

SANDY SPRING BANCORP INC

Form S-4/A

December 26, 2006

As filed with the Securities and Exchange Commission on December 22, 2006

Registration No. 333-138905

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT UNDER THE

SECURITIES ACT OF 1933

SANDY SPRING BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

6021

(Primary Standard Industrial
Classification Code Number)

52-1532952

(I.R.S. Employer Identification
No.)

17801 Georgia Avenue

Olney, Maryland 20832

(301) 774-6400

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ronald E. Kuykendall

Executive Vice President, General Counsel & Secretary

Sandy Spring Bancorp, Inc.

17801 Georgia Avenue

Olney, Maryland 20832

(301) 774-6400

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

with copies to:

Kenneth R. Morrow, Esq.
Dickstein Shapiro LLP
1825 Eye Street N.W.,
Washington, D.C. 20006
(202) 420-2200

Noel M. Gruber, Esq.
Kennedy & Baris, L.L.P.
4701 Sangamore Road, Suite P-15
Bethesda, Maryland 20816
(301) 229-3400

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

POTOMAC BANK OF VIRGINIA
9910 Main Street

Fairfax, Virginia 22031

December 26, 2006

Dear Shareholder:

On October 10, 2006, Potomac Bank of Virginia entered into an agreement and plan of merger with Sandy Spring Bancorp, Inc. and Sandy Spring Bank, a wholly-owned subsidiary of Sandy Spring Bancorp, Inc. pursuant to which Potomac will merge with and into Sandy Spring Bank. You are invited to attend a special meeting of shareholders of Potomac Bank of Virginia to be held on February 8, 2007 at 10:30 a.m., local time, at the Westwood Country Club, 800 Maple Avenue East, Vienna, Virginia. At this special meeting, you will be asked to approve the merger agreement so that the merger can occur.

In the merger, each outstanding share of Potomac common stock (other than shares as to which shareholders have properly exercised appraisal rights) will be converted into the right to receive either \$21.75 in cash, without interest, or 0.6143 of a share of Bancorp common stock. Proration procedures set forth in the merger agreement and described in this proxy statement/prospectus provide that 50% of the outstanding shares of Potomac common stock will be converted into Bancorp common stock and 50% of the outstanding shares of Potomac common stock will be converted into cash. You may elect to receive cash or shares of Bancorp common stock in exchange for your shares of Potomac common stock. However, because of the fixed allocation of the merger consideration between cash and Bancorp common stock, there is no assurance that you will receive the form of consideration that you elect with respect to all shares of Potomac common stock that you hold. As of December 20, 2006, the most recent practicable trading day prior to the date of this proxy statement/prospectus, the closing sale price for one share of Sandy Spring Bancorp, Inc. common stock was \$37.71. The market price of the Sandy Spring Bancorp, Inc. common stock will fluctuate prior to the merger. We urge you to obtain current market information for the Sandy Spring Bancorp, Inc. common stock.

Your board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby are in the best interests of Potomac and its shareholders, has approved and adopted the merger agreement and the transactions contemplated thereby, including the merger, and unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger as described in this proxy statement/prospectus and FOR a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the special meeting to approve the merger agreement and the merger. The proposed merger requires the receipt of bank regulatory approvals and the approval of the merger agreement by the holders of more than two-thirds of the outstanding shares of Potomac common stock. Please carefully review this document, which explains the proposed merger in detail. **In particular, you should carefully consider the discussion in the section entitled Risk Factors on page 15 of this proxy statement/prospectus.**

Shareholders owning or controlling shares of Potomac common stock representing approximately 23.32% of the outstanding shares of Potomac common stock as of the date of the merger agreement have entered into a voting agreement with Sandy Spring Bancorp in which they have agreed to vote all of such shares in favor of the proposal to approve the merger agreement and the merger.

Bancorp common stock is listed on the Nasdaq Global Select Market under the symbol SASR and Potomac common stock is quoted on the OTC Bulletin Board under the symbol PBOV.

It is important that your shares are represented at the meeting, whether or not you plan to attend the meeting. Abstentions and failures to vote will have the same effect as votes against the proposal to approve the merger agreement and the merger.

Accordingly, please complete, date, sign and return promptly your proxy card in the enclosed postage pre-paid envelope. You may attend the meeting and vote your shares in person if you wish, even though you have previously returned your proxy.

Sincerely,

G. Lawrence Warren
President and CEO

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this proxy statement/prospectus, or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of Sandy Spring Bancorp, Inc. common stock are not savings or deposit accounts or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This document is dated December 26, 2006 and is first being mailed to Potomac shareholders on or about December 29, 2006.

REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about Sandy Spring Bancorp, Inc. from documents that are not included in or delivered with this document. This information includes documents incorporated by reference in this proxy statement/prospectus, including exhibits to such documents that are specifically incorporated by reference in this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of these documents by accessing the Securities and Exchange Commission's Internet web site maintained at www.sec.gov or by requesting them from Sandy Spring Bancorp, Inc. at the following address:

Sandy Spring Bancorp, Inc.

17801 Georgia Avenue

Olney, Maryland 20832

Attention: Ronald E. Kuykendall, Executive Vice President, General Counsel and Secretary

(301) 774-6400

If you would like to request documents, please do so by February 1, 2007, in order to receive them before the special meeting of Potomac shareholders.

See **Where You Can Find More Information** beginning on page 67 for further information.

POTOMAC BANK OF VIRGINIA

9910 MAIN STREET

FAIRFAX, VIRGINIA 22031

December 26, 2006

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON FEBRUARY 8, 2007

To the Shareholders of Potomac Bank of Virginia:

We will hold a special meeting of shareholders of Potomac Bank of Virginia on February 8, 2007, at 10:30 a.m., local time, at the Westwood Country Club, 800 Maple Avenue East, Vienna, Virginia, for the following purposes:

1. To consider and vote upon a proposal to approve an agreement and plan of merger, dated as of October 10, 2006, among Potomac Bank of Virginia, Sandy Spring Bancorp, Inc. and Sandy Spring Bank, a wholly owned subsidiary of Sandy Spring Bancorp, Inc., and the merger contemplated thereby, pursuant to which Potomac will merge with and into Sandy Spring Bank upon the terms and subject to the conditions set forth in the agreement and plan of merger. This proposal is more fully described in the enclosed proxy statement/prospectus. A copy of the agreement and plan of merger is attached as Appendix A to the enclosed proxy statement/prospectus.
2. To consider and vote upon a proposal, if necessary, to adjourn the special meeting to a later date or dates to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the agreement and plan of merger and the merger contemplated thereby.
3. To transact any other business as may properly come before the special meeting or any adjournment or postponements of the special meeting.

We have fixed the close of business on December 21, 2006 as the record date for determining those Potomac shareholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. **Accordingly, only Potomac shareholders of record on that date are entitled to notice of, and to vote at, the special meeting of Potomac shareholders and any adjournments or postponements of the special meeting.**

By order of the Board of Directors,

Stephanie H. Ogle
Secretary

Fairfax, Virginia

December 26, 2006

The Board of Directors of Potomac Bank of Virginia unanimously recommends that you vote FOR approval of the agreement and plan of merger and the merger contemplated thereby and FOR the proposal, if necessary, to adjourn the special meeting to permit the further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the agreement and plan of merger and the merger contemplated thereby.

The enclosed proxy is solicited by and on behalf of the Potomac Bank of Virginia board of directors. Whether you plan to attend the meeting or not, please sign and return the enclosed proxy so that Potomac Bank of Virginia may be assured of the presence of a quorum at the meeting. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.

Potomac shareholders have the right to assert appraisal rights with respect to the merger and demand in writing that the surviving corporation in the merger pay the fair value of their shares of Potomac common stock under applicable provisions of Virginia law. In order to exercise and perfect appraisal rights, Potomac shareholders must give written notice of their intent to demand payment for their shares to Potomac before voting on the merger at the special meeting and must not vote in favor of or consent to the merger. A copy of the applicable Virginia statutory provisions is included in this proxy statement/prospectus as Appendix C, and a description of the procedures to demand and perfect appraisal rights is included in the section entitled The Merger Appraisal Rights beginning on page 33.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The Merger and the Special Meeting of Shareholders

Q: What matters will be considered at the special meeting of shareholders?

A: At the special meeting of shareholders, Potomac's shareholders will be asked to vote on (1) the agreement and plan of merger by and among Sandy Spring Bancorp, Inc. (Bancorp), Sandy Spring Bank, a wholly-owned subsidiary of Bancorp (SSB), and Potomac Bank of Virginia (Potomac), under which Potomac will merge with and into SSB, with SSB surviving the merger, and (2) a proposal, if necessary, to adjourn the special meeting to a later date or dates to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the agreement and plan of merger and the merger contemplated thereby. The agreement and plan of merger is attached to this proxy statement/prospectus as Appendix A.

Q: What shareholder vote is necessary?

A: At the special meeting, the affirmative vote of holders of more than two-thirds of the outstanding shares of Potomac common stock is required to approve the merger agreement and the merger and a majority of the votes cast at the special meeting is required to approve the proposal, if necessary, to adjourn the special meeting to permit further solicitation of proxies. Potomac shareholders owning or controlling approximately 23.32% of the outstanding shares of Potomac common stock as of the record date for the special meeting have entered into a voting agreement with Bancorp whereby they have agreed to vote their shares for approval of the merger agreement and the merger.

Q: Does Potomac's board of directors recommend that Potomac shareholders approve the merger agreement and the merger and the proposal to approve, if necessary, an adjournment of the special meeting to permit further solicitation of proxies?

A: Yes. Potomac's board of directors unanimously recommends that its shareholders vote **FOR** approval of the merger agreement and the merger and **FOR** the proposal to approve, if necessary, an adjournment of the special meeting to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus, indicate on your proxy card how you want to vote with respect to the proposal to approve the merger agreement and the merger and the proposal, if necessary, to adjourn the special meeting to a later date to permit the further solicitation of proxies in the event there are not sufficient votes at the special meeting to approve the merger agreement and the merger. Complete, sign, date and mail the proxy card in the enclosed postage-paid return envelope as soon as possible so that your shares will be represented and voted at the special meeting. The proxy card should be mailed in accordance with the instructions provided thereon. If you want to make an election of the form of merger consideration you will receive for any or all of your shares, complete, sign, date and mail the election form and letter of transmittal, which will be provided separately, to the exchange agent at the address listed on page 3, together with the stock certificates representing the shares of Potomac common stock with respect to which you wish to make an election, in accordance with the instructions described in this proxy statement/prospectus. In a separate mailing you will receive an Election Form/Letter of Transmittal to use in making an election as to the form of consideration you wish to receive. **Do not send your election form, letter of transmittal or stock certificates with your proxy card or to Potomac. The proxy card should be mailed in accordance with**

the instructions set forth thereon.

Q. How do I change my vote after I have mailed my signed proxy card?

A: You may change your vote at any time before your proxy is voted by revoking your proxy in any of the following three ways:

by delivering a written notice to the secretary of Potomac stating that you would like to revoke your proxy;
by submitting another duly executed proxy with a later date; or
by attending the special meeting and voting in person at the special meeting (your attendance at the special meeting will not by itself revoke your proxy). If you hold your shares in street name, you will need additional documentation from your bank or broker in order to vote in person at the special meeting.

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Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares on the proposal to approve the merger agreement and the merger. You should therefore instruct your broker how to vote your shares. Your failure to instruct your broker to vote your shares will be the equivalent of voting against the approval of the merger agreement and the merger.

Q: What if I abstain from voting or fail to instruct my broker?

A: If you abstain from voting it will have the same effect as a vote against the merger agreement and the merger but will have no effect on the proposal, if necessary, to adjourn the special meeting to permit further solicitation of proxies.

Q: Am I entitled to appraisal or dissenters rights?

A: Yes. Under Virginia law, you may exercise appraisal rights in connection with the merger. The provisions of Virginia law governing appraisal rights are complex, and you should study them carefully if you wish to exercise appraisal rights. A Potomac shareholder may take actions that prevent that shareholder from successfully asserting these rights, and multiple steps must be taken to properly exercise and perfect such rights. A copy of all relevant provisions of Sections 13.1-729 through 13.1-741 of the Virginia Stock Corporation Act, or the VSCA, is attached to this proxy statement/prospectus as Appendix C.

For a more complete description of appraisal rights, please refer to the section of this proxy statement/prospectus entitled *The Merger Appraisal Rights* beginning on page 33.

Q: When do you expect to complete the merger?

A: We presently expect to complete the merger in the first quarter of 2007. However, we cannot assure you when or if the merger will occur. Potomac's shareholders must first approve the merger agreement and the merger at the special meeting and we must obtain the necessary regulatory consents and approvals.

Q: Is consummation of the merger subject to any conditions?

A: Yes. In addition to the approval of the shareholders of Potomac, consummation of the merger requires the receipt of the necessary regulatory consents and approvals, and the satisfaction of other conditions specified in the merger agreement. See *The Merger Regulatory Approvals Required for the Merger* and *The Merger Agreement Conditions to the Completion of the Merger* beginning on pages 30 and 42 of this proxy statement/prospectus, respectively.

Merger Consideration

Q: What will I receive in the merger?

A: As a result of the merger, each share of Potomac common stock (other than shares with respect to which appraisal rights have been properly exercised and perfected) will be converted into the right to receive, at your election, either \$21.75 in cash, without interest, or 0.6143 of a share of Bancorp common stock, in each case subject to the proration procedures described in this proxy statement/prospectus.

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Q: What are the tax consequences of the merger to me?

A: We expect that for federal income tax purposes, in general, Potomac shareholders who receive cash in whole or in part in exchange for their Potomac common stock will recognize gain equal to the lesser of the realized gain or the cash received, and the merger will not be a taxable event to those Potomac shareholders who receive solely Bancorp common stock in exchange for their Potomac common stock. If, however, a Potomac shareholder who receives only cash in the merger actually or constructively owns shares of Bancorp common stock after the merger, such shareholder might be subject to dividend treatment in certain circumstances. See Federal Income Tax Consequences of the Transaction Federal Income Tax Consequences to Potomac Shareholders, on page 31.

Bancorp and Potomac will have no obligation to complete the merger unless RSM McGladrey, Inc. delivers an opinion that the transaction will be a reorganization under Section 368 of the Internal Revenue Code and, as a result, generally the stock portion of the merger consideration issuable in the transaction (as opposed to the payment of cash) will not be taxable on receipt. This opinion will not bind the Internal Revenue Service, however, and the Internal Revenue Service could take a different view of the transaction.

We urge you to consult your personal tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and in many cases, the tax consequences of the merger will depend on your particular facts and circumstances.

Q: How do I elect the form of consideration I prefer to receive in the merger?

A: Provided to holders of record of Potomac common stock in a separate mailing from this proxy statement/prospectus is an election form and letter of transmittal. The election form and letter of transmittal allow each Potomac shareholder to specify the number of shares with respect to which such Potomac shareholder elects to receive cash and the number of shares with respect to which such Potomac shareholder elects to receive Bancorp common stock. The election procedures and deadline for making elections are described in the materials accompanying the election form and letter of transmittal and also beginning on page 37 of this proxy statement/prospectus. All elections and non-elections are subject to the allocation and proration procedures described in this prospectus/proxy statement beginning on page 38. To make a valid election, holders of shares of Potomac common stock in registered form must properly complete, sign and send the election form and letter of transmittal, together with the stock certificates with respect to which an election is being made, to the exchange agent at the following address:

By Mail:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, NY 10272-2042

By Hand or Courier:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
6201 15th Ave
Brooklyn, NY 11219

Do not send your election form, letter of transmittal or stock certificates with your proxy card or to Potomac. If you make an election to receive merger consideration, the election form, letter of transmittal and your stock certificates should be sent to the exchange agent at the address listed above. The proxy card should be mailed in accordance with the instructions set forth thereon.

If you own shares of Potomac common stock in street name through a broker or other financial institution and you wish to make an election, you will receive or should seek instructions from the institution holding your shares concerning how to make your election. Street name holders may be subject to an earlier election deadline than stated below. Therefore, if you are a street name holder, you should carefully read any materials you receive from your broker. If you instruct a broker to submit an election for your shares, you must follow your broker's directions for changing those instructions.

Election forms must be received by 5:00 p.m., eastern time on February 1, 2007 (the election deadline) for the election to be valid. If you do not make a valid election by the election deadline, the merger consideration you receive for your shares of Potomac common stock will be determined by the allocation and proration procedures described in this proxy statement/prospectus, which will depend upon the elections of the other Potomac shareholders. Questions related to elections to receive merger consideration and the election form should be directed to D.F. King & Co., Inc., at (888) 869-7406.

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Do not return your election form or your stock certificates with your proxy card. Doing so will not constitute a valid election, and may delay your receipt of the merger consideration.

Q: Will I always receive the form of merger consideration I desire to receive?

A: No. Bancorp will pay cash for 50% of the outstanding shares of Potomac common stock and issue shares of Bancorp common stock for 50% of the outstanding shares of Potomac common stock. If the number of Potomac shares for which an election to receive cash is made is higher than 50% of the outstanding shares of Potomac common stock, a pro rata portion of those shares will be converted into the right to receive Bancorp common stock in order to result in a 50% cash and 50% stock allocation. If the number of Potomac shares for which an election to receive cash is made is lower than 50% of the outstanding shares of Potomac common stock, first a pro rata portion of the shares for which no election is made, and then, if and to the extent necessary, a pro rata portion of the shares for which a stock election is made, will be converted into the right to receive cash in order to result in a 50% cash and 50% stock allocation. Accordingly, there is no assurance that you will receive the form of merger consideration that you desire to receive with respect to all of the shares of Potomac common stock you hold. The allocation and proration procedures are described beginning on page 38 of this proxy statement/prospectus.

Q: What do I do if I want to revoke my election after I have mailed my signed election form?

A: If you hold shares in registered form, you may revoke your election by sending a signed written notice to the exchange agent identifying the shares of Potomac common stock for which you are revoking your election. For a notice of revocation to be effective, it must be received by the exchange agent prior to the election deadline. The election procedure, including revocation of an election, is described beginning on page 37 of this proxy statement/prospectus. If you hold your shares in street name, you must follow your broker's instructions for revoking an election.

Q: When should I send in my stock certificates?

A: If you make an election, you must send the stock certificates representing the shares of Potomac common stock with respect to which you have made an election with your completed election form and letter of transmittal to the exchange agent at the address set forth on page 3 so that they are received by the exchange agent no later than the election deadline. If you hold your shares in street name, you should comply with the election deadline set by your broker, which may be earlier. If you do not make an election, you will receive a letter of transmittal from the exchange agent after the completion of the merger with instructions for sending in your stock certificates.

This Proxy Statement/Prospectus

Q: Is there other information I should consider that is not included in this proxy statement/prospectus?

A: Yes. Much of the business and financial information about Bancorp that may be important to you is not included in this proxy statement/prospectus. Instead, that information is incorporated by reference to documents separately filed by Bancorp with the Securities and Exchange Commission (the SEC). This means that Bancorp may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC. See [Where You Can Find More Information](#) beginning on page 67 for a list of documents that Bancorp has incorporated by reference into this proxy statement/prospectus and for instructions on how to obtain copies of those documents. The documents are available to you without charge.

Q: What if there is a conflict between documents?

A: You should rely on the LATER FILED DOCUMENT. Information in this proxy statement/prospectus may update information contained in one or more of the Bancorp documents incorporated by reference. Similarly, information in documents that Bancorp may file after the date of this proxy statement/prospectus may update information contained in this proxy statement/prospectus or information in previously filed documents.

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Q: Why haven't you included financial information about Potomac in this proxy statement/prospectus?

A: As a Potomac shareholder, you receive annual and quarterly financial information as distributed by Potomac to its shareholders. In considering the proposed merger, we believe you are in more need of information concerning Bancorp. Due to the size of Bancorp relative to the size of Potomac, financial information about Potomac is not material.

Q: Who can I call with questions or to obtain copies of this proxy statement/prospectus?

A: You may contact Patricia A. Ferrick of Potomac Bank of Virginia at (703) 319-9000.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that is important to you. We urge you to read the entire proxy statement/prospectus carefully and the other documents to which we refer to understand fully the merger. See [Where You Can Find More Information](#) on page 67.

Information about Bancorp, SSB and Potomac (See Page 21).

Sandy Spring Bancorp, Inc.

Sandy Spring Bank

17801 Georgia Avenue

Olney, Maryland 20832

(301) 774-6400

Sandy Spring Bancorp, Inc. ([Bancorp](#))

Bancorp is the holding company for Sandy Spring Bank and Sandy Spring Bank's principal subsidiaries, Sandy Spring Insurance Corporation, The Equipment Leasing Company and West Financial Services, Inc. Bancorp is the third largest publicly traded banking company headquartered in Maryland. As of September 30, 2006, Bancorp had total assets of approximately \$2.60 billion, total net loans of approximately \$1.82 billion, total deposits of approximately \$1.95 billion and approximately \$233.7 million in stockholders' equity. Through its subsidiaries, Bancorp also offers a comprehensive menu of leasing, insurance and investment management services. Bancorp's common stock is listed on the Nasdaq Global Select Market under the symbol [SASR](#). The deposits associated with Bancorp's affiliated banks are insured by the Federal Deposit Insurance Corporation (the [FDIC](#)).

On December 14, 2006, Bancorp announced that it agreed to acquire CN Bancorp and its subsidiary, County National Bank, in a merger transaction valued at approximately \$44.1 million. Under the terms of the merger agreement, CN Bancorp's stockholders would be entitled to elect to receive cash or Bancorp common stock as merger consideration, subject to an allocation of 40-50% cash and 50-60% stock. See [The Companies' Recent Developments](#) on page 21.

Sandy Spring Bank (the [SSB](#))

SSB is a community banking organization that focuses its lending and other services on businesses and consumers in the Baltimore-Washington region. SSB was founded in 1868 and offers a broad range of commercial banking, retail banking and trust services through 32 community offices and 77 ATMs located throughout Maryland. SSB is affiliated with the Allpoint ATM Network, which offers free nationwide access at 34,000 ATM locations.

Potomac Bank of Virginia

9910 Main Street

Fairfax, Virginia 22031

(703) 319-9000

Potomac Bank of Virginia (Potomac)

Potomac was organized in 1997 as a Virginia chartered bank. Potomac commenced operations in 1998 and currently operates out of its main office in Fairfax, Virginia and its three full service branch offices located in Vienna, Merrifield and Chantilly, Virginia. As of September 30, 2006, Potomac had total assets of approximately \$254.4 million, total loans of \$190.1 million, total deposits of approximately \$197.9 million and approximately \$25.5 million in stockholders' equity. Potomac provides a wide range of services to its customers, including commercial loans, lines of credit, personal loans, cash management products and financing arrangements for personal and business needs. Potomac's common stock is quoted on the OTC Bulletin Board under the symbol PBOV.

The Merger (See Page 22).

Bancorp, SSB and Potomac have entered into an agreement and plan of merger that provides for the merger of Potomac with and into SSB, with SSB surviving the merger. The agreement and plan of merger is attached as Appendix A to this proxy statement/prospectus. You should read the agreement and plan of merger because it is the legal document that governs the merger. In this proxy statement/prospectus, we refer to the agreement and plan of merger as the merger agreement.

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Special Meeting of Potomac Shareholders (See Page 18).

The special meeting of Potomac shareholders will be held at 10:30 a.m., eastern time, on February 8, 2007, at the Westwood Country Club, 800 Maple Avenue East, Vienna Virginia. At the special meeting, Potomac shareholders will be asked to vote to approve the merger agreement and the merger and a proposal, if necessary, to adjourn the special meeting to a later date or dates to permit the further solicitation of proxies in the event there are not sufficient votes at the special meeting to approve the merger agreement and the merger. You can vote at the special meeting if you were a record holder of Potomac common stock at the close of business on December 21, 2006, the record date for the special meeting. As of that date, there were 2,849,288 shares of Potomac common stock outstanding and entitled to be voted at the special meeting. Approval of the merger agreement and the merger requires the affirmative vote of more than two-thirds of the shares of Potomac common stock outstanding at the record date and approval of the proposal, if necessary, to adjourn the special meeting to permit the further solicitation of proxies requires a majority of the votes cast at the special meeting. Shareholders of Potomac owning or controlling approximately 23.32% of the outstanding shares of Potomac common stock as of the record date have agreed to vote their shares to approve the merger agreement and the merger.

What Potomac Shareholders Will Receive in the Merger (See Page 36).

The merger agreement provides that at the effective time of the merger each outstanding share of Potomac common stock (other than shares with respect to which appraisal rights have properly been exercised and perfected) will be converted into the right to receive either \$21.75 in cash, without interest, or 0.6143 of a share of Bancorp common stock, subject to the allocation and proration procedures described in this proxy statement/prospectus. Bancorp will not issue any fractional shares of Bancorp common stock in the merger. Potomac shareholders will receive cash for any fractional shares of Bancorp common stock owed to them in an amount, without interest, based on the \$21.75 cash election price. In this proxy statement/prospectus, we refer to the cash and shares of Bancorp common stock to be received in the merger by Potomac shareholders as the merger consideration.

On December 20, 2006, the most recent practicable trading date prior to the filing of this proxy statement/prospectus, the closing price of Bancorp common stock was \$37.71 per share.

No assurance can be given that the current market price of Bancorp common stock will be equivalent to the market price of Bancorp common stock on the date that stock is received by a Potomac shareholder or at any other time. The market price of Bancorp common stock when received by a Potomac shareholder may be greater or less than the current market price of Bancorp common stock.

You May Elect to Receive Cash or Shares of Bancorp Common Stock (See Page 37).

You may elect to receive cash or shares of Bancorp common stock in exchange for any or all of your shares of Potomac common stock by completing the election form and letter of transmittal provided in a separate mailing and submitting your stock certificates as provided herein. If you do not make a valid election, the merger consideration you receive will be determined by the allocation and proration procedures described in this proxy statement/prospectus and will depend on the elections made by the other Potomac shareholders.

Bancorp will pay cash for 50% of the Potomac common stock outstanding at the effective time of the merger and issue shares of Bancorp common stock for 50% of the Potomac common stock outstanding at the effective time of the merger. If the number of Potomac shares for which an election to receive cash is made is higher than 50% of the outstanding shares of Potomac common stock, a pro rata portion of those shares will be converted into the right to receive Bancorp common stock in order to result in a 50% cash and 50% stock allocation. If the number of Potomac shares for which an election to receive cash is made is lower than 50% of the outstanding shares of Potomac common

stock, then first, a pro rata portion of the shares for which no election is made will be converted into the right to receive cash and then, if and to the extent necessary, a pro rata portion of the shares for which a stock election is made will be converted into the right to receive cash, in each case in order to result in a 50% cash and 50% stock allocation. The proration procedures are described further under the section entitled "The Merger Agreement Proration" beginning on page 38 of this proxy statement/prospectus. Because of the allocation and proration procedures, you cannot be certain of receiving the form of merger consideration that you desire with respect to all of your shares of Potomac common stock.

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An election form and letter of transmittal is being mailed separately to Potomac shareholders who hold shares of Potomac common stock in registered forms. Potomac shareholders who hold shares of Potomac common stock in street name must follow instructions provided by their broker to make an election. If you do not make a valid election by 5:00 p.m., eastern time, on February 1, 2007, you will be deemed to have not made an election. All elections and deemed non-elections are subject to the allocation and proration procedures described in this proxy statement/prospectus. See *The Merger Agreement Proration* beginning on page 38 of this proxy statement/prospectus.

Your completed election form and stock certificates should be returned to the exchange agent at the following address:

By Mail:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, NY 10272-2042

By Hand or Courier:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
6201 15th Ave
Brooklyn, NY 11219

Do not return your stock certificates or election form with your proxy card or to Potomac. Doing so will not constitute a valid election, and may delay your receipt of the merger consideration.

Potomac's Board of Directors Unanimously Recommends Shareholder Approval of the Merger Agreement and the Merger and Shareholder Approval of the Proposal, If Necessary, to Adjourn the Special Meeting to Permit Further Solicitation of Proxies. (See Page 25).

Potomac's board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are in the best interests of Potomac and its shareholders and unanimously approved and adopted the merger agreement and the transactions contemplated by the merger agreement, including the merger. Potomac's board of directors unanimously recommends that Potomac shareholders vote **FOR** approval of the merger agreement and the merger and **FOR** the approval of the proposal, if necessary, to adjourn the special meeting to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger.

The affirmative vote of holders of more than two-thirds of the outstanding shares of Potomac common stock is required to approve the merger agreement and the merger and the affirmative vote of a majority of the votes cast at the special meeting is required to approve the proposal, if necessary, to adjourn the special meeting to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger.

As of the record date, the directors and officers of Potomac owned and were entitled to vote an aggregate of 664,359 shares of Potomac common stock, representing approximately 23.32% of the outstanding shares of Potomac common stock. These individuals, in their capacities as shareholders, have entered into a voting agreement with Bancorp, under which they have agreed to vote all of their shares in favor of the merger agreement and against any competing transaction.

Potomac's Reasons for the Merger (See Page 24).

In reaching its determination to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, Potomac's board of directors consulted with Potomac's management and its financial and legal advisors, and considered a number of factors, including, but not limited to:

The per share consideration offered by Bancorp of \$21.75 cash or .6143 shares of Bancorp common stock is in line with prices paid in the most comparable transactions.

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The consideration offered by Bancorp equals or exceeds the value Potomac could reasonably expect to achieve if it maintained independent operations.

Bancorp's common stock is traded on The Nasdaq Global Select Market, and has substantially greater liquidity than that of Potomac's, which trades infrequently.

Danielson Capital, LLC ([Danielson](#)) delivered a written opinion dated as of October 10, 2006 that the consideration to be received by Potomac shareholders is fair from a financial point of view as of such date. The interests of Potomac's officers and directors may be different from, or in addition to, the interest of Potomac's shareholders generally.

Additional factors are discussed under the section entitled "The Merger Background of and Reasons for the Merger; Recommendation of the Potomac Board" beginning on page 22 of this proxy statement/prospectus.

Opinion of Potomac's Financial Advisor (See Page 25).

Danielson has served as financial advisor to Potomac in connection with the merger agreement and the merger and has given its opinion to Potomac's board of directors that, as of October 10, 2006, the merger consideration was fair to Potomac shareholders from a financial point of view. It is a condition to Potomac's obligation to consummate the merger that Danielson update its fairness opinion as of the date of the closing of the merger. A copy of the opinion delivered by Danielson is attached to this proxy statement/prospectus as Appendix B. Danielson's opinion is summarized under the section entitled "The Merger Opinion of Potomac's Financial Advisor," beginning on page 25 of this proxy statement/prospectus. **Potomac shareholders should read Danielson's opinion carefully and completely. Danielson's opinion outlines the assumptions made, matters considered and limitations of the review undertaken by Danielson in providing its opinion.**

Danielson's opinion is directed to Potomac's board of directors and does not constitute a recommendation to any Potomac shareholder as to any matters relating to the merger. Potomac has agreed to pay Danielson a fee equal to 0.60% of the value of the transaction.

Potomac's Officers and Directors Have Some Interests in the Merger That Are Different than or in Addition to Their Interests as Shareholders (See Page 51).

In addition to their interests as shareholders, certain directors and officers of Potomac have interests in the transactions contemplated by the merger agreement that are different from or in addition to your interests as Potomac shareholders. These interests relate to or arise from, among other things:

- the appointment and nomination of certain Potomac directors as Bancorp directors after the effective time of the merger and such directors' receipt of compensation for such service;
- the retention of certain Potomac directors as members of an SSB Northern Virginia Advisory Board after the effective time of the merger and the annual retainer fee that those individuals will receive;
- the receipt by certain officers and employees of Potomac of change in control or severance payments; and
- the employment of G. Lawrence Warren, Potomac's president and chief executive officer, with SSB upon the completion of the merger pursuant to an employment agreement between SSB and Mr. Warren.

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Potomac's board of directors was aware of the interests described above and took them into account in its decision to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger. For information concerning these interests, please see "Interests of Certain Persons in the Merger" on page 51.

In addition, certain employees of Potomac are expected to be employed by Bancorp or SSB after the effective time of the merger. As employees of Bancorp or SSB, they will be eligible for certain employee benefits as discussed under the section entitled "The Merger Agreement: Bancorp Employee Benefit Plans and Severance for Potomac Employees" on page 40.

Material United States Federal Income Tax Consequences (See Page 30).

We have structured the merger as a reorganization for United States federal income tax purposes. Accordingly, holders of shares of Potomac common stock will generally not recognize any gain or loss for United States federal income tax purposes on the exchange of their shares of Potomac common stock for Bancorp common stock in the merger, except for any gain or (in certain cases) loss recognized in connection with any cash received as part of the merger consideration. The companies themselves will not recognize gain or loss as a result of the merger. It is a condition to the obligations of Bancorp and Potomac to complete the merger that RSM McGladrey, Inc. deliver an opinion that the merger will be a reorganization for United States federal income tax purposes and certain other tax matters related to the merger. RSM McGladrey, Inc. and Bancorp's independent registered public accounting firm, McGladrey & Pullen, LLP, are members of RSM International, an affiliation of separate and independent legal entities.

The United States federal income tax consequences described above may not apply to all holders of Potomac common stock, including certain holders specifically referred to on page 30. Your tax consequences will depend on your own situation. You should consult your tax advisor to determine the particular tax consequences of the merger to you.

Appraisal Rights (See Page 33).

Potomac shareholders are entitled to exercise appraisal rights with respect to the merger and, if the merger is completed and they perfect their appraisal rights, to receive payment in cash for the fair value of their shares of Potomac common stock. In general, to preserve appraisal rights, Potomac shareholders who wish to exercise these rights must:

- deliver to Potomac a notice of intent to demand payment for their shares at or before the time the vote is taken at the special meeting;
- not vote their shares for approval of the merger agreement and the merger;
- continuously hold their shares of Potomac common stock from the date they deliver their notice through the closing of the merger; and
- comply with the other procedures set forth in Sections 13.1-729 through 13.1-741 of the VSCA.

The text of Sections 13.1-729 through 13.1-741 of the VSCA governing appraisal rights is attached to this proxy statement/prospectus as Appendix C. Failure to comply with the procedures described in Appendix C will result in the loss of appraisal rights under the VSCA. We urge you to carefully read the text of Sections 13.1-729 through 13.1-741 of the VSCA governing appraisal rights.

The Merger Will Be Accounted for under the Purchase Method of Accounting (See Page 29).

The merger will be accounted for under the purchase method of accounting, as such term is used under accounting principles generally accepted in the United States of America. A comparison of the most recent annual financial

statements of Bancorp and Potomac indicates that Bancorp's investment in Potomac will represent less than 10% of Bancorp's assets after giving effect to the merger.

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Completion of the Merger Is Subject to Certain Conditions (See Page 42).

Completion of the merger is subject to a number of conditions, including the approval of the merger agreement and the merger by Potomac's shareholders and the receipt of necessary regulatory consents and approvals. Certain conditions to the merger may be waived by Bancorp or Potomac, as applicable.

We May Not Complete the Merger without All Required Regulatory Approvals (See Page 30).

The merger requires the receipt of certain regulatory consents and approvals, including but not limited to the approval of the Board of Governors of the Federal Reserve System, the Maryland Commissioner of Financial Regulation and the Virginia State Corporation Commission (through the Virginia Bureau of Financial Institutions). Although we have made or will make filings and notifications for these purposes and we expect to obtain all necessary regulatory approvals, we cannot be certain if or when we will obtain them. If a regulator fails to provide a required regulatory approval, then Bancorp and Potomac may not be able to consummate the transactions contemplated by the merger agreement. In addition, a regulator could impose conditions to its approval that might be unacceptable.

The Merger Is Expected to Occur in the First Quarter of 2007 (See Page 42).

The merger will occur shortly after all of the conditions to its completion have been satisfied or waived. Currently, we anticipate that the merger will occur in the first quarter of 2007. However, we cannot assure you when or if the merger will occur.

Termination of the Merger Agreement (See Page 49).

Bancorp and Potomac can mutually agree to abandon the merger and terminate the merger agreement at any time prior to the time the merger is completed, even after Potomac shareholder approval. Also, either Potomac or Bancorp can decide, without the consent of the other, to abandon the merger and terminate the merger agreement in a number of situations, including if:

the merger has not been consummated on or before April 15, 2007, except that neither Bancorp nor Potomac can terminate the merger agreement for this reason if the delay was caused by its failure to perform a material obligation under the merger agreement;
Potomac's shareholders fail to give the necessary approval at the special meeting of Potomac shareholders, or
there is a permanent legal prohibition to completing the merger or any required regulatory approval has been denied by a final order.

Bancorp can terminate the merger agreement if:

there is a breach on the part of Potomac of the merger agreement that would cause certain conditions to be unsatisfied and such conditions remain unsatisfied 30 days after notice of the breach;
Potomac fails to hold the special meeting of Potomac shareholders to approve the merger agreement and the merger;
Potomac's board of directors fails to make, withdraws, or modifies in a manner adverse to Bancorp its approval or recommendation of the merger agreement and the merger; or
Potomac enters into, or publicly announces its intention to enter into, a definitive agreement or agreement in principle with respect to a Superior Proposal (as defined on page 47 of this proxy statement/prospectus).

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Potomac can terminate the merger agreement if:

there is a breach on the part of Bancorp of the merger agreement that would cause certain conditions to be unsatisfied and such conditions remain unsatisfied 30 days after notice of the breach;

Potomac's board of directors authorizes Potomac to enter into an agreement concerning a Superior Proposal, and

Potomac gives Bancorp at least 72 hours prior written notice of its intention to terminate to accept a Superior Proposal,

Bancorp does not make during this 72 hour period an offer that is at least as favorable to Potomac's shareholders as the Superior Proposal, and

Potomac pays to Bancorp a termination fee of \$2,520,000;

or,

the average closing price of Bancorp's common stock during the 10 consecutive trading days ending on the 10th calendar day immediately prior to the effective time of the merger is less than \$28.91 *and* Bancorp's common stock price has underperformed the Nasdaq Bank Index by 20% or more since October 10, 2006, provided that this termination right:

may only be exercised by Potomac during the three-day period beginning on the 10th calendar day prior to the effective date of the merger; and

is subject to Bancorp's right to increase the exchange ratio or increase the number of shares of Potomac common stock for which Bancorp will pay cash as merger consideration, in either case as necessary to cure either of the above described conditions, but only to the extent that the cure would not jeopardize the tax-free nature of the stock portion of the merger consideration.

Potomac Must Pay Bancorp a Termination Fee under Certain Circumstances (See Page 50).

Potomac has agreed to pay Bancorp a fee of \$2,520,000 if:

Bancorp terminates the merger agreement as a result of:

Potomac's failing to hold the special meeting of Potomac shareholders to approve the merger agreement and the merger,

Potomac's board failing to recommend to Potomac's shareholders the approval of the merger agreement and the merger, or withdrawing such recommendation or modifying such recommendation in a manner adverse to Bancorp, or

Potomac's entering into or its public announcement to enter into, a definitive agreement or an agreement in principle with respect to a Superior Proposal,

or,

Potomac's terminating the merger agreement to enter into a written agreement concerning a Superior Proposal, but only after Potomac's compliance with its obligation to give Bancorp 72 hours advance written notice and Bancorp's failure to make an offer during such 72 hour period that is at least as favorable to Potomac's shareholders as the Superior Proposal.

[Back to Contents](#)**Effect of Merger on Rights of Potomac Shareholders (See Page 57).**

The rights of Potomac shareholders are governed by Virginia law, as well as Potomac's articles of incorporation and bylaws. After completion of the merger, the rights of the former Potomac shareholders receiving Bancorp common stock in the merger will be governed by Maryland law, as well as Bancorp's articles of incorporation and bylaws. There are substantive and procedural differences between Virginia and Maryland law as well as Potomac's and Bancorp's articles of incorporation and bylaws that will affect the rights of such Potomac shareholders.

Appointment of Additional Board Members (See Page 36).

Pursuant to the merger agreement, upon the closing of the merger, Marshall H. Groom, a director of Potomac, will be elected as a director of Bancorp. In addition, at Bancorp's first annual shareholders' meeting after the merger, Bancorp has agreed to nominate Mr. Groom for re-election and has agreed to also nominate William F. Roeder, Jr., a current director of Potomac, for election as a director of Bancorp, to fill a vacancy that is expected to arise from the retirement of a current director.

Market Price Information (See Page 55).

Bancorp's common stock is listed on the Nasdaq Global Select Market under the symbol SASR. Potomac's common stock is quoted on the OTC Bulletin Board under the symbol PBOV. The following tables set forth the historical price of Bancorp common stock and Potomac common stock as of the date preceding the first public announcement of the merger and as of the latest practicable date preceding the date of this proxy statement/prospectus.

Date	Bancorp Common Stock	Potomac Common Stock
October 10, 2006	\$36.29	\$18.25
December 20, 2006	\$37.71	\$21.80

[Back to Contents](#)**SELECTED FINANCIAL INFORMATION OF BANCORP**

The following table sets forth certain consolidated financial information of Bancorp. This information is based on, and should be read in conjunction with, the consolidated financial statements and related notes of Bancorp contained in its annual report on Form 10-K for the year ended December 31, 2005, and its quarterly report on Form 10-Q for the quarter ended September 30, 2006, which are incorporated by reference into this proxy statement/prospectus. See

Where You Can Find More Information on page 67.

<i>(Dollars in thousands, except per share data)</i>	As of and for the Nine Months Ended September 30,		As of and for the Years Ended December 31,			
	2006	2005	2005	2004	2003	2002
Results of Operations:						
Interest income	\$113,068	\$88,810	\$122,160	\$108,981	\$112,048	\$122,388
Interest expense	41,917	23,557	33,982	34,768	37,432	44,113
Net interest income	71,151	65,253	88,178	74,213	74,616	78,267
Provision for loan and lease losses	2,545	1,600	2,600	0	0	2,865
Net interest income after provision for loan and lease losses	68,606	63,653	85,578	74,213	74,616	75,402
Noninterest income, excluding securities gains	28,830	24,404	33,647	30,409	32,973	27,937
Securities gains	1	2,601	3,262	540	996	2,016
Noninterest expenses	62,878	56,334	77,194	92,474	67,040	63,843
Income before taxes	34,559	34,324	45,293	12,688	41,545	41,512
Income tax expense (benefit)	10,002	9,204	12,195	(1,679)	9,479	10,927
Net income	24,557	25,120	33,098	14,367	32,066	30,585
Per Share Data:						
Net income basic	\$1.66	\$1.72	\$2.26	\$0.99	\$2.21	\$2.11
Net income diluted	1.65	1.70	2.24	0.98	2.18	2.08
Dividends declared	0.66	0.62	0.84	0.78	0.74	0.69
Book value (at year end)	15.78	14.23	14.73	13.34	13.35	12.25
Tangible book value (at year end) ⁽¹⁾	14.15	13.07	13.21	12.16	12.03	10.76
Financial Condition (at year end):						
Assets	\$2,598,458	\$2,383,360	\$2,459,616	\$2,309,343	\$2,334,424	\$2,308,424
Deposits	1,947,850	1,804,888	1,803,210	1,732,501	1,561,830	1,492,210
Loans and leases	1,815,490	1,579,135	1,684,379	1,445,525	1,153,428	1,063,810
Securities	551,138	584,316	567,432	666,108	998,205	1,046,210
Borrowings	393,459	343,673	417,378	361,535	563,381	613,710
Stockholders' equity	233,693	208,090	217,883	195,083	193,449	178,020
Performance Ratios (for the year):						
Return on average equity	14.64	% 16.74	% 16.21	% 7.27	% 17.29	% 18.89
Return on average assets	1.29	1.44	1.41	0.60	1.37	1.42
Net interest margin	4.30	4.39	4.39	3.68	3.78	4.21
Efficiency ratio GAAP based	62.89	61.06	61.71	87.93	61.74	58.99
Efficiency ratio traditional	57.98	57.73	58.16	62.86	56.26	54.09
	40.00	36.47				

Dividends declared per share to diluted net income per share							
				37.50	79.59	33.94	33.17

Capital and Credit Quality Ratios:

Average equity to average assets	8.81	%	8.62	%	8.68	%	8.21	%	7.91	%	7.49
Allowance for loan and lease losses to loans and leases	1.07		1.03		1.00		1.01		1.29		1.41
Non-performing assets to total assets	0.15		0.14		0.06		0.08		0.13		0.12
Net charge-offs to average loans and leases	0.00		0.00		0.02		0.02		0.01		0.05

(1) Total stockholders' equity, net of goodwill and other intangible assets, divided by the number of shares of common stock outstanding at the end of the applicable period.

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RISK FACTORS

In addition to the other information contained or incorporated by reference in this proxy statement/prospectus, the following factors should be considered carefully when evaluating the proposal to approve the merger agreement and the merger at the special meeting of shareholders, as well as your election or non-election to receive cash or stock merger consideration.

Because the market price of Bancorp common stock may fluctuate, you cannot be sure of the value of the stock portion of the merger consideration that you may receive.

Upon completion of the merger, each share of Potomac common stock will be converted into the right to receive merger consideration consisting of cash or shares of Bancorp common stock. Because Bancorp is issuing its shares at a fixed exchange ratio as part of the merger consideration, any change in the price of Bancorp common stock prior to completion of the merger will affect the value of any shares of Bancorp common stock you receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the respective businesses, operations and prospects of Bancorp and Potomac, and regulatory considerations. Many of these factors are beyond the control of Bancorp and Potomac. Accordingly, at the time of the special meeting of shareholders, you will not be able to determine the value of the Bancorp common stock you may receive upon completion of the merger.

The market price of the shares of Bancorp common stock may be affected by factors different from those affecting the shares of Potomac common stock.

Upon completion of the merger, certain holders of Potomac common stock will become holders of Bancorp common stock. Some of Bancorp's current businesses and markets differ from those of Potomac, and accordingly, the results of operations of Bancorp after the merger may be affected by factors different from those currently affecting the results of operations of Potomac. For further information on the business of Bancorp and the factors to consider in connection with its business, see the documents incorporated by reference into this proxy statement/prospectus and referred to under "Where You Can Find More Information" on page 67.

You cannot be certain of the form of merger consideration that you will receive.

Bancorp will pay cash, at a price of \$21.75 per share, without interest, for 50% of the Potomac common stock outstanding at the effective time of the merger and issue shares of Bancorp common stock, based upon the exchange ratio, for 50% of the Potomac common stock outstanding at the effective time of the merger. If the number of Potomac shares for which an election to receive cash is made is higher than 50% of the outstanding shares of Potomac common stock, a pro rata portion of the shares for which an election to receive cash is made will be converted into the right to receive Bancorp common stock in order to result in a 50% cash and 50% stock allocation. If the number of Potomac shares for which an election to receive cash is made is lower than 50% of the outstanding shares of Potomac common stock, first a pro rata portion of the shares for which no election is made, and then, if and to the extent necessary, a pro rata portion of shares for which a stock election has been made, will be converted into the right to receive cash, in each case in order to result in a 50% cash and 50% stock allocation. If such a proration is required, holders of Potomac common stock who elected to receive cash may receive a portion of their consideration in Bancorp common stock, holders who made an election to receive stock may receive a portion of their consideration in cash, and holders who made no election may receive their consideration in any combination of cash and/or stock. Accordingly, there is a risk that you will receive merger consideration in the form that you do not desire, which could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected, including the recognition of taxable gain to the extent cash is received.

We may fail to realize the cost savings we estimate for the merger.

The success of the merger will depend, in part, on our ability to realize the estimated cost savings from combining the businesses of SSB and Potomac. While we believe, as of the date of this proxy statement/prospectus, that these cost savings estimates are achievable, it is possible that the potential cost savings could turn out to be more difficult to achieve than we anticipated. Our cost savings estimates also depend on our ability to combine the businesses of SSB and Potomac in a manner that permits those cost savings to be realized. If our estimates turn out to be incorrect or we are not able to combine successfully these two banks, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

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Combining SSB and Potomac may be more difficult, costly or time-consuming than we expect, or could result in the loss of customers.

SSB and Potomac have operated, and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each bank's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the merger. There also may be disruptions that cause us to lose customers or cause customers to withdraw their deposits. There can be no assurance that customers will readily accept changes to their banking arrangements after the merger.

Certain officers and directors of Potomac have potential conflicts of interest in the merger.

Potomac shareholders should be aware of potential conflicts of interest and the benefits available to Potomac officers and directors when considering Potomac's board of directors' recommendation to approve the merger agreement and the merger. Certain officers, directors and employees of Potomac will become directors, advisory board members or employees of Bancorp and/or SSB. In addition, Potomac's president and chief executive officer will be employed by SSB pursuant to an employment agreement with SSB effective as of the effective time of the merger. In addition, certain officers of Potomac will receive change in control payments upon or shortly after the effective date of the merger. See [Interests of Certain Persons in the Merger - Change in Control Payments](#) on page 51.

Restrictions in Bancorp's articles of incorporation and bylaws with respect to unfriendly acquisitions could prevent a takeover of Bancorp.

Bancorp's articles of incorporation and bylaws contain provisions that could discourage takeover attempts that are not approved by Bancorp's board of directors. These provisions include supermajority provisions for the approval of certain business combinations, certain provisions relating to meetings of stockholders, a staggered board of directors and provisions authorizing the issuance of additional shares without stockholder approval. The Maryland General Corporation Law also includes provisions that make an acquisition of Bancorp more difficult. These provisions may prevent a future takeover attempt in which Bancorp's stockholders otherwise might receive a substantial premium for their shares over then-current market prices. See [Comparative Rights of Shareholders - Anti-Takeover Provisions](#) beginning on page 62.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This document contains information about possible or assumed future results of operation or the performance of Bancorp and Potomac after the merger is completed. This proxy statement/prospectus and Bancorp's public documents contain forward-looking statements within the meaning of and pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A forward-looking statement encompasses any estimate, prediction, opinion or statement of belief in this document and the underlying management assumptions. These forward-looking statements can be identified by words such as *believes*, *expects*, *anticipates*, *intends* and similar expressions although not all forward-looking statements contain such words or expressions. Forward-looking statements appear in the discussions of matters such as the benefits of the merger between Potomac and Bancorp, including future financial and operating results and cost saving enhancements to revenue that may be realized from the merger, and Bancorp's and Potomac's plans, objectives, expectations and intentions and other statements contained in this document that are not historical facts. These statements are based upon the current reasonable expectations and assessments of the respective management teams of Bancorp and Potomac and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Bancorp and Potomac. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

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In addition to factors that Bancorp has previously disclosed in its reports filed with the SEC and those that are referenced elsewhere in this proxy statement/prospectus, the following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- the businesses of SSB and Potomac may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected;
- Bancorp may experience lower than expected revenues after the merger, higher than expected operating costs after the merger or higher than expected losses of deposits, customers and business after the merger;
- after the merger, Bancorp may experience lower than expected cost savings from the merger, or delays in obtaining, or an inability to obtain, cost savings from the merger;
- customer relationship losses, increases in operating costs and business disruption following the merger may be greater than expected;
- technological changes and systems integration may be more difficult or expensive than Bancorp expects;
- adverse effects on relationships with employees may be greater than expected;
- the regulatory approvals required for the merger may not be obtained on the proposed terms or on the anticipated schedule;
- adverse governmental or regulatory policies may be enacted;
- the interest rate environment may adversely affect net interest income;
- adverse affects may be caused by adverse changes to credit quality;
- competition from other financial services companies in Bancorp's and Potomac's markets could adversely affect operations;
- an economic slowdown could adversely affect credit quality and loan originations, especially if such a slowdown were to occur in a market where Bancorp or Potomac operate;
- social and political conditions such as war, political unrest and terrorism or natural disasters could have unpredictable negative effects on the businesses of Bancorp and Potomac and the economy; and
- changes in securities markets could impact Bancorp's stock price.

Forward-looking statements are made as of the date of the applicable document and, except as required by applicable law, Bancorp and Potomac assume no obligation to update these forward-looking statements or to update the reasons why actual results could differ from those in the forward-looking statements. You should consider these risks and uncertainties in evaluating forward-looking statements and you should not place undue reliance on these statements.

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THE SPECIAL MEETING OF POTOMAC SHAREHOLDERS

Potomac is providing this document to you as its proxy statement in connection with the solicitation of proxies by Potomac's board of directors to be voted at the special meeting of Potomac shareholders to be held on February 8, 2007, and at any adjournments or postponements of the special meeting. Bancorp is also providing this document to you as a prospectus in connection with the offer and sale by Bancorp of its shares of common stock as a result of the proposed merger.

Date, Time and Place of Meeting The special meeting of Potomac shareholders is scheduled to be held as follows:

Date: February 8, 2007

Time: 10:30 a.m., local time

Place: Westwood Country Club, 800 Maple Avenue East, Vienna, Virginia

Purpose of the Special Meeting

At the special meeting, shareholders of Potomac will be asked to:

approve the merger agreement, under which Potomac will merge with and into SSB, with SSB surviving the merger and continuing as a wholly owned subsidiary of Bancorp, and, as described in this proxy statement/prospectus, each outstanding share of Potomac common stock will be converted into the right to receive cash or shares of Bancorp common stock (See The Merger Agreement Merger Consideration on page 36);

approve a proposal, if necessary, to adjourn the special meeting to permit the further solicitation of proxies if and to the extent there are not sufficient votes at the time of the special meeting to approve the merger agreement and the merger; and

transact any other business that may properly come before the special meeting or any postponements or adjournments of the special meeting.

Record Date and Outstanding Shares

Potomac's board of directors has fixed the close of business on December 21, 2006 as the record date for the special meeting of Potomac shareholders and only shareholders of record of Potomac common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. Each holder of record of Potomac common stock at the close of business on the record date is entitled to one vote for each share of Potomac common stock then held on each matter voted on by shareholders at the special meeting. At the close of business on the record date, there were 2,849,288 shares of Potomac common stock issued and outstanding and entitled to vote.

Vote Required to Approve the Merger Agreement and the Merger

The approval of the merger agreement and the merger requires the affirmative vote of more than two-thirds of the outstanding shares of Potomac common stock as of the record date (i.e. at least 1,899,526 shares of Potomac common stock).

Vote Required to Approve the Proposal, If Necessary, to Adjourn the Special Meeting

The approval of the proposal to adjourn the special meeting if and to the extent necessary to permit the further solicitation of proxies in the event there are not sufficient votes at the special meeting to approve the merger agreement and the merger requires a majority of the votes cast at the special meeting, even if less than a quorum.

Quorum; Abstentions and Broker Non-Votes

Holders of a majority of the outstanding shares of Potomac common stock entitled to vote at the special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the special meeting. Accordingly, at least 1,424,645 shares of Potomac common stock must be present at the special meeting to constitute a quorum for the conduct of business. If a share is represented for any purpose at the special meeting, it is deemed to be present for the transaction of all business. Abstentions are counted for purposes of determining whether a quorum exists.

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Notwithstanding the foregoing, pursuant to Potomac's bylaws the special meeting may be adjourned by a majority of the votes cast at the special meeting, even if less than a quorum.

If you hold your shares of Potomac common stock in street name through a broker, bank or other nominee, generally the nominee may only vote your Potomac common stock in accordance with your instructions. However, if your nominee has not timely received your instructions, such nominee may vote on matters for which it has discretionary voting authority. Brokers will not have discretionary voting authority to vote on the proposal to approve the merger agreement and the merger. If a nominee cannot vote on a matter because it does not have discretionary voting authority, this is a broker non-vote with respect to that matter. Broker shares that are not voted on any matter at the special meeting will not be counted as shares present or represented at the special meeting for purposes of determining whether a quorum exists. In the event that a quorum is not present at the special meeting of Potomac shareholders, it is expected that the special meeting will be adjourned or postponed to permit further solicitation of proxies.

For purposes of the vote with respect to the merger agreement and the merger required under Virginia law, a failure to vote, a vote to abstain and a broker non-vote will each have the same legal effect as a vote against approval of the merger agreement and the merger.

Voting by Directors and Executive Officers

As of the record date, Potomac directors and officers beneficially owned 664,359 shares of Potomac common stock, or approximately 23.32% of the shares entitled to vote at the special meeting of Potomac shareholders. The directors and officers of Potomac, in their capacity as shareholders of Potomac, have entered into a voting agreement with Bancorp whereby each has agreed to vote their respective shares for approval of the merger agreement and the merger at the special meeting and each has executed an irrevocable proxy that enables Bancorp to vote these shares to approve the merger agreement and the merger. Potomac's directors and officers were not paid any additional consideration in connection with the voting agreement or the irrevocable proxy granted thereby. The voting agreement terminates upon any termination of the merger agreement. See [The Merger Voting Agreement](#).

Voting and Revocation of Proxies

After carefully reading and considering the information presented in this proxy statement/prospectus, you should complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-prepaid envelope so that your shares are represented at the special meeting of Potomac shareholders. You can also vote at the special meeting, but we encourage you to submit your proxy now in any event.

All shares of Potomac common stock represented by each properly executed and valid proxy received by the secretary of Potomac before the special meeting will be voted in accordance with the instructions given on the proxy. If a Potomac shareholder executes a proxy card without giving instructions, the shares of Potomac common stock represented by that proxy card will be voted FOR approval of the merger agreement and the merger and FOR the approval of the proposal, if necessary, to adjourn the special meeting to permit the further solicitation of proxies in the event there are not sufficient votes at the special meeting to approve the merger agreement and the merger. Potomac's board of directors is not aware of any other matters to be voted on at the special meeting of Potomac shareholders. If any other matter properly comes before the special meeting, the persons named on the proxy card will vote the shares represented by all properly executed proxies on those matters in their discretion.

You may revoke your proxy at any time before the proxy is voted by one of the following means:

- by delivering a written notice to the secretary of Potomac stating that you would like to revoke your proxy;
- by submitting another duly executed proxy with a later date; or

by attending the special meeting *and* voting in person at the special meeting (your attendance at the special meeting will not by itself revoke your proxy). If you hold your shares in street name, you will need additional documentation from your bank or broker to vote your shares in person at the meeting.

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Election to Receive Merger Consideration

If you make an election of the type of merger consideration you prefer to receive, you must send the stock certificates representing the shares of Potomac common stock with respect to which you have made an election with your completed election form and letter of transmittal. The completed election form and letter of transmittal and related stock certificates must be received by the exchange agent no later than 5:00 p.m. eastern time on February 1, 2007. If you do not submit stock certificates representing all of your shares of Potomac common stock in connection with your election, you will receive a letter of transmittal from the exchange agent after the completion of the merger with instructions for sending in your stock certificates. See *The Merger Agreement Procedures for Surrendering Potomac Stock Certificates*. **You should not send your election form, letter of transmittal or Potomac stock certificates with your proxy card or to Potomac.**

Solicitation of Proxies and Expenses

The accompanying proxy is being solicited by Potomac's board of directors, and Potomac will pay for the entire cost of the solicitation, other than certain costs of filing, printing and mailing this proxy statement/prospectus, 75% of which are being borne by Bancorp. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding the solicitation material to the beneficial owners of Potomac common stock held of record by those persons, and Potomac may reimburse the brokerage houses, custodians, nominees and fiduciaries for reasonable transaction and clerical expenses. In addition to the use of the mail, proxies may be solicited personally or by telephone, facsimile or other means of communication by Potomac's directors, officers and regular employees. These people will receive no additional compensation for these services, but will be reimbursed for any expenses incurred by them in connection with these services. Potomac may engage a proxy solicitation firm to assist it in obtaining proxies from shareholders on a timely basis. As of the date of this proxy statement/prospectus, Potomac has not engaged a firm for the purpose of soliciting proxies.

Board Recommendation

Potomac's board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Potomac and its shareholders. **Accordingly, Potomac's board of directors unanimously approved and adopted the merger agreement and the transactions contemplated by the merger agreement and the merger, and unanimously recommends that Potomac's shareholders vote FOR the proposal to approve the merger agreement and the merger and FOR the proposal, if necessary, to approve an adjournment of the special meeting to permit the further solicitation of proxies in the event that there are not sufficient votes at the special meeting to approve the merger agreement and the merger.**

The proposed merger is of great importance to the shareholders of Potomac. You are urged to read and carefully consider the information presented in this proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-prepaid envelope.

Appraisal Rights

Under Virginia law, you may exercise appraisal rights in connection with the merger. The provisions of Virginia law governing appraisal rights are complex and you should review them carefully. A Potomac shareholder may take actions that prevent that shareholder from successfully asserting these rights, and multiple steps must be taken to properly exercise and perfect the rights. A copy of all relevant provisions of Section 13.1-729 through 13.1-741 of the VSCA is attached to this proxy statement/prospectus as Appendix C.

For a more complete description of appraisal rights, please refer to the section of this proxy statement/prospectus entitled "The Merger: Appraisal Rights" beginning on page 33.

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THE COMPANIES

Bancorp

Bancorp is the holding company for SSB and SSB's principal subsidiaries, Sandy Spring Insurance Corporation, The Equipment Leasing Company and West Financial Services, Inc. Bancorp is the third largest publicly traded banking company headquartered in Maryland. As of September 30, 2006, Bancorp had total assets of approximately \$2.60 billion, total net loans of \$1.82 billion, total deposits of approximately \$1.95 billion and approximately \$233.7 million in stockholders' equity. Bancorp's common stock is listed on the Nasdaq Global Select Market under the symbol SASR. The deposits associated with Bancorp's affiliated banks are insured by the Federal Deposit Insurance Corporation (the FDIC). Through its subsidiaries, Bancorp offers a comprehensive menu of leasing, ins