

SANDY SPRING BANCORP INC
Form DEF 14A
March 31, 2015

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

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.

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(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:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD

Wednesday, May 6, 2015, 3:00 p.m.

Manor Country Club

14901 Carrolton Road, Rockville, MD 20853

The 2015 annual meeting of shareholders of Sandy Spring Bancorp, Inc. will be held as indicated above for the purpose of considering:

The election of Ralph F. Boyd, Jr., Susan D. Goff, Robert L. Orndorff, and Daniel J. Schrider to serve as Class I (1) directors with terms expiring at the 2018 annual meeting, in each case until their successors are duly elected and qualified;

(2) A non-binding resolution to approve the compensation for the named executive officers;

(3) The approval of the 2015 Omnibus Incentive Plan;

(4) The ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for the year 2015; and

(5) Such other business as may properly come before the annual meeting or any adjournment thereof.

The board of directors established March 6, 2015 as the record date for this meeting. Shareholders of record as of the close of business on that date are entitled to receive this notice of meeting and vote their shares at the meeting and any adjournments or postponements of the meeting.

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Your vote is very important. The board urges each shareholder to promptly sign and return the enclosed proxy card or to use telephone or Internet voting, as described on the card. If you choose to 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 31, 2015

Important Notice Regarding the Availability of Proxy Materials for the
2015 Annual Meeting of Shareholders to be Held on May 6, 2015

This proxy statement and the 2014 Annual Report on Form 10-K are available at www.sandyspringbank.com/proxy.

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Sandy Spring Bancorp, Inc.

Proxy Statement

General Information

The board of directors of Sandy Spring Bancorp, Inc., (the “Company”) has furnished this proxy statement to you in connection with the solicitation of proxies to be used at the 2015 annual meeting of shareholders. The meeting will be held on Wednesday, May 6, 2015, at 3:00 p.m. at Manor Country Club, 14901 Carrolton Road, Rockville, Maryland 20853. The notice of annual meeting, the proxy card, and this proxy statement are being first mailed on or about March 31, 2015, to shareholders of record as of the close of business on March 6, 2015 (the “Record Date”). The mailing address of our executive offices is Sandy Spring Bancorp, Inc., 17801 Georgia Avenue, Olney, MD 20832.

Who Can Vote and What Constitutes a Quorum

Shareholders of Company common stock, par value \$1.00 per share, as of the close of business on the Record Date may vote. Each share of common stock is entitled to one vote. As of the Record Date 25,138,308 shares of common stock were outstanding and eligible to vote. When you execute your right to vote, you authorize the persons named as proxies 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. Proxies marked as abstentions and proxies for shares held in the name of a broker, or other nominee, marked as not voted (broker non-votes) will be counted only for purposes of determining a quorum at the annual meeting.

Exercising Your Right to Vote

By submitting your proxy instructions by card, telephone, or Internet in time to be voted at the annual meeting, the shares represented by your proxy will be voted in accordance with those instructions. Executed but unmarked proxies will be voted FOR the election of all nominees for director, FOR the approval of executive compensation, FOR the approval of the 2015 Omnibus Incentive Plan and FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2015. If you are a registered shareholder, meaning you hold your shares directly with the Company, and you do not return your proxy, no votes will be cast on your behalf on any of the items of business.

The board of directors does not know of any other matters that are to come before the annual meeting except for incidental or 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 in accordance with their best judgment.

Shares Held Through a Broker

If you hold your shares through a broker, or other nominee, it is critical that you cast your vote if you want it to count in the election of directors (Proposal I), the advisory vote on executive compensation (Proposal II), or the approval of the 2015 Omnibus Incentive Plan (Proposal III). **Your broker is not allowed to vote shares on your behalf on such matters without your specific instruction.** If you do not instruct your broker how to vote on these matters, no votes will be cast on your behalf. Your broker will, however, continue to have discretion to vote any uninstructed shares on matters considered routine items, such as the ratification of the appointment of the independent registered public accounting firm (Proposal IV).

Telephone and Internet Voting

We are pleased to offer our shareholders the convenience of voting online and by telephone. If you hold your shares in street name, your broker may also allow you to provide voting instructions by telephone or via the Internet. Please check the proxy card for specific instructions on how you can vote your shares.

How to Attend the Meeting In Person and What to Bring

All shareholders will be asked to check-in at the registration desk prior to admittance to the meeting. Shareholders who own Company stock through a broker, or other nominee, will need to bring a statement as proof of ownership along with photo identification. No cameras or recording equipment will be permitted in the meeting, and all cell phones must be turned off. If you hold your shares through a broker, or other nominee, and you wish to vote your shares in person at the meeting, you will need to ask the holder for a legal proxy. You will need to bring the legal proxy with you to the meeting and turn it in with a signed ballot that will be provided to you at the meeting.

Changing Your Vote

Your presence at the annual meeting will not automatically revoke your proxy. However, you may revoke your 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 a duly executed proxy bearing a later date; or 3) attending the annual meeting and casting a ballot in person.

Delivery and Accessibility of Proxy Materials

To reduce costs, we utilize the householding rules of the Securities and Exchange Commission (“SEC”) that permit the delivery of one set of 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 broker, or other nominee, holds your shares, please contact your broker or nominee directly.

The Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC, excluding exhibits, as well as this proxy statement are available 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 the Form 10-K including exhibits on the SEC web site at www.sec.gov.

Costs of Proxy Solicitation

The cost of soliciting proxies will be borne by the Company. In addition to the solicitation of proxies by mail, the Company also may solicit proxies through its directors, officers, and employees. The Company will also 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.

Tabulation of Votes and Public Announcement of Results

The board of directors has appointed the Company's transfer agent, Computershare, to act as inspector of election. A designated representative from Computershare, under oath, will carry out the duties of tabulating the votes at the meeting. The results will be announced at the end of the meeting, and filed with the SEC on Form 8-K within four business days. Shareholders may view the Form 8-K on the investor relations page of www.sandyspringbank.com.

PROPOSAL I: Election of Directors

The board of directors (“board”) is elected by shareholders to represent their interest in the Company. With the exception of those matters reserved for shareholders, the board is the highest and ultimate decision-making authority. The board works closely with executive management and oversees the development and execution of the Company’s business strategy.

Board Complement

The Company maintains a classified board, meaning that only a portion of the board is elected each year. The classified structure provides stability of leadership and supports our long-term strategy. The board 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 are elected for a term of three years or until their successors are elected and qualified.

There were no changes to the complement of directors on the board since the last proxy statement. If all director-nominees are elected, following the annual meeting the board will stand at 11 members.

Director-Nominees

Ralph F. Boyd, Jr., Susan D. Goff, Robert L. Orndorff, and Daniel J. Schrider have been nominated for re-election to a three-year term to expire in 2018.

Nomination Process

The Nominating Committee is responsible for recruiting and recommending candidates to the board. In exercising its duties, the committee considers the present skills and experience on the board and the qualifications that are desired in order to meet the Company’s changing needs.

The Corporate Governance Policy outlines the general competencies required of all directors including the highest standards in exercising his or her duty of loyalty, care and commitment to all of our shareholders. Prior to the recruitment of a new director the board gathers input from all directors in order to form a collective picture of the particular competencies needed to fulfill the board’s obligations and support our long-term strategy. Such competencies may include expertise in: the banking industry, financial matters, risk management, marketing, a geographic market, regional economics, strategic planning, executive management, technology or other relevant qualifications. The board also values diversity and seeks to include a broad range of backgrounds, experience and personality styles.

The Nominating Committee encourages suggestions for qualified director candidates from the chief executive officer, the chairman of the board, other directors, and from shareholders, and is responsible for the evaluation of such suggestions. Shareholders may submit suggestions for qualified director candidates by writing to Ronald E. Kuykendall, General Counsel and Secretary, at Sandy Spring Bancorp, Inc., 17801 Georgia Avenue, Olney, Maryland 20832. Submissions should include information regarding a candidate's background, qualifications, experience and willingness to serve as a director. In addition, the Nominating Committee may consider candidates submitted by a third party search firm hired for this purpose. The Nominating Committee uses the same process for evaluating all nominees, including those recommended by shareholders, using the board membership criteria described above. Please see "Shareholder Proposals and Communications" on page 44.

Information About Nominees and Incumbent Directors

The following information sets forth the names of the nominees for election describing their skills, experience and qualifications for election. Each has given his or her consent to be nominated and has agreed to serve, if elected. If any person nominated by the board of directors is unable to stand for election, the shares represented by proxies may 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.

The boards of directors of the Company 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.

Voting Standard

With respect to the election of directors, a plurality of all the votes cast at the annual meeting will be sufficient to elect a nominee as a director.

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

Class I Directors - Nominees for Terms to Expire at the 2018 Annual Meeting

Ralph F. Boyd, Jr., 58, Director since 2012

Mr. Boyd was named the CEO of the Massachusetts Region of The American Red Cross in 2014. Prior to that, he was the interim President and CEO for the Center City Public Charter Schools in Washington, DC where he continues to serve on the board of directors. From 2005 to 2012, Mr. Boyd was the President and CEO of the Freddie Mac Foundation. He is a Harvard Law School graduate and previously served as Assistant Attorney General for Civil Rights under the Bush administration and as Executive Vice President and General Counsel of Freddie Mac. Mr. Boyd maintains a primary residence in Laytonsville, MD with his family. He currently serves on the board of DirecTV and chairs its audit committee. Among other distinctions, Mr. Boyd also serves as chair of trustees for the National Housing Partnership Foundation, as treasurer of the American Association for People with Disabilities, and as a director on the regional and national boards of Easter Seals. Mr. Boyd’s qualifications for nomination include his extensive professional experience, public-company board experience, and risk management experience.

Susan D. Goff, 69, Director since 1994

Ms. Goff is the former Director and President of MD-Individual Practice Association, a subsidiary of Mid Atlantic Medical Services, Inc. (MAMSI), a publicly-held healthcare company. Ms. Goff was also an Executive Vice President of MAMSI. In 2004, MAMSI was sold to UnitedHealthcare and Ms. Goff became the regional executive overseeing all products in seven states. She retired in 2005. During her career, Ms. Goff was directly involved with strategic planning, marketing, and product development. Ms. Goff is valued for her executive management and

public-company experience and her knowledge of compensation matters.

Robert L. Orndorff, Chairman, 58, 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 is also strongly aligned with Sandy Spring Bancorp's culture and values. Mr. Orndorff brings to the board his extensive business experience, leadership skills, strategic planning skills, and knowledge of the local market.

Daniel J. Schrider, Director, 50, Director since 2009

Mr. Schrider was named to the position of president and chief executive officer on January 1, 2009 at which time he also joined the board of directors of Sandy Spring Bancorp, Inc. Mr. Schrider has been part of Sandy Spring Bank for over 25 years having joined the company in 1989 as a commercial lender. He advanced his career to the executive level in 2003 and became the Bank's Chief Credit Officer. Mr. Schrider holds a bachelor's degree from the University of Maryland and an MBA from Mt. St. Mary's College. Mr. Schrider is also a graduate of the American Bankers Association Stonier Graduate School of Banking. A leader among community bankers, Mr. Schrider is currently the chair-elect of the Maryland Bankers Association, the chair of the Stonier Graduate School of Banking Advisory Board, and a sought-after guest speaker at local and national industry events. Mr. Schrider also embraces Sandy Spring Bank's legacy of local, community involvement as he serves on the board of Medstar Montgomery Hospital in Olney, Maryland and on the board of Mount Airy Christian Academy.

Incumbent Class II Directors – Terms Expiring at the 2017 Annual Meeting

Mark E. Friis, Director, 59, Director since 2005

Mr. Friis is CEO 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. He currently serves on the board of trustees for Hood College. Mr. Friis is valued for his business management experience, his sales and marketing skills, and in-depth knowledge of the local economy. Mr. Friis chairs the Bank's Frederick advisory board, and currently chairs the Nominating Committee of the board.

Pamela A. Little, Director, 61, Director since 2005

Ms. Little has over 30 years of experience working with companies ranging from privately held start-up firms to large, publicly-traded government contracting firms. She became the Executive Vice President and CFO of MTSI, an employee-owned government contractor, in 2014 and continues to serve on its board. Prior to that she was the CFO for CALIBRE Systems, Inc. from 2013 to 2014 and the CFO of Planned Systems International during early 2013. Ms. Little was the Co-CEO at the former ATS Corporation, a publicly-traded provider of IT services, from 2011 to 2012, and was CFO from 2007 to 2011. Ms. Little is on the advisory boards for K2 Group, Inc., Capstone Corporation, and Electrosoft Services, Inc. Ms. Little is valued for her range of business experience with public companies, her knowledge of mergers and acquisitions, executive management experience, human resources experience and her financial expertise. Ms. Little currently chairs the Compensation Committee.

Craig A. Ruppert, Director, 61, Director since 2002

Mr. Ruppert is President and CEO of The Ruppert Companies which is comprised of commercial landscape construction and management located in seven states; tree-growing operations; and industrial property development. Mr. Ruppert serves on the board of directors of The Wills Group, a privately-held, local marketer of petroleum products in the Mid-Atlantic area. Mr. Ruppert is a former Class B director of the Federal Reserve Bank of Richmond and a noted, local philanthropist. A highly successful entrepreneur, Mr. Ruppert's strengths lie in strategic planning, executive management, mergers and acquisitions and business expertise. Mr. Ruppert currently chairs the Risk Committee.

Incumbent Class III Directors – Terms Expiring at the 2016 Annual Meeting:

Robert E. Henel, Jr., 67, Director since 2011 Mr. Henel is the former Chairman, President and CEO of Annapolis Banking & Trust Company, an affiliate bank of the former Mercantile Bankshares Corp., a position he held for 16 years. Upon the acquisition of Mercantile, Mr. Henel became a regional president for PNC Bank for the Annapolis and Anne Arundel County Region until 2010. In addition to 39 years in the banking industry, Mr. Henel is a past chairman of trustees for the Anne Arundel Health System and a past chairman of the Anne Arundel Medical Center Foundation. He has served numerous community, civic, and industry organizations. Mr. Henel's background in banking, executive management, and deep connections to the Annapolis market are highly valued by the board.

Gary G. Nakamoto, 51, Director since 2011 Mr. Nakamoto is the principal of The Nakamoto Group, LLC, a consulting firm located in McLean, Virginia. Previously, he was the Chairman of the former Base Technologies (1996 to 2011), a firm that specialized in IT, outsourcing, and consulting. Under Mr. Nakamoto's leadership, Base Technologies was named one of the 2011 Best Places to Work in Virginia and was designated a Top 100 IT federal government contractor. Mr. Nakamoto is currently a member of the AAA Mid-Atlantic Washington Area Regional Board, a board member of the Virginia Chamber of Commerce, and a trustee for The Ohio University Foundation. He also serves as a director for 2015 World Police and Fire Games to be held in Fairfax, VA. Mr. Nakamoto's qualifications include his experience in the government contracting field, executive management experience in the technology industry, his extensive knowledge of the Northern Virginia market, and familiarity with local, state and national government.

Dennis A. Starliper, 68, 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. He is a CPA and holds an MBA from Southeastern University. He is currently an adjunct professor of Finance and Accounting for the Brown School of Business and Leadership at Stevenson University. Mr. Starliper currently chairs the Audit Committee. Among his many qualifications are deep industry experience with a large and respected, local bank; executive management experience with a publicly-traded company; risk management experience and financial expertise.

Mei Xu, 47, Director since 2012 Ms. Xu co-founded Pacific Trade International, Inc., a fully integrated global home fragrance and décor company, in 1994. Headquartered in Rockville, Maryland, PTI owns and operates Chesapeake Bay Candle®, a leading home fragrance brand that draws inspiration from Maryland's shoreline, and Alassis®, an exclusive collection of fragrances inspired by sophisticated early Mediterranean civilizations, cultures, and gardens. Ms. Xu is a member of The Committee of 200 (C200), an invitation-only membership organization of the world's most successful women entrepreneurs and corporate innovators. In 2012, Ms. Xu was honored by the World Trade Center Institute with the Maryland International Business Leadership Award and also inducted into the *Enterprising Women* Hall of Fame by *Enterprising Women* magazine. Ms. Xu is highly regarded for her knowledge of marketing and retail practices, business acumen, and strategic planning.

Corporate Governance and Other Matters

Corporate Governance Policy and Code of Business Conduct

The board remains committed to setting a tone of the highest ethical standards and performance for our management, officers, and the 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 regularly to ensure that it reflects the best interests of the Company and its shareholders.

In addition, our board of directors has adopted a Code of Business Conduct (“the Code”) applicable to all directors, officers, and employees of the Company and its subsidiaries. It sets forth the legal and ethical standards that govern the conduct of business performed by the Company and its subsidiaries. The Code is intended to meet the requirements of Section 406 of the Sarbanes-Oxley Act of 2002, related SEC regulations, and the listing rules of Nasdaq Stock Market, Inc. More information about corporate governance, including the Corporate Governance Policy and the Code of Business Conduct, may be found on our investor relations website 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. The board of directors has affirmatively determined that all directors other than Mr. Schrider are independent under Nasdaq's listing rules. The board of directors complies with or exceeds the independence requirements for the board and board committees established by the Nasdaq Stock Market, federal securities and banking laws and the additional standards included in our Corporate Governance Policy.

Board Leadership Structure, Education and Self-Assessment Process

The Company's bylaws provide for the annual election of a chairman of the board from among the directors, and the Corporate Governance Policy states it is the board's policy to separate the offices of the chairman and the chief executive officer. This separate role allows the chairman to maintain independence 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 below).

The board is committed to self-improvement and has established an annual self-assessment process that evaluates a different aspect of board effectiveness each year. In 2014, that process was facilitated by The Center for Board Excellence (“CBE”), an independent consultant. All directors completed an individual peer assessment. The results of the evaluation were compiled by CBE, and a written report was given to the chairman and discussed with each director individually.

Board's Role in Risk Oversight

The 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. On September 25, 2014 the board replaced the Credit and Investment Risk Committee with the Risk Committee. The Risk Committee was chartered to assume all of the duties and responsibilities of the former committee and given expanded responsibilities for broad risk oversight. The Risk Committee receives regular reports on: credit risk, asset quality, the adequacy of the allowance for loan and lease losses, investment risk profiles, interest rate risk, liquidity, capital adequacy, information security, vendor management, corporate insurance, litigation management and regulatory compliance. The Compensation Committee reviews 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 audit and review process. In addition, the Audit Committee receives internal audit reports that enable it to monitor operational risk throughout the company and coordinates the findings with the Risk Committee through a liaison member who serves on both committees.

Board Committees

The board of directors has the following standing committees: Audit, Executive and Governance, Nominating, Compensation, and Risk. The charter for each committee may be found on our investor relations web site at www.sandyspringbank.com. Each committee's function is described as follows:

Audit Committee - The Audit Committee is appointed by the board to assist in monitoring the integrity of the financial statements and financial reporting, including the proper operation of internal control over financial reporting 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 quarterly earnings press releases, as well as the Forms 10-Q and 10-K prior to filing. All members of the committee meet all requirements and independence standards as defined in applicable law, regulations of the SEC, Nasdaq listing rules, the Federal Deposit Insurance Act and related regulations. The board has determined that Dennis A. Starliper, a former chief financial officer of a publicly-traded company, qualifies as an audit committee financial expert under the Nasdaq listing rules and applicable securities regulations.

Executive and Governance Committee - This committee conducts board business between regular 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 governing 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 as stated in the Corporate Governance Policy. This committee is comprised of the chairmen of the standing committees of the board, the chairman of the board, and the president and CEO.

Nominating Committee - Members of this committee are independent directors within the meaning of the Nasdaq listing rules. In 2012, it was decided that, with the exception of the president and CEO, the same directors serving on the Executive and Governance Committee would also serve on the Nominating Committee. The Nominating Committee makes recommendations to the board with respect to nominees for election as directors. In exercising its responsibilities, the Nominating Committee considers general criteria and particular goals and needs of the Company for additional competencies or characteristics. The committee also has the authority to engage an outside search firm to source qualified candidates. See page 5 for a discussion of the nomination process.

Compensation Committee - Members of this committee are independent directors within the meaning of the Nasdaq listing rules. The Compensation Committee is responsible for developing executive compensation philosophy and determining all elements of compensation for executive officers including base salaries, short-term incentive compensation, equity awards, and retirement benefits. In addition, the committee considers other compensation and benefit plans on behalf of the board as required by regulation. The committee is charged with assessing whether the compensation plans encourage or reward unnecessary or excessive risk-taking by participants. The committee is also responsible for reviewing and making recommendations for non-employee director compensation. Until recently, the committee reviewed and made recommendations to the board regarding equity awards. In May 2013, the committee

was given the authority to administer the 2005 Omnibus Stock Plan as the Stock Option Committee.

Risk Committee – The Risk Committee is responsible for assisting the board in its oversight of the Company’s enterprise risk management, including the review and approval of significant policies and practices concerning the various risks described in its charter as well as the analysis and assessment of potential risk in order to make recommendations to the board on strategic initiatives. The board delegates to the Risk Committee the oversight of specific risks as mandated by law or regulation, the authority to manage the Company’s affairs with regard to risk and the authority to handle unresolved issues referred to it by the board for further deliberation and recommendation.

Current Board Committee Membership and Number of Meetings

Name	Executive & Governance	Nominating	Audit	Compensation	Credit & Investment Risk and Risk Committees
Number of meetings in 2014	4	2	8 ⁽¹⁾	6	13
Ralph F. Boyd, Jr.				X	X
Mark E. Friis	X	Chairman			X
Susan D. Goff			X	X	
Robert E. Henel, Jr.			X		X
Pamela A. Little	X	X		Chairman	
Gary G. Nakamoto			X	X	
Robert L. Orndorff ⁽²⁾	Chairman	X	X	X	X
Craig A. Ruppert	X	X			Chairman
Daniel J. Schrider	X				X
Dennis A. Starliper	X	X	Chairman		
Mei Xu				X	

⁽¹⁾ The Audit Committee met four times in person and four times by teleconference.

⁽²⁾ As chairman of the board, Mr. Orndorff is an ex officio member of all committees.

Director Attendance at Board and Committee Meetings

Each of our directors takes his and her commitment to serve on the board very seriously as demonstrated by the superior attendance record achieved each year. During 2014, the board held ten meetings with overall attendance averaging 96%. In accordance with the Corporate Governance Policy, all incumbent directors attended well over 80% of the aggregate of (a) the total number of meetings of the board of directors and (b) the total number of meetings held by all committees on which they served.

Attendance at the Annual Meeting of Shareholders

The board of directors believes it is important for all directors to attend the annual meeting of shareholders to show support for the Company and to provide an opportunity to interact with shareholders directly. It is our policy that directors should attend the annual meeting of shareholders unless unable to attend by reason of personal or family illness or other urgent matters. All directors attended the 2014 annual meeting.

Stock Ownership Guidelines for Directors

According to the Company's bylaws, qualified directors are required to hold unencumbered shares of common stock with a fair market value of \$1,000. The Corporate Governance Policy requires this minimum ownership position to increase with each year of service up to the lesser of 5,000 shares or \$175,000 in fair market value by January 1st following the director's fifth anniversary of service. All of the directors exceed the requirements of the policy.

Director Compensation

Cash Compensation

Only non-employee directors are compensated for their service as board members. In 2014, non-employee directors received an annual retainer of \$14,000 and the chairman of the board received \$35,000. Committee chairmen receive an additional retainer as follows: Audit Committee chairman \$7,500; Executive & Governance Committee chairman \$5,000; Nominating Committee chairman \$5,000; Risk Committee chairman \$5,000; and Compensation Committee chairman \$5,000.

In 2014, non-employee directors received \$1,100 for attendance at each meeting of the board of directors and \$1,000 for attendance at each committee meeting. Directors are encouraged to attend all meetings in person unless the meeting is called by teleconference. Directors who attended a regular board meeting by phone were paid a reduced meeting fee of \$500. Directors were not paid for limited-purpose teleconference meetings, and members of the Nominating Committee were not paid when the Executive & Governance Committee met on the same day. Finally, those directors who served on a regional advisory board were paid \$600 for each advisory board meeting attended. All directors of the Company also serve as directors of Sandy Spring Bank, for which they did not receive any additional compensation. All meetings of the board and its committees are considered joint meetings of the holding company and the principal subsidiary.

Director Fee Deferral Plan

Directors are eligible to defer all or a portion of their fees under the Director Fee Deferral Plan. The amounts deferred accrue interest at 120% of the long-term Applicable Federal Rate, which is not considered “above market” or preferential. Except in the case of death or financial emergency, deferred fees and accrued interest are payable only following termination of a director's service. In the event a director dies during active service, the Bank will pay benefits that exceed deferred fees and accrued interest to the extent the Bank owns an insurance policy in effect on the director's life at the time of death that pays a greater amount than the total of deferred fees and accrued interest.

Director Stock Purchase Plan

Each director has the option of using from 50% to 100% of his or her annual retainer fee to purchase newly issued common stock at the current fair market value at the time the retainer is paid in accordance with the plan. Directors make an annual election to participate in advance, and participation in the plan is ratified by the board.

Equity Compensation

Directors are eligible to receive non-incentive stock options, stock appreciation rights, and restricted stock under the 2005 Omnibus Stock Plan. On March 5, 2014, the board approved 1,010 shares of restricted stock to each non-employee director. The shares had a grant date fair value of \$24.75 per share for a total fair market value of \$25,000 rounded to the nearest whole share. The restricted stock will vest over three years in equal increments, and vesting is accelerated upon the permanent departure from the board other than removal for just cause.

2014 Non-Employee Director Compensation

<i>Name</i>	Fees Earned or		Option Awards	All Other Compensation	<i>Total</i>
	Paid in Cash	Stock Awards			
	(1)	(2)	(3)	(4)	
Ralph F. Boyd, Jr.	\$ 35,800	\$ 25,000		\$ 1,285	\$62,085
Mark E. Friis	\$ 46,300	\$ 25,000		\$ 1,777	\$73,077
Susan D. Goff	\$ 30,800	\$ 25,000		\$ 1,777	\$57,577

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Robert E. Henel, Jr.	\$ 39,900	\$ 25,000	\$ 1,696	\$66,596
Pamela A. Little	\$ 37,900	\$ 25,000	\$ 1,777	\$64,677
Gary G. Nakamoto	\$ 30,900	\$ 25,000	\$ 1,696	\$57,596
Robert L. Orndorff	\$ 71,900	\$ 25,000	\$ 1,777	\$98,677
Craig A. Ruppert	\$ 45,900	\$ 25,000	\$ 1,777	\$72,677
Dennis A. Starliper	\$ 38,200	\$ 25,000	\$ 1,777	\$64,977
Mei Xu	\$ 25,700	\$ 25,000	\$ 1,285	\$51,985

(1) All or a portion of the reported cash compensation may be deferred under the Director Fee Deferral Plan. Please see the description of “Director Compensation” on page 11.

(2) On March 5, 2014 the directors were granted 1,010 shares of restricted stock. The value reported represents the grant date fair value of the award computed in accordance with FASB ASC Topic 718, and based on a grant date stock price of \$24.75 per share. On December 31, 2014, Mr. Boyd and Ms. Xu each had 1,832 shares of restricted stock and all other non-employee directors each had 2,270 shares of restricted stock.

(3) On December 31, 2014, directors Friis, Goff, Little, Orndorff, and Ruppert each held 1,260 vested stock options. On December 15, 2014, previously granted stock options expired as follows: 936 options for Ms. Goff; 1,567 options for Mr. Orndorff, and 1,275 options for Mr. Ruppert.

(4) Amounts in this column represent dividends paid on restricted stock.

