Directors of Bancorp and Bank to assist it in recommending, managing and monitoring compensation and benefit plans for the Chief Executive Officer and other executive officers. Its membership is comprised of independent directors as required by the Listing Standards and its charter reflects its various responsibilities. The committee and board review the charter annually, and revise it as appropriate. In the capacity as compensation committee, it is the duty of the Human Resources Committee to review compensation policies applicable to executive officers; to consider the relationship of corporate performance to that compensation; to recommend salary and bonus levels and stock option grants for executive officers for consideration by the Boards of Directors of Bancorp and the Bank or their committees, as appropriate; and to monitor the adequacy and effectiveness of various compensation and benefit plans and executive succession planning of Bancorp and the Bank.

Compensation Policy and Methodology

Under the compensation policy endorsed by the Human Resources Committee, compensation is paid based on both the executive officers' performance and the performance of the entire company. The compensation policy has several goals, including to attract, motivate and retain top executive talent, to link executive rewards with shareholder returns, to achieve strategic business objectives and to balance both short and long-term performance.

The Committee routinely retains the services of external consultants, independent of management, to ensure that the compensation policy continues to meet its objectives and that, as applied, the policy furthers the interest of the Bancorp and the Bank. The Committee in consultation with outside consultants, establishes a group of companies, similar in size and performance standards to Bancorp that serves as a market-place comparison group.

In assessing the performance of Bancorp and the Bank for purposes of compensation decisions, the Human Resources Committee considers a number of factors, including unique skills and abilities critical to the success of Bancorp and Bank, job scope and level of responsibility, experience and time in the position, salaries paid by financial services companies with characteristics similar to Bancorp's top officers with similar responsibilities and performances, profits of Bancorp and the Bank during the past year relative to their profit plans, reports of federal regulatory examinations of Bancorp and the Bank, growth, business plans for future periods, regulatory capital levels, and changes in the value of Bancorp's stock. The Human Resources Committee assesses individual executive performance based upon the executive's responsibilities and the Committee's determination of the executive's contributions to the performance of Bancorp and the accomplishment of Bancorp's strategic goals. The 2005 salary levels of Bancorp's executive officers were established consistent with this compensation policy.

Executive Officer Compensation

Mr. Hollar became Chief Executive Officer of Bancorp and the Bank effective January 1, 1994. During 2005, the level of Mr. Hollar's annual salary was subject to the terms of an employment agreement with Bancorp and the Bank dated January 18, 2003. Under this agreement, Mr. Hollar's annual salary is reviewed annually and is subject to increase at the discretion of the Board of Directors.

The Committee conducted a review of executive officer base compensation in March 2005. In its review, the Committee determined that while the performance of Mr. Hollar and other Executive Officers was excellent, based upon the 2004 financial performance of Bancorp, neither Mr. Hollar nor any other Executive Officer received a increase to base salary in 2005.

Executive officers of Bancorp and the Bank have been granted incentive stock options under Bancorp's Stock Option Plans. The purposes of the Stock Option Plans are to attract, retain, and motivate key officers of Bancorp and the Bank by providing them with a stake in the success of Bancorp as measured by the value of its shares. Options are granted at exercise prices equal to the fair market value of the shares on the dates of grant. The Stock Option Committee, which consists of the independent directors of Bancorp, has general responsibility for granting stock options to key employees and administering the plans. The Human Resources Committee recommends to the Stock Option Committee the recipients and the amounts and other terms of options to be

granted. During 2005, incentive stock options for 53,560 shares were granted to Named Executive Officers at an exercise price of \$38.13 per share, including options for 22,500 shares granted to Mr. Hollar; 11,875 shares granted to Mr. Small; 6,395 shares granted to Messrs. Caceres, Schrider, and Kuykendall respectively.

Edgar Filing: SANDY SPRING BANCORP INC - Form DEFA14A

The Company has a qualified Cash and Deferred Profit Sharing Plan. The profit sharing portion of the plan covers all employees after ninety days of service. All executive officers participate in this plan. The Human Resources Committee recommends to the Board of Directors the aggregate amount to be contributed each year to the profit sharing plan, if any, based upon a formula which uses measures of loan and deposit growth, profitability, asset quality, client satisfaction, and productivity ratios compared with those measures for the prior year and target levels established for the Bank. Each participant receives an allocation of the total contribution based upon his or her compensation for the year.

The Bank also awards cash bonuses to executive officers based upon the performance of the Bank or its business units using the formula described above. Performance bonuses of \$264,018, \$163,760, \$104,034, \$103,995 and \$68,400 were awarded to Mr. Hollar, Mr. Small, Mr. Schrider, Mr. Caceres, and Mr. Kuykendall, respectively, in 2005.

February 22, 2006

HUMAN RESOURCES COMMITTEE

Robert L. Mitchell, Chairman

John Chirtea

Susan D. Goff

Charles F. Mess

Robert L. Orndorff, Jr.

David E. Rippeon

W. Drew Stabler

18

Stock Performance Comparisons

The following graph and table show the cumulative total return on the Common Stock of Bancorp over the last five years, compared with the cumulative total return of a broad stock market index, the Standard and Poor's 500 Index ("S&P 500"), and a narrower index of Mid-Atlantic bank holding company peers with assets of from \$1 billion to \$3 billion. The cumulative total return on the stock or the index equals the total increase in value since December 31, 2000, assuming reinvestment of all dividends paid into the stock or the index. The graph and table were prepared assuming that \$100 was invested on December 31, 2000, in the Common Stock and the securities included in the indexes.

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sandy Spring Bancorp, Inc. | \$ 100.0 | \$ 215.9 | \$ 218.9 | \$ 271.3 | \$ 277.1 | \$ 265.8 |
| S&P 500 Index | \$ 100.0 | \$ 88.1 | \$ 68.7 | \$ 88.3 | \$ 97.9 | \$ 102.7 |
| Peer Group Index | \$ 100.0 | \$ 146.4 | \$ 195.8 | \$ 262.8 | \$ 294.2 | \$ 287.9 |

The Peer Group index includes the twenty-four publicly-traded bank holding companies other than Bancorp headquartered in the states of Maryland, Virginia, Pennsylvania, New Jersey, and West Virginia (the Mid-Atlantic Region) with assets at December 31, 2005, of at least \$1 billion and not more than \$3 billion. The institutions included in this index are Burke & Herbert Bank & Trust Company, Cardinal Financial Company, City Holding Company, Center Bancorp, Inc., Citizen's & Northern Corporation, First Community Bancshares, Inc., First Mariner Bancorp, First National Community Bancorp, Inc., First United Corporation, FNB Corporation, Interchange Financial Services Corporation, Lakeland Bancorp, Incorporated, Omega Financial Corp., Peapack-Gladstone Financial Corporation, Pennsylvania Commerce Bancorp, Inc., Royal Bancshares of Pennsylvania, Inc., Sterling Financial Corp., Summit Financial Group, Inc., TowneBank, Union Bankshares Corporation, Uninvest Corporation of Pennsylvania, Virginia Commerce Bancorp, Inc., Virginia Financial Group, Inc., and Yardville National Bancorp. Returns are weighted according to the issuer's stock market capitalization at the beginning of each year shown.

Transactions and Relationships with Management

Bancorp and the Bank have had in the past, and expect to have in the future, banking transactions with directors and executive officers in the ordinary course of business on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with other persons. In the opinion of management, these transactions do not and will not involve more than the normal risk of collectibility or present other unfavorable features.

Director Lewis R. Schumann is a partner in the Rockville, Maryland law firm of Miller, Miller and Canby, Chtd., which Bancorp and the Bank have retained during 2005 and expect to retain during the current year as legal counsel. The law firm provides legal services on matters such as routine litigation, customer account issues, and trust and estate administration.

Shareholder Proposals and Communications

From time to time, individual shareholders may wish to submit proposals that they believe should be voted upon by the shareholders. The Securities and Exchange Commission has adopted regulations that govern the inclusion of such proposals in Bancorp's annual proxy materials. Shareholder proposals intended to be presented at the 2007 Annual Meeting of Shareholders may be eligible for inclusion in Bancorp's proxy materials for that Annual Meeting if received by Bancorp at its executive offices not later than November 13, 2006 unless the date of the 2007 annual meeting is more than 30 days from April 18, 2007, in which case the deadline is a reasonable time before Bancorp begins to print and mail proxy materials. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934.

In addition, Bancorp's Bylaws require that to be properly brought before an annual meeting, shareholder proposals for new business must be delivered to or mailed and received by Bancorp not less than thirty nor more than ninety days prior to the date of the meeting; provided, however, that if less than forty-five days notice of the date of the meeting is given to shareholders, such notice by a shareholder must be received not later than the fifteenth day following the date on which notice of the date of the meeting was mailed to shareholders or two days before the date of the meeting, whichever is earlier. Each such notice given by a shareholder must set forth certain information specified in the Bylaws concerning the shareholder and the business proposed to be brought before the meeting.

Shareholders also may nominate candidates for director, provided that such nominations are made in writing and received by Bancorp at its executive offices not later than December 14, 2006. The nomination should be sent to the attention of Bancorp's Secretary and must include, concerning the director nominee, the following information: full name, age, date of birth, educational background and business experience, including positions held for at least the preceding five years, home and office addresses and telephone numbers, and a signed representation to timely provide all information requested by Bancorp for preparation of its disclosures regarding the solicitation of proxies for election of directors. The name of each such candidate for director must be placed in nomination at the Annual Meeting by a shareholder present in person. The nominee must also be present in person at the Annual Meeting. A vote for a person who has not been duly nominated pursuant to these requirements will be deemed to be void.

Bancorp's shareholders may communicate with the Board of Directors or any individual Director by addressing correspondence to the board or such director in care of the Secretary at Bancorp's main office by mail, courier, or facsimile or by e-mail through the Company's "contact us" feature of the Investor Relations area of its Website at www.sandyspringbank.com.

The Board of Directors believes it is important for all directors to attend the annual meeting of shareholders in order to show their support for Bancorp and to provide an opportunity for shareholders to express any concerns to them. Bancorp has adopted a policy that all directors should attend each annual meeting of shareholders unless they are unable to attend by reason of personal or family illness or pressing matters.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires Bancorp's executive officers and directors, and any persons who own more than ten percent of a registered class of Bancorp's equity securities, to file reports of ownership and changes in ownership on Forms 3, 4, and 5 with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent stockholders are required by applicable regulations to furnish Bancorp with copies of all Forms 3, 4, and 5 they file.

Based solely on Bancorp's review of the copies of such forms it has received, Bancorp believes that all its executive officers and directors have complied with all filing requirements applicable to them with respect to transactions during 2005.

PROPOSAL II : Ratification of Selection of Bancorp's Independent Registered Public Accounting Firm

The Audit Committee has appointed the firm of McGladrey & Pullen, LLP as Bancorp's independent registered public accounting firm for 2006. In accordance with established policy, the Board is submitting this proposal to the vote of the shareholders for ratification. In the event the appointment is not ratified by a majority of the shareholders it is anticipated that no change in auditors will be made for the current year because of the difficulty and expense of making a change so long after the beginning of the year, but the vote will be considered in connection with the auditor appointment for 2007.

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to ratify the appointment of McGladrey & Pullen, LLP as Bancorp's independent registered public accounting firm for 2006. Therefore, abstentions effectively count as votes against this proposal.

McGladrey & Pullen, LLP was appointed as Bancorp's independent registered public accounting firm for 2005. Representatives of McGladrey & Pullen will be present at the Annual Meeting and will be given the opportunity to make a statement, if they desire, and be available to respond to appropriate questions.

Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by McGladrey & Pullen, LLP for the audit of the annual financial statements of Sandy Spring Bancorp, Inc., and subsidiaries for the year ended December 31, 2005 and December 31, 2004, and fees billed for other services rendered by McGladrey & Pullen, LLP and RSM McGladrey, Inc. (an affiliate of McGladrey & Pullen, LLP).

| | 2005 | 2004 |
|-----------------------|-------------|-------------|
| Audit Fees(1) | \$ 283,750 | \$ 320,225 |
| Audit-Related Fees(2) | \$ 89,500 | \$ 36,480 |
| Tax Services(3) | \$ 57,866 | \$ 46,642 |

(1) Audit fees consist of fees for professional services rendered for the audit of Bancorp's consolidated financial statements and review of financial statements included in Bancorp's quarterly reports on Form 10-Q and services normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) Audit related services were for services related to employee benefit plan audits, due diligence related to mergers and acquisitions, and consultation concerning financial accounting and reporting standards.

(3) Tax services fees consist of fees for compliance tax services including tax planning and advice and preparation of tax returns.

The Audit Committee is required to preapprove all auditing services and permitted non-audit services provided by Bancorp's independent registered public accounting firm, under Securities and Exchange Commission regulations that became effective in May 2003. There is an exception for preapproval of non-audit services if the aggregate amount of all such non-audit services provided to Bancorp constitutes not more than 5 percent of the total amount of revenues paid by it to its independent registered public accounting firms during the fiscal year in which the non-audit services are provided; such services were not recognized by Bancorp at the time of the engagement to be non-audit services; and the non-audit services are promptly brought to the attention of the committee and approved prior to the completion of the audit by the committee or by one or more members of the committee to whom authority to grant such approval has been delegated by the committee. All audit services and permitted non-audit services to be performed by Bancorp's independent registered public accounting firm have been preapproved by the Audit Committee as required by Securities and Exchange Commission regulations and the Audit Committee's charter without exception.

Report of the Audit Committee

Bancorp's Audit Committee is appointed by the Board of Directors to assist the Board in monitoring the integrity of the financial statements, compliance with legal and regulatory requirements, and the independence and performance of internal and external auditors. The committee (1) has reviewed and discussed the audited financial statements included in Bancorp's 2005 Annual Report and Form 10-K with management; (2) has discussed with the Bancorp's independent registered public accounting firm the matters required to be discussed by Statement of Auditing Standards 61; and (3) has received the written disclosures and the letter from the Bancorp's independent registered public accounting firm required by Independence Standards Board Standard No. 1 and discussed independence with the Bancorp's independent registered public accounting firm. Based upon this review, discussion, disclosures, and materials described in (1) through (3), the committee recommended to the Board of Directors that the audited financial statements be included in the 2005 Annual Report on Form 10-K. The committee also has considered whether the amount and nature of non-audit services rendered by the Bancorp's independent registered public accounting firm are consistent with its independence. The Joint Audit Committee Charter is attached hereto as Appendix A.

February 21, 2006

AUDIT COMMITTEE
John Chirtea, Chairman
Mark E. Friis
Gilbert L. Hardesty
Pamela A. Little
Charles F. Mess
David E. Rippeon
Craig A. Ruppert

The Board recommends a vote "FOR" the ratification of McGladrey & Pullen, LLP as the Bancorp's independent registered public accounting firm for 2006.

By order of the Board of Directors,

Ronald E. Kuykendall
Executive Vice President, General Counsel
& Secretary

Dated: March 13, 2006

**SANDY SPRING BANCORP, INC.
SANDY SPRING BANK**

JOINT AUDIT COMMITTEE CHARTER

I. Membership

- A. The Audit Committee (the "committee") of the Boards of Directors of Sandy Spring Bancorp, Inc. (the "Company") and its wholly-owned subsidiary, Sandy Spring Bank (the "Bank") shall consist of not less than three members of the Board. Members of the committee shall be "independent" as defined in applicable law, regulations of the Securities and Exchange Commission ("SEC"), the Federal Deposit Insurance Act and related regulations (the "FDIA"), and the listing standards of the NASDAQ Stock Market, Inc. ("Listing Standards"). Members of the committee shall also meet all other applicable requirements of the SEC, FDIA, and Listing Standards for financial, accounting or related expertise. The committee will include one or more members having the qualifications of an audit committee financial expert, when and as required by applicable SEC regulations or the Listing Standards except as determined by the Board.
- B. Members of the committee shall be appointed by vote of a majority of the independent directors of the Board for one-year terms. The independent directors of the Board shall designate one member to serve as Chair of the committee.
- C. Members of the committee shall serve until their resignation, retirement or removal by the Board or until their successors are appointed. No member of the committee shall be removed except by majority vote of the independent directors of the full Board then in office.

II. Purpose

The purpose of the committee is to:

- A. assist the Board's oversight of (1) the Company's accounting and financial reporting processes, (2) the audits of the Company's financial statements, (3) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors;
- B. prepare the report required by the SEC's proxy rules to be included in the Company's annual proxy statement; and
- C. perform the duties and responsibilities of the committee as specified by law, regulation, the Listing Standards and this charter.

III. Meetings

The committee shall meet from time to time at the call of the Chair or upon the request of any member, but in no event shall it meet less than four times during each fiscal year of the Company. A majority of the members of the committee shall constitute a quorum.

The Committee shall establish reasonable rules for the conduct of meetings and required notice of meetings, subject to oversight by the Board of Directors. The Committee shall meet by conference call or in person, and also may act by consent and, pursuant to section IV.B.3 of this charter, by delegation. Minutes of the Committee are not required, but may be kept. Reports and recommendations to the Board of Directors shall be written. Meetings of the Company and Bank Committees shall be held jointly. Each Board has authority with respect to its Committee. The Committees and the Boards are referred to in the singular in this charter from time to time for convenience.

IV. Duties and Responsibilities

A. Independent Auditors- appointment, compensation, funding and oversight

1. The independent auditors are ultimately accountable to the Board and the committee, as representative of the shareholders. The committee is directly responsible for the appointment, retention, compensation, evaluation and termination of the Company's independent auditors. The committee is responsible for the resolution of any disagreements between management of the Company and the independent auditors regarding financial reporting. The independent auditors shall report directly to the committee.
2. At least annually, the committee shall review with management and the independent auditors the scope of services required by the audit, major risk factors, significant accounting policies, audit conclusions regarding significant accounting estimates, and the compliance of the audit with the audit procedures required by Section 10A of the Securities Exchange Act of 1934 relating to detection of illegal acts, identification of related party transactions, and evaluation of the Company as a going concern.
3. The committee shall discuss with management and the independent auditors any illegal acts reported by them, and shall take, or shall recommend that the Board take, appropriate remedial action.
4. The Company shall provide for appropriate funding, as determined by the committee, for payment of compensation to the independent auditors employed by the Company for the purpose of rendering an audit report or performing other audit, review, or attest services for the Company and to any advisors employed by the committee and for payment of ordinary administrative expenses of the committee that are necessary or appropriate in carrying out its duties.
5. The committee will also receive and consider a formal written statement from the independent auditor delineating all relationships between the auditor and the Company, as required by Independent Standards Board Standard No. 1, and shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and shall take, or recommend that the board take, appropriate action to oversee the independence of the independent auditor.
6. After review of the statement described in paragraph 3, above, and based on a review of the independent auditors' work through the year, the committee shall evaluate the independent auditors' qualification, performance and independence. This evaluation shall include the evaluation of the lead partner and shall take into account the opinions of management and the Company's internal auditor. The committee shall present its conclusions to the full Board.

7. The committee shall meet separately, periodically, with management, with the internal auditors and with the independent auditors.
8. The committee shall review with the independent auditors any audit problems or difficulties and management's response. Among the items the committee may wish to review include, without limitation, any restrictions on audit scope or access to information, any significant disagreements or accounting adjustments proposed by the independent auditor but "passed" by management.
9. The committee shall set clear hiring policies for employees or former employees of the independent auditors.

B. Independent Auditors- audit and non-audit services

1. All auditing services (which may entail providing comfort or "agreed upon procedures" letters in connection with securities underwritings) and permitted non-audit services, other than as provided by paragraph 2, below, provided to the Company by its independent auditors shall be preapproved by the committee. Approval of the committee may be obtained by majority vote of the committee members at any meeting of the committee or by written consent of a majority of committee members without a meeting of the committee. Approval authority may also be delegated by the committee to a committee member, as provided in paragraph 3.
2. Pre-approval under the preceding paragraph is not required with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5 percent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the non-audit services are provided; and
 - (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
 - (iii) the non-audit services are promptly brought to the attention of the committee and approved prior to the completion of the audit by the committee or by one or more members of the committee to whom authority to grant such approval has been delegated by the committee.
3. The committee may delegate to one or more designated members of the committee the authority to grant preapprovals for audit and non-audit services. The decisions of any member to whom authority is delegated under this paragraph shall be presented to the full committee at the next subsequent meeting of the committee.
4. The Company's independent auditors shall not provide any prohibited non-audit service to the Company. Prohibited non-audit services are defined as follows:
 - (i) bookkeeping or other services related to the accounting records or financial statements of the Company;
 - (ii) financial information systems design and implementation;
 - (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - (iv) actuarial services;
 - (v) internal audit outsourcing services;
 - (vi) management functions or human resources;

- (vii) broker or dealer, investment adviser, or investment banking services;
 - (viii) legal services and expert services unrelated to the audit; and
 - (ix) any other service that is determined by the Public Company Accounting Oversight Board to be impermissible.
5. The Company's independent auditors may be engaged by the committee to perform any non-audit service, including tax services, that is not described in paragraph 4, if that non-audit service is approved in advance by the committee in accordance with paragraph 1.
 6. Approval of any non-audit service to be performed by the independent auditor shall be disclosed in the Company's periodic reports, as required under applicable SEC regulation.
 7. The committee may, in its discretion, seek exemption authority from the Public Company Accounting Oversight Board ("PCAOB") to permit the independent auditors to perform other non-audit services, subject to applicable law and SEC and PCAOB regulation.

C. Financial Reporting Process; Risk Assessment

1. The Company's independent auditors shall timely report to the committee:
 - (i) all critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and
 - (iii) other material written communications between the independent auditors and the management of the Company, such as any management letter or schedule of unadjusted differences.
2. The committee shall review and discuss the Company's annual audited financial statements and unaudited quarterly financial statements with management and the independent auditors, and the related Management's Discussions and Analysis of Financial Conditions and Results of Operations, prior to their filing in Form 10-K or Form 10-Q.
3. The committee shall recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
4. The committee shall prepare the report required by the rules of the SEC to be included in the Company's proxy statement
5. Each year, the committee shall review with management the basis for the annual Management Reports regarding the annual financial statements, internal control structure, procedures for financial reporting, and compliance with laws and regulations relating to safety and soundness required by FDIA; and with the independent auditors the basis for their reports required by the FDIA.
6. The committee shall discuss generally the types of information and type of presentation to be made in earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies. The committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
7. The committee shall review with management and legal counsel, legal and regulatory matters that may have a material impact on the financial statements.

8. The committee shall discuss policies with respect to risk assessment and risk management.

D. Conflicts of Interest

The Committee shall establish procedures for the review of all related party transactions and potential conflicts of interest.

E. Complaint Procedures

The committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company, of concerns regarding questionable accounting or auditing matters, when and as required by law or the Listing Standards.

F. Internal Audit

1. The committee shall have direct responsibility for approving the appointment of any accounting firm engaged to perform internal audit functions, and reviewing the fees to be paid to such firm.
2. The committee shall review and approve the scope of internal audits and significant reports by the internal audit function, and reviewing the effectiveness of the internal audit function in monitoring the system of internal controls.

G. Counsel and Advisers

The committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

H. Reports and Evaluations

1. The Chair of the committee shall report to the Board at the Board meeting next following a committee meeting, and shall present such recommendations for action by the Board, as the committee shall deem appropriate.
2. The committee shall conduct an annual evaluation of the committee and shall report the results of such evaluation to the Board.

#

-FORM OF PROXY-

**REVOCABLE PROXY
SANDY SPRING BANCORP, INC.
ANNUAL MEETING OF SHAREHOLDERS
APRIL 19, 2006**

The undersigned hereby constitutes and appoints Charles F. Mess and Craig A. Ruppert and each of them the proxies of the undersigned, with full power of substitution, to attend the annual meeting of shareholders (the "Annual Meeting") of Sandy Spring Bancorp, Inc. ("Bancorp") to be held at the Indian Spring Country Club, 13501 Layhill Road, Silver Spring, Maryland on Wednesday, April 19, 2006 at 3:00 p.m. Eastern Time, or at any adjournment thereof, and to vote all the shares of stock of Bancorp that the undersigned may be entitled to vote, upon the following matters:

(Continued and to be signed on the reverse side)

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL DIRECTOR NOMINEES AS SHOWN IN ITEM 1 AND "FOR" ITEM 2 AND ITEM 3 PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

1. The election as directors of all nominees listed below:

| | |
|---|-------------------------|
| | NOMINEES |
| <input type="checkbox"/> FOR ALL NOMINEES | Mark E. Friis |
| <input type="checkbox"/> WITHHOLD AUTHORITY | Pamela A. Little |
| <input type="checkbox"/> FOR ALL NOMINEES | Susan D. Goff |
| <input type="checkbox"/> FOR ALL EXCEPT | Robert L. Mitchell |
| (See instructions below) | Robert L. Orndorff, Jr. |
| | David E. Rippeon |

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: O

2. The ratification of appointment of McGladrey & Pullen, LLP, as the independent registered public accounting firm for 2006.

FOR AGAINST ABSTAIN

4. The transaction of such other business as may properly come before the Annual Meeting or adjournment thereof.

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS MARKED HEREIN. IF NO INSTRUCTIONS TO THE CONTRARY ARE MARKED HEREIN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND AS DETERMINED BY A MAJORITY OF THE BOARD OF DIRECTORS AS TO OTHER MATTERS.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS.

Edgar Filing: SANDY SPRING BANCORP INC - Form DEFA14A

The undersigned shareholder hereby acknowledges receipt of a copy of the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement and hereby revokes any proxy or proxies previously given. This proxy may be revoked at any time prior to its exercise.

PLEASE COMPLETE, DATE, SIGN AND MAIL THIS PROXY PROMPTLY IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder

Date:

Signature of Shareholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.
