SANDY SPRING BANCORP INC
Form 424B3
April 05, 2012

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Proxy Statement Prospectus

MERGER PROPOSAL — YOUR VOTE IS VERY IMPORTANT

Dear Shareholder of CommerceFirst Bancorp, Inc.:

On December 20, 2011, CommerceFirst Bancorp, Inc., or "CommerceFirst Bancorp," and Sandy Spring Bancorp, Inc., or "Sandy Spring Bancorp," entered into an agreement and plan of merger pursuant to which CommerceFirst Bancorp will merge with and into Sandy Spring Bancorp, with Sandy Spring Bancorp as the surviving entity. This is referred to in this proxy statement/prospectus as the "merger." Concurrently with, and pursuant to, the agreement and plan of merger, CommerceFirst Bank, the wholly owned subsidiary of CommerceFirst Bancorp, and Sandy Spring Bank, the wholly owned subsidiary of Sandy Spring Bancorp, entered into a plan of bank merger pursuant to which CommerceFirst Bank will merge with and into Sandy Spring Bank, with Sandy Spring Bank as the surviving entity. This is referred to in this proxy statement/prospectus as the "bank merger."

You are being asked to approve the merger through the approval and adoption of the agreement and plan of merger at a special meeting of shareholders to be held on May 18, 2012 at 11:00 a.m., local time, at 1804 West Street, Suite 200, Annapolis, Maryland.

If the merger is completed, each share of CommerceFirst Bancorp common stock will be converted into the right to receive either $13.60 in cash or 0.8043 of a share of Sandy Spring Bancorp common stock.

You will be able to elect to receive cash, Sandy Spring Bancorp common stock or a combination of cash and Sandy Spring Bancorp common stock for your shares of CommerceFirst Bancorp common stock. Regardless of your choice, however, elections will be limited by the requirement that 50% of the total shares of CommerceFirst Bancorp common stock be exchanged for Sandy Spring Bancorp common stock and 50% be exchanged for cash. Therefore, all allocations of Sandy Spring Bancorp common stock and cash that you receive will depend on the elections of other

CommerceFirst Bancorp shareholders. The federal income tax consequences of the merger to you will depend on whether you receive cash, stock or a combination of cash and stock in exchange for your shares of CommerceFirst Bancorp common stock.

The common stock of Sandy Spring Bancorp is listed on The NASDAQ Global Select Market under the symbol "SASR." The closing price of Sandy Spring Bancorp common stock on December 19, 2011, the day before the agreement and plan of merger was signed, was $17.64, which represented a value of $14.19 per share of CommerceFirst Bancorp common stock. The closing price of Sandy Spring Bancorp common stock on March 30, 2012, the most recent practicable trading day prior to the date of this proxy statement/prospectus, was $18.17, which represents a value of $14.61 per share of CommerceFirst Bancorp common stock. The market prices for both CommerceFirst Bancorp common stock and Sandy Spring Bancorp common stock will fluctuate prior to the merger. We urge you to obtain current market quotations for both the CommerceFirst Bancorp common stock and Sandy Spring Bancorp common stock.

After careful consideration, the board of directors of CommerceFirst Bancorp has unanimously determined that the merger is in the best interests of shareholders and recommends that CommerceFirst Bancorp shareholders vote "FOR" the proposal to approve and adopt the agreement and plan of merger. The merger requires the receipt of bank regulatory approvals by Sandy Spring Bancorp and the approval of the agreement and plan of merger by holders of at least two-thirds of the shares of CommerceFirst Bancorp common stock. The board of directors of CommerceFirst Bancorp strongly supports this strategic combination between Sandy Spring Bancorp and CommerceFirst Bancorp and appreciates your prompt attention to this very important matter.

This proxy statement/prospectus contains information that you should consider in evaluating the agreement and plan of merger and the proposed merger. **In particular, you should carefully read the section captioned "*Risk Factors*" beginning on page 10 for a discussion of certain risk factors relating to the agreement and plan of merger and the merger.**

We cannot complete the merger unless CommerceFirst Bancorp's shareholders approve and adopt the agreement and plan of merger and we obtain all applicable regulatory approvals. Whether or not you plan to attend the special meeting of shareholders of CommerceFirst Bancorp, please complete and return the enclosed proxy card. If you are the beneficial owner of shares held in "street name" through a broker, bank or other nominee, you should instruct your broker, bank or other nominee how to vote on your behalf, or if you plan to attend the special meeting and wish to vote in person, you should bring a signed proxy from your broker, bank or nominee confirming your right to vote the shares. **Your vote is important. If you do not return your proxy card or abstain from voting, the effect will be a vote against the proposed merger.**

We look forward to seeing you at the special meeting, and we appreciate your continued support.

Sincerely,

Richard J. Morgan
President and Chief Executive Officer
CommerceFirst Bancorp, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or completeness of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated April 3, 2012 and is first being mailed to CommerceFirst Bancorp shareholders on or about April 5, 2012.

COMMERCEFIRST BANCORP, INC.
1804 West Street, Suite 200

Annapolis, Maryland 21401

Notice of Special Meeting of Shareholders to be held May 18, 2012

To the Shareholders of CommerceFirst Bancorp:

A special meeting of shareholders of CommerceFirst Bancorp, Inc. will be held at 11:00 a.m., local time, on May 18, 2012 at 1804 West Street, Suite 200, Annapolis, Maryland. Any adjournments or postponements of the special meeting will be held at the same location.

The purpose of the special meeting is to:

1. Consider and vote upon a proposal to approve and adopt the agreement and plan of merger, dated as of December 20, 2011, by and between Sandy Spring Bancorp, Inc. and CommerceFirst Bancorp, Inc. pursuant to which CommerceFirst Bancorp will merge with and into Sandy Spring Bancorp. A copy of the agreement and plan of merger is included as Annex A to the accompanying proxy statement/prospectus;

2. Consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the agreement and plan of merger;

3. Vote on a non-binding advisory resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp, Inc. in connection with the merger; and

4. Transact such other business as may be properly presented at the special meeting and any adjournments or postponements of the special meeting.

The enclosed proxy statement/prospectus describes the agreement and plan of merger and the proposed merger in detail. We urge you to read these materials carefully. The enclosed proxy statement/prospectus forms a part of this notice.

The board of directors of CommerceFirst Bancorp unanimously recommends that CommerceFirst Bancorp shareholders vote "FOR" the proposal to approve and adopt the merger and agreement and plan of merger, "FOR" the proposal to adjourn the special meeting, if necessary, to solicit additional proxies to vote in favor of the merger and agreement and plan of merger, and "FOR" the nonbinding advisory resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

Shareholders of record as of the close of business on March 29, 2012 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Your vote is very important. Your proxy is being solicited by the CommerceFirst Bancorp board of directors. The proposal to approve the agreement and plan of merger must be approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote in order for the proposed merger to be consummated. Whether or not you plan to attend the special meeting in person, we urge you to complete and mail the enclosed proxy card, in the accompanying envelope, which requires no postage if mailed in the United States. The proxy card includes instructions for voting your shares of CommerceFirst Bancorp common stock by returning a signed proxy card or voting by telephone or over the internet. You may revoke your proxy at any time before the special meeting. If you attend the special meeting and vote in person, your proxy vote will not be used. Attendance at the meeting, however, will not by itself revoke a proxy. If you are the beneficial owner of shares held in "street name" through a broker, bank or other nominee you should instruct your broker, bank or other nominee how to vote on your behalf, or if you plan to attend the special meeting and wish to vote in person, you should bring a signed proxy from your broker, bank or nominee confirming your right to vote the shares.

Under Maryland law, if the merger is completed, CommerceFirst Bancorp shareholders of record who do not vote to approve the agreement and plan of merger, and otherwise comply with the applicable provisions of Maryland law pertaining to objecting shareholders, will be entitled to exercise rights of appraisal and obtain payment in cash of the fair value of their shares of CommerceFirst Bancorp common stock by following the procedures set forth in detail in the enclosed proxy statement/prospectus. A copy of the section of the Maryland General Corporation Law pertaining to objecting shareholders' rights of appraisal is included as Annex C to the enclosed proxy statement/prospectus.

If you have any questions or need assistance voting your shares, please contact our proxy solicitor, Regan & Associates, Inc., toll free at (800) 737-3426.

By Order of the Board of Directors

Candace M. Springmann
Corporate Secretary

Annapolis, Maryland

April 5, 2012

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission by Sandy Spring Bancorp, constitutes a prospectus of Sandy Spring Bancorp under the Securities Act of 1933, as amended, which we refer to in this document as the “Securities Act,” with respect to the shares of Sandy Spring Bancorp common stock to be issued to CommerceFirst Bancorp’s shareholders, as required by the agreement and plan of merger. This document also constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which we refer to in this document as the “Exchange Act,” and a notice of meeting with respect to the special meeting of shareholders of CommerceFirst Bancorp shareholders, at which CommerceFirst Bancorp shareholders will be asked to vote (1) upon a proposal to approve the proposed merger and agreement and plan of merger, (2) upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special meeting to approve the agreement and plan of merger and (3) to approve a non-binding advisory resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

You should rely only on the information contained herein. No one has been authorized to provide you with information that is different from the information contained in this document. This document is dated April 3, 2012. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to CommerceFirst Bancorp shareholders nor the issuance by Sandy Spring Bancorp of its common stock in connection with the merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this document regarding Sandy Spring Bancorp has been provided by Sandy Spring Bancorp and information contained in this document regarding CommerceFirst Bancorp has been provided by CommerceFirst Bancorp.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: Why am I receiving this proxy statement/prospectus?

A: You are receiving this proxy statement/prospectus because you are a shareholder of CommerceFirst Bancorp as of March 29, 2012, the record date for the special meeting of CommerceFirst Bancorp. This proxy/statement prospectus is being used by the board of directors of CommerceFirst Bancorp to solicit your proxy for use at the special meeting. This proxy statement/prospectus also serves as the prospectus for shares of Sandy Spring Bancorp common stock to be issued in exchange for shares of CommerceFirst Bancorp common stock in the merger.

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote on the approval of an agreement and plan of merger that provides for the acquisition of CommerceFirst Bancorp by Sandy Spring Bancorp. You are also being asked to vote on a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special meeting to approve the agreement and plan of merger and to vote on a non-binding advisory resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

Q: What vote does the CommerceFirst Bancorp board of directors recommend?

A: The CommerceFirst Bancorp board of directors has determined that the proposed merger is in the best interests of CommerceFirst Bancorp shareholders, has unanimously approved the agreement and plan of merger and recommends that CommerceFirst Bancorp shareholders vote “FOR” the approval and adoption of the agreement and plan of merger, “FOR” the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve and adopt the agreement and plan of merger and “FOR” the approval of the non-binding resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

Q: Why do CommerceFirst Bancorp and Sandy Spring Bancorp want to merge?

A: CommerceFirst Bancorp believes that the proposed merger will provide CommerceFirst Bancorp shareholders with substantial benefits, and Sandy Spring Bancorp believes that the merger will further its strategic growth plans. As a larger company, Sandy Spring Bancorp can provide the capital and resources that CommerceFirst Bancorp needs to compete more effectively and to offer a broader array of products and services to better serve its banking customers. To review the reasons for the merger in more detail, see “*Description of the Merger—Sandy Spring Bancorp’s Reasons for the Merger*” on page 41 and “*Description of the Merger—Background of and CommerceFirst Bancorp’s Reasons for the Merger; Recommendation of CommerceFirst Bancorp’s Board of Directors*” on page 28.

Q: What will I be entitled to receive in the merger?

A: Under the agreement and plan of merger, each share of CommerceFirst Bancorp common stock will be converted into the right to receive either $13.60 in cash or 0.8043 of a share of Sandy Spring Bancorp common stock.

You will be able to elect to receive cash, Sandy Spring Bancorp common stock or a combination of cash and Sandy Spring Bancorp common stock for your shares of CommerceFirst Bancorp common stock. Regardless of your choice, however, elections will be limited by the requirement that 50% of CommerceFirst Bancorp common stock be converted into Sandy Spring common stock and 50% be exchanged for cash. Therefore, the allocation of cash and Sandy Spring Bancorp common stock that you will receive will depend on the elections of other CommerceFirst Bancorp shareholders. The allocation of the consideration payable to CommerceFirst Bancorp shareholders will not be known until the exchange agent tallies the results of the cash/stock elections made by CommerceFirst Bancorp's shareholders. If you do not make an election, the type of consideration you will receive will depend on the consideration elected by other CommerceFirst Bancorp shareholders.

While the amount of cash consideration and number of shares of Sandy Spring Bancorp common stock into which CommerceFirst Bancorp common stock may be converted in the merger is generally fixed, if the adjusted shareholders' equity of CommerceFirst Bancorp as of the last day of the month prior to the month in which the closing of the merger is expected to occur, excluding certain expenses related to the merger, is less than $23,761,000, then both the amount of cash consideration per share and the number of shares of Sandy Spring Bancorp common stock into which CommerceFirst Bancorp common stock is converted will be reduced proportionately. See "*Description of the Merger—Consideration to be Received in the Merger*" on page 41 and "*Description of Sandy Spring Bancorp Capital Stock*" on page 58.

Q: What will my dividends be after the merger?

A: Sandy Spring Bancorp currently pays a quarterly dividend of $.10 per share. Although Sandy Spring Bancorp has paid quarterly dividends on its common stock without interruption since March 1997, there is no guarantee that Sandy Spring Bancorp will continue to pay dividends on its common stock. All dividends on Sandy Spring Bancorp common stock are declared at the discretion of the Sandy Spring Bancorp board of directors.

Q: How do I elect to receive cash, stock or a combination of both for my CommerceFirst Bancorp stock?

A: A form for making an election will be sent to you separately on or about the date this proxy statement/prospectus is mailed. For your election to be effective, your properly completed election form, along with your CommerceFirst Bancorp stock certificates or an appropriate guarantee of delivery, must be sent to and received by the exchange agent for the merger, Registrar and Transfer Company, on or before 5:00 p.m., Eastern time, May 17, 2012. **Do not send your election form or stock certificates with your proxy card. Instead, use the separate envelope specifically provided for the election form and your stock certificates.** If you own shares of CommerceFirst Bancorp common stock in "street name" through a bank, broker or other nominee and you wish to make an election, you should seek instructions from the bank, broker or other nominee holding your shares. If you do not make a timely or proper election you will be allocated Sandy Spring Bancorp common stock and/or cash depending on the elections made by other shareholders.

Q: How do I exchange my stock certificates?

A: If you make an election, you must return your CommerceFirst Bancorp stock certificates or an appropriate guarantee of delivery with your election form. Shortly after the merger, Sandy Spring Bancorp's transfer agent will allocate cash and Sandy Spring Bancorp common stock among CommerceFirst Bancorp shareholders, consistent with their elections and the allocation and proration procedures in the agreement and plan of merger. If you do not submit an election form, Sandy Spring Bancorp's exchange agent will send you instructions on how and where to surrender your CommerceFirst Bancorp stock certificates after the merger is completed. **Please do not send your CommerceFirst Bancorp stock certificates with your proxy card.**

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

A: The tax consequence of the merger to you will depend on whether you receive only cash, only Sandy Spring Bancorp common stock, or a combination of cash and Sandy Spring Bancorp common stock in exchange for your shares of CommerceFirst Bancorp common stock. If you exchange your shares solely for Sandy Spring Bancorp common stock, you should not recognize gain or loss except with respect to the cash you receive instead of any fractional share of Sandy Spring Bancorp common stock. If you exchange your shares solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares for a combination of Sandy Spring Bancorp common stock and cash, you should recognize capital gain, but not any loss, on the exchange. Because the allocations of cash and Sandy Spring Bancorp common stock that you receive will depend on the elections of other

CommerceFirst Bancorp shareholders, you will not know the actual tax consequences of the merger to you until the allocations are completed.

You should read *"Description of the Merger—Tax Consequences of the Merger"* beginning on page 44 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the merger to you.

Q: Am I entitled to appraisal rights?

A: Yes. Maryland law provides you with objecting shareholder's rights of appraisal in the merger. This means that you are legally entitled to receive payment in cash of the fair value of your shares, excluding any appreciation in value that results from the merger. To preserve your rights as an objecting shareholder, you must (i) deliver to CommerceFirst Bancorp a written objection to the merger at or before the special meeting of CommerceFirst Bancorp shareholders, (ii) not vote in favor of the merger, and (iii) within 20 days of the date that articles of merger are accepted for filing by the Maryland State Department of Assessments and Taxation, make a written demand on Sandy Spring Bancorp for payment of the fair value of your stock, stating the number and class of shares for which you demand payment. Written objections should be addressed to CommerceFirst Bancorp's Corporate Secretary and sent to 1804 West Street, Suite 200, Annapolis, Maryland 21404. Your failure to follow exactly the procedures specified under Maryland law will result in the loss of your rights as an objecting shareholder. A copy of the sections of the Maryland General Corporation Law pertaining to objecting shareholder's rights of appraisal is provided as Annex C to this proxy statement/prospectus. See "*Appraisal Rights*" on page 25.

Q: ***What vote is required to approve the agreement and plan of merger?***

A: Holders of at least two-thirds of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote must vote in favor of the proposal to approve the agreement and plan of merger. Sandy Spring Bancorp shareholders will not be voting on the agreement and plan of merger.

Q: ***What are the quorum requirements for the special meeting?***

A: The presence in person or by proxy of CommerceFirst Bancorp shareholders having a majority of the votes entitled to be cast by the CommerceFirst Bancorp shareholders at the special meeting will constitute a quorum.

Q: ***When and where is the CommerceFirst Bancorp special meeting?***

A: The special meeting of CommerceFirst Bancorp shareholders is scheduled to take place at the offices of CommerceFirst Bank, 1804 West Street, Suite 200, Annapolis, Maryland at 11:00 a.m., local time, on May 18, 2012**.**

Q: ***Who is entitled to vote at the CommerceFirst Bancorp special meeting?***

A: Holders of shares of CommerceFirst Bancorp common stock at the close of business on March 29, 2012, which is the record date, are entitled to vote on the proposal to adopt the agreement and plan of merger. As of the record date, 1,820,548 shares of CommerceFirst Bancorp common stock were outstanding and entitled to vote.

Q: ***If I plan to attend the CommerceFirst Bancorp special meeting in person, should I still return my proxy?***

A: Yes. Whether or not you plan to attend the CommerceFirst Bancorp special meeting, you should complete and return the enclosed proxy card. The failure of a CommerceFirst Bancorp shareholder to vote in person or by proxy will have the same effect as a vote "AGAINST" the agreement and plan of merger.

Q: ***What do I need to do now to vote my shares of CommerceFirst Bancorp common stock?***

A: After you have carefully read and considered the information contained in this proxy statement/prospectus, please complete, sign, date and mail your proxy card in the enclosed return envelope as soon as possible. This will enable your shares to be represented at the special meeting. If you are a CommerceFirst Bancorp shareholder of record, you may also vote in person at the special meeting. If you do not return a properly executed proxy card and do not vote at the special meeting, this will have the same effect as a vote against the agreement and plan of merger. If you sign, date and send in your proxy card, but you do not indicate how you want to vote, your proxy will be voted in favor of approval and adoption of the agreement and plan of merger. As a recordholder, you may also cast your vote by telephone or through the internet. Please see the proxy card for instructions on how to vote by telephone or through the internet.

If you are the beneficial owner of shares held in "street name" through a broker, bank or other nominee, you should instruct your broker, bank or other nominee how to vote on your behalf. Please follow the voting instructions provided by your recordholder to vote your shares. If your shares are held in "street name" and you want to vote in person at the special meeting, please follow the instructions from your recordholder for obtaining a "legal proxy" enabling you to vote at the meeting.

Q: How do I change my vote after I have submitted my proxy?

A: If you are a CommerceFirst Bancorp shareholder of record, you may change your vote at any time before your proxy is voted at the special meeting by revoking your proxy in any of the following ways: (i) filing with the Corporate Secretary of CommerceFirst Bancorp a duly executed revocation of proxy, (ii) submitting a new proxy card with a later date, or (iii) voting in person at the special meeting (your attendance at the special meeting will not by itself revoke your proxy).

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

A: No. Your broker will not be able to vote your shares of CommerceFirst Bancorp common stock on the proposal to approve and adopt the agreement and plan of merger or on the other proposals unless you provide instructions on how to vote. Please instruct you broker how to vote your shares, following the directions that your broker provides. If you do not provide instructions to your broker on the proposal to approve and adopt the agreement and plan of merger, your shares will not be voted, and this will have the effect of voting against the agreement and plan of merger. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: What are the deadlines for voting?

A: If you are a CommerceFirst Bancorp shareholder of record, you may: (i) vote by mail at any time prior to the special meeting as long as your proxy is received before the time of the special meeting, (ii) vote by telephone or internet anytime until 11:00 p.m., Eastern time, May 17, 2012, or (iii) if your shares are held in "street name," you must vote your shares in accordance with the voting instructions form by the deadline set by your broker or nominee.

Q: When is the merger expected to be completed?

A: We will try to complete the merger as soon as possible. Before that happens, the agreement and plan of merger must be approved and adopted by CommerceFirst Bancorp's shareholders and we must obtain the necessary regulatory approvals. Assuming holders of at least two-thirds of the outstanding shares of CommerceFirst Bancorp common stock vote in favor of the agreement and plan of merger and we obtain the other necessary approvals, we expect to complete the merger in the second calendar quarter of 2012.

Q: Is completion of the merger subject to any conditions besides shareholder approval?

A: Yes. The transaction must receive the required regulatory approvals, and there are other customary closing conditions that must be satisfied. To review the conditions of the merger in more detail, see "*Description of the Merger—Conditions to Completing the Merger*" on page 49.

Q: Why am I being asked to cast a non-binding advisory vote to approve compensation that CommerceFirst Bancorp's named executive officers will receive in connection with the merger?

A: The U.S. Securities and Exchange Commission, or "SEC," recently adopted rules that require CommerceFirst Bancorp to seek a non-binding advisory vote with respect to certain "golden parachute" compensation that CommerceFirst Bancorp's named executive officers will receive in connection with the merger.

Q: What will happen if the shareholders do not approve the compensation that CommerceFirst Bancorp's named executive officers will receive in connection with the merger?

A: The vote with respect to the "golden parachute" compensation is an advisory vote and will not be binding on CommerceFirst Bancorp or Sandy Spring Bancorp. Approval of the compensation that will be payable to CommerceFirst Bancorp's named executive officers is not a condition to completion of the merger. Therefore, if the merger is approved by the shareholders and subsequently completed, the compensation will still be paid to the CommerceFirst Bancorp named executive officers, whether or not shareholders approve the compensation at the meeting.

Q: Who can answer my other questions?

A: If you have more questions about the merger, or how to submit your proxy or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, CommerceFirst Bancorp shareholders should contact:

Regan & Associates, Inc.

505 Eighth Avenue, Suite 800

New York, NY 10018

(800) 737-3426

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SUMMARY

This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information important to you. To understand the merger more fully, you should read this entire document carefully, including the documents attached to this proxy statement/prospectus.

The Companies

Sandy Spring Bancorp, Inc.

17801 Georgia Avenue

Olney, Maryland 20832

(301) 774-6400

Sandy Spring Bancorp, a Maryland corporation, is a bank holding company headquartered in Olney, Maryland. Sandy Spring Bancorp's common stock is listed on The NASDAQ Global Select Market under the symbol "SASR." Sandy Spring Bancorp conducts its operations primarily through its wholly owned subsidiary, Sandy Spring Bank, a Maryland chartered bank. Sandy Spring Bank was founded in 1868, and is the oldest banking business based in Maryland. Sandy Spring Bank is independent, community oriented, and conducts a full-service commercial banking business through 43 community offices located in Anne Arundel, Carroll, Frederick, Howard, Montgomery and Prince George's counties in Maryland, and Fairfax, Arlington and Loudoun counties in Virginia. At December 31, 2011, Sandy Spring Bancorp had total assets of $3.7 billion, total deposits of $2.7 billion, and shareholders' equity of $446 million.

CommerceFirst Bancorp, Inc.

1804 West Street, Suite 200

Annapolis, Maryland 21404

(410) 280-6695

CommerceFirst Bancorp, a Maryland corporation, is a bank holding company headquartered in Annapolis, Maryland. Its sole business is operating its subsidiary, CommerceFirst Bank, a Maryland chartered commercial bank, which operates from branch offices in Lanham, Maryland, Glen Burnie, Maryland, Columbia, Maryland and Severna Park, Maryland. CommerceFirst Bank emphasizes providing commercial banking services to sole proprietorships, small and medium-sized businesses, partnerships, corporations, and non-profit organizations and associations in and near CommerceFirst Bank's primary service areas. Limited retail banking services are offered to accommodate the personal needs of commercial customers as well as members of the communities CommerceFirst Bank serves. As of December 31, 2011, CommerceFirst Bancorp had total assets of $207.3 million, total deposits of $182.6 million and total shareholder's equity of $24.2 million.

Special Meeting of Shareholders; Required Vote (page 23)

A special meeting of CommerceFirst Bancorp shareholders is scheduled to be held at the offices of CommerceFirst Bank, 1804 West Street, Suite 200, Annapolis, Maryland at 11: 00 a.m., local time, on May 18, 2012. At the special meeting, you will be asked to vote on the approval of an agreement and plan of merger that provides for the acquisition of CommerceFirst Bancorp by Sandy Spring Bancorp. You will also be asked to vote on a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special meeting to approve the agreement and plan of merger, and to approve a non-binding advisory resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

Only CommerceFirst Bancorp shareholders of record as of the close of business on March 29, 2012 are entitled to notice of, and to vote at, the CommerceFirst Bancorp special meeting and any adjournments or postponements of the meeting.

Approval of the agreement and plan of merger requires the affirmative vote of holders of two-thirds of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote. As of the record date, there were 1,820,548 shares of CommerceFirst Bancorp common stock outstanding. The directors and executive officers of CommerceFirst Bancorp (and their affiliates), as a group, beneficially owned 398,001 shares of CommerceFirst Bancorp common stock, representing 21.9% of the outstanding shares of CommerceFirst Bancorp common stock as of the record date. All of the directors of CommerceFirst Bancorp, who collectively own 397,601 shares of CommerceFirst Bancorp common stock (21.8% of the outstanding shares of CommerceFirst Bancorp as of the record date), have agreed to vote their shares in favor of the merger at the special meeting. No approval of the merger or agreement and plan of merger by Sandy Spring Bancorp shareholders is required.

The Merger and the Agreement and Plan of Merger (page 28)

Sandy Spring Bancorp's acquisition of CommerceFirst Bancorp is governed by an agreement and plan of merger. The agreement and plan of merger provides that, if all of the conditions are satisfied or waived, CommerceFirst Bancorp will be merged with and into Sandy Spring Bancorp, with Sandy Spring Bancorp as the surviving entity. **We encourage you to read the agreement and plan of merger, which is included as Annex A to this proxy statement/prospectus.**

What CommerceFirst Bancorp Shareholders Will Receive in the Merger (page 41)

If the merger is completed, each share of CommerceFirst Bancorp common stock will be converted into the right to receive either $13.60 in cash or 0.8043 of a share of Sandy Spring Bancorp common stock.

Each holder of CommerceFirst Bancorp common stock will be able to elect to receive cash, Sandy Spring Bancorp common stock or a combination of cash and Sandy Spring Bancorp common stock for their shares of CommerceFirst Bancorp common stock. Regardless of your choice, however, elections will be limited by the requirement that 50% of the shares of CommerceFirst Bancorp common stock be exchanged for Sandy Spring Bancorp common stock and 50% be exchanged for cash. Therefore, the allocation of Sandy Spring Bancorp common stock and cash that you receive will depend on the elections of other CommerceFirst Bancorp shareholders.

If the adjusted shareholders' equity of CommerceFirst Bancorp as of the last day of the month prior to the month in which the closing is expected to occur, excluding certain expenses related to the merger, is less than $23,761,000, then both the amount of cash consideration and the number of shares of Sandy Spring Bancorp common stock into which CommerceFirst Bancorp common stock will be converted will be reduced proportionately. This adjustment will occur automatically, and no additional shareholder approval will be required.

Comparative Market Prices

The following table shows the closing price per share of Sandy Spring Bancorp common stock, the closing price per share of CommerceFirst Bancorp common stock and the equivalent price per share of CommerceFirst Bancorp common stock, giving effect to the merger, on December 19, 2011, which is the last day on which shares of each of

Sandy Spring Bancorp common stock and CommerceFirst Bancorp common stock traded preceding the public announcement of the proposed merger, and on March 30, 2012, the most recent practicable date before the mailing of this proxy statement/prospectus. The equivalent price per share of CommerceFirst Bancorp common stock was computed by multiplying the price of a share of Sandy Spring Bancorp common stock by the 0.8043 exchange ratio and does not include the value of any cash received by a CommerceFirst Bancorp shareholder. Shareholders who elect to receive, or are allocated, cash consideration in the merger will receive $13.60 in cash without interest. See "*Description of the Merger—Consideration to be Received in the Merger*" on page 41.

	Sandy Spring Bancorp Common Stock	CommerceFirst Bancorp Common Stock	Equivalent Price Per Share of CommerceFirst Bancorp Common Stock
December 19, 2011	$ 17.73	$ 7.75	$ 14.25
March 30, 2012	$ 18.17	$ 14.09	$ 14.61

Recommendation of CommerceFirst Bancorp Board of Directors (page 28)

The CommerceFirst Bancorp board of directors has unanimously approved the agreement and plan of merger and the proposed merger. The CommerceFirst Bancorp board believes that the agreement and plan of merger, including the plan of bank merger pursuant to which CommerceFirst Bank will merge with and into Sandy Spring Bank, is fair to, and in the best interests of, CommerceFirst Bancorp and its shareholders, and therefore unanimously recommends that CommerceFirst Bancorp shareholders vote "FOR" the proposal to approve and adopt the agreement and plan of merger. In its reaching this decision, CommerceFirst Bancorp's board of directors considered many factors, which are described in the section captioned "Description of the Merger—Background of and CommerceFirst Bancorp's Reasons for the Merge;, Recommendation of CommerceFirst Bancorp's Board of Directors" beginning on page 28.

CommerceFirst Bancorp's Financial Advisor Believes the Merger Consideration is Fair to Shareholders (page 33)

In deciding to approve the merger, CommerceFirst Bancorp's board of directors considered the opinion of Scott & Stringfellow, LLC. Scott & Stringfellow, LLC, which served as financial advisor to CommerceFirst Bancorp's board of directors, delivered its opinion dated December 20, 2011, that the merger consideration is fair to the holders of CommerceFirst Bancorp common stock from a financial point of view. A copy of this opinion is included as Annex B to the proxy statement/prospectus. You should read the opinion carefully to understand the procedures followed, assumptions made, matters considered and limitations of the review conducted by Scott & Stringfellow, LLC. CommerceFirst Bancorp has agreed to pay Scott & Stringfellow, LLC fees totaling approximately $320,000 for its services in connection with the merger.

Regulatory Approvals (page 47)

Under the terms of the agreement and plan of merger, the merger cannot be completed unless it is first approved by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board" or the "Federal Reserve") and the Office of the Commissioner of Financial Regulation for the State of Maryland (the "Maryland Commissioner"). Sandy Spring Bancorp filed the required applications with the Federal Reserve Board on January 18, 2012 and with the Maryland Commissioner on January 19, 2012. The Federal Reserve Board approved the transactions on February 29, 2012 and the Maryland Commissioner approved the transactions on March 16, 2012.

Conditions to the Merger (page 49)

The completion of the merger is subject to the fulfillment of a number of conditions, including:

- approval of the agreement and plan of merger at the special meeting by at least two-thirds of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote;
- approval of the transaction by the appropriate regulatory authorities;
- receipt of an opinion from Kilpatrick Townsend & Stockton LLP to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
- the accuracy of representations and warranties made on the date of the agreement and plan of merger; and

- such other conditions customary to merger transactions.

Termination (page 56)

The agreement and plan of merger may be terminated by mutual written consent of Sandy Spring Bancorp and CommerceFirst Bancorp at any time before the completion of the merger. Additionally, subject to conditions and circumstances described in the agreement and plan of merger, either Sandy Spring Bancorp or CommerceFirst Bancorp may terminate the agreement and plan of merger if, among other things, any of the following occur:

- the merger has not been consummated by September 30, 2012;
- CommerceFirst Bancorp shareholders do not approve the agreement and plan of merger at the special meeting;
- a required regulatory approval is denied or a governmental authority enjoins or prohibits the merger; or
- any representation or warranty of the other party contained in the agreement and plan of merger shall have become untrue to the level of materiality required by the agreement and plan of merger, or there is a breach by the other party of any covenant or agreement contained in the agreement and plan of merger, either which cannot be cured, or has not been cured within 30 days after the giving of written notice to such party of such breach.

Sandy Spring Bancorp may terminate the agreement and plan of merger if CommerceFirst Bancorp materially breaches its agreements regarding the solicitation of other acquisition proposals and the submission of the agreement and plan of merger to shareholders, or if the board of directors of CommerceFirst Bancorp does not recommend approval of the merger in the proxy statement/prospectus or withdraws or revises its recommendation in a manner adverse to Sandy Spring Bancorp.

CommerceFirst Bancorp may terminate the agreement and plan of merger in order to accept an agreement for a superior proposal to be acquired by a third party, which among other things, the CommerceFirst Bancorp board of directors determines, in good faith, would result in a transaction more favorable to the CommerceFirst Bancorp shareholders than the merger, and where the failure to accept such third party proposal would constitute a breach of its fiduciary duties. Sandy Spring Bancorp would have the right to adjust the terms of the merger to make the merger at least as favorable as the superior proposal.

CommerceFirst Bancorp may also terminate the agreement and plan of merger at any time during the five-day period following the later of (a) the date on which the last required regulatory approval is obtained with respect to the merger and the bank merger, without regard to any requisite waiting period in respect thereof, or (b) the date on which the shareholders of CommerceFirst Bancorp approve the agreement and plan of merger; if both of the following conditions are satisfied:

(i) The number obtained by dividing (x) the average of the closing prices of a share of Sandy Spring Bancorp common stock as reported on the NASDAQ Stock Market for the ten consecutive trading days ending on the trading day prior to the date set forth above by (y) $17.73 is less than 0.80; and

(ii) The ratio described in clause (i) above is less than the number obtained by dividing (x) the average closing values of the NASDAQ Bank Index for the ten consecutive trading days ending on the trading day prior to the date set forth above by (y) 1,533.69 and subtracting 0.20 from such quotient.

If CommerceFirst Bancorp elects to terminate the agreement and plan of merger under this provision, Sandy Spring Bancorp may elect to adjust the exchange ratio to an amount that would not make termination under this event possible, in which case no termination would occur.

Termination Fee (page 57)

Under certain circumstances described in the agreement and plan of merger, CommerceFirst Bancorp will be required to pay Sandy Spring Bancorp a termination fee of $1,000,000 in connection with the termination of the agreement and plan of merger.

Specifically, CommerceFirst Bancorp must pay the termination fee if:

- CommerceFirst Bancorp terminates the agreement and plan of merger in order to enter into an agreement with respect to a superior proposal;
- Sandy Spring Bancorp terminates the agreement and plan of merger as a result of a breach by CommerceFirst Bancorp of its covenant not to solicit competing acquisition proposals or its obligation to submit the agreement and plan of merger to the shareholders of CommerceFirst Bancorp for approval, or because CommerceFirst Bancorp's board of directors fails to recommend approval of the merger or, after recommending the approval of the agreement and plan of merger, withdraws, qualifies or revises its recommendation;

- either party terminates the agreement and plan of merger as a result of the failure of CommerceFirst Bancorp's shareholders to approve the merger, and if (i) an acquisition proposal from a third party has been publicly announced, disclosed or communicated before the date of the shareholders meeting and (ii) within 12 months after such termination, CommerceFirst Bancorp enters into any agreement with respect to, or consummates, an acquisition proposal; or

- Sandy Spring Bancorp terminates the agreement and plan of merger because of a material breach by CommerceFirst Bancorp, and if (i) an acquisition proposal from a third party has been publicly announced, disclosed or communicated before the date of termination and (ii) within 12 months after such termination, CommerceFirst Bancorp enters into any agreement with respect to, or consummates, an acquisition proposal.

Interests of Officers and Directors in the Merger that are Different from Yours (page 47)

You should be aware that some of CommerceFirst Bancorp's directors and officers may have interests in the merger that are different from, or in addition to, the interests of CommerceFirst Bancorp's shareholders generally. These include: an employment agreement that an executive officer of CommerceFirst Bancorp has entered into with Sandy Spring Bank that becomes effective upon completion of the merger; change in control payments payable under pre-existing employment agreements between CommerceFirst Bancorp and an executive officer and the chairman of the board of directors; and provisions in the agreement and plan of merger relating to indemnification of directors and officers and insurance for directors and officers of CommerceFirst Bancorp for events occurring before the merger. CommerceFirst Bancorp's board of directors was aware of these interests and took them into account in approving the merger.

Accounting Treatment of the Merger (page 44)

The merger will be accounted for using the acquisition method of accounting in accordance with U.S. generally accepted accounting principles.

Certain Differences in Shareholder Rights (page 59)

When the merger is completed, CommerceFirst Bancorp shareholders who are to receive shares of Sandy Spring Bancorp will become Sandy Spring Bancorp shareholders and their rights will be governed by Maryland law and by Sandy Spring Bancorp's articles of incorporation and bylaws. See *"Comparison of Rights of Shareholders"* beginning on page 59 for a summary of the material differences between the respective rights of CommerceFirst Bancorp and Sandy Spring Bancorp shareholders.

Appraisal Rights (page 25)

CommerceFirst Bancorp shareholders may object to the merger and, upon complying with the requirements of Maryland law, receive cash in the amount of the fair value of their shares instead of shares of Sandy Spring Bancorp common stock and/or the cash consideration specified in the agreement and plan of merger. A copy of the section of the Maryland General Corporation Law pertaining to objecting shareholders' rights of appraisal is attached as Annex C to this proxy statement/prospectus. You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights. The failure to comply with the statute exactly will result in the loss of your rights as an objecting shareholder.

Tax Consequences of the Merger (page 45)

The federal tax consequences of the merger to shareholders of CommerceFirst Bancorp will depend primarily on whether they exchange their CommerceFirst Bancorp common stock solely for Sandy Spring Bancorp common stock, solely for cash or for a combination of Sandy Spring Bancorp common stock and cash. CommerceFirst Bancorp shareholders who exchange their shares solely for Sandy Spring Bancorp common stock should not recognize gain or loss except with respect to the cash they receive instead of a fractional share. CommerceFirst Bancorp shareholders who exchange their shares solely for cash should recognize gain or loss on the exchange. CommerceFirst Bancorp shareholders who exchange their shares for a combination of Sandy Spring Bancorp common stock and cash should recognize capital gain, but not any loss, on the exchange. The actual federal income tax consequences to CommerceFirst Bancorp shareholders of electing to receive cash, Sandy Spring Bancorp common stock or a combination of cash and stock will not be ascertainable at the time CommerceFirst Bancorp shareholders make their election because it will not be known at that time how, or to what extent, the allocation and proration procedures will apply.

This tax treatment may not apply to all CommerceFirst Bancorp shareholders. Determining the actual tax consequences of the merger to CommerceFirst Bancorp shareholders can be complicated. CommerceFirst Bancorp shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to each shareholder.

To review the tax consequences of the merger to CommerceFirst Bancorp shareholders in greater detail, please see the section *"Description of the Merger—Tax Consequences of the Merger"* beginning on page 44.

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, you should consider carefully the risk factors described below in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document. Please refer to the section of this proxy statement/prospectus titled "Caution About Forward-Looking Statements" at page 18.

Risks Relating to the Merger

The price of Sandy Spring Bancorp common stock might decrease before or after the merger.

Upon closing of the merger, each share of CommerceFirst Bancorp common stock will be converted at the election of the shareholder into the right to receive either 0.8043 of a share of Sandy Spring Bancorp common stock or $13.60 in cash. This exchange ratio is fixed in the agreement and plan of merger and will not be adjusted for changes in the market price of either Sandy Spring Bancorp's common stock or CommerceFirst Bancorp's common stock. If the price of Sandy Spring Bancorp common stock increases between the date the agreement and plan of merger was signed and the effective time of the merger, CommerceFirst Bancorp shareholders who receive shares of Sandy Spring Bancorp common stock will receive shares of Sandy Spring Bancorp common stock that have a greater market value upon completion of the merger. Conversely, if the price of Sandy Spring Bancorp common stock declines between the date the agreement was signed and the effective time of the merger, CommerceFirst Bancorp shareholders who receive shares of Sandy Spring Bancorp common stock will receive shares of Sandy Spring Bancorp common stock that have a lesser market value upon completion of the merger. Therefore, while the number of Sandy Spring Bancorp shares to be issued in the merger is, subject to extremely limited exceptions, fixed, CommerceFirst Bancorp shareholders cannot be sure of the market value of the Sandy Spring Bancorp common stock they will receive upon completion of the merger or the market value of Sandy Spring Bancorp common stock at any time after the completion of the merger. For example, based on the range of closing prices of Sandy Spring Bancorp common stock during the period from December 19, 2011, the last trading day before public announcement of the merger, through March 30, 2012, the last practicable date before the date of this document, the exchange ratio represented a market value ranging from a low of $14.02 to a high of $15.78 for each share of CommerceFirst Bancorp common stock.

Changes in the price of Sandy Spring Bancorp's common stock before the merger will affect the market value that CommerceFirst Bancorp's shareholders will receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are beyond Sandy Spring Bancorp's or CommerceFirst Bancorp's control), including the following factors:

- changes in Sandy Spring Bancorp's or CommerceFirst Bancorp's respective businesses, operations and prospects;

- changes in market assessments of the business, operations and prospects of either company;

- market assessments of the likelihood that the merger will be completed, including related considerations regarding regulatory approvals of the merger;

- interest rates, general market and economic conditions and other factors generally affecting the price of Sandy Spring Bancorp’s common stock and CommerceFirst Bancorp’s common stock; and

- federal, state and local legislation, governmental regulation and legal developments in the businesses in which Sandy Spring Bancorp and CommerceFirst Bancorp operate.

CommerceFirst Bancorp shareholders may receive a form of consideration different from what they elect.

The consideration to be received by CommerceFirst Bancorp shareholders in the merger is subject to the requirement that 50% of the shares of CommerceFirst Bancorp common stock be exchanged for Sandy Spring Bancorp common stock and 50% be exchanged for cash. The agreement and plan of merger contains proration and allocation procedures to achieve this desired result. If you elect all cash and the available cash is oversubscribed, then you will receive a portion of the merger consideration in Sandy Spring Bancorp common stock. If you elect all stock and the available stock is oversubscribed, then you will receive a portion of the merger consideration in cash. The type of consideration you receive may also be affected by the requirement that the value of the stock portion of the merger consideration be equal to at least 40% of the total value of the merger consideration.

Sandy Spring Bancorp may be unable to successfully integrate CommerceFirst Bancorp’s operations and retain CommerceFirst Bancorp’s employees.

The merger involves the integration of two companies that have previously operated independently. The difficulties of combining the operations of the two companies include: integrating personnel with diverse business backgrounds; combining different corporate cultures; and retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the business and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain key employees of CommerceFirst Bancorp who are expected to be retained by Sandy Spring Bancorp. Sandy Spring Bancorp may not be successful in retaining these employees for the time period necessary to successfully integrate CommerceFirst Bancorp’s operations with those of Sandy Spring Bancorp. The diversion of management’s attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies’ operations could have an adverse effect on the business and results of operations of Sandy Spring Bancorp following the merger.

Additionally, Sandy Spring Bancorp may not be able to successfully achieve the level of cost savings, revenue enhancements, and other synergies that it expects, and may not be able to capitalize upon the existing customer relationships of CommerceFirst Bancorp to the extent anticipated, or it may take longer, or be more difficult or expensive than expected, to achieve these goals. This could have an adverse affect on Sandy Spring Bancorp’s business, results of operation and stock price.

The termination fee and the restrictions on solicitation contained in the agreement and plan of merger may discourage other companies from trying to acquire CommerceFirst Bancorp.

Until the completion of the merger, with certain exceptions, CommerceFirst Bancorp is prohibited from soliciting, initiating, encouraging or taking any other action to facilitate any inquiries, discussions or the making of any proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than Sandy Spring Bancorp. In addition, CommerceFirst Bancorp has agreed to pay a termination fee to Sandy Spring Bancorp in specified circumstances. These provisions could discourage other companies from trying to acquire CommerceFirst Bancorp even though those other companies might be willing to offer greater value to CommerceFirst Bancorp’s shareholders than Sandy Spring Bancorp has offered in the merger. The payment of the termination fee could also have a material adverse effect on CommerceFirst Bancorp’s financial condition.

Certain of CommerceFirst Bancorp’s officers and directors have interests that are different from, or in addition to, interests of CommerceFirst Bancorp’s shareholders generally.

The directors and officers of CommerceFirst Bancorp have interests in the merger that are different from, or in addition to, the interests of CommerceFirst Bancorp shareholders generally. These include: (i) an employment agreement that an executive officer of CommerceFirst Bancorp entered into with Sandy Spring Bank that becomes effective upon completion of the merger; (ii) change in control payments payable under pre-existing employment agreements between CommerceFirst Bancorp and an executive officer and the chairman of the board of directors; and (iii) provisions in the agreement and plan of merger relating to indemnification of directors and officers and insurance for directors and officers of CommerceFirst Bancorp for events occurring before the merger.

For a more detailed discussion of these interests, see "*Description of the Merger—Interests of Certain Persons in the Merger*" beginning on page 47.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of Sandy Spring Bancorp and CommerceFirst Bancorp

There can be no assurance that the merger will become effective. If the merger is not completed, the ongoing businesses of Sandy Spring Bancorp and CommerceFirst Bancorp may be adversely affected and Sandy Spring Bancorp and CommerceFirst Bancorp will be subject to a number of risks, including the following:

- Sandy Spring Bancorp and CommerceFirst Bancorp will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor, proxy solicitation and printing fees;
- under the agreement and plan of merger, CommerceFirst Bancorp is subject to restrictions on the conduct of its business before completing the merger, which may adversely affect its ability to execute certain of its business strategies; and

- matters relating to the merger may require substantial commitments of time and resources by Sandy Spring Bancorp and CommerceFirst Bancorp management, which could otherwise have been devoted to other opportunities that may have been beneficial to Sandy Spring Bancorp and CommerceFirst Bancorp as independent companies, as the case may be.

In addition, if the merger is not completed, Sandy Spring Bancorp and/or CommerceFirst Bancorp may experience negative reactions from the financial markets and from their respective customers and employees. Sandy Spring Bancorp and/or CommerceFirst Bancorp also could be subject to litigation related to any failure to complete the merger or to proceedings commenced by Sandy Spring Bancorp or CommerceFirst Bancorp against the other seeking damages or to compel the other to perform their obligations under the agreement and plan of merger. These factors and similar risks could have an adverse affect on the results of operation, business and stock prices of Sandy Spring Bancorp and CommerceFirst Bancorp.

CommerceFirst Bancorp shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.

CommerceFirst Bancorp shareholders currently have the right to vote in the election of the CommerceFirst Bancorp board of directors and on various other matters affecting CommerceFirst Bancorp. Upon the completion of the merger, many of CommerceFirst Bancorp's shareholders will become shareholders of Sandy Spring Bancorp with a percentage ownership of the combined organization that is much smaller than such shareholders' percentage ownership of CommerceFirst Bancorp.

CommerceFirst Bancorp shareholders who make elections may be unable to sell their shares in the market pending the merger.

CommerceFirst Bancorp shareholders may elect to receive cash, stock or mixed consideration in the merger by completing an election form that will be sent under separate cover. Making an election will require that shareholders turn in their CommerceFirst Bancorp stock certificates. This means that during the time between when the election is made and the date the merger is completed, CommerceFirst Bancorp shareholders will be unable to sell their CommerceFirst Bancorp common stock. If the merger is unexpectedly delayed, this period could extend for a significant period of time. CommerceFirst Bancorp shareholders can shorten the period during which they cannot sell their shares by delivering their election shortly before the election deadline. However, elections received after the election deadline will not be accepted or honored.

The fairness opinion obtained by CommerceFirst Bancorp from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Scott & Stringfellow, LLC, CommerceFirst Bancorp's financial advisor in connection with the merger, has delivered to the board of directors of CommerceFirst Bancorp its opinion dated as of December 20, 2011. The opinion of Scott & Stringfellow stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration to be paid to the holders of the outstanding shares of CommerceFirst Bancorp common stock pursuant to the agreement and plan of merger was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Sandy Spring Bancorp or CommerceFirst Bancorp, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the value of Sandy Spring Bancorp and CommerceFirst Bancorp.

Risks Associated with Sandy Spring Bancorp

Changes in U.S. or regional economic conditions could have an adverse effect on Sandy Spring Bancorp's business, financial condition or results of operations.

Sandy Spring Bancorp's business activities and earnings are affected by general business conditions in the United States and in the local market area. These conditions include short-term and long-term interest rates, inflation, unemployment levels, consumer confidence and spending, fluctuations in both debt and equity capital markets, and the strength of the economy in the United States generally and in Sandy Spring Bancorp's market area in particular. The national economy recently experienced a recession, with rising unemployment levels, declines in real estate values and erosion in consumer confidence. Dramatic declines in the U.S. housing market over the past few years, with falling home prices and increasing foreclosures, have negatively affected the performance of mortgage loans and resulted in significant write-downs of asset values by many financial institutions. Continued elevated levels of unemployment, further declines in the values of real estate, or other events that affect household and/or corporate incomes could impair the ability of Sandy Spring Bancorp's borrowers to repay their loans in accordance with their terms and reduce demand for banking products and services.

The geographic concentration of Sandy Spring Bancorp's operations makes it susceptible to downturns in local economic conditions.

Sandy Spring Bancorp's commercial and commercial real estate lending operations are concentrated in Anne Arundel, Carroll, Frederick, Howard, Montgomery, and Prince George's counties in Maryland, and Arlington, Fairfax and Loudoun counties in Virginia. Sandy Spring Bancorp's success depends in part upon economic conditions in these markets. Adverse changes in economic conditions in these markets could reduce the growth in loans and deposits, impair Sandy Spring Bancorp's ability to collect amounts due on loans, increase problem loans and charge-offs and otherwise negatively affect performance and financial condition. Recent declines in real estate values could cause some of the residential and commercial real estate loans to be inadequately collateralized, which would expose Sandy Spring Bancorp to a greater risk of loss in the event that the recovery on amounts due on defaulted loans is resolved by selling the real estate collateral.

Sandy Spring Bancorp's allowance for loan and lease losses may not be adequate to cover its actual loan and lease losses, which could adversely affect Sandy Spring Bancorp's financial condition and results of operations.

An allowance for loan and lease losses is maintained in an amount that is believed to be adequate to provide for probable losses inherent in the portfolio. Sandy Spring Bancorp has an aggressive program to monitor credit quality and to identify loans and leases that may become non-performing, however, at any time there are loans and leases included in the portfolio that will result in losses, but that have not been identified as non-performing or potential problem credits. There can be no assurance that the ability exists to identify all deteriorating credits prior to them becoming non-performing assets, or that Sandy Spring Bancorp will have the ability to limit losses on those loans and leases that are identified. As a result, future additions to the allowance may be necessary. Additionally, future additions may be required based on changes in the loans and leases comprising the portfolio and changes in the financial condition of borrowers, or as a result of assumptions by management in determining the allowance. Additionally, banking regulators, as an integral part of their supervisory function, periodically review Sandy Spring Bancorp's allowance for loan and lease losses. These regulatory agencies may require an increase the provision for loan and lease losses or to recognize further loan or lease charge-offs based upon their judgments, which may be different from Sandy Spring Bancorp's. Any increase in the allowance for loan and lease losses could have a negative effect on the financial condition and results of operations of Sandy Spring Bancorp.

If non-performing assets increase, earnings will be adversely impacted.

At December 31, 2011, non-performing assets totaled $83.6 million, or 2.25%, of total assets, compared to non-performing assets of $97.7 million, or 2.78% of total assets at December 31, 2010. Non-performing assets adversely affect net income in various ways. Interest income is not recorded on non-accrual loans or other real estate owned. Sandy Spring Bancorp must record a reserve for probable losses on loans and leases, which is established through a current period charge to the provision for loan and lease losses and from time to time and must write-down the value of properties in Sandy Spring Bancorp’s other real estate owned portfolio to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to other real estate owned. Further, the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity. Finally, if the estimate for the recorded allowance for loan and lease losses proves to be incorrect and the allowance is inadequate, the allowance will have to be increased and, as a result, Company earnings would be adversely affected. A further downturn in Sandy Spring Bancorp’s market areas could increase credit risk associated with the loan portfolio, as it could have a material adverse effect on both the ability of borrowers to repay loans as well as the value of the real property or other property held as collateral for such loans. There can be no assurance that non-performing loans will not experience an increase in the future, or that Sandy Spring Bancorp’s non-performing assets will not result in further losses in the future.

Sandy Spring Bancorp may be subject to certain risks related to originating and selling mortgage loans.

When mortgage loans are sold, it is customary to make representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. The whole loan sale agreements require the repurchase or substitution of mortgage loans in the event Sandy Spring Bancorp breaches any of these representations or warranties. In addition, there may be a requirement to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Sandy Spring Bancorp receives a limited number of repurchase and indemnity demands from purchasers as a result of borrower fraud and early payment default of the borrower on mortgage loans. Sandy Spring Bancorp has enhanced its underwriting policies and procedures, however, these steps may not be effective or reduce the risk associated with loans sold in the past. If repurchase and indemnity demands increase materially, Sandy Spring Bancorp’s results of operations could be adversely affected.

Delays in Sandy Spring Bancorp's ability to foreclose on delinquent mortgage loans may negatively impact Sandy Spring Bancorp's business.

The origination of mortgage loans occurs with the expectation that if the borrower defaults then the ultimate loss is mitigated by the value of the collateral that secures the mortgage loan. The ability to mitigate the losses on defaulted loans depends upon the ability to promptly foreclose upon the collateral after an appropriate cure period. In some states, the large number of mortgage foreclosures that have occurred has resulted in delays in foreclosing. Any delay in the foreclosure process will adversely affect Sandy Spring Bancorp by increasing the expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and exposes Sandy Spring Bancorp to losses as a result of potential additional declines in the value of such collateral.

Changes in interest rates and other factors beyond Sandy Spring Bancorp's control may adversely affect earnings and financial condition.

Sandy Spring Bancorp's net income depends to a great extent upon the level of net interest income. Changes in interest rates can increase or decrease net interest income and net income. Net interest income is the difference between the interest income earned on loans, investments, and other interest-earning assets, and the interest paid on interest-bearing liabilities, such as deposits and borrowings. Net interest income is affected by changes in market interest rates, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income.

Changes in market interest rates are affected by many factors beyond Sandy Spring Bancorp's control, including inflation, unemployment, money supply, international events, and events in world financial markets. Sandy Spring Bancorp attempts to manage its risk from changes in market interest rates by adjusting the rates, maturity, re-pricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on the net interest margin and results of operations. Changes in the market interest rates for types of products and services in various markets also may vary significantly from location to location and over time based upon competition and local or regional economic factors. At December 31, 2011, Sandy Spring Bancorp's interest rate sensitivity simulation model projected that net interest income would decrease by 0.06% if interest rates immediately rose by 200 basis points. The results of an interest rate sensitivity simulation model depend upon a number of assumptions which may not prove to be accurate. There can be no assurance that Sandy Spring Bancorp will be able to successfully manage interest rate risk.

Sandy Spring Bancorp's investment securities portfolio is subject to credit risk, market risk, and liquidity risk.

The investment securities portfolio has risks factors beyond Sandy Spring Bancorp’s control that may significantly influence its fair value. These risk factors include, but are not limited to, rating agency downgrades of the securities, defaults of the issuers of the securities, lack of market pricing of the securities, and instability in the credit markets. Lack of market activity with respect to some securities has, in certain circumstances, required Sandy Spring Bancorp to base its fair market valuation on unobservable inputs. Any changes in these risk factors, in current accounting principles or interpretations of these principles could impact Sandy Spring Bancorp’s assessment of fair value and thus the determination of other-than-temporary impairment of the securities in the investment securities portfolio. Investment securities that previously were determined to be other-than-temporarily impaired could require further write-downs due to continued erosion of the creditworthiness of the issuer. Write-downs of investment securities would negatively affect Sandy Spring Bancorp’s earnings and regulatory capital ratios.

Sandy Spring Bancorp is subject to liquidity risks.

Market conditions could negatively affect the level or cost of available liquidity, which would affect Sandy Spring Bancorp’s ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Core deposits and Federal Home Loan Bank advances are Sandy Spring Bancorp’s primary source of funding. A significant decrease in the core deposits, an inability to renew Federal Home Loan Bank advances, an inability to obtain alternative funding to core deposits or Federal Home Loan Bank advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on Sandy Spring Bancorp’s business, financial condition and results of operations.

Potential impairment in the carrying value of goodwill could negatively impact Sandy Spring Bancorp’s earnings.

At December 31, 2011, goodwill totaled $76.8 million. Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Given the current economic environment and conditions in the financial markets, there could be a requirement to evaluate the recoverability of goodwill prior to the normal annual assessment if there is a disruption in Sandy Spring Bancorp's business, unexpected significant declines in operating results, or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future, which would adversely affect the results of operations. A goodwill impairment charge does not adversely affect regulatory capital ratios or tangible capital. Based on an analyses, it was determined that the fair value of Sandy Spring Bancorp's reporting units exceeded the carrying value of their assets and liabilities and, therefore, goodwill was not considered impaired at December 31, 2011.

Sandy Spring Bancorp depends on its executive officers and key personnel to continue the implementation of its long-term business strategy and could be harmed by the loss of their services.

Sandy Spring Bancorp believes that its continued growth and future success will depend in large part on the skills of its management team and its ability to motivate and retain these individuals and other key personnel. In particular, Sandy Spring Bancorp relies on the leadership of its Chief Executive Officer, Daniel J. Schrider. The loss of service of Mr. Schrider or one or more of Sandy Spring Bancorp's other executive officers or key personnel could reduce Sandy Spring Bancorp's ability to successfully implement its long-term business strategy, its business could suffer and the value of Sandy Spring Bancorp's common stock could be materially adversely affected. Leadership changes will occur from time to time and Sandy Spring Bancorp cannot predict whether significant resignations will occur or whether Sandy Spring Bancorp will be able to recruit additional qualified personnel. Sandy Spring Bancorp believes its management team possesses valuable knowledge about the banking industry and Sandy Spring Bancorp's markets and that their knowledge and relationships would be very difficult to replicate. Although Sandy Spring Bancorp's Chief Executive Officer and its Chief Financial Officer have entered into employment agreements with Sandy Spring Bancorp, it is possible that they may not complete the term of their employment agreements or renew them upon expiration. Sandy Spring Bancorp's success also depends on the experience of its branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact Sandy Spring Bancorp's banking operations. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on Sandy Spring Bancorp's business, financial condition or operating results.

The market price for Sandy Spring Bancorp's stock may be volatile.

The market price for Sandy Spring Bancorp's common stock has fluctuated, ranging between $13.64 and $19.94 per share during the 12 months ended December 31, 2011. The overall market and the price of Sandy Spring Bancorp's common stock may experience volatility. There may be a significant impact on the market price for the common stock due to, among other things:

· past and future dividend practice;

- financial condition, performance, creditworthiness and prospects;
- quarterly variations in operating results or the quality of Sandy Spring Bancorp's assets;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to the future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by Sandy Spring Bancorp or its competitors;
- the operating and securities price performance of other companies that investors believe are comparable to Sandy Spring Bancorp;
- future sales of Sandy Spring Bancorp's equity or equity-related securities;
- the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally; and
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility or other geopolitical, regulatory or judicial events.

There can be no assurance that a more active or consistent trading market in Sandy Spring Bancorp's common stock will develop. As a result, relatively small trades could have a significant impact on the price of Sandy Spring Bancorp's common stock.

The cost savings that Sandy Spring Bancorp estimates for mergers and acquisitions may not be realized.

The success of Sandy Spring Bancorp's mergers and acquisitions may depend, in part, on the ability to realize the estimated cost savings from combining the acquired businesses with Sandy Spring Bancorp's existing operations. It is possible that the potential cost savings could turn out to be more difficult to achieve than anticipated. The cost savings estimates also depend on the ability to combine the businesses in a manner that permits those cost savings to be realized. If the estimates turn out to be incorrect or there is an inability to combine successfully, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

Combining acquired businesses with Sandy Spring may be more difficult, costly, or time-consuming than expected, or could result in the loss of customers.

It is possible that the process of merger integration of acquired companies could result in the loss of key employees, the disruption of 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 or acquisition. There also may be disruptions that cause Sandy Spring Bancorp to lose customers or cause customers to withdraw their deposits. Customers may not readily accept changes to their banking arrangements or other customer relationships after the merger or acquisition.

Competition may decrease Sandy Spring Bancorp's growth or profits.

Sandy Spring Bancorp competes for loans, deposits, and investment dollars with other banks and other financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers, and private lenders, many of which have substantially greater resources than possessed by Sandy Spring Bancorp. Credit unions have federal tax exemptions, which may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to institutions that offer federally insured deposits. Other institutions may have other competitive advantages in particular markets or may be willing to accept lower profit margins on certain products. These differences in resources, regulation, competitive advantages, and business strategy may decrease Sandy Spring Bancorp's net interest margin, increase Sandy Spring Bancorp's operating costs, and may make it harder to compete profitably.

Sandy Spring Bancorp operates in a highly regulated industry, and compliance with, or changes to, the laws and regulations that govern its operations may adversely affect Sandy Spring Bancorp.

The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance funds and depositors, not shareholders. Sandy Spring Bank is subject to regulation and supervision by the Board of Governors of the Federal Reserve System and by Maryland banking authorities. Sandy Spring Bancorp is subject to regulation and supervision by the Board of Governors of the Federal Reserve System. The burdens imposed by federal and state regulations put banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies, and leasing companies. Changes in the laws, regulations, and regulatory practices affecting the banking industry may increase the cost of doing business or otherwise adversely affect Sandy Spring Bancorp and create competitive advantages for others. Regulations affecting banks and financial services companies undergo continuous change, and Sandy Spring Bancorp cannot predict the ultimate effect of these changes, which could have a material adverse effect on Sandy Spring Bancorp's results of operations or financial condition. Federal economic and monetary policy may also affect Sandy Spring Bancorp's ability to attract deposits and other funding sources, make loans and investments, and achieve satisfactory interest spreads.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material effect on Sandy Spring Bancorp's operations.

The Dodd-Frank Act imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on Sandy Spring Bancorp's business are: changes to regulatory capital requirements; exclusion of hybrid securities, including trust preferred securities, issued on or after May 19, 2010 from Tier 1 capital; creation of new government regulatory agencies (such as the Financial Stability Oversight Council, which will oversee systemic risk, and the Consumer Financial Protection Bureau, which will develop and enforce rules for bank and non-bank providers of consumer financial products); potential limitations on federal preemption; changes to deposit insurance assessments; regulation of debit interchange fees; changes in retail banking regulations, including potential limitations on certain fees Sandy Spring Bancorp may charge; and changes in regulation of consumer mortgage loan origination and risk retention. Some provisions of the Dodd-Frank Act became effective immediately upon its enactment. Many provisions, however, require regulations to be promulgated by various federal agencies in order to be implemented, some of which have been proposed by the applicable federal agencies. The provisions of the Dodd-Frank Act may have unintended effects, which will not be clear until implementation. The changes resulting from the Dodd-Frank Act may impact the profitability of Sandy Spring

Bancorp's business activities, require changes to certain of Sandy Spring Bancorp's business practices, impose upon Sandy Spring Bancorp more stringent capital, liquidity and leverage requirements or otherwise adversely affect Sandy Spring Bancorp's business. These changes may also require Sandy Spring Bancorp to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact Sandy Spring Bancorp's results of operations and financial condition.

Sandy Spring Bancorp's ability to pay dividends is limited by law and contract.

The ability to pay dividends to shareholders largely depends on Sandy Spring Bancorp's receipt of dividends from Sandy Spring Bank. The amount of dividends that Sandy Spring Bank may pay to Sandy Spring Bancorp is limited by federal laws and regulations. The ability of Sandy Spring Bank to pay dividends is also subject to its profitability, financial condition and cash flow requirements. There is no assurance that Sandy Spring Bank will be able to pay dividends to Sandy Spring Bancorp in the future. The decision may be made to limit the payment of dividends even when the legal ability to pay them exists, in order to retain earnings for other uses. A prohibition from paying dividends on common stock also exists if the required payments on Sandy Spring Bancorp's subordinated debentures have not been made.

Restrictions on unfriendly acquisitions could prevent a takeover of Sandy Spring Bancorp.

Sandy Spring Bancorp's articles of incorporation and bylaws contain provisions that could discourage takeover attempts that are not approved by the board of directors. The Maryland General Corporation Law includes provisions that make an acquisition of Sandy Spring Bancorp more difficult. These provisions may prevent a future takeover attempt in which the shareholders otherwise might receive a substantial premium for their shares over then-current market prices.

These provisions include supermajority provisions for the approval of certain business combinations and certain provisions relating to meetings of shareholders. Sandy Spring Bancorp's articles of incorporation also authorize the issuance of additional shares without shareholder approval on terms or in circumstances that could deter a future takeover attempt.

Future sales of Sandy Spring Bancorp's common stock or other securities may dilute the value and adversely affect the market price of Sandy Spring Bancorp's common stock.

In many situations, the board of directors has the authority, without any vote of Sandy Spring Bancorp's shareholders, to issue shares of authorized but unissued stock, including shares authorized and unissued under Sandy Spring Bancorp's equity incentive plans. In the future, additional securities may be issued, through public or private offerings, in order to raise additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders and may dilute the per share book value of Sandy Spring Bancorp's common stock. In addition, option holders may exercise their options at a time when Sandy Spring Bancorp would otherwise be able to obtain additional equity capital on more favorable terms.

Changes in the Federal or State tax laws may negatively impact Sandy Spring Bancorp's financial performance.

Sandy Spring Bancorp is subject to changes in tax law that could increase the effective tax rate payable to the state or federal government. These law changes may be retroactive to previous periods and as a result, could negatively affect the current and future financial performance of Sandy Spring Bancorp.

Changes in accounting standards or interpretation of new or existing standards may affect how Sandy Spring Bancorp reports its financial condition and results of operations.

From time to time the Financial Accounting Standards Board ("FASB") and the SEC change accounting regulations and reporting standards that govern the preparation of Sandy Spring Bancorp's financial statements. In addition, the FASB, SEC, bank regulators and the outside independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These changes can be hard to predict and can materially impact how to record and report Sandy Spring Bancorp's financial condition and results of operations. In some cases, there could be a requirement to apply a new or revised accounting standard retroactively, resulting in the restatement of prior period financial statements.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this document that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The sections of this document which contain forward-looking statements include, but are not limited to, "*Questions And Answers About the Merger and the Special Meeting," "Summary," "Risk Factors," "Description of the Merger—Background of the Merger,*" "*Description of the Merger—Sandy Spring Bancorp's Reasons for the Merger,*" and "*Description of the Merger—Background of and CommerceFirst Bancorp's Reasons for the Merger; Recommendation of CommerceFirst Bancorp's Board of Directors.*" You can identify these statements from the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions and the risks and other factors set forth in the "*Risk Factors*" section beginning on page 10, and those set forth under the caption "Risk Factors" in Sandy Spring Bancorp's Annual Report on Form 10-K for the year ended December 31, 2011 and other reports filed by Sandy Spring Bancorp with the SEC.

Because of these and other uncertainties, Sandy Spring Bancorp's actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, Sandy Spring Bancorp's and CommerceFirst Bancorp's past results of operations do not necessarily indicate Sandy Spring Bancorp's and CommerceFirst Bancorp's combined future results. You should not place undue reliance on any forward-looking statements, which speak only as of the dates on which they were made. Sandy Spring Bancorp is not undertaking an obligation to update these forward-looking statements, even though its situation may change in the future, except as required under federal securities law. Sandy Spring Bancorp qualifies all of its forward-looking statements by these cautionary statements.

Further information on other factors which could affect the financial condition, results of operations, liquidity or capital resources of Sandy Spring Bancorp before and after the merger is included in this proxy statement/prospectus under "*Information About Sandy Spring Bancorp*."

SELECTED HISTORICAL FINANCIAL INFORMATION

The following selected financial information for Sandy Spring Bancorp and CommerceFirst Bancorp for the fiscal years ended December 31, 2011, 2010, 2009, 2008 and 2007 is derived from audited consolidated financial statements of Sandy Spring Bancorp and CommerceFirst Bancorp. You should read this summary financial information in connection with Sandy Spring Bancorp's and CommerceFirst Bancorp's historical financial information, which appear elsewhere in this proxy statement/prospectus.

Selected Historical Financial Data of Sandy Spring Bancorp

	At or For the Year Ended December 31,				
	2011	2010	2009 (unaudited)	2008	2007
	(Dollars in thousands, except per share amounts)				
FINANCIAL CONDITION DATA					
Investment securities	$1,164,699	$1,042,943	$1,023,799	$492,491	$445,273
Loans and leases	2,239,692	2,156,232	2,298,010	2,490,646	2,277,031
Total assets	3,711,370	3,519,388	3,630,478	3,313,638	3,043,953
Deposits	2,656,520	2,549,872	2,696,842	2,365,257	2,273,868
Borrowings	584,021	537,001	535,646	522,658	426,525
Stockholders' equity	446,109	407,569	373,586	391,862	315,640
OPERATING DATA					
Net interest income	$112,946	$115,607	$103,708	$108,459	$104,826
Provision for loan and lease losses	1,428	25,908	76,762	33,192	4,094
Non-interest income	43,500	43,782	43,356	45,525	44,123
Non-interest expenses	105,071	100,912	101,154	101,371	99,622
Income (loss) before income taxes	49,947	32,569	(30,852)	19,421	45,233
Net income (loss)	34,102	23,520	(14,855)	15,779	32,262
Net income (loss) available to common stockholders	34,102	17,371	(19,665)	15,445	32,262
COMMON SHARE DATA					
Basic net income (loss) per common share	$1.42	$0.78	$(1.20)	$0.94	$2.01
Diluted net income (loss) per common share	1.41	0.78	(1.20)	0.94	2.01
Dividends declared per common share	0.34	0.04	0.37	0.96	0.92
Book value per common share	18.52	16.95	17.80	19.05	19.31
Outstanding Common Shares	24,091,042	24,046,627	16,487,852	16,398,523	16,349,317

KEY OPERATING RATIOS					
Return on average assets	0.95 %	0.48 %	(0.55)%	0.49 %	1.10 %
Return on average common equity	8.07	4.56	(6.35)	4.84	11.12
Net interest margin	3.57	3.60	3.29	3.92	4.13
Allowance for loan and lease losses to loans and leases	2.21	2.88	2.81	2.03	1.10
Non-performing loans to total loans	3.53	4.08	5.82	2.79	1.51
Non-performing assets to total assets	2.25	2.78	3.89	2.18	1.15
Allowance for loan and lease losses to non-performing loans	62.46	70.57	48.28	72.82	72.94
Net charge-offs to average loans and leases	0.66	1.27	2.61	0.32	0.06
Average equity to average assets	11.80	12.21	10.94	10.31	9.89

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Selected Historical Financial Data of CommerceFirst Bancorp

	At or For the Year Ended December 31,				
(Dollars in thousands, except per share data)	2011	2010	2009	2008	2007
Operation statement data:					
Net interest income	$10,155	$9,430	$7,341	$5,567	$5,895
Provision for loan losses	2,533	2,716	1,616	647	45
Noninterest income	1,146	1,094	720	569	620
Noninterest expense	5,784	5,434	5,315	5,028	4,688
Federal and state income tax expense	1,169	951	452	166	694
Net income	1,815	1,423	678	295	1,088
Per share data and shares outstanding:					
Net income per share, basic	$1.00	$0.78	$0.37	$0.16	$0.60
Net income per share, diluted	1.00	0.78	0.37	0.16	0.59
Book value at period end	13.28	12.28	11.50	11.16	11.02
Average common shares outstanding during year	1,820,548	1,820,548	1,820,548	1,820,548	1,816,504
Diluted average common shares outstanding during year	1,820,548	1,820,548	1,820,548	1,820,548	1,848,195
Shares outstanding at period end	1,820,548	1,820,548	1,820,548	1,820,548	1,820,548
Financial condition data:					
Total assets	$207,339	$203,124	$200,371	$166,569	$148,811
Loans receivable (net)	181,265	181,709	183,102	151,101	124,670
Allowance for loan losses	3,033	3,174	2,380	1,860	1,665
Other interest-earning assets	15,639	12,289	8,382	9,227	18,358
Total deposits	182,608	180,110	178,645	145,241	123,408
Borrowings	-	-	-	-	4,306
Stockholders' equity	24,180	22,365	20,942	20,311	20,056
Selected performance ratios:					
Return on average earning assets	0.90 %	0.71 %	0.37 %	0.19 %	0.80 %
Return on average equity	7.74	6.46	3.29	1.44	5.60
Net interest margin	5.04	4.69	4.00	3.59	4.38
Net interest spread	4.73	4.30	3.32	2.60	3.10
Efficiency ratio	51.18	51.63	65.94	81.94	72.21
Asset quality ratios:					
Nonperforming loans to gross loans	1.45 %	3.94 %	1.47 %	3.80 %	0.89 %
Allowance for loan losses to loans	1.65	1.72	1.28	1.22	1.32
Allowance for loan losses to nonperforming loans	1.14 x	0.44 x	0.87 x	0.32 x	1.48 x
Nonperforming assets to loans and other real estate	3.66	5.64	2.76	3.80	0.89
	1.46	1.04	0.65	0.33	-

Net loan charge-offs (recoveries) to average loans										
Capital ratios:										
Total risk-based capital ratio	14.00	%	13.06	%	12.25	%	14.14	%	16.48	%
Tier I risk-based capital ratio	12.74		11.80		10.99		12.91		15.23	
Leverage ratio	11.51		11.03		10.43		12.24		13.91	
Average equity to average assets	11.32		10.62		11.03		12.86		13.93	

COMPARATIVE PER SHARE DATA

The following table shows information about Sandy Spring Bancorp's and CommerceFirst Bancorp's income per common share, dividends per share and book value per share, and similar information giving effect to the merger (which we refer to as "pro forma" information). In presenting the comparative pro forma information for the time periods shown, we assumed that we had been merged on the dates or at the beginning of the period indicated.

The information listed as "pro forma combined" was prepared using an exchange ratio of 0.8043. The information listed as "per equivalent CommerceFirst Bancorp share" was obtained by multiplying the pro forma amounts by an exchange ratio of 0.8043. We present this information to reflect that some CommerceFirst Bancorp shareholders will receive shares of Sandy Spring Bancorp common stock for each share of CommerceFirst Bancorp common stock exchanged in the merger. Sandy Spring Bancorp anticipates that the combined company will derive financial benefits from the merger that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of Sandy Spring Bancorp following the merger under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of Sandy Spring Bancorp would have been had our companies been combined during these periods.

The information in the following table is based on, and should be read together with, the historical financial information that we have presented in this document.

	Sandy Spring Bancorp Historical	CommerceFirst Bancorp Historical	Pro Forma Combined (1) (2)	Per Equivalent CommerceFirst Bancorp Share
Book value per share:				
At December 31, 2011	$ 18.52	$ 13.28	$ 18.49	$ 14.88
Cash dividends declared per share:				
Year ended December 31, 2011	$ 0.34	$ —	$ 0.34	$ 0.27
Basic net income per share:				
Year ended December 31, 2011	$ 1.42	$ 1.00	$ 1.45	$ 1.17
Diluted net income per share:				
Year ended December 31, 2011	$ 1.41	$ 1.00	$ 1.44	$ 1.16

(1) Pro forma dividends per share represent Sandy Spring Bancorp's historical dividends per share.
(2)

The pro forma combined book value per share of Sandy Spring Bancorp common stock is based upon the pro forma combined common stockholders' equity for Sandy Spring Bancorp and CommerceFirst Bancorp divided by total pro forma common shares of the combined entities.

MARKET PRICE AND DIVIDEND INFORMATION

Sandy Spring Bancorp common stock is listed on The NASDAQ Global Select Market under the symbol SASR. CommerceFirst Bancorp common stock is quoted on The NASDAQ Capital Market under the symbol CMFB. The following table lists the high and low prices per share for Sandy Spring Bancorp common stock and CommerceFirst Bancorp common stock and the cash dividends declared by each company for the periods indicated.

	Sandy Spring Bancorp Common Stock			CommerceFirst Bancorp Common Stock		
	High	Low	Dividends	High	Low	Dividends
Quarter Ended						
March 31, 2012	$ 19.87	$ 17.01	$ .10	$ 14.60	$ 12.17	$ -
December 31, 2011	18.78	13.96	.10	13.99	6.16	-
September 30, 2011	19.27	13.64	.08	10.00	5.86	-
June 30, 2011	19.31	16.86	.08	9.85	8.75	-
March 31, 2011	19.94	16.19	.08	9.80	7.07	-
December 31, 2010	18.75	15.27	.01	10.68	8.50	-
September 30, 2010	17.39	13.44	.01	11.00	8.29	-
June 30, 2010	18.20	13.95	.01	9.50	5.00	-
March 31, 2010	15.13	8.25	.01	7.75	5.25	-

You should obtain current market quotations for Sandy Spring Bancorp and CommerceFirst Bancorp common stock, as the market price of Sandy Spring Bancorp common stock will fluctuate between the date of this document and the date on which the merger is completed, and thereafter. You can get these quotations from a newspaper, on the Internet or by calling your broker.

As of March 1, 2012, there were approximately 2,480 holders of record of Sandy Spring Bancorp common stock. As of March 29, 2012, there were approximately 300 holders of record of CommerceFirst Bancorp common stock. These numbers do not reflect the number of persons or entities who may hold their stock in nominee or “street name” through brokerage firms.

Following the merger, the declaration of dividends will be at the discretion of Sandy Spring Bancorp’s board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of Sandy Spring Bancorp, applicable state law and government regulations and other factors deemed relevant by Sandy Spring Bancorp’s board of directors.

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SPECIAL MEETING OF COMMERCEFIRST BANCORP SHAREHOLDERS

This proxy statement/prospectus is being provided to holders of CommerceFirst Bancorp common stock as CommerceFirst Bancorp's proxy statement in connection with the solicitation of proxies by and on behalf of its board of directors to be voted at the special meeting of CommerceFirst Bancorp shareholders to be held on May 18, 2012, and at any adjournment or postponement of the special meeting. This proxy statement/prospectus is also being provided to you as Sandy Spring Bancorp's prospectus in connection with the offer and sale by Sandy Spring Bancorp of its shares of common stock as a result of the proposed merger.

Date, Time and Place of Meeting

The special meeting is scheduled to be held as follows:

Date: May 18, 2012

Time:I1:00 a.m., Eastern time

Place: CommerceFirst Bank, 1804 West Street, Annapolis, Maryland

Purpose of the Meeting

At the special meeting, CommerceFirst Bancorp's shareholders will be asked to:

- Approve the agreement and plan of merger, pursuant to which CommerceFirst Bancorp will merge with and into Sandy Spring Bancorp, with Sandy Spring Bancorp surviving the merger, and each outstanding share of CommerceFirst Bancorp common stock will be converted into the right to receive at the election of each holder of CommerceFirst Bancorp common stock, either $13.60 in cash or 0.8043 shares of Sandy Spring Bancorp common stock, subject to proration and adjustment.

- Approve a proposal, if necessary, to adjourn the special meeting to permit the further solicitation of proxies if there are not sufficient votes at the time of the special meeting to achieve a quorum or approve the agreement and plan of merger and the merger.
- Approve a non-binding advisory resolution approving the compensation that CommerceFirst Bancorp's named executive officers may receive.
- Transact any other business that may properly come before the special meeting or any postponement or adjournment of the special meeting.

Who Can Vote at the Meeting

You are entitled to vote if the records of CommerceFirst Bancorp showed that you held shares of CommerceFirst Bancorp common stock as of the close of business on March 29, 2012. Beneficial owners of shares held in the name of a broker, bank or other nominee ("street name") should instruct their recordholder how to vote their shares. As of the close of business on the record date, a total of 1,820,548 shares of CommerceFirst Bancorp common stock were outstanding. Each share of common stock has one vote on each matter presented to shareholders. If you are a beneficial owner of shares of CommerceFirst Bancorp common stock held in "street name" and you want to vote your shares in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum; Vote Required

The special meeting will conduct business only if a majority of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote is represented in person or by proxy at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares of CommerceFirst Bancorp common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. We expect that the "street name" nominees will not vote on any of the proposals submitted to CommerceFirst Bancorp shareholders at the special meeting without instructions from the beneficial owners of the shares. Therefore, it is extremely important that you provide your recordholder with instructions on how to vote your shares.

Approval and adoption of the agreement and plan of merger will require the affirmative vote of two-thirds of the outstanding shares of CommerceFirst Bancorp common stock entitled to vote at the meeting. **Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote against the agreement and plan of merger. Broker non-votes and abstentions from voting will have the same effect as voting against the agreement and plan of merger.**

The affirmative vote of the majority of votes cast is required to approve the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve and adopt the agreement and plan of merger and to approve, in a non-binding advisory vote, the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

Shares Held by CommerceFirst Bancorp Officers and Directors and by Sandy Spring Bancorp

As of March 29, 2012, directors and executive officers of CommerceFirst Bancorp beneficially owned 398,001 shares of CommerceFirst Bancorp common stock. This equals 21.9% of the outstanding shares of CommerceFirst Bancorp common stock. As of the same date, neither Sandy Spring Bancorp nor any its subsidiaries, directors or executive officers owned any shares of CommerceFirst Bancorp common stock. All of CommerceFirst Bancorp's directors entered into voting agreements with Sandy Spring Bancorp to vote the 397,601 shares of CommerceFirst Bancorp common stock owned by them in favor of the proposal to approve the agreement and plan of merger.

Voting and Revocability of Proxies

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, CommerceFirst Bancorp recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

CommerceFirst Bancorp shareholders whose shares are held in "street name" by their broker, bank or other nominee must follow the instructions provided by their broker, bank or other nominee to vote their shares. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet. If your shares are held in "street name" and you wish to vote in person at the special meeting, you will have to obtain a "legal proxy" from your recordholder entitling you to vote at the special meeting.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval and adoption of the agreement and plan of merger. If you are the record holder of your shares of CommerceFirst Bancorp common stock and submit your proxy without specifying a voting instruction, your shares of CommerceFirst Bancorp common stock will be voted "FOR" the proposal to approve and adopt the agreement and plan of merger, "FOR" the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve and adopt the agreement and plan of merger and "FOR" the approval of the resolution approving the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger. CommerceFirst Bancorp's board of directors unanimously recommends a vote **"**FOR**"** approval and adoption of the agreement and plan of merger, "FOR" approval of the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the agreement and plan of merger and "FOR" the approval of the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger.

You may revoke your proxy at any time before it is voted by:

- filing with the Corporate Secretary of CommerceFirst Bancorp a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

CommerceFirst Bancorp, Inc.

Candace M. Springmann, Corporate Secretary

1804 West Street, Suite 200

Annapolis, Maryland 21404

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If any matters not described in this document are properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. CommerceFirst Bancorp does not know of any other matters to be presented at the meeting.

Solicitation of Proxies

CommerceFirst Bancorp will pay for this proxy solicitation. In addition to soliciting proxies by mail, Regan & Associates, Inc., a proxy solicitation firm, will assist CommerceFirst Bancorp in soliciting proxies for the special meeting. CommerceFirst Bancorp will pay $6,000 for these services. Additionally, directors, officers and employees of CommerceFirst Bancorp and CommerceFirst Bank may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies. CommerceFirst Bancorp will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Appraisal Rights

Any CommerceFirst Bancorp shareholder who objects to the merger and follows the specific procedures set forth in Title 3, Subtitle 2 of the Maryland General Corporation Law (“MGCL”) will be entitled to receive payment in cash of the fair value of their shares of CommerceFirst Bancorp common stock. If you want to demand payment of the fair value of your common stock, you must fully comply with the procedures set out in the MGCL. A copy of Title 3, Subtitle 2 of the MGCL is included as Annex C to this proxy statement/prospectus. The required procedures are summarized below.

- First, you must submit a written notice to the Secretary of CommerceFirst Bancorp at or before the special meeting of CommerceFirst Bancorp shareholders, stating that you object to the proposed merger. You should send your notice to:

CommerceFirst Bancorp, Inc.

Candace M. Springmann, Corporate Secretary

1804 West Street, Suite 200

Annapolis, Maryland 21404

- You must not vote your CommerceFirst Bancorp common stock in favor of the merger. This means that you should either return a proxy card or voting instruction card (if your shares are held in "street name") with the "Against" box checked or not return a proxy card or voting instructions card at all. Merely voting against the merger or not voting will not constitute notice of objection, and will not entitle you to payment in cash of the fair value of your shares.

- After the effectiveness of the merger, Sandy Spring Bancorp, as the successor to CommerceFirst Bancorp, will write to objecting shareholders, notifying them of the date on which the articles of merger were accepted for record. This notice will be sent by certified mail, return receipt requested, to the address you provide in your notice, or if no address is indicated, to the address which appears on Sandy Spring Bancorp's records.

- Within 20 days of the date on which the articles of merger were accepted for record, objecting shareholders must make a written demand for payment of the fair value of their CommerceFirst Bancorp common stock, stating the number and class of shares for which payment is demanded. The written demand for payment should be sent to:

Sandy Spring Bancorp, Inc.

Ronald E. Kuykendall

Executive Vice President, General Counsel and Secretary

17801 Georgia Avenue

Olney, Maryland 20832

Our notice of the date on which the articles of merger were accepted may contain an offer of payment of the amount which we believe is the fair value of your CommerceFirst Bancorp common stock along with certain financial disclosures. If you have followed all of the procedural steps required to demand payment of fair value and have not received payment for your CommerceFirst Bancorp common stock, you may, or we may, within 50 days of the acceptance of the articles of merger, petition the court of equity in the county of CommerceFirst Bancorp's registered agent for appraisal of the fair value of your CommerceFirst Bancorp common stock as of the date shareholders receive notice of the proposed transaction, without including any appreciation or depreciation resulting directly or indirectly from the merger or its proposal.

Any shareholder who files a notice of objection, but fails to file a written demand for the payment of fair value in a timely manner, will be bound by the vote of the CommerceFirst Bancorp shareholders and will not be entitled to receive payment in cash as an objecting shareholder.

If you demand payment for your CommerceFirst Bancorp common stock, you have no right to the Sandy Spring Bancorp common stock or cash into which your CommerceFirst Bancorp common stock would be converted after the merger is approved, except the payment of fair value. If you demand payment for your CommerceFirst Bancorp common stock, your rights as a CommerceFirst Bancorp shareholder will be restored if the demand for payment is withdrawn, a petition of appraisal is not filed within the time required, a court determines that you are not entitled to relief, or the merger is abandoned or rescinded. A demand for payment may be withdrawn only with our consent.

If the court finds that the objecting shareholder is entitled to an appraisal of his or her stock, it shall appoint three disinterested appraisers to determine the fair value of the stock on terms and conditions the court considers proper. Within 60 days after appointment, or longer as the court may direct, the appraisers must file with the court and mail to each shareholder who is a party to the proceeding their report stating their conclusion as to the fair value of the common stock. Within 15 days after the filing of the report, any party may object to the report and request a rehearing. The court, upon motion of any party, will enter an order either confirming, modifying or rejecting the report and, if confirmed or modified, enter judgment directing the time within which the payment must be made. If the report is rejected, the court may determine the fair value or remit the proceeding to the same or other appraisers. Any judgment entered pursuant to a court proceeding will include interest from the date fair value was determined, unless the court finds that shareholders' refusal to accept a written offer to purchase the shares was arbitrary and vexatious or not in good faith.

The cost of the appraisal proceedings, including compensation and expenses of the appraisers, will be Sandy Spring Bancorp's responsibility, except that all or any part of the expenses may be assessed against any and all of the objecting shareholders to whom an offer to pay for common stock has been made, if the court finds the failure to accept the offer was arbitrary, vexatious or not in good faith. Costs of the proceedings will not include fees and expenses of counsel. Costs of the proceedings may include fees and expenses of experts only if we did not make an offer of payment for your common stock or if the value of the common stock as determined in the appraisal proceeding materially exceeds the amount offered by us.

The preceding is a summary of the material aspects of Title 3, Subtitle 2 of the MGCL, and is qualified by reference to the text of the statute. We urge you to read the full text of the statute which is included as Annex C to this proxy statement/prospectus.

PROPOSAL NO. 1

APPROVAL AND ADOPTION OF THE AGREEMENT AND PLAN OF MERGER

At CommerceFirst Bancorp's special meeting of shareholders, CommerceFirst Bancorp shareholders will consider and vote on a proposal to approve and adopt the agreement and plan of merger. Details about the merger, including CommerceFirst Bancorp's reasons for the merger, the effect of approval and adoption of the agreement and plan of merger and the timing of effectiveness of the merger, are discussed in the section entitled "*Description of the Merger*" beginning on page 28 of this document.

Approval of the merger proposal requires the presence of a quorum and the affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock of CommerceFirst Bancorp entitled to vote at the special meeting.

CommerceFirst Bancorp's board of directors unanimously recommends that CommerceFirst Bancorp shareholders vote "FOR" approval and adoption of the agreement and plan of merger and the merger.

PROPOSAL NO. 2

ADJOURNMENT OF THE SPECIAL MEETING

If there are insufficient proxies at the time of the special meeting to approve and adopt the agreement and plan of merger, the CommerceFirst Bancorp shareholders may be asked to vote on a proposal to adjourn the special meeting to a later date to allow additional time to solicit additional proxies. The CommerceFirst Bancorp board currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve and adopt the agreement and plan of merger (Proposal No. 1).

CommerceFirst Bancorp's Board of Directors unanimously recommends a vote "FOR" approval of the adjournment of the special meeting if necessary to solicit additional proxies in favor of the approval and adoption of the agreement and plan of merger.

PROPOSAL NO. 3

NON-BINDING ADVISORY VOTE TO APPROVE THE COMPENSATION PAYABLE TO THE

NAMED EXECUTIVE OFFICERS OF COMMERCEFIRST BANCORP IN CONNECTION WITH THE MERGER

In accordance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules of the SEC adapted thereunder, CommerceFirst Bancorp's board of directors is providing shareholders with the opportunity to cast a non-binding advisory vote on the compensation payable to the named executive officers of CommerceFirst Bancorp in connection with the merger, as summarized in the table under the caption "*Description of the Merger—Interests of Certain Persons in the Merger—Change in Control, Severance and Bonus Payments for Certain Persons in Connection with the Merger*" beginning on page 47 of this proxy statement/prospectus. This proposal gives CommerceFirst Bancorp shareholders the opportunity to express their views on the compensation that CommerceFirst Bancorp's named executive officers will be entitled to receive that is based on or otherwise relates to the merger.

As described in greater detail under the caption "*Description of the Merger—Interests of Certain Persons in the Merger—Change in Control, Severance and Bonus Payments for Certain Persons in Connection with the Merger,*" two of CommerceFirst Bancorp's "named executive officers" will receive a payment from CommerceFirst Bancorp or Sandy Spring Bancorp, or enter into a new employment agreement with Sandy Spring Bank, as a result of the merger. Under SEC rules, CommerceFirst Bancorp's shareholders must be provided with the opportunity to vote on a non-binding advisory resolution to approve certain "golden parachute" payments that named executive officers will receive in connection with the merger. Only the payment to Mr. Storm constitutes such a "golden parachute" payment.

Mr. Storm, Executive Vice President and Chief Financial Officer of CommerceFirst Bancorp and CommerceFirst Bank, is not expected to be offered a position with Sandy Spring Bancorp following the merger. Under his employment agreement with CommerceFirst Bank, which was executed in 2007, he will be entitled to receive a change in control payment. CommerceFirst Bank provided Mr. Storm with the opportunity to receive the change in control payment in order to induce him to accept employment with CommerceFirst Bank, and to insure his continued dedication to the institution and its best interests despite the potential for a transaction which would result in his termination.

Accordingly, at the special meeting, CommerceFirst Bancorp is asking its shareholders to approve, in a non-binding advisory vote, the compensation payable to Mr. Storm in connection with the merger through the adoption of the following resolution:

"RESOLVED, that the compensation that may be paid or become payable to Mr. Storm in connection with the merger, as disclosed in the table under the caption "*Description of the Merger—Interests of Certain Persons in the Merger—Change in Control, Severance and Bonus Payments for Certain Persons in Connection with the Merger*" in this proxy statement/prospectus in accordance with Item 402(t) of Regulation S-K, including the associated narrative discussion, and the agreements or understandings pursuant to which such compensation may be paid or become payable, is hereby APPROVED."

The vote on this Proposal No. 3 is a vote separate and apart from the vote on Proposal No. 1 to approve the agreement and plan of merger. Accordingly, you may vote to approve this Proposal No. 3 and not to approve Proposal No. 1, and vice versa. Because the vote is advisory in nature only, it will not be binding on either CommerceFirst Bancorp or Sandy Spring Bancorp regardless of whether the agreement and plan of merger is approved. Accordingly, as the compensation to be paid in connection with the merger is a contractual obligation to Mr. Storm regardless of the outcome of this advisory vote, such compensation will be payable if the agreement and plan of merger is approved and the merger is completed, subject only to the contractual conditions applicable to such payment.

The affirmative vote of the majority of the votes cast is required to approve this proposal. Abstentions and broker non-votes will have no effect on this proposal.

CommerceFirst Bancorp's Board of Directors unanimously recommends a vote "FOR" approval, on an advisory non-binding basis, of the compensation payable in connection with the merger.

DESCRIPTION OF THE MERGER

The following summary of the agreement and plan of merger is qualified by reference to the complete text of the agreement and plan of merger. A copy of the agreement and plan of merger is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus. You should read the agreement and plan of merger completely and carefully as it, rather than this description, is the legal document that governs the merger.

General

The agreement and plan of merger provides for the merger of CommerceFirst Bancorp with and into Sandy Spring Bancorp, with Sandy Spring Bancorp as the surviving entity. Immediately following the merger of CommerceFirst Bancorp with Sandy Spring Bancorp, CommerceFirst Bank will merge with and into Sandy Spring Bank, with Sandy Spring Bank as the surviving entity.

Background of and CommerceFirst Bancorp's Reasons for the Merger; Recommendation of CommerceFirst Bancorp's Board of Directors

Background of the Merger. As part of its ongoing consideration and evaluation of CommerceFirst Bancorp's long-term prospects and strategy, the CommerceFirst Bancorp board of directors and senior management periodically reviewed and assessed strategic opportunities and challenges facing CommerceFirst Bancorp and CommerceFirst Bank, including, in 2009, the development of alternatives for a comprehensive five-year internal Strategic Plan, or the "2009 Strategic Plan." The 2009 Strategic Plan focused on three alternative strategies for CommerceFirst Bancorp including (i) a flat growth alternative funded through internal accretion to earnings, (ii) a modest growth alternative funded through modest capital raising, and (iii) a more aggressive growth alternative funded through more aggressive capital raising by CommerceFirst Bancorp. During 2009, 2010 and 2011, a period of substantial stress and uncertainty in the general economies of, and real estate values in, the markets in which CommerceFirst Bancorp operates, and as a result of tumultuous and unfavorable financial and capital markets, CommerceFirst Bancorp pursued the first of the three 2009 Strategic Plan alternatives. This strategy included a primary focus on improving asset quality and working out classified assets, improving earnings and maintaining capital levels above those required for well capitalized status. As a result of management's focus and efforts, CommerceFirst Bancorp was able to achieve, with limited growth, meaningful earnings improvement and stability while making substantial provisions for loan losses and devoting considerable effort and resources to resolving troubled credits. However, due to the capital constraints resulting from the uncertain economic environment and regulatory expectations as well as the stricter credit standards management has imposed in light of economic conditions, substantial growth in loans and assets was not deemed to be feasible or prudent, and CommerceFirst Bancorp followed a minimal growth strategy. In adopting this strategy, the CommerceFirst Bancorp board of directors recognized that such strategy it could not be maintained indefinitely.

Over the approximately two-year period prior to entering into discussions with Sandy Spring Bancorp, CommerceFirst Bancorp's board of directors considered, and discussed with its financial and legal advisors, both its internal 2009 Strategic Plan as well as several external strategic alternatives for CommerceFirst Bancorp. Included in the external strategies was consideration of: (i) engaging in a "merger of equals" transaction (whether as target or acquiror) with comparably sized, or somewhat larger, banks or holding companies, (ii) raising additional capital through public or private stock offerings, (iii) attempting to achieve meaningful organic growth, (iv) engaging in acquisitions or being acquired, or (v) continuing a limited growth strategy until the economy and financial markets fully rebounded.

As part of these discussions, the CommerceFirst Bancorp board of directors also considered the factors that it believed were the desired results of any chosen strategic alternative: (i) increasing liquidity for the common stock for those shareholders who desired the flexibility to cash out or diversify their investment in CommerceFirst Bancorp's common stock; (ii) achieving a reasonable current return on an investment in the common stock, through dividends, for those shareholders who elect to continue their ownership interest; (iii) providing diversification of risks, as a result of increased size and growth opportunities; (iv) enhancing prospects for growth and increased dividends; and (v) achieving reasonable market valuation for shares of CommerceFirst Bancorp or the shares of the pro forma purchasing company. All of these factors were considered by the CommerceFirst Bancorp board of directors and measured over the foreseeable future of the next three to five years and beyond in light of all of the current market and financial conditions known to the CommerceFirst Bancorp board of directors after consultation with its financial advisors.

The CommerceFirst Bancorp board recognized and took into account the challenges of continued operation as an independent small community bank, including the: (i) limited access to the capital markets; (ii) execution risk inherent in continued independent operations, regardless of whether a growth strategy or a limited growth strategy were employed, given the relatively small size of CommerceFirst Bank, its geographic concentrations, and its concentration of commercial and commercial real estate loans, which are relatively large as a percentage of capital and earnings; (iii) increased costs of regulatory compliance; (iv) extended low interest rate environment; (v) continued weak economic conditions in its market areas; and (vi) increased competitive pressures from larger institutions.

From time to time, the CommerceFirst Bancorp board of directors, through its Chairman and certain key directors, consulted with its outside financial advisors, Scott & Stringfellow, LLC, or “Scott & Stringfellow,” with respect to various options available to CommerceFirst Bancorp, including the feasibility and costs of a capital raising transaction, a merger of equals transaction or an outright sale. Scott & Stringfellow periodically provided CommerceFirst Bancorp with an analysis of the state of the capital markets, the likelihood of a successful offering, the costs (both in terms of transaction costs and dilution to existing shareholders) of a capital raising program, the ability of various companies perceived as likely acquirors or merger of equals candidates to consummate a transaction, the range of prices such companies could be expected to pay in an acquisition, the pro forma financial condition of the company resulting from such transactions and the likely appetite for such companies to enter into a transaction.

Given the low level of trading in CommerceFirst Bancorp’s common stock (an average of 845 shares per day for the three month period ended September 30, 2011), the low percentage of book value at which the common stock traded (53.2% at September 30, 2011), and the expectation that any public or private offering of common stock would be at a discount to the trading price, resulting in significant dilution to existing shareholders from a book value, voting control and earnings perspective, the CommerceFirst Bancorp board of directors did not believe that it was in the best interests of CommerceFirst Bancorp or its shareholders to seek additional capital. The CommerceFirst Bancorp board of directors believed that even a modest capital raise would have had the net effect of selling control of CommerceFirst Bancorp to new investors at an extremely discounted price. Based on the advice of its financial advisors, the CommerceFirst Bancorp board of directors did not believe the capital markets for small, independent community banks, such as CommerceFirst Bank, would likely improve in any material respect in the foreseeable future.

During this period, CommerceFirst Bancorp also investigated and held discussions with respect to a number of other potential acquisition transactions, including “merger of equals” transactions. With respect to the potential “merger of equals” transactions, the CommerceFirst Bancorp board of directors considered that the transactions which had been proposed to it would not result in achievement of all or substantially all of the desired goals of the board of directors of CommerceFirst Bancorp. Specifically, the resulting company would (i) likely have an illiquid stock, (ii) trade at a significant discount to book value, (iii) not pay a significant dividend, (iv) encounter many of the same issues facing CommerceFirst Bancorp, including execution risk in respect of any growth strategy and geographic and industry concentrations, and (v) not be sufficiently large to successfully meet the competitive pressures and achieve economies of scale in operational and compliance matters. At the same time, none of the larger companies with which CommerceFirst Bancorp met expressed any current interest in a transaction.

In August 2011, at a lunch meeting between Milton D. Jernigan II, the Chairman of the board of directors of CommerceFirst Bancorp and CommerceFirst Bank, and Robert E. Henel Jr., a member of Sandy Spring Bancorp’s board of directors, the subject of the two companies exploring a merger arose. Mr. Jernigan knew Mr. Henel socially in Annapolis and professionally from Mr. Henel’s long career in banking and community activities, in the Anne Arundel County market. Following the initial lunch conversation between Mr. Jernigan and Mr. Henel, Mr. Henel discussed with the board of directors of Sandy Spring Bancorp the potential advantages of a transaction between Sandy Spring Bancorp and CommerceFirst Bancorp and whether or not Sandy Spring Bancorp would be interested in further pursuing such a conversation. Mr. Jernigan was then contacted by telephone by Mr. Daniel Schrider, President and Chief Executive Officer of Sandy Spring Bancorp, on August 25, 2011 to set up a meeting at Mr. Jernigan’s offices in Annapolis to further discuss the interests of the two companies in a merger transaction. At that meeting, Mr. Jernigan and Mr. Schrider discussed the potential benefits of a transaction between the two companies, Sandy Spring Bancorp's intentions and expectations with respect to a possible transaction, and the general pricing parameters which Mr. Jernigan believed would be necessary to interest the CommerceFirst Bancorp board of directors in a transaction. During this period, Mr. Jernigan consulted with BuckleySandler LLP, or "BuckleySandler," CommerceFirst Bancorp's legal counsel, and Scott & Stringfellow, CommerceFirst Bancorp's financial advisor, for legal and financial advice in conducting these preliminary discussions.

Following their initial conversation and additional conversations between Mr. Jernigan and Mr. Schrider on September 9, 2011 and September 26, 2011, Mr. Schrider orally advised Mr. Jernigan that Sandy Spring Bancorp was interested in delivering an indication of interest in a transaction where Sandy Spring Bancorp would acquire CommerceFirst Bancorp at a price of between $12 and $13 per share, with half of the consideration being paid in cash, and half in shares of Sandy Spring Bancorp common stock. Based on these preliminary discussion and following telephone consultation with certain key members of the CommerceFirst Bancorp board of directors and Mr. Morgan, CommerceFirst Bancorp and Sandy Spring Bancorp entered into a mutual confidentiality agreement on October 5, 2011.

On October 6, 2011, Sandy Spring Bancorp delivered its initial written indication of interest and summary of terms, reflecting the proposed price range of $12 to $13 per share of CommerceFirst Bancorp common stock. Following discussions with Scott & Stringfellow and certain members of the board of directors of CommerceFirst Bancorp and Mr. Morgan, Mr. Jernigan contacted Mr. Schrider expressing interest in the proposal and a possible transaction with Sandy Spring Bancorp, but advising him of his belief that the CommerceFirst Bancorp board of directors would not approve a proposal which did not provide for payment of at least book value. Mr. Jernigan also updated Mr. Schrider on developments regarding CommerceFirst Bancorp's performance through

September 30, 2011. On October 13, 2011, Mr. Schrider provided a revised indication of interest and summary of terms, reflecting a price range of between $12.50 and $13.50 per share of CommerceFirst Bancorp common stock. Following consultations with CommerceFirst Bancorp's legal and financial advisors and certain members of the CommerceFirst Bancorp board of directors, and rigorous analysis of the proposal, a special meeting of the CommerceFirst Bancorp board of directors was called to consider the proposal.

On November 1, 2011, the board of directors of CommerceFirst Bancorp met to discuss the revised indication of interest and summary of terms. After a presentation by Mr. Jernigan of the background of Sandy Spring Bancorp's proposal and of the history of the strategic planning and considerations by the CommerceFirst Bancorp board of directors over the past several years, the CommerceFirst Bancorp board of directors received presentations from Scott & Stringfellow and BuckleySandler.

Scott & Stringfellow provided an extensive analysis of the transaction proposal, using the midpoint of the proposed price range. In addition to analyzing the proposed transaction on a pro forma basis, Scott & Stringfellow provided the CommerceFirst Bancorp board of directors with a review of the conditions in the national and regional merger market, and compared the proposed terms to recent transactions and to Scott & Stringfellow's estimate of Sandy Spring Bancorp's ability to pay without incurring material dilution. Scott & Stringfellow also provided the CommerceFirst Bancorp board of directors with its views, based upon its expertise in financial institution merger activity, particularly in the mid-Atlantic region, and its knowledge of the institutions in the market, as to (i) the institutions that would likely have an interest in acquiring CommerceFirst Bancorp, and (ii) the prices which such likely institutions would likely pay, given their respective capital positions, stock prices, earnings and anticipated cost savings which might result from a combination of CommerceFirst Bancorp with such other institutions. CommerceFirst Bancorp had previously had discussions with, or considered the possibility of a transaction with, most of the likely acquirors, and determined that there was no mutual interest in a transaction with such likely acquirors. Scott & Stringfellow had contacted, on a no name basis, the remaining likely candidates and ascertained the level of possible interest of such candidates.

BuckleySandler gave a presentation to the CommerceFirst Bancorp board of directors regarding its fiduciary duty under Maryland law when considering a sale of the company. The CommerceFirst Bancorp board of directors and BuckleySandler discussed the strategic planning activities, consideration of alternative transactions and other exercises and analyses that CommerceFirst Bancorp and its advisors had engaged in over the past two years, and the impact of a decision to enter into a transaction with Sandy Spring Bancorp without conducting a formal auction process. The board of directors of CommerceFirst Bancorp and its financial and legal advisors engaged in an extensive discussion about the ability of Sandy Spring Bancorp and other potential acquirors to obtain regulatory approval for the acquisition of CommerceFirst Bancorp at likely pricing levels, the impact of the transaction on capital levels and earnings, and the potential market impact on share prices for the acquiror. The CommerceFirst Bancorp board of directors also considered the risk that Sandy Spring Bancorp would withdraw its proposal or reduce the offered price if CommerceFirst Bancorp elected to engage in a formal bidding process involving multiple parties. The CommerceFirst Bancorp board of directors also considered the risk that a delay would result in a reduction in the number of shares of Sandy Spring Bancorp common stock being offered, as a result of the generally increasing stock market trends, and generally increasing price trend for Sandy Spring Bancorp common stock.

Following an extensive discussion on the merits of the proposal, the other internal and external strategic options available, the reputation of Sandy Spring Bancorp, and its attractiveness as a potential acquiror in which CommerceFirst Bancorp shareholders as a whole would retain a significant investment, and after consideration of the views of the company’s advisors, the CommerceFirst Bancorp board of directors unanimously approved pursuing the transaction with Sandy Spring Bancorp and directed Mr. Jernigan to advise Mr. Schrider that while the CommerceFirst Bancorp board believed that there were positive cultural similarities between CommerceFirst Bancorp and Sandy Spring Bancorp, and that the CommerceFirst Bancorp board of directors was excited about the potential for increased value to shareholders and enhanced services for customers, an increase in the price to a range of $13 to $14 per share of CommerceFirst Bancorp common stock, reflecting Sandy Spring Bancorp’s willingness to pay at least book value and a potential premium over book value, was necessary before the CommerceFirst Bancorp board of directors would permit Sandy Spring Bancorp to commence a full due diligence investigation, and authorize exclusive discussions toward a transaction. While the CommerceFirst Bancorp board of directors considered that the price range offered was in all likelihood higher than any potential competing bidder would be able or willing to offer, the CommerceFirst Bancorp board of directors desired a price range which assured a price at least equal to book value. Based upon comparable transactions, the universe of likely acquirors and the advice and presentations of its financial advisors, the CommerceFirst Bancorp board of directors believed that such a price level was preemptive of other potential bidders.

On November 2, 2011, Mr. Schrider agreed to the request for an increased price range and provided a revised summary of terms which increased the price range to $13 to $14 per share of CommerceFirst Bancorp common stock. On the basis of this increased price range, Mr. Jernigan executed an exclusivity agreement, pursuant to which CommerceFirst Bancorp would not engage in any negotiations or discussions with any third party through December 31, 2011.

Over the next several weeks, CommerceFirst Bancorp provided Sandy Spring Bancorp with due diligence documents for its review. Sandy Spring Bancorp conducted an on site due diligence examination during the period beginning November 11, 2011 and ending November 13, 2011. On November 23, 2011, Mr. Schrider advised Mr. Jernigan that as a result of its due diligence examination, Sandy Spring Bancorp was willing to pay $13.50 per share for CommerceFirst Bancorp common stock. Following Sandy Spring Bancorp's revised offer, Scott & Stringfellow conferred with Mr. Morgan about presenting Sandy Spring Bancorp with some additional information regarding the potential benefits of CommerceFirst Bank's Small Business Administration, or "SBA," lending platform in an effort to achieve a further increase in price. Following these discussions, on November 30, 2011, Sandy Spring Bancorp agreed to pay an additional $0.10 per share of CommerceFirst Bancorp common stock, resulting in a final proposal of $13.60 per share of CommerceFirst Bancorp common stock. Mr. Jernigan advised Mr. Schrider of CommerceFirst Bancorp's willingness to proceed with negotiations toward a definitive merger agreement on the basis of that price. The initial draft of the definitive merger agreement was received by CommerceFirst Bancorp on December 1, 2011.

Over the next several weeks, Mr. Jernigan, Mr. Morgan, a working group of CommerceFirst Bancorp's board of directors and other officers conferred frequently with BuckleySandler as they reviewed, analyzed, and discussed revisions to the draft merger agreement and ancillary agreements. Comments were communicated to counsel for Sandy Spring Bancorp, and the terms of the agreement negotiated by counsel. On December 16, 2011, Scott & Stringfellow and BuckleySandler performed a reverse due diligence examination of Sandy Spring Bancorp, during which they reviewed certain documents and interviewed certain members of senior management of Sandy Spring Bancorp.

On December 20, 2011, the board of directors of CommerceFirst Bancorp and CommerceFirst Bank met in joint session with CommerceFirst Bancorp's financial and legal advisors to discuss the proposed transaction. At the joint session, (i) Scott & Stringfellow and BuckleySandler reviewed the procedures effected to date, the status of the negotiations and changes to the definitive merger agreement since the initial draft and to the ancillary agreements, including Mr. Morgan's proposed employment agreement, (ii) BuckleySandler provided a review of the fiduciary duty of the directors, and (iii) Scott & Stringfellow provided an updated presentation on the financial and other terms of the proposed merger, including an analysis of the terms of the merger as compared to other announced merger transactions, and an analysis of the capacity of other companies to effect an acquisition of CommerceFirst Bancorp, (iv) Scott & Stringfellow also provided the CommerceFirst Bancorp board of directors with its view that Sandy Spring Bancorp's common stock was reasonably valued, as compared to comparable companies, and (v) Scott & Stringfellow advised the CommerceFirst Bancorp board of directors that it was of the opinion that the consideration to be received by CommerceFirst Bancorp's shareholders was fair from a financial point of view. Following a lengthy discussion of the terms of the definitive merger agreement and related documents, and after receiving responses to questions posed to financial and legal counsel, the CommerceFirst Bancorp board of directors unanimously approved the proposed merger and the definitive merger agreement in its final form (i.e., the agreement and plan of merger), and authorized Mr. Jernigan to execute and deliver the definitive agreement on behalf of CommerceFirst Bancorp.

CommerceFirst Bancorp's Reasons for the Merger. In reaching the conclusion that the agreement and plan merger is in the best interests of and advisable for CommerceFirst Bancorp and its shareholders, and in approving the agreement and plan of merger, CommerceFirst Bancorp's board of directors considered and reviewed with management and CommerceFirst Bancorp's financial and legal advisors a number of factors, including the following:

- The consideration offered by Sandy Spring Bancorp, at $13.60 cash or 0.8043 shares of Sandy Spring Bancorp common stock, is in line with the prices paid in comparable transactions, and represents a 75% premium over the market value of CommerceFirst Bancorp's common stock as of the day prior to the date of the agreement and plan of merger.

- CommerceFirst Bancorp shareholders will have the opportunity to receive Sandy Spring Bancorp common stock for a portion of their shares of CommerceFirst Bancorp common stock, enabling them to participate in any growth opportunities of the combined company.

- Information concerning the business, financial condition, results of operations and prospects of CommerceFirst Bancorp and Sandy Spring Bancorp.

- The relative market valuation of Sandy Spring Bancorp common stock was reasonable compared to peer companies, offering the potential for increased value in respect of the stock portion of the consideration.

- The consideration offered by Sandy Spring Bancorp equals or exceeds the value which CommerceFirst Bancorp could reasonably expect to achieve if it maintained independent operations.

- The consideration offered by Sandy Spring Bancorp equaled or exceeded the price which could be expected to be offered by other likely acquirors.

- The risks to shareholder value in continued independent operations, including risks relating to the inherent uncertainties about future growth, performance and economic conditions, management and board succession, the impact and costs of increased regulatory compliance obligations.

- The illiquidity and low market valuation of CommerceFirst Bancorp common stock, and the improbability of any events which would result in an increase in liquidity or market valuation in the foreseeable future.

- The condition of the capital markets for community banking companies, and the ability of CommerceFirst Bancorp to raise additional capital on terms which are not highly dilutive.

- Sandy Spring Bancorp common stock is traded on The NASDAQ Global Select Market, and has substantially greater liquidity than that of CommerceFirst Bancorp common stock.

- Sandy Spring Bancorp common stock currently pays a dividend at a rate of $0.40 per year (or approximately $0.32 per share of CommerceFirst Bancorp common stock converted into Sandy Spring Bancorp common stock), as compared to no dividends on CommerceFirst Bancorp common stock.

- Sandy Spring Bancorp's earnings and current level of dividend payout, which provides potential for further increases in dividends.

- The belief of the CommerceFirst Bancorp board of directors that a merger with Sandy Spring Bancorp makes strategic sense for CommerceFirst Bancorp and its customers, in light of the higher lending limits, wider array of products and services, and the increasingly competitive environment in which CommerceFirst Bancorp operates.

- The banking philosophy and community orientation of Sandy Spring Bancorp and CommerceFirst Bancorp are very similar.

- Sandy Spring Bancorp is a stable, profitable community bank.

- Sandy Spring Bancorp expects to retain all customer contact employees, enabling customers to continue banking with the same people, while enjoying a wider and more diversified array of products than CommerceFirst Bank offers.

- Scott & Stringfellow's opinion, as of December 20, 2011, that the consideration to be received by CommerceFirst Bancorp shareholders was fair from a financial point of view to CommerceFirst Bancorp's shareholders.

- The merger will generally allow shareholders to defer recognition of taxable gain, to the extent they receive Sandy Spring Bancorp common stock.

- The interests of officers and directors that are different from, or in addition to, the interest of shareholders generally.

- The likelihood of the merger being approved by regulatory authorities without burdensome conditions or delay and in accordance with the terms proposed.

The CommerceFirst Bancorp board of directors also considered potential risks associated with the merger in connection with its consideration of the proposed transaction, including the following:

- The challenges of combining the businesses of the two companies, which could affect the post-merger success of the combined company, and the ability to achieve anticipated cost savings and other potential synergies.

- The interests of certain executive officers and directors of CommerceFirst Bancorp with respect to the merger apart from their interest as holders of CommerceFirst Bancorp common stock, and the risk that these interests might influence their decision with respect to the merger.

- The risk that the terms of the agreement and plan of merger, including the provisions generally prohibiting CommerceFirst Bancorp from soliciting, engaging in discussions or providing information with respect to alternative transactions, and those relating to the payment of a termination fee under specified circumstances, which were required by Sandy Spring Bancorp as a condition to its willingness to enter into the transaction, could have the effect of discouraging other parties that might be interested in a transaction with CommerceFirst Bancorp from proposing such a transaction.

The above discussion of the information and factors considered by CommerceFirst Bancorp's board of directors is not intended to be exhaustive, but indicate the material matters considered by CommerceFirst Bancorp's board of directors. In reaching its determination to approve the agreement and plan of merger, CommerceFirst Bancorp's board of directors did not quantify, rank or assign any relative or specific weight to, the foregoing factors, and individual directors may have considered various factors differently. The CommerceFirst Bancorp's board of directors did not undertake to make any specific determination as to whether any factor, or particular aspect of any factor, supported or did not support its ultimate determination. CommerceFirst Bancorp's board of directors based its determination on the totality of the information presented.

Recommendation of CommerceFirst Bancorp's Board of Directors

CommerceFirst Bancorp's board of directors has unanimously approved the agreement and plan of merger and the merger and unanimously recommends that you vote "FOR" the agreement and plan of merger and the merger, "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 special meeting to approve the agreement and plan of merger and the merger, and "FOR" the non-binding advisory resolution to approve the compensation that CommerceFirst Bancorp's named executive officers will receive in connection with the merger.

Opinion of CommerceFirst Bancorp, Inc.'s Financial Advisor

Scott & Stringfellow, LLC is acting as financial advisor to CommerceFirst Bancorp in connection with the merger. Scott & Stringfellow is a leading full-service, middle market investment banking firm with substantial experience in transactions similar to the merger and is familiar with CommerceFirst Bancorp and its business. As part of its investment banking business, Scott & Stringfellow is continually engaged in the valuation of community banks and their securities in connection with mergers and acquisitions.

On December 20, 2011, CommerceFirst Bancorp's board of directors held a special meeting to review and approve the agreement and plan of merger. At that meeting, Scott & Stringfellow rendered an oral opinion, and delivered a written opinion, that as of that date and based upon and subject to the factors and assumptions set forth in its fairness opinion presentation and letter, the consideration to be paid to CommerceFirst Bancorp in connection with the merger is fair to CommerceFirst Bancorp shareholders from a financial point of view. The opinion has been reviewed and approved by Scott & Stringfellow's Investment Banking Valuation Committee.

The full text of Scott & Stringfellow's written opinion is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference. The opinion outlines matters considered and qualifications and limitations on the review undertaken by Scott & Stringfellow in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Shareholders of CommerceFirst Bancorp are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

No limitations were imposed by CommerceFirst Bancorp on the scope of Scott & Stringfellow's investigation or the procedures to be followed by Scott & Stringfellow in rendering its opinion. In arriving at its opinion, Scott & Stringfellow did not ascribe a specific range of values to CommerceFirst Bancorp. Scott & Stringfellow's opinion is based on the financial and comparative analyses described below. Scott & Stringfellow's opinion is solely for the information of, and directed to, CommerceFirst Bancorp's board of directors for its information and assistance in connection with the board of directors' consideration of the financial terms of the merger and is not to be relied upon by any shareholder of CommerceFirst Bancorp or Sandy Spring Bancorp or any other person or entity. Scott & Stringfellow's opinion was not intended to be nor does it constitute a recommendation to CommerceFirst Bancorp's board of directors as to how the board of directors should vote on the merger or to any shareholder of CommerceFirst as to how any such shareholder should vote at the special meeting at which the merger is considered, or whether or not any shareholder of CommerceFirst Bancorp should enter into a voting agreement with respect to the merger, or exercise any appraisal rights that may be available to such shareholder. In addition, Scott & Stringfellow's opinion does not compare the relative merits of the merger with any other alternative transaction or business strategy which may have been available to CommerceFirst Bancorp and does not address the underlying business decision of CommerceFirst Bancorp's board of directors or CommerceFirst Bancorp to proceed with or effect the merger.

In rendering its opinion, Scott & Stringfellow reviewed, analyzed, and relied upon, among other things:

- The agreement and plan of merger and meetings and discussions with members of senior management of CommerceFirst Bancorp regarding the material terms of the agreement and plan of merger;
- Certain publicly available financial statements and other historical financial information of Sandy Spring Bancorp that it deemed relevant and meetings and discussions regarding the same with members of senior management of Sandy Spring Bancorp;
- Certain publicly available and non-publicly available financial statements and other historical financial information of CommerceFirst Bancorp that it deemed relevant and meetings and discussions regarding the same with members of senior management of CommerceFirst Bancorp;
- Internal financial forecasts for CommerceFirst Bancorp related to the business, earnings, cash flows, assets and prospects of CommerceFirst Bancorp for the years ending December 31, 2011, 2012, and 2013 prepared and furnished by and reviewed with senior management of CommerceFirst Bancorp;
- The estimated pro forma financial impact of the merger on Sandy Spring Bancorp, based on assumptions relating to, without limitation, transaction expenses, purchase accounting adjustments, cost savings, and certain synergies determined by and reviewed with the senior management of Sandy Spring Bancorp and CommerceFirst Bancorp;
- The estimated pro forma financial impact of a transaction similar to the merger on other banking companies similar to Sandy Spring Bancorp based on assumptions relating to, without limitation, transaction expenses, one-time, contract expenses, purchase accounting adjustments, cost savings, and certain synergies determined and reviewed by Scott & Stringfellow and reviewed with the senior management and Board of CommerceFirst Bancorp;
- The historical market prices and trading activity for Sandy Spring Bancorp common stock and a comparison of certain financial and stock market information for Sandy Spring Bancorp and CommerceFirst Bancorp with similar publicly-traded companies which we deemed to be relevant;
- The proposed financial terms of the merger and a comparison of such terms with the financial terms, to the extent publicly available, of certain recent business combinations in the banking industry which we deemed to be relevant;
- The relative contribution of CommerceFirst Bancorp and Sandy Spring Bancorp with regard to certain assets, liabilities, earnings, and capital;
- The current market environment generally and the banking environment in particular;

- A discounted dividend scenario of CommerceFirst Bancorp based upon internal financial forecasts discussed above; and

- Such other information, financial studies, analyses and investigations, and financial, economic, and market criteria as it deemed appropriate.

In conducting its review and arriving at its opinion, Scott & Stringfellow relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to Scott & Stringfellow or that was discussed with, or reviewed by or for Scott & Stringfellow, or that was publicly available. Scott & Stringfellow did not assume any responsibility to verify such information independently. Scott & Stringfellow assumed that the financial and operating forecasts for Sandy Spring Bancorp and CommerceFirst Bancorp provided by the management of each respective institution were reasonably prepared and reflect the best currently available estimates and judgments of senior management of each respective institution as to the future financial and operating performance of Sandy Spring Bancorp and CommerceFirst Bancorp. Scott & Stringfellow assumed, without independent verification, that the aggregate allowances for loan and lease losses for Sandy Spring Bancorp and CommerceFirst Bancorp are adequate to cover those losses. Scott & Stringfellow did not make or obtain any evaluations or appraisals of any assets or liabilities of Sandy Spring Bancorp or CommerceFirst Bancorp, and Scott & Stringfellow did not examine any books and records or review individual credit files.

For purposes of rendering its opinion, Scott & Stringfellow assumed that, in all respects material to its analyses:

- the merger will be completed substantially in accordance with the terms set forth in the agreement and plan of merger;

- the adjusted stockholders' equity, as defined in the agreement and plan of merger, shall be at least $23.761 million at the Effective Time;

- the representations and warranties of each party in the agreement and plan of merger and in all related documents and instruments referred to in the agreement and plan of merger are true and correct;

- each party to the agreement and plan of merger and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

- all conditions to the completion of the merger will be satisfied without any waivers; and

- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications will be imposed that may have a material adverse effect on the future results of operations or financial condition of Sandy Spring Bancorp, CommerceFirst Bancorp, or the combined entity, as the case may be, or the contemplated benefits of the merger.

Scott & Stringfellow further assumed that the merger will be accounted for as a business combination under generally accepted accounting principles. Scott & Stringfellow's opinion is not an expression of an opinion as to the prices at which shares of Sandy Spring Bancorp common stock will trade following the announcement of the merger or the actual value of Sandy Spring Bancorp common stock when issued pursuant to the merger, or the prices at which Sandy Spring Bancorp common stock will trade following the completion of the merger.

In performing its analyses, Scott & Stringfellow made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions, and other matters, many of which are beyond the control of Scott & Stringfellow, Sandy Spring Bancorp, and CommerceFirst Bancorp. Any estimates contained in the analyses performed by Scott & Stringfellow are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals nor to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Scott & Stringfellow opinion was among several factors taken into consideration by the CommerceFirst Bancorp board of directors in making its determination to approve the agreement and plan of merger and the merger. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the CommerceFirst Bancorp board or management of CommerceFirst Bancorp with respect to the fairness of the merger consideration.

Summary of Analyses by Scott & Stringfellow

The following is a summary of the material analyses presented by Scott & Stringfellow to the CommerceFirst Bancorp board of directors on December 20, 2011, in connection with its written opinion. The summary is not a complete description of the analyses underlying the Scott & Stringfellow opinion or the presentation made by Scott & Stringfellow to the CommerceFirst Bancorp board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Scott & Stringfellow did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. The tables alone are not a complete description of the financial analyses. Accordingly, Scott & Stringfellow believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion.

Transaction Overview. Scott & Stringfellow reviewed the financial terms of the agreement and plan of merger, including the consideration to be received by CommerceFirst Bancorp shareholders. For every share of CommerceFirst Bancorp stock held, such shareholders will have the option to receive (i) $13.60 in cash for each Company share or (ii) 0.8043 shares of Sandy Spring Bancorp's common stock, subject to proration as fully described in the agreement and plan of merger and subject to adjustment in the event that CommerceFirst Bancorp's adjusted shareholder's equity, as adjusted to exclude certain expenses related to the transaction, is less than $23,761,000. Based on the closing price of Sandy Spring Bancorp's common stock on December 19, 2011 of $17.73, Scott & Stringfellow calculated an effective aggregate value ("Effective Aggregate Value") of approximately $25.4 million, or $13.93 per share for CommerceFirst Bancorp common stock assuming that each shareholder will receive a mix of fifty percent cash consideration and fifty percent stock consideration. Completion of the transaction is subject to CommerceFirst Bancorp shareholder approval, required regulatory approvals, and other conditions. For purposes of the calculations below, “Price” is defined as the stated value of $13.60 per share.

Transaction Pricing Multiples. Scott & Stringfellow calculated the following transaction multiples:

Transaction Multiples (based on CommerceFirst Bancorp’s balance sheet data as of 9/30/2011)	
Price / Last Twelve Months’ Reported Earnings per Share ($0.85)	16.0 x
Price / Book Value per Share ($13.05)	104.2%
Price / Tangible Book Value per Share ($13.05)	104.2%
Price / Total Assets per Share ($112.49)	12.1 %
Price / Total Deposits per Share ($99.02)	13.7 %
Tangible Book Premium / Core Deposits (1)	0.7 %
Premium to Stock Price (1-Day Prior to Announcement)	75.5 %

(1) Core Deposits are defined as total deposits less jumbo CDs (CDs with balances greater than $100,000)

Market Validation. Scott & Stringfellow worked with CommerceFirst Bancorp to contact financial institutions (potential acquirors) that Scott & Stringfellow and CommerceFirst Bancorp determined may be interested in acquiring CommerceFirst Bancorp. Over a period of approximately two years prior to the execution of the agreement and plan of merger, Scott & Stringfellow, alongside CommerceFirst Bancorp contacted two of the most logical other potential acquirors. For various reasons, each of the two other parties determined CommerceFirst Bancorp was not a viable acquisition candidate at that time. Additionally, during this same period, Scott & Stringfellow, alongside CommerceFirst Bancorp analyzed a potential merger of equal affiliation with a party at various times but concluded that the price, liquidity, and capitalization under that scenario were not as favorable as the merger with Sandy Spring Bancorp.

Selected Peer Group Analysis. Scott & Stringfellow reviewed and compared publicly available financial data, market information, and trading multiples for CommerceFirst Bancorp with other selected publicly traded companies that Scott & Stringfellow deemed relevant and comparable to CommerceFirst Bancorp. The peer group consisted of certain select publicly traded banks and thrifts headquartered in Maryland, Pennsylvania, and Virginia with assets as of the most recent quarter reported between approximately $181.0 million and $16.3 billion (15 companies). The peer group excluded institutions identified as the target of a publicly announced merger as of December 20, 2011.

Name (Ticker):	Name (Ticker):
Annapolis Bancorp, Inc. (ANNB)	Glen Burnie Bancorp (GLBZ)
Cardinal Financial Corporation (CFNL)	Harford Bank (HFBK)
Cecil Bancorp, Inc. (CECB)	New Windsor Bancorp, Inc. (NWID)

County First Bank (CUMD)	Old Line Bancshares, Inc. (OLBK)
Eagle Bancorp, Inc. (EGBN)	Regal Bancorp, Inc. (RGBM)
Farmers and Merchants Bank (FMFG)	Rising Sun Bancorp (RSAM)
Frederick County Bancorp, Inc. (FCBI)	Sandy Spring Bancorp, Inc. (SASR)
Fulton Financial Corporation (FULT)	

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months' earnings per share, estimated 2011 and 2012 earnings per share, book value per share, and tangible book value per share. All multiples were based on closing stock prices as of December 16, 2011. Projected earnings per share for the comparable companies were based on FactSet consensus estimates. FactSet is an information provider that publishes, among other things, a compilation of estimates of projected financial performance for publicly traded commercial banks produced by equity research analysts at leading investment banking firms. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples, and market capitalization indicated by the market analysis of selected publicly traded companies. This analysis resulted in a range of imputed values for CommerceFirst Bancorp of between $9.40 and $13.19 per share based on the median multiples for the peer group.

	CommerceFirst Bancorp	CommerceFirst Bancorp Peer Group Minimum	Median	Maximum
Operating Metrics *($ in millions)*				
Total Assets	$204.8	$181.0	$362.2	$16,295.9
Loans / Deposits	100.27%	71.88%	84.35%	100.90%
NPAs + 90 DDQ / Assets (1)	5.33%	0.57%	2.50%	18.90%
Tangible Common Equity / Tangible Assets	11.60%	1.00%	8.39%	11.91%
LTM Core ROAA	0.75%	(3.28)%	0.60%	1.18%
LTM Core ROAE	6.74%	(77.77)%	6.80%	10.55%
LTM Efficiency Ratio	50.02%	53.46%	69.93%	115.13%
Price (as of December 16, 2011) to:				
Book value per share	59.4%	17.1%	72.0%	142.5%
Tangible book value per share	59.4%	17.1%	72.0%	145.4%
LTM earnings per share	9.1x	7.8x	12.5x	31.6x
2011E earnings per share	7.5x	11.3x	12.1x	13.0x
2012E earnings per share	6.4x	8.1x	10.9x	13.6x
Market capitalization (as of December 16, 2011)	$14.1	$0.8	$19.0	$1,894.1
Dividend Yield	0.00%	0.00%	1.12%	5.88%

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned. "DDQ" is defined as loans 90 days or more past due and still accruing.

Scott & Stringfellow also reviewed and compared publicly available financial data, market information, and trading multiples for Sandy Spring Bancorp with other selected publicly traded companies that Scott & Stringfellow deemed relevant to Sandy Spring Bancorp. The peer group consisted of certain select publicly traded commercial banks headquartered in the Maryland, Pennsylvania, and Virginia with assets as of the most recent quarter reported between $435.8 million and $16.3 billion (12 companies). The peer group excluded commercial banks identified as the target of a publicly announced merger as of December 16, 2011.

Name (Ticker):	Name (Ticker):
Annapolis Bancorp, Inc. (ANNB)	Orrstown Financial Services, Inc. (ORRF)
Cardinal Financial Corporation (CFNL)	Shore Bancshares, Inc. (SHBI)
Codorus Valley Bancorp, Inc. (CVLY)	StellarOne Corporation (STEL)
Eagle Bancorp, Inc. (EGBN)	Susquehanna Bancshares, Inc. (SUSQ)
First Community Bancshares, Inc. (FCBC)	Tri-County Financial Corporation (TCFC)
Fulton Financial Corporation (FULT)	Union First Market Bankshares Corporation (UBSH)

For the selected publicly traded companies, Scott & Stringfellow analyzed, among other things, stock price as a multiple of last twelve months' earnings per share, estimated 2011 and 2012 earnings per share, book value per share, and tangible book value per share. All multiples were based on closing stock prices as of December 16, 2011.

Projected earnings per share for the comparable companies were based on FactSet consensus estimates. The following table sets forth the minimum, median, and maximum operating metrics, valuation multiples, and market capitalization indicated by the market analysis of selected publicly traded companies. This analysis resulted in a range of imputed values for Sandy Spring Bancorp of between $12.76 and $18.08 per share based on the median multiples for the peer group.

	Sandy Spring Bancorp	Peer Group Minimum	Peer Group Median	Peer Group Maximum
Operating Metrics *($ in millions)*				
Total Assets	$3,626.0	$ 435.8	$2,387.3	$16,295.9
Loans / Deposits	81.26 %	73.88 %	85.84 %	101.51 %
NPAs + 90 DDQ / Assets (1)	2.50 %	0.57 %	2.59 %	8.02 %
Tangible Common Equity / Tangible Assets	10.12 %	5.68 %	8.94 %	10.29 %
LTM Core ROAA	1.01 %	(0.02)%	0.52 %	1.18 %
LTM Core ROAE	8.48 %	(0.19)%	5.68 %	10.55 %
LTM Efficiency Ratio	61.54 %	53.46 %	62.58 %	70.82 %
Price (as of December 16, 2011) to:				
Book value per share	96.4 %	35.0 %	69.7 %	142.5 %
Tangible book value per share	118.4 %	40.7 %	95.1 %	145.4 %
LTM earnings per share	12.8 x	9.3 x	13.1 x	20.5 x
2011E earnings per share	12.3 x	11.4 x	12.6 x	20.5 x
2012E earnings per share	13.5 x	6.0 x	11.5 x	16.1 x
Market capitalization (as of December 16, 2011)	$424.8	$ 15.2	$239.3	$1,894.1
Dividend Yield	2.27 %	0.00 %	1.81 %	11.23 %

Source: SNL Financial LC

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned. “DDQ” is defined as loans 90 days or more past due and still accruing.

No company used in the analyses described above is identical to CommerceFirst Bancorp, Sandy Spring Bancorp, or the pro forma combined company. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the merger, public trading, or other values of the companies to which they are being compared. In addition, mathematical analyses, such as determining the median, are not of themselves meaningful methods of using comparable company data.

Selected Transaction Analysis. Scott & Stringfellow reviewed and analyzed certain financial data related to seventeen completed and pending bank and thrift mergers and acquisitions announced between January 1, 2009 and December 16, 2011. These transactions involved sellers based in the United States with the following characteristics:

· Total assets for the most recent quarter reported of between $100 million to $500 million; and

- Ratio of nonperforming assets plus loans 90 days or more delinquent to total assets for the most recent quarter reported less than 8.0%.

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Those transactions (listed by closing date in order from pending to oldest) were as follows:

Acquiror:	Target:
BCB Bancorp, Inc.	Allegiance Community Bank
Ocean Shore Holding Co.	CBHC Financialcorp, Inc.
Norwood Financial Corp.	North Penn Bancorp, Inc.
Piedmont Community Bank Holdings, Inc.	Community Bank of Rowan
Chemung Financial Corporation	Fort Orange Financial Corp.
Berkshire Hills Bancorp, Inc.	Rome Bancorp, Inc.
Old Line Bancshares, Inc.	Maryland Bankcorp, Inc.
WSFS Financial Corporation	Christiana Bank & Trust Company
First Peoples Bancorp, Inc.	First Peoples Bank of Tennessee
Roma Financial Corporation (MHC)	Sterling Banks, Inc.
First National Security Company	Heritage Capital Corporation
Carolina Trust Bank	Carolina Commerce Bank
Premier Financial Bancorp, Inc	Abigail Adams National Bancorp, Inc.
First Sentry Bancshares, Inc.	Guaranty Financial Services, Inc.
First Community Bancshares, Inc.	TriStone Community Bank
Southern Bancorp Inc.	Timberland Bank
Penseco Financial Services Corporation	Old Forge Bank

For the purpose of this analysis, transaction multiples from the merger were derived from the $13.93 per share Effective Aggregate Value at December 16, 2011 and financial data as of September 30, 2011 for CommerceFirst Bancorp. Scott & Stringfellow compared these transaction multiples with the transaction multiples implied by the selected transactions listed above. The results of Scott & Stringfellow's calculations and the analysis are set forth in the following table. This analysis resulted in a range of imputed values for CommerceFirst Bancorp of between $9.25 and $13.65 per share based on the median transaction multiples for the peer group.

	Sandy Spring/ CommerceFirst Transaction	Selected Transactions Minimum	Median	Maximum
Target Assets	$204.8	$103.5	$164.5	$435.9
Target NPAs + 90 DDQ / Assets (1)	5.33 %	0.37 %	1.36 %	5.45 %
Target LTM ROAA	0.75 %	(8.11)%	(0.20)%	1.20 %
Target LTM ROAE	6.74 %	(100.83)%	(2.21)%	12.28 %
Deal Price / Book Value	104.2 %	44.1 %	97.2 %	171.8 %
Deal Price / Tangible Book Value	104.2 %	53.4 %	104.6 %	189.7 %
Deal Price / Last Twelve Months' Reported EPS	16.0 x	10.3 x	19.3 x	26.3 x
Deal Price / Assets	12.1 %	2.7 %	6.7 %	26.6 %
Deal Price / Deposits	13.7 %	3.3 %	7.8 %	32.5 %
Tangible Book Premium / Core Deposits (2)	0.7 %	(10.4)%	(0.0)%	16.2 %

Premium to Stock Price (1-Day Prior to Announcement)	75.5 %	9.7 %	19.3 %	77.9 %

(1) NPAs are defined as nonaccrual loans and leases, nonaccrual and accruing renegotiated loans and leases, and other real estate owned. "DDQ" is defined as loans 90 days or more past due and still accruing.
(2) Core Deposits are defined as total deposits less jumbo CDs (CDs with balances greater than $100,000).

No company or transaction used as a comparison in the above analysis is identical to Sandy Spring Bancorp, CommerceFirst Bancorp or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Discounted Dividend Stream and Terminal Value Analysis of CommerceFirst Bancorp. Scott & Stringfellow performed an analysis that estimated a future stream of potential dividend flows of CommerceFirst Bancorp assuming that CommerceFirst Bancorp performed in accordance with the earnings projections provided by CommerceFirst Bancorp management and assuming that CommerceFirst Bancorp employs a hypothetical dividend payout ratio of 20% in the projected fiscal years. CommerceFirst Bancorp does not currently pay a dividend, nor does CommerceFirst Bancorp management forecast paying a dividend at this time. For 2011

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through 2014, Scott & Stringfellow used the earnings projections provided by CommerceFirst Bancorp's management. For periods after 2014, Scott & Stringfellow assumed an annual total asset growth rate of 3.5% and an annual return on average assets of 1.13%, while maintaining an adequate capital level (10% minimum equity to average asset ratio) to support this growth. To approximate the terminal value of CommerceFirst Bancorp common stock at December 31, 2016, Scott & Stringfellow applied a range of 12.0x to 16.0x price / earnings multiples to CommerceFirst Bancorp's estimated fiscal year December 31, 2016 earnings. The potential dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 12.0% to 14.0%, chosen to reflect different assumptions regarding required rates of return to the holders of CommerceFirst Bancorp common stock. As illustrated in the following table, this analysis indicated an imputed range of values per share of CommerceFirst Bancorp common stock of $10.28 to $14.60 when applying the 12.0x to 16.0x price / earnings multiples range for calculating the terminal values.

	Terminal Value EPS Multiple				
Discount Rate	12.0x	13.0x	14.0x	15.0x	16.0x
12.0%	$11.19	$12.04	$12.89	$13.74	$14.60
12.5%	$10.95	$11.79	$12.62	$13.45	$14.28
13.0%	$10.72	$11.54	$12.35	$13.17	$13.98
13.5%	$10.50	$11.29	$12.09	$12.89	$13.68
14.0%	$10.28	$11.06	$11.84	$12.62	$13.39

Contribution Analysis. Scott & Stringfellow analyzed the relative contribution of each of Sandy Spring Bancorp and CommerceFirst Bancorp to certain pro forma balance sheet and income statement items of the combined entity. Scott & Stringfellow compared the relative contribution of balance sheet and income statement items with the estimated pro forma ownership percentage CommerceFirst Bancorp shareholders would represent in Sandy Spring Bancorp pro forma. The results of Scott & Stringfellow's analysis are set forth in the following table.

Category	Sandy Spring Bancorp	CommerceFirst Bancorp
LTM Pre-Tax, Pre-Provision Earnings	91.0 %	9.0 %
2011E Net Income	94.4 %	5.6 %
2012E Net Income	92.5 %	7.5 %
Total Assets	94.7 %	5.3 %
Net Loans	92.2 %	7.8 %
Deposits	93.6 %	6.4 %
Shareholders' Equity	94.9 %	5.1 %
Tangible Equity	93.8 %	6.2 %
Average Contribution	94.2 %	5.8 %
Implied Stock Ownership (50% stock)	97.0 %	3.0 %
Implied Stock Ownership (100% stock)	94.3 %	5.7 %

Financial Impact Analysis. Scott & Stringfellow performed pro forma merger analyses that combined projected income statement and balance sheet information of both Sandy Spring Bancorp and CommerceFirst Bancorp.

Assumptions regarding the accounting treatment, acquisition adjustments, and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of the pro forma company. This analysis indicated that the merger is expected to be accretive to Sandy Spring Bancorp's estimated 2012 earnings per share and slightly dilutive to pro forma September 30, 2011 book value and tangible book value per share. This analysis was based on financial projections and certain merger assumptions (including estimated cost savings and one-time charges) provided by and reviewed with senior management of CommerceFirst Bancorp. For all of the above analyses, the actual results achieved by the pro forma company following the merger will vary from the projected results, and the variations may be material.

***Other Analyses*.** Scott & Stringfellow compared the relative financial and market performance of Sandy Spring Bancorp to a variety of relevant industry peer groups and indices.

Scott & Stringfellow has not expressed an opinion about the fairness of the amount or nature of compensation that any of the CommerceFirst Bancorp officers, directors, employees, or class of such person relative to the compensation to the shareholders of CommerceFirst Bancorp.

In the ordinary course of its business as a broker-dealer, Scott & Stringfellow may, from time to time purchase securities from, and sell securities to, CommerceFirst Bancorp and Sandy Spring Bancorp, and as a market maker in securities, Scott &

Stringfellow may from time to time have a long or short position in, and buy, sell, or hold equity securities of CommerceFirst Bancorp and Sandy Spring Bancorp for its own account and for the accounts of its customers.

CommerceFirst Bancorp and Scott & Stringfellow have entered into an engagement relating to the services to be provided by Scott & Stringfellow in connection with the merger. CommerceFirst Bancorp paid a non-refundable retainer of $15,000 to Scott & Stringfellow at the time of engagement, as well as a $125,000 fairness opinion fee which was delivered in conjunction with the execution of the agreement and plan of merger. Further, at closing, a contingent advisory fee of 1.0% of the Effective Aggregate Value up to $23.761 million will be paid to Scott & Stringfellow by CommerceFirst Bancorp; plus, if the Effective Aggregate Value is greater than $23.761 million, CommerceFirst Bancorp will pay Scott & Stringfellow an additional 8.0% fee on any incremental Effective Aggregate Value above $23.761 million. The total fees paid to Scott & Stringfellow by CommerceFirst Bancorp will not exceed 1.25% of the Effective Aggregate Value of the merger consideration paid to the CommerceFirst Bancorp shareholders on the effective date of the merger. Pursuant to the Scott & Stringfellow engagement agreement, CommerceFirst Bancorp also agreed to reimburse Scott & Stringfellow for reasonable out-of-pocket expenses and disbursements incurred in connection with its engagement. During the three-year period ended December 31, 2011, Scott & Stringfellow did not receive any other fees or compensation from either CommerceFirst Bancorp or Sandy Spring Bancorp, except for the aforementioned fees paid in connection with the current engagement.

Sandy Spring Bancorp's Reasons for the Merger

Sandy Spring Bancorp's board of directors believes that the merger is in the best interests of Sandy Spring Bancorp and its shareholders. In deciding to approve the merger, Sandy Spring Bancorp's board of directors considered a number of factors, including:

- CommerceFirst Bancorp's community banking orientation, its favorable reputation within its local community and its compatibility with Sandy Spring Bancorp and its subsidiaries.
- Management's review of the business, operations, earnings, and financial condition, including capital levels and asset quality of CommerceFirst Bancorp.
- The likelihood of regulators approving the merger without undue conditions or delay.

While Sandy Spring Bancorp's board of directors considered these and other factors, the board of directors did not assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. Sandy Spring Bancorp's board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of Sandy Spring Bancorp's shareholders. The terms of the merger were the result of arm's-length negotiations between representatives of Sandy Spring Bancorp and representatives of CommerceFirst Bancorp.

Consideration to be Received in the Merger

When the merger becomes effective, each share of CommerceFirst Bancorp common stock issued and outstanding immediately before completion of the merger will automatically be converted into the right to receive, at the holder's election, either $13.60 in cash, without interest, or 0.8043 of a share of Sandy Spring Bancorp common stock, plus cash in lieu of any fractional share.

Although shareholders of CommerceFirst Bancorp are being given the choice of whether to receive cash, Sandy Spring Bancorp common stock or a combination of cash and Sandy Spring Bancorp common stock in exchange for their shares of CommerceFirst Bancorp common stock, all elections will be subject to the allocation and proration procedures as well as other provisions in the agreement and plan of merger.

If Sandy Spring Bancorp declares a stock dividend or distribution on shares of its common stock or subdivides, splits, reclassifies or combines the shares of Sandy Spring Bancorp common stock before the effective time of the merger, then the exchange ratio will be adjusted to provide CommerceFirst Bancorp shareholders with the same economic effect as contemplated by the agreement and plan of merger before any of these events.

CommerceFirst Bancorp's shareholders will not receive fractional shares of Sandy Spring Bancorp common stock. Instead, CommerceFirst Bancorp's shareholders will receive a cash payment for any fractional shares in an amount equal to the product of (1) the fraction of a share of Sandy Spring Bancorp common stock to which he, she or it is entitled multiplied by (2) the average closing sales price of Sandy Spring Bancorp common stock over the five trading days immediately prior to the Closing Date.

The amount of cash consideration and the number of shares of Sandy Spring common stock into which each share of CommerceFirst Bancorp common stock will be converted is generally fixed. However, in the event that the adjusted shareholders' equity of CommerceFirst Bancorp as of the last day of the month prior to the month in which the closing is expected to occur is less that $23,761,000 then both the amount of cash consideration per share and the number of shares of Sandy Spring Bancorp common stock into which CommerceFirst Bancorp common stock will be converted will be reduced. For purposes of this provision, CommerceFirst Bancorp's adjusted shareholders' equity will be determined by taking CommerceFirst Bancorp's shareholders' equity calculated in accordance with generally accepted accounting principles, as of the measurement date, and excluding from the calculation the amount of all reasonable and customary fees and expenses directly related to the agreement and plan of merger and the merger, on a tax effected basis. Transaction expenses that may be excluded from the calculation of adjusted shareholders' equity include fees and expense of legal counsel and financial advisors for services in connection with the merger, payments with respect to termination of data processing agreements or similar agreements, expenses related to the special meeting, payments and accruals with respect to termination of officers or employees at or after the effective time of the merger, and expenses related to actions taken at Sandy Spring Bancorp's request.

The difference between the adjusted shareholder's equity and $23,761,000 would be divided by the number of outstanding shares of CommerceFirst Bancorp common stock, and the result would be subtracted from $13.60 to arrive at the adjusted cash consideration amount per share of CommerceFirst Bancorp common stock. This per share amount would be divided by $16.91 to arrive at the adjusted number of shares of Sandy Spring Bancorp common stock into which each share of CommerceFirst Bancorp's common stock would be converted.

At December 31, 2011, CommerceFirst Bancorp's actual shareholder's equity, without exclusion of expenses related to the merger, was approximately $24,180,000.

Cash, Stock or Mixed Election

Under the terms of the agreement and plan of merger, CommerceFirst Bancorp shareholders may elect to convert their shares into cash, Sandy Spring Bancorp common stock or a mixture of cash and Sandy Spring Bancorp common stock. All elections of CommerceFirst Bancorp shareholders are further subject to the allocation and proration procedures described in the agreement and plan of merger. These procedures provide that the number of shares of CommerceFirst Bancorp common stock to be converted into Sandy Spring Bancorp common stock must be 50% of the total number of shares of CommerceFirst Bancorp Common Stock outstanding at the effective time of the merger and that the number of shares of CommerceFirst Bancorp to be converted into cash in the merger must be 50% of the total number of shares of CommerceFirst Bancorp common stock outstanding at the effective time of the merger. In addition, for federal income tax purposes and solely so as to ensure that the merger will qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code, Sandy Spring Bancorp in its sole discretion may elect to increase the number of shares of CommerceFirst Bancorp common stock that will be converted into shares of Sandy Spring Bancorp common stock to ensure that the total value of the stock portion of the merger consideration will equal to at least 40% of the merger consideration. Neither Sandy Spring Bancorp nor CommerceFirst Bancorp is making any recommendation as to whether CommerceFirst Bancorp shareholders should elect to receive cash, Sandy

Spring Bancorp common stock or a mixture of cash and Sandy Spring Bancorp common stock in the merger. Each holder of CommerceFirst Bancorp common stock must make his or her own decision with respect to such election.

It is unlikely that elections will be made in the exact proportions provided for in the agreement and plan of merger. As a result, the agreement and plan of merger describes procedures to be followed if CommerceFirst Bancorp shareholders in the aggregate elect to receive more or less of the Sandy Spring Bancorp common stock than Sandy Spring Bancorp has agreed to issue. These procedures are summarized below.

- ***If Stock Is Oversubscribed:*** If CommerceFirst Bancorp shareholders elect to receive more Sandy Spring Bancorp common stock than Sandy Spring Bancorp has agreed to issue in the merger, then all CommerceFirst Bancorp shareholders who have elected to receive cash or who have made no election will receive cash for their CommerceFirst Bancorp shares and all shareholders who elected to receive Sandy Spring Bancorp common stock will receive a pro rata portion of the available Sandy Spring Bancorp shares plus cash for those shares not converted into Sandy Spring Bancorp common stock.

- ***If Stock Is Undersubscribed:*** If CommerceFirst Bancorp shareholders elect to receive fewer shares of Sandy Spring Bancorp common stock than Sandy Spring Bancorp has agreed to issue in the merger, then all CommerceFirst Bancorp shareholders who have elected to receive Sandy Spring Bancorp common stock will receive Sandy Spring Bancorp common stock and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:

- If the number of shares held by CommerceFirst Bancorp shareholders who have made no election is sufficient to make up the shortfall in the number of Sandy Spring Bancorp shares that Sandy Spring Bancorp is required to issue, then all CommerceFirst Bancorp shareholders who elected cash will receive cash, and those shareholders who made no election will receive both cash and Sandy Spring Bancorp common stock in such proportion as is necessary to make up the shortfall.

- If the number of shares held by CommerceFirst Bancorp shareholders who have made no election is insufficient to make up the shortfall, then all CommerceFirst Bancorp shareholders who made no election will receive Sandy Spring Bancorp common stock and those CommerceFirst Bancorp shareholders who elected to receive cash will receive cash and Sandy Spring Bancorp common stock in such proportion as is necessary to make up the shortfall.

Notwithstanding these rules, as described under "*—Tax Consequences of the Merger,*" it may be necessary for Sandy Spring Bancorp to reduce the number of shares of CommerceFirst Bancorp common stock that will be converted into the right to receive cash and correspondingly increase the number of shares of CommerceFirst Bancorp common stock that will be converted into Sandy Spring Bancorp common stock. If this adjustment is necessary, shareholders who elect to receive cash or a mixture of cash and stock may be required on a pro rata basis to receive a greater amount of Sandy Spring Bancorp common stock than they otherwise would have received.

No guarantee can be made that you will receive the amounts of cash and/or stock you elect. As a result of the allocation procedures and other limitations outlined in this document and the agreement and plan of merger, you may receive Sandy Spring Bancorp common stock or cash in amounts that vary from the amounts you elect to receive.

Election Procedures; Surrender of Stock Certificates

An election form is being mailed separately from this proxy statement/prospectus to holders of shares of CommerceFirst Bancorp common stock on or about the date this proxy statement/prospectus is being mailed. Each election form entitles the holder of the CommerceFirst Bancorp common stock to elect to receive cash, Sandy Spring Bancorp common stock, or a combination of cash and stock, or make no election with respect to the form of merger consideration you wish to receive.

To make an effective election, you must submit a properly completed election form, along with your CommerceFirst Bancorp stock certificates representing all shares of CommerceFirst Bancorp common stock covered by the election form (or an appropriate guarantee of delivery), to the exchange agent, Registrar and Transfer Company, on or before 5:00 p.m., Eastern time, on May 17, 2012. Registrar and Transfer Company will act as exchange agent in the merger and in that role will process the exchange of CommerceFirst Bancorp common stock for cash and/or Sandy Spring Bancorp common stock. Shortly after the merger, the exchange agent will allocate cash and stock among CommerceFirst Bancorp shareholders, consistent with their elections and the allocation and proration procedures. If you do not submit an election form, you will receive instructions from the exchange agent on where to surrender your CommerceFirst Bancorp stock certificates after the merger is completed. **In any event, do not forward your CommerceFirst Bancorp stock certificates with your proxy cards.**

You may change your election at any time before the election deadline by written notice accompanied by a properly completed and signed later-dated election form which is received by the exchange agent before the election deadline or by withdrawal of your stock certificates by written notice before the election deadline. All elections will be revoked automatically if the agreement and plan of merger is terminated. If you have a preference for receiving either Sandy Spring Bancorp stock and/or cash for your CommerceFirst Bancorp stock, you should complete and return the election form. If you do not make an election, you will be allocated Sandy Spring Bancorp common stock and/or cash depending on the elections made by other shareholders.

Neither Sandy Spring Bancorp nor CommerceFirst Bancorp makes any recommendation as to whether you should elect to receive cash, stock or a combination of cash and stock in the merger. You must make your own decision with respect to your election. Generally, the merger will be a tax-free transaction for CommerceFirst Bancorp shareholders to the extent they receive Sandy Spring Bancorp common stock. See *"–Tax Consequences of the Merger."*

If your certificates for CommerceFirst Bancorp common stock are not immediately available or you are unable to send the election form and other required documents to the exchange agent before the election deadline, CommerceFirst Bancorp shares may be properly exchanged, and an election will be effective, if:

- such exchanges are made by or through a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, or by a commercial bank or trust company having an office, branch or agency in the United States;

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- the exchange agent receives, before the election deadline, a properly completed and duly executed notice of guaranteed delivery substantially in the form provided with the election form (delivered by hand, mail, telegram, telex or facsimile transmission); and

- the exchange agent receives, within three business days after the election deadline, the certificates for all exchanged CommerceFirst Bancorp shares, or confirmation of the delivery of all such certificates into the exchange agent's account with The Depository Trust Company in accordance with the proper procedures for such transfer, together with a properly completed and duly executed election form and any other documents required by the election form.

CommerceFirst Bancorp shareholders who do not submit a properly completed election form or revoke their election form before the election deadline will have their shares of CommerceFirst Bancorp common stock designated as non-election shares. CommerceFirst Bancorp stock certificates represented by elections that have been revoked will be promptly returned without charge to the CommerceFirst Bancorp shareholder revoking the election upon written request.

If you own shares of CommerceFirst Bancorp common stock in "street name" through a broker or other financial institution, you should receive or seek instructions from the institution holding your shares concerning how to make your election. "Street name" holders may be subject to an election deadline earlier than the deadline applicable to holders of shares in registered form. Therefore, 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 such broker's directions for revoking or changing those instructions.

After the completion of the merger, the exchange agent will mail to CommerceFirst Bancorp shareholders who do not submit election forms, or who have revoked their election, a letter of transmittal, together with instructions for the exchange of their CommerceFirst Bancorp common stock certificates for the merger consideration. Until you surrender your CommerceFirst Bancorp stock certificates for exchange after completion of the merger, you will not be paid dividends or other distributions declared after the merger with respect to any Sandy Spring Bancorp common stock into which your CommerceFirst Bancorp shares have been converted. When you surrender your CommerceFirst Bancorp stock certificates, Sandy Spring Bancorp will pay any unpaid dividends or other distributions, without interest. After the completion of the merger, there will be no further transfers of CommerceFirst Bancorp common stock. CommerceFirst Bancorp stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If your CommerceFirst Bancorp stock certificates have been lost, stolen or destroyed, you will have to prove your ownership of these certificates, that they were lost, stolen or destroyed and post a bond in such amount as the exchange agent may direct before you receive any consideration for your shares. The election form includes instructions on how to provide evidence of ownership.

Sandy Spring Bancorp currently anticipates issuing the shares of Sandy Spring Bancorp common stock to CommerceFirst Bancorp shareholders using Registrar and Transfer Company's Direct Registration program. As such, the shares of Sandy Spring Bancorp common stock into which each CommerceFirst Bancorp shareholder's common stock has been converted will initially be recorded in book entry form on the records of Sandy Spring Bancorp's transfer agent, Registrar and Transfer Company, as opposed to new certificates being issued. CommerceFirst Bancorp shareholders who receive Sandy Spring Bancorp shares through the Direct Registration program may request a physical stock certificate at no charge.

Accounting Treatment

Sandy Spring Bancorp will account for the merger under the "acquisition" method of accounting in accordance with U.S. generally accepted accounting principles. Using the acquisition method of accounting, the assets and liabilities of CommerceFirst Bancorp will be recorded by Sandy Spring Bancorp at their respective fair values at the time of the completion of the merger. The excess of Sandy Spring Bancorp's purchase price over the net fair value of the assets acquired and liabilities assumed will then be allocated to identified intangible assets, with any remaining unallocated cost recorded as goodwill.

Tax Consequences of the Merger

General. The following summary discusses the material anticipated U.S. federal income tax consequences of the merger applicable to a holder of shares of CommerceFirst Bancorp common stock who surrenders all of his or her common stock for shares of Sandy Spring Bancorp common stock and/or cash in the merger. This discussion is based upon the Internal Revenue Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service ("IRS"), and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to U.S. residents and citizens who hold their shares as capital assets for U.S. federal income tax purposes within the meaning of Section 1221 of the Internal Revenue Code (generally, assets held for investment). No attempt has been made to comment on all U.S. federal income tax consequences of the merger and related transactions that may be relevant to holders of shares of CommerceFirst Bancorp common stock. This discussion also does not address all of the tax consequences that may be relevant to a particular person or the tax consequences that may be relevant to persons subject to special treatment under U.S. federal income tax laws (including, among others, tax-exempt organizations, dealers in securities or foreign currencies, banks, insurance companies, financial institutions or persons who hold their shares of CommerceFirst Bancorp common stock as part of a hedge, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar, holders that exercise appraisal rights, persons that are, or hold their shares of CommerceFirst Bancorp common stock through, partnerships or other pass-through entities, or persons who acquired their shares of CommerceFirst Bancorp common stock through the exercise of an employee stock option or otherwise as compensation). In addition, this discussion does not address the alternative minimum tax or any aspects of state, local, non-U.S. taxation or U.S. federal taxation other than income taxation. No ruling has been requested from the IRS regarding the U.S. federal income tax consequences of the merger. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

CommerceFirst Bancorp shareholders are urged to consult their tax advisors as to the U.S. federal income tax consequences of the merger, as well as the effects of state, local, non-U.S. tax laws and U.S. tax laws other than income tax laws.

Opinion Conditions. It is a condition to the obligations of Sandy Spring Bancorp and CommerceFirst Bancorp that they receive an opinion by Kilpatrick Townsend & Stockton LLP to the effect that the merger will constitute a "reorganization" for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code, and that each of Sandy Spring Bancorp and CommerceFirst Bancorp will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code. Sandy Spring Bancorp and CommerceFirst Bancorp expect to be able to obtain the tax opinion if, as expected:

- Sandy Spring Bancorp and CommerceFirst Bancorp are able to deliver customary representations to Kilpatrick Townsend & Stockton LLP; and

- there is no adverse change in U.S. federal income tax law.

Although the agreement and plan of merger allows both Sandy Spring Bancorp and CommerceFirst Bancorp to waive the condition that a tax opinion be delivered, neither party currently anticipates doing so. However, if this condition were waived, CommerceFirst Bancorp would re-solicit the approval of its shareholders before completing the merger.

In addition, in connection with the filing of the registration statement of which this proxy statement/prospectus forms a part, Kilpatrick Townsend & Stockton LLP has delivered its opinion to Sandy Spring Bancorp and CommerceFirst Bancorp, dated as of the date of this proxy statement/prospectus, that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code. A copy of this opinion has been filed as an exhibit to the registration statement. Such opinion has been rendered on the basis of facts, representations and assumptions set forth or referred to in such opinion and factual representations contained in certificates of officers of Sandy Spring Bancorp and CommerceFirst Bancorp, all of which must continue to be true and accurate in all material respects as of the effective time of the merger. The opinion of Kilpatrick Townsend & Stockton LLP will not be binding on the IRS or any court.

If any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the tax consequences of the merger could be adversely affected. The determination by tax counsel as to whether the proposed merger will be treated as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code will depend upon the facts and law existing at the effective time of the proposed merger. The following discussion assumes that the merger will constitute a “reorganization” for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code.

Exchange Solely for Sandy Spring Bancorp Common Stock. No gain or loss will be recognized by a CommerceFirst Bancorp shareholder who receives solely shares of Sandy Spring Bancorp common stock (except for cash received in lieu of fractional shares, as discussed below) in exchange for all of his or her shares of CommerceFirst Bancorp common stock. The tax basis of the shares of Sandy Spring Bancorp common stock received by a CommerceFirst Bancorp shareholder in such exchange will be equal (except for the basis attributable to any fractional shares of Sandy Spring Bancorp common stock, as discussed below) to the basis of the CommerceFirst Bancorp common stock surrendered in exchange for the Sandy Spring Bancorp common stock. The holding period of the Sandy Spring Bancorp common stock received will include the holding period of shares of CommerceFirst Bancorp common stock surrendered in exchange for the Sandy Spring Bancorp common stock, provided that such shares were held as capital assets of the CommerceFirst Bancorp shareholder at the effective time of the merger.

Exchange Solely for Cash. A CommerceFirst Bancorp shareholder who receives solely cash in exchange for all of his or her shares of CommerceFirst Bancorp common stock (and is not treated as constructively owning Sandy Spring Bancorp common stock after the merger under the circumstances referred to below under *"—Possible Dividend Treatment"*) will recognize gain or loss for federal income tax purposes equal to the difference between the cash received and such shareholder's tax basis in the CommerceFirst Bancorp common stock surrendered in exchange for the cash. Such gain or loss will be a capital gain or loss, provided that such shares were held as capital assets of the CommerceFirst Bancorp shareholder at the effective time of the merger. Such gain or loss will be long-term capital gain or loss if the CommerceFirst Bancorp shareholder's holding period is more than one year at the effective time of the merger. The Internal Revenue Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

Exchange for Sandy Spring Bancorp Common Stock and Cash. A CommerceFirst Bancorp shareholder who receives a combination of Sandy Spring Bancorp common stock and cash in exchange for his or her CommerceFirst Bancorp common stock will not be permitted to recognize any loss for federal income tax purposes. Such a shareholder will recognize gain, if any, equal to the lesser of (1) the amount of cash received or (2) the amount of gain "realized" in the transaction. The amount of gain a CommerceFirst Bancorp shareholder "realizes" will equal the amount by which (a) the cash plus the fair market value at the effective time of the merger of Sandy Spring Bancorp common stock received exceeds (b) the shareholder's basis in the CommerceFirst Bancorp common stock to be surrendered in the exchange for the cash and Sandy Spring Bancorp common stock. Any recognized gain could be taxed as a capital gain or a dividend, as described below. The tax basis of the shares of Sandy Spring Bancorp common stock received by such CommerceFirst Bancorp shareholder will be the same as the basis of the shares of CommerceFirst Bancorp common stock surrendered in exchange for the shares of Sandy Spring Bancorp common stock, adjusted as provided in Section 358(a) of the Internal Revenue Code for the gain recognized and/or cash received in exchange for such shares of CommerceFirst Bancorp common stock. The holding period for shares of Sandy Spring Bancorp common stock received by such CommerceFirst Bancorp shareholder will include such shareholder's holding period for the CommerceFirst Bancorp common stock surrendered in exchange for the Sandy Spring Bancorp common stock, provided that such shares were held as capital assets of the shareholder at the effective time of the merger.

A CommerceFirst Bancorp shareholder's federal income tax consequences will also depend on whether his or her shares of CommerceFirst Bancorp common stock were purchased at different times at different prices. If they were, the CommerceFirst Bancorp shareholder could realize gain with respect to some of the shares of CommerceFirst Bancorp common stock and loss with respect to other shares. Such CommerceFirst Bancorp shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares in which the shareholder's adjusted tax basis is less than the amount of cash plus the fair market value at the effective time of the merger of the Sandy Spring Bancorp common stock received, but could not recognize loss with respect to those shares in which the CommerceFirst Bancorp shareholder's adjusted tax basis is greater than the amount of cash plus the fair market value at the effective time of the merger of the Sandy Spring Bancorp common stock received. Any disallowed loss would be included in the adjusted basis of the Sandy Spring Bancorp common stock. Such a CommerceFirst Bancorp shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

Possible Dividend Treatment. In certain circumstances, a CommerceFirst Bancorp shareholder who receives solely cash or a combination of cash and Sandy Spring Bancorp common stock in the merger may receive dividend income, rather than capital gain, treatment on all or a portion of the gain recognized by that shareholder if the receipt of cash "has the effect of the distribution of a dividend." The determination of whether a cash payment has such effect is based on a comparison of the CommerceFirst Bancorp shareholder's proportionate interest in Sandy Spring Bancorp after the merger with the proportionate interest the shareholder would have had if the shareholder had received solely Sandy Spring Bancorp common stock in the merger. This could happen because of your purchase (or the purchase by a family member or certain entities described below) of additional Sandy Spring Bancorp stock or a repurchase of shares by Sandy Spring Bancorp. For purposes of this comparison, the CommerceFirst Bancorp shareholder may be deemed to constructively own shares of Sandy Spring Bancorp common stock held by certain members of the shareholder's family or certain entities in which the shareholder has an ownership or beneficial interest and certain stock options may be aggregated with the shareholder's shares of Sandy Spring Bancorp common stock. The amount of the cash payment that may be treated as a dividend is limited to the shareholder's ratable share of the accumulated earnings and profits of CommerceFirst Bancorp at the effective time of the merger. Any gain that is not treated as a dividend will be taxed as a capital gain, provided that the shareholder's shares were held as capital assets at the effective time of the merger. Because the determination of whether a cash payment will be treated as having the effect of a dividend depends primarily upon the facts and circumstances of each CommerceFirst Bancorp shareholder, shareholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger.

Cash in Lieu of Fractional Shares. A CommerceFirst Bancorp shareholder who holds CommerceFirst Bancorp common stock as a capital asset and who receives in the merger, in exchange for such stock, solely Sandy Spring Bancorp common stock and cash in lieu of a fractional share interest in Sandy Spring Bancorp common stock will be treated as having received such cash in full payment for such fractional share of stock and as capital gain or loss, notwithstanding the dividend rules discussed above.

Backup Withholding. Unless an exemption applies under the backup withholding rules of Section 3406 of the Internal Revenue Code, the exchange agent shall be required to, and will, withhold 28% of any cash payments to which a CommerceFirst

Bancorp shareholder is entitled pursuant to the merger, unless the CommerceFirst Bancorp shareholder signs the substitute IRS Form W-9 enclosed with the letter of transmittal sent by the exchange agent. Unless an applicable exemption exists and is proved in a manner satisfactory to the exchange agent, this completed form provides the information, including the CommerceFirst Bancorp shareholder's taxpayer identification number, and certification necessary to avoid backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a credit against your U.S. Federal income tax liability, provided you timely furnish the required information to the IRS.

Tax Treatment of the Entities. No gain or loss will be recognized by Sandy Spring Bancorp or CommerceFirst Bancorp as a result of the merger.

Reporting Requirements. A holder of CommerceFirst Bancorp common stock that receives Sandy Spring Bancorp common stock as a result of the merger may be required to retain records related to such shareholder's CommerceFirst Bancorp common stock and file with its U.S. Federal income tax return a statement setting forth facts relating to the merger.

Regulatory Matters Relating to the Merger

Completion of the merger is subject to prior approval of the Federal Reserve Board and the Maryland Commissioner. In reviewing applications for transactions of this type, the Federal Reserve Board must consider, among other factors, the financial and managerial resources and future prospects of the existing and resulting institutions, and the convenience and needs of the communities to be served. In addition, the Federal Reserve Board may not approve a transaction if it will result in a monopoly or otherwise be anticompetitive. Sandy Spring Bancorp filed applications with the Federal Reserve Board on January 18, 2012 and with the Maryland Commissioner on January 19, 2012. The Federal Reserve Board approved the merger on February 29, 2012 and the Maryland Commissioner approved the transactions on March 16, 2012.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the cash consideration or the exchange ratio for converting CommerceFirst Bancorp common stock to Sandy Spring Bancorp common stock. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger or of Sandy Spring Bancorp.

Interests of Certain Persons in the Merger

Share Ownership. On the record date for the special meeting, CommerceFirst Bancorp's directors and officers beneficially owned, in the aggregate, 398,001 shares of CommerceFirst Bancorp's common stock, representing approximately 21.9% of the outstanding shares of CommerceFirst Bancorp common stock.

As described below, certain of CommerceFirst Bancorp's officers and directors have interests in the merger that are in addition to, or different from, the interests of CommerceFirst Bancorp's shareholders generally. CommerceFirst Bancorp's board of directors was aware of these conflicts of interest and took them into account in approving the merger.

Change of Control, Severance, and Bonus Payments for Certain Persons. CommerceFirst Bancorp currently has employment agreements with each of the persons set forth in the table below. Under these employment agreements, if a change of control with respect to CommerceFirst Bancorp occurs, the officer may elect to (i) continue his employment under the current form of his employment agreement, (ii) enter into a new employment agreement on mutually agreeable terms, or (iii) resign his employment and receive certain change of control payments. In these agreements, "change of control" is defined as a: (a) transaction or series of transactions in which any one person, or more than one person acting as a group, acquires during any twelve month period more than thirty three percent (33%) of the total voting power of the common stock of CommerceFirst Bancorp, or (b) merger, consolidation, or other reorganization where CommerceFirst Bancorp is not the surviving entity and where the organizers of CommerceFirst Bancorp do not individually or as a group own more than thirty three percent (33%) of the common stock of CommerceFirst Bancorp. The merger will result in a change of control as defined in these employment agreements.

Under his employment agreement, Mr. Storm is entitled to receive, in connection with a change in control resignation or termination, two times his base salary, paid over a six month period, beginning approximately seven months after the date of resignation or termination, subject to a vesting schedule which provides that during 2012, he would be entitled to receive 80% of the change of control payment. Based upon Mr. Storm's base salary of $154,000 per year, and assuming that the merger is effective on May 1, 2012, Mr. Storm would be entitled to a payment of $247,200. Mr. Storm will remain subject to the non-disparagement and non-disclosure obligations under his employment agreement for one year after the date of resignation or termination.

Under his employment agreement, Mr. Jernigan is entitled to receive, in connection with a change in control resignation or termination, two times his base salary and bonus, paid over a six-month period, beginning approximately seven months after the date of resignation or termination. Based upon Mr. Jernigan's 2011 base salary of $45,000 per year, his 2012 base salary of $50,000 per year, and the $2,500 bonus awarded in December 2011, and assuming that the merger were effective May 1, 2012, Mr. Jernigan would be entitled to a payment of approximately $98,333.

On December 20, 2011, Mr. Morgan, entered into an employment agreement with Sandy Spring Bank, which becomes effective upon completion of the merger and bank merger and replaces Mr. Morgan's employment agreement with CommerceFirst Bancorp. Upon the effective date of the employment agreement, Mr. Morgan will become the Senior Vice President and Market President for the greater Annapolis region and Prince George's County market. Mr. Morgan will receive a signing bonus of $210,000 as an inducement to continue to provide services to Sandy Spring Bank following the merger. The agreement has a two-year term and provides for a base annual salary of $180,000, a bonus opportunity of up to 35% of base salary, and benefits commensurate with similarly situated officers of Sandy Spring Bank. Mr. Morgan will also be paid, not later than five days after the effective time of the merger, a lump sum of $210,000 in exchange for his agreement during the term of his employment and for twenty-four months thereafter, not to serve as an officer, director or employee of a financial institution offering services or products competitive with those of Sandy Spring Bank, from offices in any county in Maryland or another state in which Sandy Spring Bank or any subsidiary or affiliate has a branch. Mr. Morgan also agrees not to interfere with the relationships with Sandy Spring Bancorp's employees during the same period. These restrictions will not apply after a change in control relating to Sandy Spring Bancorp.

The following table reflects the amounts payable to officers and directors of CommerceFirst Bancorp as severance or other payments under employment agreements as a result of the merger. Under SEC rules, the shareholders are only required to be provided an advisory vote on compensation to "named executive officers," as that term is defined in SEC rules. Mr. Morgan and Mr. Storm are CommerceFirst Bancorp's "named executive officers." Mr. Jernigan is not a "named executive officer." As SEC rules do not require us to provide a vote on approving compensation under new employment agreements, in Proposal 3, shareholders will be voting to approve the compensation of Mr. Storm only, ***and not*** to approve the compensation payable to Mr. Jernigan under his existing employment agreement with CommerceFirst Bancorp or to Mr. Morgan under his new employment agreement with Sandy Spring Bank.

Name	Cash ($)	Equity ($)	Pension/ NQDC ($)	Perquisites/ Benefits ($)	Tax Reimbursement ($)	Other ($)	Total ($)
Milton D. Jernigan, II	$98,333	-	-	-	-	-	$98,333
Richard J. Morgan	$420,000	-	-	-	-	-	$420,000
Michael T. Storm	$247,200	-	-	-	-	-	$247,200

Continued Director and Officer Liability Coverage. For a period of six years following the effective time of the merger, Sandy Spring Bancorp has agreed to indemnify and hold harmless the current and former officers and directors of CommerceFirst Bancorp and its subsidiaries against any costs or expenses incurred in connection with any claim, action, suit, proceeding or investigation that is a result of matters that existed or occurred at or before the effective time of the merger to the same extent as CommerceFirst Bancorp currently provides for indemnification of its officers and directors. Sandy Spring Bancorp has also agreed to maintain in effect for a period of six years following the effective time of the merger the directors' and officers' liability insurance policy currently maintained by CommerceFirst Bancorp or to provide a policy with comparable coverage, provided that, to obtain such insurance coverage, Sandy Spring Bancorp is not obligated to expend an annual amount exceeding 200% of the amount of the annual premiums currently paid by CommerceFirst Bancorp for such insurance.

Employee Matters

For continuing employees of CommerceFirst Bancorp and CommerceFirst Bank, Sandy Spring Bancorp will maintain or cause to be maintained employee benefit plans and compensation opportunities that are substantially comparable to the employee benefit and compensation opportunities that are generally made available to similarly situated employees of Sandy Spring Bancorp or Sandy Spring Bank.

Continuing employees of CommerceFirst Bancorp and CommerceFirst Bank will not receive prior service credit for benefit accrual purposes under any of Sandy Spring Bancorp's compensation and benefit plans, programs or policies, except for Sandy Spring Bancorp's vacation and sick leave programs. Continuing employees will receive credit for service with Sandy Spring Bancorp for purposes of vesting and determination of eligibility to participate in Sandy Spring Bancorp's 401(k) plan. Each continuing employee with sufficient service credit with CommerceFirst Bancorp to satisfy Sandy Spring Bancorp's 401(k) plan eligibility service requirement and who has attained the requisite plan participation age, shall be eligible to participate in Sandy Spring Bancorp's 401(k) plan as of the 401(k) plan entry date coincident with or following the effective time of the merger. CommerceFirst Bancorp will take all necessary and appropriate actions to cause its 401(k) plan to be frozen as to future contributions effective immediately prior to the effective time of the merger.

Each full time employee of CommerceFirst Bancorp or CommerceFirst Bank who is involuntarily terminated by Sandy Spring Bancorp (other than for cause) within six months of the effective time of the merger and who is not covered by a separate severance, change in control, or employment agreement shall, upon executing an appropriate release in the form reasonably determined by Sandy Spring Bancorp, receive a severance payment equal to two weeks of base pay (at the rate in effect on the termination date) for each year of service at CommerceFirst Bancorp or CommerceFirst Bank, as applicable, with a minimum payment equal to four weeks of base pay for CommerceFirst Bancorp employees who have at least one full year of service as of their date of termination and a maximum payment equal to 26 weeks of base pay.

Prior to the effective time of the merger, CommerceFirst Bancorp paid out all unused vacation leave accrued prior to January 1, 2012 in accordance with its existing vacation policy, as required by the agreement and plan of merger.

Operations of CommerceFirst Bank after the Merger

After the merger of CommerceFirst Bank and Sandy Spring Bank, the former offices of CommerceFirst Bank will operate as branch offices of Sandy Spring Bank under the name “Sandy Spring Bank.”

Restrictions on Resale of Shares of Sandy Spring Bancorp Common Stock

The shares of Sandy Spring Bancorp common stock to be issued to shareholders of CommerceFirst Bancorp under the agreement and plan of merger have been registered under the Securities Act of 1933 and may be freely traded by such shareholders without restriction (unless they are affiliates of Sandy Spring Bancorp, in which case certain restrictions under the securities laws may apply). Certain shareholders who are deemed to be affiliates of Sandy Spring Bancorp must abide by certain transfer restrictions under the Securities Act of 1933.

Time of Completion

Unless the parties agree otherwise and unless the agreement and plan of merger has otherwise been terminated, the closing of the merger will take place on a date designated by Sandy Spring Bancorp within 30 days following the date on which all of the conditions to the merger contained in the agreement and plan of merger are satisfied or waived. See "—*Conditions to Completion of the Merger*." On the closing date, Sandy Spring Bancorp will file articles of merger with the Maryland State Department of Assessments and Taxation merging CommerceFirst Bancorp into Sandy Spring Bancorp. The merger will become effective at the time stated in the articles of merger.

Sandy Spring Bancorp and CommerceFirst Bancorp are working hard to complete the merger quickly. It is currently expected that the merger will be completed during the second calendar quarter of 2012. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

Conditions to Completing the Merger

Sandy Spring Bancorp's and CommerceFirst Bancorp's obligations to consummate the merger are conditioned on the following:

- approval and adoption of the agreement and plan of merger by CommerceFirst Bancorp shareholders;
- receipt of all required regulatory approvals and the expiration of all statutory waiting periods;
- no party to the merger being subject to any legal order, decree or injunction that prohibits consummating any part of the transaction, no governmental entity having instituted any proceeding for the purpose of blocking the transaction, and the absence of any statute, rule or regulation that prohibits completion of any part of the transaction;
- receipt by each party of all consents and approvals from third parties (other than those required from government agencies) required to complete the merger, unless failure to obtain those consents or approvals would not have a material adverse effect on Sandy Spring Bancorp after completion of the merger;

- the registration statement of which this proxy statement/prospectus forms a part being declared effective by the SEC, the absence of any pending or threatened proceeding by the SEC to suspend the effectiveness of the registration statement and the receipt of all required state "blue sky" approvals;
- receipt by each party of an opinion from Kilpatrick Townsend & Stockton LLP to the effect that the merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that each of CommerceFirst Bancorp and Sandy Spring Bancorp is a party to the reorganization; and
- the other party having performed in all material respects its obligations under the agreement and plan of merger, the other party's representations and warranties being true and correct as of the date of the agreement and plan of merger and as of the closing date, and receipt of a certificate signed by the other party's chief executive officer and chief financial officer to that effect.

In addition, Sandy Spring Bancorp's obligations to consummate the merger are conditioned on the following:

- there has not been a material adverse change to the business, financial condition or results of operations of CommerceFirst Bancorp and CommerceFirst Bank as a whole;
- none of the regulatory approvals containing any condition or requirement that would so materially and adversely impact the economic or business benefits to Sandy Spring Bancorp of the merger that, had such condition or requirement been known, Sandy Spring Bancorp would not, in its reasonable judgment, have entered into the agreement and plan of merger;
- the aggregate number of shares of CommerceFirst Bancorp common stock with respect to which rights as objecting shareholders shall be been exercised and not withdrawn shall not exceed 10% of the outstanding shares of CommerceFirst Bancorp common stock as of the record date for the special meeting of shareholders; and
- there are no pending actions or proceedings (i) challenging the validity or legality of the agreement and plan of merger or the consummation of the transactions contemplated by the agreement and plan of merger, (ii) seeking to restrain or invalidate the transactions contemplated by the agreement and plan of merger, or (iii) seeking damages in connection with the transactions contemplated by the agreement and plan of merger, which damages, if imposed, could reasonably be expected to be material in relation to the value of the merger consideration.

Sandy Spring Bancorp and CommerceFirst Bancorp cannot guarantee whether all of the conditions to the merger will be satisfied or waived by the party permitted to do so.

Conduct of Business Before the Merger

CommerceFirst Bancorp has agreed that, until completion of the merger and unless permitted by Sandy Spring Bancorp, neither it nor its subsidiaries will:

General Business

- conduct its business other than in the regular, ordinary and usual course consistent with past practice;
- fail to maintain and preserve intact its business organization, properties, leases, employees and advantageous business relationships and retain the services of its officers and key employees;
- take any action that would adversely affect or delay its ability to perform its obligations under the agreement and plan of merger or to consummate the transactions contemplated by the agreement and plan of merger;

Indebtedness

- incur, modify, extend or renegotiate any indebtedness or assume, guarantee, endorse or otherwise become responsible for the obligations of any person or entity, other than the creation of deposit liabilities in the ordinary course of business consistent with past practice;
- prepay any such indebtedness so as to cause itself to incur a prepayment penalty thereunder;

- purchase any brokered certificates of deposit other than in the ordinary course of business with a term not in excess of one year;

Capital Stock

- adjust, split, combine or reclassify its capital stock;
- make, declare or pay any dividends or make any other distribution on its capital stock, except that CommerceFirst Bank may pay a capital distribution to CommerceFirst Bancorp sufficient to enable CommerceFirst Bancorp to pay expenses related to ordinary operations of CommerceFirst Bancorp or to the transactions contemplated by the agreement and plan of merger;
- grant any person any right to acquire any of its shares of capital stock;
- issue any additional shares of capital stock or any securities convertible or exercisable for any shares of its capital stock;
- redeem, purchase or otherwise acquire any shares of its capital stock;

Dispositions

- sell, transfer, mortgage, encumber or otherwise dispose of any of its real property or assets or cancel, release or assign any indebtedness, other than in the ordinary course of business consistent with past practice or pursuant to contracts or agreements in force as of the date of the agreement and plan of merger;

Investments

- make any equity investment other than the purchase of Federal Reserve Bank of Richmond stock in accordance with applicable law and regulation;
- enter into any futures contract, option, swap agreement, interest rate cap, interest rate floor, interest rate exchange agreement, or take any other action for purposes of hedging the exposure of its interest-earning assets or interest-bearing liabilities to changes in market rates of interest, other than interest rate caps and floors in a loan, lease, advance, credit enhancement, guarantee or other extension of credit in the ordinary course of business;

Contracts

- enter into, renew, amend or terminate any contract or agreement, or make any change in any of its leases or contracts, other than with respect to those involving aggregate payments of less than, or the provision of goods or services with a market value of less than, $50,000 per year, other than those specifically permitted by the agreement and plan of merger;

Loans

- make, renegotiate, renew, increase, extend, modify or purchase any loans, advances, credit enhancements or extensions, other than existing loan commitments and those in conformity with lending policies in effect as of the date of the agreement and plan of merger, including approval by the CommerceFirst Bancorp's President, in amounts not to exceed $100,000 if such loan is not fully secured, $750,000 if such loan is fully secured, or $750,000 with respect to any one borrower and its family members and affiliates (provided, however, that Sandy Spring Bancorp has waived its right to require CommerceFirst Bancorp to obtain prior approval for fully secured loans of, or loans to family members or affiliates that are in the aggregate, less than $1,000,000);

- except for loans made in accordance with Regulation O of the Federal Reserve Board, make or increase any loan or extension of credit or commit to make or increase any such loan or extension of credit to any director or executive officer of CommerceFirst Bancorp or CommerceFirst Bank;

- make any changes in policies in existence on the date hereof with regard to: the extension of credit, or the establishment of reserves with respect to possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; or other material banking policies, except as may be required by changes in applicable law or regulations, generally accepted accounting principles, or the direction of a governmental entity;

Employees

- increase in any manner the compensation, bonuses or other fringe benefits of any of its employees or directors other than in the ordinary course of business;
- pay any bonus, pension, retirement allowance or contribution not required by any existing plan or agreement to any such employees or directors, except for bonuses with respect to the calendar year 2011 to officers, employees or directors, or salary increases to officers, directors or employees specifically permitted by the agreement and plan of merger;
- become a party to, amend, renew, extend or commit to any pension, retirement, profit-sharing or welfare benefit plan or agreement or employment or change-in-control agreement with or for the benefit of any employee or director, except for amendments to any plan or agreement that are required by law;
- elect any new senior executive officer or director;
- hire any employee except as may be necessary to replace any non-officer employee whose employment is terminated, whether voluntarily or involuntarily;

Settling Claims

- commence any action other than to enforce any obligation owed to CommerceFirst Bancorp or CommerceFirst Bank in accordance with past practice;
- settle any claim against it for more than $50,000 or agree to material restrictions on its operations or the operations of any of its subsidiaries;

Governing Documents

- amend its articles of incorporation or bylaws;

Deposits

- increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in a manner and pursuant to policies consistent with past practice;

Investment in Debt Securities

- make any investment in any debt security, including mortgage-backed and mortgage-related securities, other than U.S. government and U.S. government agency securities or FDIC-insured certificates of deposit with final maturities less than one year;

Capital Expenditures

- make any capital expenditures other than pursuant to binding commitments and expenditures necessary to maintain existing assets in good repair;

Branches

- establish or commit to establish any new branch or other office or file an application to relocate or terminate the operation of any banking office;

***Communication*s**

- issue any communication of a general nature to employees without prior consultation with Sandy Spring Bancorp and, to the extent relating to post-closing employment, benefit or compensation information, without the prior consent of Sandy Spring Bancorp or issue any communication of a general nature to customers without the prior approval of Sandy Spring Bancorp, except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the merger or other transactions contemplated thereby;

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Foreclosures

- except in connection with certain permitted foreclosure actions, foreclose upon or take a deed or title to any commercial real estate (1) without providing prior notice to Sandy Spring Bancorp and conducting a Phase I environmental assessment of the property, or (2) if the Phase I environmental assessment reflects the presence of any hazardous material or underground storage tank;

Taxes

- make, change or rescind any material tax election, file any amended tax return, enter into any closing agreement with respect to taxes, settle or compromise any material tax claim or assessment, or surrender any right to claim a tax refund or obtain any tax ruling;

Accounting

- implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles or regulatory guidelines;

Agreement and Plan of Merger

- take any action that is intended or expected to result in any of its representations and warranties under the agreement and plan of merger being or becoming untrue in any material respect at any time prior to the effective time of the merger or in any of the conditions to the merger not being satisfied or in a violation of a provision of the agreement and plan of merger;
- knowingly take any action that would prevent or impede the merger from qualifying as a reorganization under Section 368 of the Internal Revenue Code; or

Other Agreements

- agree to take, commit to take any or adopt any resolutions in support of any of the actions prohibited by the agreement and plan of merger.

Sandy Spring Bancorp has agreed that, until the completion of the merger and unless permitted by CommerceFirst Bancorp, it will not:

- knowingly take any action that would adversely affect or delay (i) the ability to obtain the necessary approvals of any governmental entity required for the consummation of the transactions contemplated by the agreement and plan of merger, or (ii) its ability to perform its obligations under the agreement and plan of merger or to consummate the transactions contemplated thereby;
- take any action that is intended or expected to result in any of its representations and warranties under the agreement and plan of merger being or becoming untrue in any material respect at any time prior to the effective time of the merger or in any of the conditions to the merger not being satisfied or in a violation of a provision of the agreement and plan of merger;
- knowingly take any action that would prevent or impede the merger from qualifying as a reorganization under Section 368 of the Internal Revenue Code;
- agree to take, commit to take or adopt any resolutions in support of any of the actions prohibited by the agreement and plan of merger;
- amend, repeal or modify any provision of its Articles of Incorporation or bylaws in a manner which would adversely affect CommerceFirst Bancorp or any CommerceFirst Bancorp shareholder or the transactions contemplated by the agreement and plan of merger; or
- make or pay any extraordinary one-time dividend or distribution on shares of Sandy Spring Bancorp Common Stock.

Covenants of CommerceFirst Bancorp and Sandy Spring Bancorp

Agreement Not to Solicit Other Proposals. CommerceFirst Bancorp has agreed not to (i) solicit, initiate or encourage, or take any other action to facilitate, any inquiries, discussions or the making of any proposal that constitutes or could reasonably be expected to lead to an acquisition proposal by a third party, (ii) to furnish any information or data regarding CommerceFirst Bancorp or any of its subsidiaries to any person in connection with or in response to an acquisition proposal or an inquiry or indication of interest that would reasonably be expected to lead to an acquisition proposal, continue or otherwise participate in any discussions or negotiations, or (iii) otherwise communicate in any way with any person regarding an acquisition proposal, approve, endorse or recommend any acquisition proposal, or enter into or consummate any agreement, arrangement or understanding contemplating any acquisition or requiring it to abandon, terminate or fail to consummate the transactions contemplated by the agreement and plan of merger. An acquisition proposal includes a proposal or offer with respect to any of the following:

- any merger, consolidation, share exchange, business combination, or other similar transaction involving CommerceFirst Bancorp or its subsidiaries;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of the consolidated assets of CommerceFirst Bancorp in a single transaction or series of transactions;
- any tender offer or exchange offer for 20% or more of the outstanding shares of capital stock of CommerceFirst Bancorp or the filing of a registration statement under the Securities Act of 1933, as amended, in connection therewith; and
- any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Despite the agreement of CommerceFirst Bancorp not to solicit other acquisition proposals, the board of directors of CommerceFirst Bancorp may generally have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide acquisition proposal, provided that the CommerceFirst Bancorp board of directors:

- after consultation with and receipt of advice from outside legal counsel, in good faith deems such action to be necessary for the proper discharge of its fiduciary duties to CommerceFirst Bancorp shareholders under applicable law;
- determines the acquisition proposal is, or is reasonably likely to result in a superior proposal, which, for purposes of the agreement and plan of merger mean an unsolicited bona fide offer for all of the outstanding CommerceFirst Bancorp common stock or all or substantially all of the assets and liabilities of CommerceFirst Bancorp and its subsidiaries, and which is not contingent on financing, that in the good faith determination of the CommerceFirst Bancorp board of directors after consultation with its outside legal counsel and financial advisor would result in a transaction more favorable to the shareholders of CommerceFirst Bancorp than the merger with Sandy Spring Bancorp, taking into account all legal, financial, regulatory and other aspects of the acquisition proposal and the

proposed acquiror, and which in the written opinion of CommerceFirst Bancorp's financial advisor is more favorable to CommerceFirst Bancorp shareholders than the merger; and

- at least two business days prior to furnishing any nonpublic information to, or entering into discussions with, such person, CommerceFirst Bancorp gives Sandy Spring Bancorp written notice of the identity of such person and of CommerceFirst Bancorp's intention to furnish nonpublic information to, or enter into discussions with, such person and CommerceFirst Bancorp receives from such person an executed confidentiality agreement on terms no more favorable to such person than the confidentiality agreement between Sandy Spring Bancorp and CommerceFirst Bancorp.

If CommerceFirst Bancorp receives a proposal or information request from a third party or enters into negotiations with a third party regarding a superior proposal, CommerceFirst Bancorp must immediately notify Sandy Spring Bancorp and provide Sandy Spring Bancorp with information about the third party and its proposal.

Certain Other Covenants. The agreement and plan of merger also contains other agreements relating to the conduct of Sandy Spring Bancorp and CommerceFirst Bancorp before consummation of the merger, including the following:

- Each party shall promptly advise the other party orally and in writing to the extent that it has knowledge of (i) any representation or warranty made by it contained in the agreement and plan of merger becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply in any material respect with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the agreement and plan of merger;

- CommerceFirst Bancorp will give Sandy Spring Bancorp reasonable access during normal business hours to CommerceFirst Bancorp's property, books, records, contracts, properties, and personnel and furnish all information Sandy Spring Bancorp may reasonably request;

- CommerceFirst Bancorp will promptly provide Sandy Spring Bancorp with a copy of each report filed with a governmental entity, a copy of each periodic report to its senior management and all materials relating to its business or operations furnished to its Board of Directors, a copy of each press release made available to the public and all other information concerning its business, properties and personnel as Sandy Spring Bancorp may reasonably request;

- Sandy Spring Bancorp will not, and will cause its representatives not to, use any information obtained in connection with the two immediately preceding bullet points for any purpose unrelated to the consummation of the transactions contemplated by the agreement and plan of merger;

- CommerceFirst Bancorp will invite a non-voting designee of Sandy Spring Bancorp to attend all regular and special board of directors and all loan committee meetings of CommerceFirst Bancorp or CommerceFirst Bank, except that Sandy Spring Bancorp's designee will not attend portions of any meeting during which there is being discussed: (a) matters involving the agreement and plan of merger, (b) pending or threatened litigation or investigations if, in the opinion of counsel to CommerceFirst Bancorp, the presence of such designees would or might adversely affect the confidential nature of, or any privilege relating to, the matters being discussed, or (c) matters involving an acquisition proposal, and Sandy Spring Bancorp has waived its right to attend loan committee meetings;

- CommerceFirst Bancorp will meet with Sandy Spring Bancorp on a regular basis to discuss and plan for the conversion of CommerceFirst Bancorp data processing and related electronic information systems;

- CommerceFirst Bancorp will provide Sandy Spring Bancorp with an updated list of certain loans specified in the agreement and plan of merger within ten business days of the end of each calendar month;

- Sandy Spring Bancorp and CommerceFirst Bancorp will use their reasonable best efforts to submit, and cause their respective subsidiaries to submit, all necessary applications, notices, and other filings with any governmental entity, the approval of which is required to complete the merger and related transactions;

- Sandy Spring Bancorp and CommerceFirst Bancorp will use their reasonable best efforts to obtain, and cause their respective subsidiaries to obtain, all third party consents necessary to consummate the merger;

- CommerceFirst Bancorp and CommerceFirst Bank will take any necessary action to exempt Sandy Spring Bancorp and the transactions contemplated by the agreement and plan of merger from any anti-takeover provisions contained in CommerceFirst Bancorp's articles of incorporation or bylaws or federal or state law;

- Sandy Spring Bancorp and CommerceFirst Bancorp will use all reasonable efforts to take all actions necessary to consummate the merger and the transactions contemplated by the agreement and plan of merger;

- Sandy Spring Bancorp and CommerceFirst Bancorp will issue a joint press release announcing the merger and will consult with one another before issuing any press release or otherwise making public statements with respect to the merger and any filings with any governmental entity;

- CommerceFirst Bancorp will take all actions necessary to convene a meeting of its shareholders to vote on the agreement and plan of merger and any other matters required to be approved or adopted by shareholders in order to carry out the agreement and plan of merger;

- The CommerceFirst Bancorp board of directors will recommend at the shareholder meeting that the shareholders vote to approve the merger and will use its reasonable best efforts to solicit shareholder approval unless its determines that such actions would not comply with its fiduciary obligations to CommerceFirst Bancorp shareholders. Where the decision to withdraw or modify the recommendation of the board of directors relates to an acquisition proposal from a third party, CommerceFirst Bancorp is required to provide certain disclosures to Sandy Spring Bancorp, provide Sandy Spring Bancorp three business days to propose revisions to the terms of the merger, and negotiate in good faith with respect to any proposed revisions, and the board of directors shall have determined in good faith that the proposal is a superior proposal;

- Sandy Spring Bancorp will file a registration statement, of which this proxy statement/prospectus forms a part, with the SEC registering the shares of Sandy Spring Bancorp common stock to be issued in the merger to CommerceFirst Bancorp shareholders;
- Sandy Spring Bancorp will use its reasonable best efforts to have the registration statement, of which this proxy statement/prospectus forms a part, declared effective by the SEC;
- Sandy Spring Bancorp will take any action required to be taken under any applicable state securities laws in connection with the merger;
- Before completion of the merger, Sandy Spring Bancorp will notify The NASDAQ Global Select Market of the additional shares of Sandy Spring Bancorp common stock that Sandy Spring Bancorp will issue in exchange for shares of CommerceFirst Bancorp common stock;
- Sandy Spring Bancorp and CommerceFirst Bancorp will notify each other of any material contract defaults and any events that would reasonably be likely to result in a material adverse effect on the other. They also will notify each other of any communication from a third party regarding the need to obtain that party's consent in connection with the merger;
- CommerceFirst Bancorp will adopt resolutions providing that CommerceFirst Bancorp's health and welfare plans will be terminated effective immediately prior to the Effective Time and shall arrange for termination of all corresponding insurance policies, service agreements and related arrangements effective on the same date; and
- CommerceFirst Bancorp will give Sandy Spring Bancorp the opportunity to participate in the defense or settlement of any shareholder litigation against CommerceFirst Bancorp and/or its directors relating to the transactions contemplated by the agreement and plan of merger, and no such settlement will be agreed to without Sandy Spring Bancorp's prior written consent.

Representations and Warranties Made by Sandy Spring Bancorp and CommerceFirst Bancorp and CommerceFirst Bank

Sandy Spring Bancorp and CommerceFirst Bancorp and CommerceFirst Bank have made certain customary representations and warranties to each other in the agreement and plan of merger relating to their businesses. For information on these representations and warranties, please refer to the agreement and plan of merger attached as Annex A. The representations and warranties must be true in all material respects at and as of the closing date of the merger unless the change does not have a material negative impact on the parties' business, financial condition or results of operations. See *"—Conditions to Completion of the Merger."*

Terminating the Agreement and Plan of Merger

The agreement and plan of merger may be terminated at any time before the completion of the merger, either before or after approval of the agreement and plan of merger by CommerceFirst Bancorp shareholders, as follows:

- by the written mutual consent of Sandy Spring Bancorp and CommerceFirst Bancorp;
- by either party, if the shareholders of CommerceFirst Bancorp fail to approve the agreement and plan of merger (provided that CommerceFirst Bancorp will only be entitled to terminate for this reason if it has complied with its obligations under the agreement and plan of merger with respect to its shareholder meeting);
- by either party, if a required regulatory approval, consent or waiver is denied or any governmental entity prohibits the consummation of the merger or the transactions contemplated by the agreement and plan of merger;
- by either party, if the merger is not consummated by September 30, 3012, unless failure to complete the merger by that time is due to a misrepresentation, breach of a warranty or failure to fulfill a covenant by the party seeking to terminate the agreement;
- by either party, if the other party breaches a covenant or agreement or if any representation or warranty of the other party shall have become untrue and such breach or untrue representation or warranty has not been or cannot be cured within 30 days following written notice to the party in default;
- by Sandy Spring Bancorp, if CommerceFirst Bancorp materially breaches its agreements regarding the solicitation of other acquisition proposals, the submission of the agreement and plan of merger to shareholders, or if the board of

directors of CommerceFirst Bancorp does not recommend approval and adoption of the agreement and plan of merger in the proxy statement/prospectus or withdraws, modifies or changes its recommendation in a manner adverse to Sandy Spring Bancorp;

- by CommerceFirst Bancorp, at any time during the five-day period following the later of; (a) the date on which the last required regulatory approval is obtained with respect to the merger and the bank merger, without regard to any requisite waiting period in respect thereof, or (b) the date on which the shareholders of CommerceFirst Bancorp approve the agreement and plan of merger; if both of the following conditions are satisfied:

(i) The number obtained by dividing (x) the average of the closing prices of a share of Sandy Spring Bancorp common stock as reported on the NASDAQ Stock Market for the ten consecutive trading days ending on the trading day prior to the date set forth above by (y) $17.73 is less than 0.80; and

(ii) The ratio described above is less than the number obtained by dividing (x) the average closing values of the NASDAQ Bank Index for the ten consecutive trading days ending on the trading day prior to the date set forth above by (y) 1,533.69 and subtracting 0.20 from such quotient.

If CommerceFirst Bancorp elects to terminate the agreement and plan of merger under this provision, Sandy Spring Bancorp may elect to adjust the exchange ratio to an amount that would not make termination under this event possible, in which case no termination would occur; and

- by CommerceFirst Bancorp, at any time prior to the adoption and approval of the agreement and plan of merger, in order to enter into an agreement with respect to a superior proposal, but only if (i) CommerceFirst Bancorp's Board of Directors has determined in good faith based on the advice of legal counsel that such action is required in order for the Board of Directors to comply with its fiduciary duties under applicable law, (ii) CommerceFirst Bancorp has not materially breached its obligations related to acquisition proposals under the agreement and plan of merger; and (iii) CommerceFirst Bancorp has paid the termination fee.

Termination Fee

The agreement and plan of merger requires CommerceFirst Bancorp to pay Sandy Spring Bancorp a fee of $1,000,000 if CommerceFirst Bancorp terminates the agreement and plan of merger in order to enter into an agreement with respect to a superior proposal.

Additionally, CommerceFirst Bancorp must pay the termination fee if Sandy Spring Bancorp terminates the agreement and plan of merger as a result of a breach by CommerceFirst Bancorp of its covenants regarding acquisition proposals, or its obligation to call a shareholder meeting, or if CommerceFirst Bancorp's board of directors fails to recommend approval of the merger or, after recommending the approval of the agreement and plan of merger, it withdraws, modifies or changes its recommendation.

If either party terminates the agreement and plan of merger as a result of the failure of CommerceFirst Bancorp's shareholders to approve the merger, or if Sandy Spring Bancorp terminates the agreement and plan of merger in the event CommerceFirst Bancorp breaches any of its covenants or agreements or in the event any of its representations or warranties become untrue and such breach or untrue representation or warranty has not been or cannot be cured within thirty (30) days following written notice thereof from Sandy Spring Bancorp, then CommerceFirst Bancorp must pay the termination fee if (i) Sandy Spring Bancorp is not in material breach of any representation, warranty, or material covenant, (ii) an acquisition proposal has been publicly announced, disclosed or communicated prior to the special shareholder meeting in the case where CommerceFirst Bancorp's shareholders fail to approve the merger or the date of termination in the case where CommerceFirst Bancorp breaches any of its covenants or agreements or any of its representations or warranties become untrue, and (iii) within twelve month of termination of the agreement and plan of merger, CommerceFirst Bancorp consummates or enters into an agreement with respect to an acquisition proposal.

Expenses

Each of Sandy Spring Bancorp and CommerceFirst Bancorp will pay its own costs and expenses incurred in connection with the merger.

Changing the Terms of the Agreement and Plan of Merger

Before the completion of the merger, Sandy Spring Bancorp and CommerceFirst Bancorp may agree to waive, amend or modify any provision of the agreement and plan of merger. However, after the vote by CommerceFirst Bancorp shareholders, Sandy

Spring Bancorp and CommerceFirst Bancorp can make no amendment or modification that would reduce the amount or alter the kind of consideration to be received by CommerceFirst Bancorp's shareholders under the terms of the merger.

DESCRIPTION OF SANDY SPRING BANCORP CAPITAL STOCK

The following summary describes the material terms of Sandy Spring Bancorp's capital stock and is subject to, and qualified by, Sandy Spring Bancorp's articles of incorporation and bylaws and Maryland law. See *"Where You Can Find More Information"* as to how to obtain a copy of Sandy Spring Bancorp's articles of incorporation and bylaws.

General

We are authorized to issue 50,000,000 shares of our capital stock having a par value of $1.00 per share. At December 31, 2011, 24,091,042 shares of common stock were outstanding. At that date, no shares of preferred stock were outstanding.

Common Stock

Dividends. The holders of our common stock are entitled to receive and share equally in dividends as may be declared by the board of directors out of funds legally available for dividends, after payment of all dividends on preferred stock, if any is outstanding. Sandy Spring Bancorp is not subject to regulatory restrictions on the payment of dividends. However, its ability to pay dividends may depend, in part, upon dividends it receives from Sandy Spring Bank. Applicable regulations limit dividends and other distributions by Sandy Spring Bank.

Voting Rights. The holders of our common stock possess exclusive voting rights in us. They elect our board of directors and act on other matters as are required to be presented to them under federal law or as are otherwise presented to them by the board of directors. Each holder of common stock is entitled to one vote per share on all matters presented to shareholders. Holders of common stock are not entitled to accumulate their votes in the election of directors.

Liquidation. Upon liquidation, dissolution or winding up of Sandy Spring Bancorp, holders of common stock are entitled to receive all of the assets of Sandy Spring Bancorp available for distribution after payment or provision for payment of all its debts and liabilities. If Sandy Spring Bancorp issues preferred stock, the preferred stock holders may have a priority over the holders of the common stock upon liquidation or dissolution.

Preemptive Rights; Redemption. Holders of our common stock are not entitled to preemptive rights with respect to any shares that may be issued. The common stock cannot be redeemed.

Preferred Stock

Sandy Spring Bancorp's articles of incorporation authorizes its board of directors, without shareholder action, to issue preferred stock in one or more series and to establish the designations, powers, preferences, dividend rates and rights as the board of directors may from time to time determine. The issuance of preferred stock with voting, dividend, liquidation and conversion rights could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Transfer Agent and Registrar

The Transfer Agent and Registrar for Sandy Spring Bancorp's common stock is Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016.

Certain Charter and Bylaw Provisions Affecting Stock

Sandy Spring Bancorp's Articles of Incorporation and Bylaws contain several provisions that may make Sandy Spring Bancorp a less attractive target for an acquisition of control by anyone who does not have the support of Sandy Spring Bancorp's board of directors. Such provisions include, among other things, the requirement of a supermajority vote of stockholders to approve certain business combinations and other corporate actions, a minimum price provision, several special procedural rules, a staggered board of directors, and the limitation that stockholder actions may only be taken at a meeting and may not be taken by unanimous written stockholder consent. The foregoing is qualified in its entirely by reference to Sandy Spring Bancorp's Articles of Incorporation and Bylaws, both of which are on file with the SEC.

Restrictions on Ownership

The Bank Holding Company Act of 1956, as amended (the “Bank Holding Company Act” or the “Holding Company Act”) generally would prohibit any company that is not engaged in financial activities and activities that are permissible for a bank holding company or a financial holding company from acquiring control of Sandy Spring Bancorp. “Control” is generally defined as ownership of 25% or more of the voting stock or other exercise of a controlling influence. In addition, any existing bank holding company would need the prior approval of the Federal Reserve Board before acquiring 5% or more of Sandy Spring Bancorp’s voting stock. The Change in Bank Control Act of 1978, as amended (the “Change in Bank Control Act”), prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as Sandy Spring Bancorp, could constitute acquisition of control of the bank holding company. Maryland law generally requires the prior approval of the Maryland Commissioner before a person, group of persons, or company may acquire 25% or more of our voting stock or otherwise exercise a controlling influence over the direction of the management or policy of Sandy Spring Bancorp or Sandy Spring Bank.

COMPARISON OF RIGHTS OF SHAREHOLDERS

The rights of shareholders of Sandy Spring Bancorp are currently governed by Sandy Spring Bancorp’s articles of incorporation, bylaws and Maryland General Corporation Law. The rights of shareholders of CommerceFirst Bancorp are currently governed by CommerceFirst Bancorp’s articles of incorporation, bylaws and applicable provisions of the Maryland General Corporation Law. If the merger is completed, CommerceFirst Bancorp shareholders who receive Sandy Spring Bancorp common stock will become Sandy Spring Bancorp shareholders and their rights will likewise be governed by Sandy Spring Bancorp’s articles of incorporation and bylaws and Maryland General Corporation Law.

The following is a summary of the material differences between the rights of a CommerceFirst Bancorp shareholder and the rights of a Sandy Spring Bancorp shareholder. This summary is not a complete statement of the differences between the rights of CommerceFirst Bancorp shareholders and the rights of Sandy Spring Bancorp shareholders and is qualified in its entirety by reference to the governing law of each corporation and to the articles of incorporation and bylaws of each corporation. Copies of Sandy Spring Bancorp’s articles of incorporation and bylaws are on file with the SEC. Copies of CommerceFirst Bancorp’s certificate of incorporation and bylaws are on file with the SEC and are available upon written request addressed to Candace M. Springmann, Corporate Secretary, CommerceFirst Bancorp, Inc., 1804 West Street, Suite 200, Annapolis, Maryland 42422.

Authorized Stock

Sandy Spring Bancorp	CommerceFirst Bancorp
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The Sandy Spring Bancorp Articles of Incorporation authorize 50,000,000 shares of common stock, $1.00 par value.	The CommerceFirst Bancorp Articles of Incorporation authorize 4,000,000 shares of common stock, $0.01 par value.
· At December 31, 2011, there were 24,091,042 shares of Sandy Spring Bancorp common stock issued and outstanding.	· As of March 29, 2012, there were 1,820,548 shares of CommerceFirst Bancorp common stock issued and outstanding.

Voting Rights

Sandy Spring Bancorp	CommerceFirst Bancorp
· There is no cumulative voting by shareholders of any class or series in the election of directors.	· Same.
· Each share of common stock has one vote.	· Same.

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Preemptive Rights

Sandy Spring Bancorp	CommerceFirst Bancorp
· No holder of any stock has any preemptive right to subscribe for or purchase any stock other than such as the Board of Directors, in its sole discretion, may determine, if any.	· Same.

Required Vote for Authorization of Certain Actions

Sandy Spring Bancorp	CommerceFirst Bancorp
· The affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of voting stock is required to authorize (a) a merger or consolidation, or (b) a sale, exchange or lease of all or substantially all of the assets of Sandy Spring Bancorp unless approval is recommended by at least a majority of the entire Board of Directors.	· The Articles of Incorporation are silent as to the vote required to authorize actions regarding a merger, consolidation or sale, exchange or lease of substantially all the assets of CommerceFirst Bancorp. However, under Maryland law, a two-thirds vote is generally required for approval of mergers, consolidations, share exchange or certain transfers of all or substantially all of the assets of a corporation not in the ordinary course of business.

Required Vote for Authorization of Business Combinations with Controlling Parties

Sandy Spring Bancorp	CommerceFirst Bancorp
· The affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of all voting stock and the affirmative vote of the holders of not less than sixty-seven percent (67%) of the outstanding shares of voting stock not including shares deemed beneficially owned by a Controlling Party, shall be required in order to authorize certain business combinations involving a Controlling Party, unless either:	· CommerceFirst Bancorp's Articles of Incorporation provides that certain "business combinations" (including, among various other transactions, a merger, consolidation, or, in certain circumstances involving assets having a value equal to 10% or more of CommerceFirst Bancorp's equity, an asset transfer or issuance of equity securities, and the adoption of certain plans of liquidation or dissolution) involving and any person who beneficially owns at least 20% of the corporation's stock and such persons, affiliates or associates (an "interested shareholder"). Such a business combination must be:
o the business combination shall have been approved by a majority of the directors not considered a Controlling Party at meeting at which two-thirds of the directors not considered a Controlling Party are present; or	o approved by the affirmative vote of at least (i) 80% of the voting power of all outstanding shares of voting stock and (ii) a majority of the voting power of all outstanding shares of voting stock which are not held by the interested shareholder with whom the business combination is to be effected, unless, among other things,
o the value of the consideration to be paid in connection with the business combination satisfies certain fair value requirements.	• the business combination is approved by a majority of the members of the Board of Directors who are "disinterested directors," and • the common shareholders receive a price generally equal to the higher of the "fair market value" of the common stock and the highest price paid by the

interested shareholders for any shares of common stock.

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Dividends

Sandy Spring Bancorp	CommerceFirst Bancorp
· Holders of common stock are entitled, when declared by the Board of Directors, to receive dividends out of legally available funds.	· Same.

Shareholders' Meetings

Sandy Spring Bancorp	CommerceFirst Bancorp
· Notice of a meeting must be delivered and, in the case of a special meeting, a description of its purpose, no fewer than 10 days and no more than 60 days before the meeting to each shareholder entitled to vote.	· Same.
· The president, the chairman of the board of directors, a majority of the board of directors or the secretary, upon the written request of the holders of not less than 25% of all votes entitled to be cast at the meeting, may call a special meeting.	· A majority of the board of directors or the secretary, upon the written request of the holders of not less than 50% of all votes entitled to be cast at the meeting, may call a special meeting.
· For purposes of determining shareholders entitled to vote at a meeting, the board of directors may fix a record date that is not less than ten days and not more than 60 days and not less than 10 days before the meeting.	· Same.
· To propose new business, shareholders must give written notice to the secretary not less than 30 days nor more than 90 days before the meeting. However, if less than 45 days' notice of the meeting is provided, written notice of the shareholder proposal or nomination must be delivered to the secretary not later than 15 days following the date notice of the meeting was mailed to shareholders or two days before the date of the meeting, whichever is earlier. Each notice given by a shareholder with respect to a proposal for new business must include certain information regarding the proposal and the shareholder making the nomination or proposal.	· Same.
· To nominate a director a shareholder must give written notice to the secretary not later than 90 days prior to the month and day one year subsequent to the date the proxy materials regarding the last election of directors were mailed to shareholders. Each notice given by a shareholder with respect to a nomination to the board of directors must include certain information regarding the nominee and the shareholder making the nomination or proposal.	· Same.

Action by Shareholders Without a Meeting

Sandy Spring Bancorp	CommerceFirst Bancorp
· Action that may be taken at a meeting of shareholders may be taken by the unanimous written consent of the shareholders.	· Same.

Board of Directors

Sandy Spring Bancorp	CommerceFirst Bancorp
· The Articles provide that the number of directors may be increased or decreased from time to time by vote of the Board of Directors pursuant to the Bylaws, but shall never be less than the minimum number permitted by the MGCL or greater than 15.	· The Articles provide that the number of directors, shall be between three and 25.
· The Board of Directors is divided into three classes as equal as possible and approximately one-third of the directors are elected at each meeting.	· Any director may be removed from office only for cause, and in such case, only by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding capital stock of all classes and series.
· Any director or the entire Board of Directors may be removed, at any time, but only for cause and only by the affirmative vote of the holders of a majority of the outstanding shares of capital stock entitled to vote generally in the election of directors.	
· A director may only be removed by vote of shareholders after service of specific charges, adequate notice, and full opportunity to refute the charges.	

Amendment of the Bylaws

Sandy Spring Bancorp	CommerceFirst Bancorp
· The bylaws may be repealed, altered, amended and rescinded by a majority vote of the Board of Directors.	· Same.
	· Shareholders may not adopt, amend, alter or repeal any provision of the Bylaws except by the affirmative vote of the holders of eighty percent (80%) or more of the combined voting power of the then outstanding voting stock unless recommended by two-thirds of the disinterested directors.

Amendment of the Articles of Incorporation

Sandy Spring Bancorp	CommerceFirst Bancorp
· The Articles of Incorporation may be amended upon the vote of two thirds of the outstanding shares of capital stock entitled to vote.	· Same.
· Articles VI, IX, XII, XIII, XIV and XIX of the Articles of Incorporation may only be repealed, altered, amended or rescinded upon the approval of the affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of capital stock entitled to vote generally in the election of directors.	· The affirmative vote of the holders of eighty percent (80%) or more of the combined voting power of the then outstanding voting stock shall be required to amend, alter or repeal, or adopt any provision inconsistent with Articles IX and XI, regarding directors and bylaws, respectively.

MANAGEMENT AND OPERATIONS AFTER THE MERGER

Directors and Executive Officers

The board of directors of Sandy Spring Bancorp will not change as a result of the merger. Information regarding the directors of Sandy Spring Bancorp is provided below.

Mark E. Friis, Director, 56, Director since 2005. Mr. Friis is president and principal owner of Rodgers Consulting, Inc., a land planning and engineering firm. He is a member of the American Institute of Certified Planners and has numerous affiliations with area professional and civic organizations as well as local government. Mr. Friis is valued for his business management experience, his sales and marketing skills, and in-depth knowledge of the local economy. Mr. Friis chairs Sandy Spring Bank’s Frederick Advisory Board, and currently chairs the Nominating Committee of the board.

Susan D. Goff, 66, 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. As chairman of the Compensation Committee for Sandy Spring Bancorp, Ms. Goff has augmented her considerable executive management experience through regular education on trends in executive and board compensation.

Solomon Graham, 69, Director since 1994. Mr. Graham is the founder and President of Quality Biological, Inc., a biotechnology firm providing reagents for medical research established in 1983. A prominent, award-winning businessman in the local community, Mr. Graham has served on the boards of several non-profit organizations as well as being an advisor to state and local government. Mr. Graham brings to the board his business expertise as well as superior insight to local issues within Sandy Spring Bancorp’s market area.

Robert E. Henel, Jr., 64, 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. His broad background in banking, executive management, and deep connections to the Annapolis market are highly valued by the board.

Pamela A. Little, Director, 58, Director since 2005. Ms. Little has over 25 years of experience in companies ranging from privately held start-up firms to large, publicly-traded government contracting firms. In January 2011 she was made Co-CEO of ATS Corporation, a publicly-traded provider of IT services. Since 2007, she has been the CFO of ATSC. She is the former CFO of Athena Innovative Solutions, Inc. (2005-2007) and the former CFO of ZKD, Inc. (2004-2005) where she was responsible for negotiating the sale of the firm. Ms. Little is on the board of MTSI, Inc., an employee-owned technology firm. Ms. Little is valued for her range of business experience with public companies, her knowledge of mergers and acquisitions, and her financial expertise. Ms. Little currently chairs the Audit Committee of the board.

Gary G. Nakamoto, 48, 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. An influential businessman, Mr. Nakamoto was among the 2010 Fifty Powerful Men in Business by the Minority Enterprise Executive Council. Mr. Nakamoto is currently a member of the AAA Mid-Atlantic Washington Area Regional Board, a trustee for the No. Virginia Technology Council TechPAC, and he is a former chairman of the Fairfax County Chamber of Commerce.

Robert, L. Orndorff, Chairman, 55, Director since 1991. Mr. Orndorff is the founder and President of RLO Contractors, Inc., a leading residential and commercial excavating company based in central Maryland. Mr. Orndorff's experience in building a highly successful business with a strong reputation for quality, teamwork, and integrity is a testament to his leadership ability and strongly aligned with Sandy Spring Bancorp's culture and values. He has been active in local civic organizations and brings to the board his extensive business experience, strategic planning skills, and knowledge of the local market.

Craig A. Ruppert, Director, 58, Director since 2002. Mr. Ruppert is President and CEO of The Ruppert Companies which is comprised of commercial landscape construction and management located in five states; tree-growing operations; and industrial property development. Mr. Ruppert is a former Class B director of the Federal Reserve Bank of Richmond, and is 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 Credit and Investment Risk Committee.

Daniel J. Schrider, Director, 47, Director since 2009. Mr. Schrider was named President and CEO of Sandy Spring Bancorp, Inc. on January 1, 2009 and joined the board at that time. Mr. Schrider started his career with Sandy Spring Bank in 1989 and achieved significant success in the commercial banking area. He joined the executive team in 2003 as the Chief Credit Officer and leader in commercial services. Mr. Schrider holds a MBA from Mt. Saint Mary's College and is a graduate of the ABA Stonier Graduate School of Banking. Mr. Schrider currently serves on the board of the Maryland Bankers Association, the Montgomery College Foundation, and the Mount Airy Christian Academy.

Dennis A. Starliper, 65, Director since 2010. Mr. Starliper worked for Provident Bankshares Corporation for 24 years and held the position of chief financial officer for 10 years. He retired in 2009. Prior to joining Provident, Mr. Starliper worked for Fairchild Industries, a Fortune 500 aerospace manufacturer. The qualifications that led to Mr. Starliper's election were his deep industry experience with a large and respected, local bank; his corporate experience with a publicly-traded company; and his financial expertise.

The executive officers of Sandy Spring Bancorp will not change as a result of the merger. The following listing sets forth the name, age (as of February 28, 2012), principal position and recent business experience of each executive officer:

R. Louis Caceres, 49, Executive Vice President of Sandy Spring Bank. Mr. Caceres was made Executive Vice President of Sandy Spring Bank in 2002. Prior to that, Mr. Caceres was a Senior Vice President of Sandy Spring Bank.

Ronald E. Kuykendall, 59, became Executive Vice President, General Counsel and Secretary of Sandy Spring Bancorp and Sandy Spring Bank in 2002. Prior to that, Mr. Kuykendall was General Counsel and Secretary of Sandy Spring Bancorp and Senior Vice President of Sandy Spring Bank.

Philip J. Mantua, CPA, 53, became Executive Vice President and Chief Financial Officer of Sandy Spring Bancorp and Sandy Spring Bank in 2004. Prior to that, Mr. Mantua was Senior Vice President of Managerial Accounting.

Joseph J. O'Brien, Jr., 48, became Executive Vice President for Commercial and Retail Banking on January 1, 2011. Mr. O'Brien joined the Bank in July 2007 as Executive Vice President for Commercial Banking. Additionally, on January 1, 2008, he became president of the Northern Virginia Market. Prior to joining the Bank, Mr. O'Brien was an Executive Vice President and senior lender for a local banking institution.

John D. Sadowski, 48, became Executive Vice President and Chief Information Officer of Sandy Spring Bank on February 1, 2011. Prior to that, Mr. Sadowski served as a Senior Vice President of Sandy Spring Bank.

Daniel J. Schrider, 47, became President of Sandy Spring Bancorp and Sandy Spring Bank effective March 26, 2008 and Chief Executive Officer effective January 1, 2009. Prior to that, Mr. Schrider served as an Executive Vice President and Chief Revenue Officer of Sandy Spring Bank.

Jeffrey A. Welch, 52, became an Executive Vice President and Chief Credit Officer of Sandy Spring Bank in 2008. Prior to joining Sandy Spring Bank, Mr. Welch served as a Senior Vice President of Commerce Bank.

Director Independence

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

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

Director Compensation

Cash Compensation

Only non-employee directors are compensated for their service as board members. In 2011, directors of Sandy Spring Bancorp each received an annual retainer of $11,200 with $28,000 paid to the chairman of the board, pro-rated for any partial year of service. The chairman of the Audit Committee received an additional retainer of $6,000 and all other committee chairmen each received an additional retainer of $4,000. Non-employee directors received $880 for attendance at each meeting of the board of directors and $800 for attendance at each committee meeting. Directors are encouraged to attend all meetings in person unless the meeting is called by teleconference. Directors who attend an in-person meeting by phone were paid a reduced meeting fee of $500. Finally, those directors who serve on a regional advisory board are paid $600 for each advisory board meeting attended. All directors of Sandy Spring Bancorp also serve as directors of Sandy Spring Bank, for which they do 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 of Sandy Spring Bancorp are eligible to defer all or a portion of their fees under the Director Fee Deferral Plan. In 2011, the amounts deferred accrued 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 on the board. In the event a director dies during active service, Sandy Spring 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 of Sandy Spring Bancorp has the option of using from 50 to 100% of his or her annual retainer fee to purchase newly issued Sandy Spring Bancorp 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

Sandy Spring Bancorp directors are also eligible to receive non-incentive stock options, stock appreciation rights, and restricted stock under Sandy Spring Bancorp’s 2005 Omnibus Stock Plan. Options granted under this plan have a maximum term of seven years and an exercise price that may not be less than 100% of the closing price of the common stock on the date of grant. Director options are included in the computation of share dilution. In 2011, upon the recommendation of the Compensation Committee, the board granted 1,338 shares of restricted stock to each of the non-employee directors on March 30th. The shares had a grant date fair value of $18.69 per share for a total fair market value of approximately $25,000. 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. The Committee favored increasing the equity compensation for the board rather than increasing the cash compensation which has remained the same since January 2008.

2011 Non-Employee Director Compensation

Name	*Fees Earned or Paid in Cash* (1)	*Stock Awards* (2)	*Option Awards* (3)	*All Other Compensation* (4)	Total
Mark E. Friis	$32,120	$25,007	-	$ 979	$58,106
Susan D. Goff	$28,560	$25,007	-	$ 979	$54,546
Solomon Graham	$24,800	$25,007	-	$ 979	$50,786
Gilbert L. Hardesty(5)	$7,400	-	-	$ 342	$7,742
Robert E. Henel, Jr.(6)	$21,093	-	-	-	$21,093
Pamela A. Little	$34,000	$25,007	-	$ 979	$59,986
Gary G. Nakamoto(7)	$10,773	-	-	-	$10,773
Robert L. Orndorff	$63,200	$25,007	-	$ 979	$89,186
David E. Rippeon	$23,040	$25,007	-	$ 979	$49,026
Craig A. Ruppert	$38,400	$25,007	-	$ 979	$64,386
Dennis A. Starliper	$31,320	$25,007	-	$ 685	$57,012

(1) All or a portion of the reported cash compensation may be deferred under the Director Fee Deferral Plan.

(2) On March 30, 2011 the directors noted above were granted 1,338 shares of restricted stock. The value reported represents the grant date fair value of the award computed in accordance with FASB ACS Topic 718. The value was based upon Sandy Spring Bancorp's stock price of $18.69 on the date of the grant. On December 31, 2011, each non-employee director had a total of 2,893 unvested shares of restricted stock, with the exception of Mr. Starliper who had 2,226 shares, and Messrs. Henel and Nakamoto who had none.

(3) On December 31, 2011 Mr. Friis had 3,299 vested stock options; Ms. Goff had 6,230 vested stock options; Mr. Graham had 6,959 vested stock options; Ms. Little had 3,299 vested stock options; Mr. Orndorff had 9,065 vested stock options; Mr. Rippeon had 6,986 vested stock options; and Mr. Ruppert had 7,215 vested stock options. On December 21, 2011, 924 stock options granted to Mr. Orndorff and 662 stock options granted to Mr. Rippeon in 2011 expired.

(4) Represents dividends paid on unvested restricted stock.

(5) Mr. Hardesty retired from the board on May 4, 2011. Per the terms of the individual grant agreements 1,443 shares vested immediately and 165 shares were forfeited.

(6) Mr. Henel joined the board on June 29, 2011.

(7) Mr. Nakamoto joined the board on September 28, 2011.

Transactions and Relationships with Management

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

Related party transactions involving executive officers or directors, as defined in Item 404 of SEC Regulation S-K, are subject to review by the board. As required by federal regulations, extensions of credit by Sandy Spring Bank to directors and executive officers are subject to the procedural and financial requirements of Regulation O of the Board of Governors of the Federal Reserve System, which generally require advance approval of such transactions by uninterested directors. Extensions of credit to directors or officers of Sandy Spring Bancorp and Sandy Spring Bank are subject to approval by the disinterested members of the Credit & Investment Risk Committee. If total exposure to an officer or director exceeds $500,000, extensions of credit to that officer or director are subject to approval by all disinterested directors on the board. Related party transactions as defined in Item 404 (generally, any financial transactions, arrangements, or relationships, regardless of dollar amount, other than extensions of credit and bank deposits) are reviewed by the independent directors with the affected director not present or voting.

Compensation Discussion and Analysis

The following discussion and analysis describes Sandy Spring Bancorp's philosophy, processes, elements of and factors for determining compensation for the named executive officers for 2011 who were: the Principal Executive Officer, Daniel J. Schrider; the Principal Financial Officer, Philip J. Mantua; Executive Vice President for Commercial and Retail Banking, Joseph J. O'Brien, Jr.; Executive Vice President for Wealth Management, Insurance, Mortgage, and Marketing, R. Louis Caceres; and Executive Vice President and Chief Credit Officer, Jeffrey A. Welch. This discussion should be read in conjunction with the compensation tables and accompanying narrative that can be found in this proxy statement/prospectus following this discussion.

Executive Summary

On December 15, 2010, Sandy Spring Bancorp redeemed all remaining preferred stock issued to the U.S. Treasury and thus ended its participation in the Capital Purchase Program of the Troubled Asset Relief Program ("TARP-CPP"). Further, on February 23, 2011 Sandy Spring Bancorp repurchased the warrant issued to the U.S. Treasury. By repaying the obligations to the U.S. Treasury, Sandy Spring Bancorp was no longer subject to the mandatory restrictions on executive compensation under TARP-CPP for 2011. Therefore, as planned, the Compensation Committee was able to once again consider performance-based incentive compensation for the executive officers as discussed herein.

Sandy Spring Bancorp's performance in 2011 was strong. Net income increased by 45% over 2010 to return to pre-recession levels. Asset quality trends improved significantly leading to a 94% reduction in provision for loan loss expense. The loan portfolio was maintained through a period of continued soft loan demand combined with vigorous workout activity on nonperforming assets. Capital levels remained strong, and the dividend was increased from $0.04 per share in 2010 to $0.34 per share in 2011.

Compensation events since the 2011 proxy statement include the following:

- Effective January 1, 2011 Sandy Spring Bancorp management re-organized duties among its executive officers to better align the synergies between retail and commercial banking. Mr. O'Brien's scope of responsibility was increased to include revenue generation of retail banking in addition to commercial banking. Mr. Caceres took over Marketing in addition to the oversight of Sandy Spring Bancorp's fee-based business lines, and Mr. Welch assumed responsibility for retail administration and the company's project management office in addition to his credit responsibilities. These changes were taken under consideration during the annual review for base salary adjustments.

- The Compensation Committee recommended and the board approved a short-term cash incentive plan for executives known as the Executive Team Incentive Plan. Further, the committee and board took action to amend the Executive Incentive Retirement Plan to provide an annual minimum guaranteed deferral bonus equal to 3% of base salary for each executive participant.
- On May 4, 2011, shareholders were asked to vote on a non-binding resolution to approve the compensation for the named executive officers. The resolution received approval from 95% of shares voted demonstrating support of the Compensation Committee's actions on the shareholders' behalf to provide compensation that is aligned with the long-term best interests of Sandy Spring Bancorp.
- On January 13, 2012 Sandy Spring Bancorp and Sandy Spring Bank entered into employment agreements with Philip J. Mantua as Chief Financial Officer and Joseph J. O'Brien, Jr., as Executive Vice President for Commercial and Retail Banking.

Overall Compensation Philosophy & Guiding Principles

Sandy Spring Bancorp's executive compensation philosophy was reviewed by the Compensation Committee in 2011 following the release from TARP restrictions. In general, the compensation philosophy is intended to attract, motivate, and retain top executive talent; to link executive rewards with shareholder interests; and to reward the achievement of superior, balanced short-term and long-term performance. The philosophy incorporates elements that are nonperformance-based (salary, benefits, and a guaranteed minimum retirement contribution) and performance-based (annual incentives in the form of a cash bonus, increased retirement contributions, and equity awards).

Executives are paid market competitive base salaries commensurate with experience, expertise, and individual performance. Incentive compensation in the form of an annual cash bonus, an opportunity for increased annual contribution to a deferred compensation retirement plan, and annual equity awards is intended to be market competitive and commensurate with company performance. All compensation elements are externally benchmarked against comparably sized banks within a defined geographic market.

By following this portfolio approach to compensation and benefits, the executive is provided a measure of security as to the minimum levels of compensation, and also is motivated to focus on superior and sustainable performance for Sandy Spring Bancorp. In addition, the committee believes this approach enhances retention and therefore reduces the risk of top executive talent being recruited away by competitors.

Role of Management, the Compensation Committee, and Compensation Consultants in the Executive Compensation Process

Role of Independent Compensation Consultant – In 2011, the Compensation Committee was advised by Pearl Meyer & Partners, LLC ("PM&P"), an independent consulting firm specializing in executive compensation. The firm was engaged by Sandy Spring Bancorp on behalf of the Compensation Committee for the sole purpose of providing market data, information on compensation trends, commentary and analysis. The aggregate fees paid to the consultant on an annual basis are not material, and Sandy Spring Bancorp is unaware of any personal or business relationship between the consultant and any member of the Compensation Committee.

In general, PM&P provided compensation benchmarking and analytical data and rendered advice to the committee regarding all aspects of the Compensation Committee's compensation decisions. The Compensation Committee had direct access to the consultant and control over the engagement. PM&P was engaged to conduct a review and competitive assessment of total compensation and benefits for all executive officers, and to provide a comprehensive assessment of the competitiveness and effectiveness of the total executive compensation programs. In addition, PM&P assisted in the identification of relevant peer groups, provided market data used by Sandy Spring Bancorp for benchmarking and has provided advice regarding levels and components of compensation for each named executive officer.

Role of Management – In 2011, Mr. Schrider and the executive officers, as customary, were responsible for the development of Sandy Spring Bancorp's annual business and financial plans, which were reviewed and approved by the board of directors. The business plan provided the foundation for setting performance goals and targets to be achieved during the fiscal year and included in incentive compensation plans.

Mr. Schrider, based on the information provided by PM&P, developed recommendations for executive compensation other than his own. Ronald E. Kuykendall, Sandy Spring Bancorp's General Counsel, provided legal interpretation and guidance on governance issues. Mr. Mantua provided information regarding company performance and comparisons of Sandy Spring Bancorp's performance with peer bank performance.

Mr. Schrider, Mr. Mantua, and Mr. Kuykendall, as well as other members of management regularly attended portions of the Compensation Committee meetings where company performance, market considerations, and legal analyses were discussed. Management was not present during final deliberations and only committee members voted on executive compensation matters.

Role of the Compensation Committee – The basic responsibilities of the Compensation Committee are to review, recommend or approve compensation policies applicable to the named executive officers, including participation and performance measures; to consider the relationship of corporate performance to total compensation; to recommend salary and bonus levels and equity-based awards for executive officers for consideration by the board of directors; and to review the adequacy and effectiveness of various compensation and benefit plans and succession planning of Sandy Spring Bancorp. The chairman of the Compensation Committee reported committee actions or recommendations to the board of directors following each committee meeting.

The CEO evaluation process was coordinated by Furr Resources, Inc., and involves receiving feedback from each director separately and anonymously for compilation. The Executive and Governance Committee reviewed the compiled evaluation and provided feedback to Mr. Schrider. The Compensation Committee used the results of this evaluation in compensation decisions concerning Mr. Schrider.

Decisions regarding compensation for our named executive officers were made by the Compensation Committee with consideration given to recommendations from Mr. Schrider and independent consultants. Decisions by the Compensation Committee with respect to compensation are approved by the board of directors.

The committee has the authority to obtain advice and assistance from internal or external legal, human resources, accounting or other experts, advisors, or consultants as it deems desirable or appropriate. The Compensation Committee has sole authority to retain and terminate any compensation consultants and to approve the fee and the terms of engagement. Details on the Compensation

Committee's functions are described in its charter, which has been approved by the board of directors and is available on Sandy Spring Bancorp's Investor Relations Web site maintained at *www.sandyspringbank.com*.

Compensation Structure and Elements

Sandy Spring Bancorp's compensation structure for named executive officers consisted of five main elements: base salary, an annual incentive cash bonus, long-term incentive compensation in the form of an annual contribution to a retirement plan, equity-based awards, and a limited number of personal benefits. Following is a summary of the role of each component, a description of how decisions regarding the components are made in general and the specific decisions made in 2011 as they relate to the named executive officers.

Base Salary – Base salary is reviewed annually as a critical element of executive compensation. In determining base salaries, the committee considers the executive's qualifications and experience, scope of responsibilities, the goals and objectives established for the executive, the executive's past performance, as well as competitive salary practices at financial institutions in the benchmarking peer group (see "Pay Levels and Benchmarking"). The committee seeks to pay a base salary within +/-15% of the median peer group. Below median would be for newly appointed or developing executives while above median would be for experienced, long-term and high performing executives.

The following table shows the base salary changes made in 2011:

Executive Officer	Effective Date	Base Pay	Percent Increase	Amount of Increase	New Base Pay
Daniel J. Schrider	4/3/2011	$450,000	4.0 %	$ 18,000	$ 468,000
Philip J. Mantua	4/3/2011	$255,000	3.9 %	$ 10,000	$ 265,000
Joseph J. O'Brien	4/3/2011	$265,000	9.4 %	$ 25,000	$ 290,000
R. Louis Caceres	4/3/2011	$265,000	4.2 %	$ 11,000	$ 276,000
Jeffrey A. Welch	4/3/2011	$250,000	6.0 %	$ 15,000	$ 265,000

As noted earlier, the adjustments for Messrs. O'Brien and Welch took into consideration increased responsibilities. A modest base salary increase of 4% was approved for Mr. Schrider. The adjustment brought his base salary to 35th percentile of peer data. The committee agreed that Mr. Schrider's salary adjustment was appropriate in view of Sandy Spring Bancorp's earnings for 2010. The adjustment for Mr. Mantua brought his salary to the 55th percentile of peer data. The adjustments for Mr. Caceres, Mr. O'Brien, and Mr. Welch brought their respective salaries to the median of peer data for their positions.

Performance-Based Incentive Compensation – In 2011, the board adopted the Executive Team Incentive Plan ("ETIP") to provide executive participants a significant, plan-based incentive opportunity tied to specific corporate goals identified and approved by the board. The goals selected for 2011 were: earnings per share growth; fee-based revenue growth; efficiency ratio; nonperforming assets to total assets; average loan growth; and average core deposit growth. These goals tied directly to Sandy Spring Bancorp's 2011 financial plan and were selected because they contribute to the long term viability of the company; develop immediate and future revenue; and build Sandy Spring Bancorp's general franchise value. The Compensation Committee also believes that having multiple goals provides the balanced approach that is consistent with the compensation philosophy while discouraging excessive risk-taking by participants.

Each goal was weighted and given a "threshold" or minimum performance level, a "target" level of performance and a "maximum" level at which the award opportunity was capped. For average loan growth, it was deemed that maintaining the portfolio during a period of soft loan demand among quality borrowers in the face of vigorous activity to workout nonperforming assets would be a reasonable threshold. Similarly, average core deposit growth focused on core noninterest and low rate deposits that would not increase the cost of funds.

For achievement of threshold level, the executive would earn 50% of the target incentive opportunity. Achievement of the target performance level would earn 100% of the incentive opportunity, and achievement of the maximum performance level would earn 150% of the incentive opportunity. The ETIP was capped at 150% of the target incentive opportunity. Results that fell between performance levels were interpolated to calculate a proportionate incentive amount. A minimum goal of $29.24 million in net income was established as a trigger to reach before any award would be paid. Finally, per the terms of the ETIP, the Compensation Committee exercised its complete discretion over the award and approved the payment to the executive participants.

For 2011, the performance goals established and results for ETIP were:

Performance Goal	Weight	Threshold Performance Level	Target Performance Level	Maximum Performance Level	2011 Actual Results	Percentage Of Target Earned	Contribution to Cash Award
Earnings Per Share Growth	25 %	15.00 %	28.57 %	40.00 %	34.29 %	125.00 %	31.25 %
Fee-based Revenue Growth(1)	15 %	5.00 %	9.21 %	15.00 %	8.67 %	93.63 %	14.05 %
Efficiency Ratio	15 %	61.44 %	61.06 %	55.00 %	63.75 %	0.00 %	0.00 %
NPAs to Total Assets	15 %	2.54 %	2.16 %	1.75 %	2.25 %	88.16 %	13.22 %
Average Loan Growth	15 %	0.00 %	0.86 %	5.00 %	-3.45 %	0.00 %	0.00 %
Average Core Deposit Growth(2)	15 %	0.00 %	3.06 %	10.00 %	4.25 %	108.55 %	16.28 %
Percentage of Target Earned		50 %	100 %	150 %			74.80 %

(1) Fee-based revenue sources were defined as gains on sale of mortgages, insurance commissions (adjusted for one-time accounting change), investment services income, revenue from West Financial Services, and trust fee income.

(2) Core deposits were defined as checking and savings accounts, money market accounts, and repurchase agreements.

The ETIP target incentive opportunity for each executive was determined using 80% of the average target incentive from peer data for comparable positions provided by PM&P. The recommendation of 80% was due to management's assessment, in early 2011, that the company's 2011 financial plan was below the optimum level of performance as the company was still emerging from the difficult economic cycle. The target incentive opportunity for each executive officer was approved as a percentage of base salary.

	ETIP Target Incentive % of Base Salary	ETIP Incentive Award Opportunity at Target	ETIP Incentive Award Earned at 74.8% of Target
Daniel J. Schrider	38 %	$ 177,840	$ 133,028
Philip J. Mantua	26 %	$ 68,900	$ 51,539
Joseph J. O'Brien, Jr.	30 %	$ 87,000	$ 65,078
R. Louis Caceres	30 %	$ 82,800	$ 61,936
Jeffrey A. Welch	26 %	$ 68,900	$ 51,539

Retirement Benefits – The named executive officers are eligible to participate in benefit plans available to all employees, including the Sandy Spring Bancorp, Inc., Cash and Deferred Profit Sharing Plan ("401(k) Plan"). The 401(k) Plan provides a 100% match on the first 3% of salary deferred and a 50% on the next 2% of salary deferred up to the maximum allowed by the IRS regulations.

All of the named executive officers participate in the Executive Incentive Retirement Plan ("EIRP"). The EIRP replaced Supplemental Executive Retirement Agreements ("SERAs") with the executive officers in 2008. Prior balances carried over from the SERAs vest over a period of 15 years and automatically vest upon the executive's death or disability or upon a change-in-control. Deferral bonuses and earnings paid under the EIRP vest immediately.

The executive's vested account balance in the EIRP (including balances accrued under the former SERAs) will be distributed to the executive following termination of employment either in a lump sum or in installments, at the election of the executive. No payments will be made to an executive who is terminated for just cause as defined in the plan.

Earnings on EIRP balances accrue at an interest rate equal to 120% of the long-term Applicable Federal Rate ("AFR"), adjusted monthly. By tying the interest rate to this standard, the EIRP provides an attractive rate of interest that is not considered "above market."

In 2011, the EIRP was amended to provide a minimum guaranteed annual deferral bonus of 3% of base salary. There were several purposes for establishing the minimum payment including: the creation of a desirable plan that will attract and retain executive

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talent; provision for some stability for retirement planning; and bridging the gap that commonly occurs for executives whose base pay exceeds the maximum allowable compensation levels established for other retirement plans such as the 401(k).

The EIRP requires the board to establish specific criteria each year to determine the amount of the deferral bonus to be paid over the guaranteed minimum. For 2011, the board established the criterion of the attainment of return on average assets compared to the compensation peer group.

Return on Average Assets Percentile Versus Peer Group	Deferral Bonus for Executive Officers % of Base Salary		Deferral Bonus for President & CEO % of Base Salary	
80% or less of peer group	minimum 3.000	%	minimum 3.000	%
81% to 90% of peer group	4.500	%	5.125	%
91% or more of peer group	6.500	%	7.250	%

Due to the potential for volatility in the peer group data, the board established a minimum performance level for Sandy Spring Bancorp of .74% return on average assets before any deferral bonus would be paid and the maximum deferred bonus was capped at 6.5% of base salary for executives and 7.25% of base salary for the president and CEO. Sandy Spring Bancorp's return on average assets for 2011 was .95% compared to the peer group average of .49% or 195% of the peer group average, resulting in the maximum deferral bonus for the executive participants. Results are further described in the Grants of Plan-Based Awards table on page 76.

Equity-Based Awards – Sandy Spring Bancorp's compensation philosophy identifies equity-based compensation as among the most effective means of creating a link between the long-term interests of Sandy Spring Bancorp's shareholders and the performance of the organization and executive management. The committee has increasingly weighted the compensation of named executive officers toward equity-based awards. Awards of restricted stock vest ratably over five years and support a goal of retention of key leaders.

Under Sandy Spring Bancorp's 2005 Omnibus Stock Plan, executives are eligible to receive equity awards in the form of stock options, restricted stock, and/or stock appreciation rights. In 2011, the committee recommended and the board approved awards of restricted stock for each of the named executive officers with an economic value equal to 45% of base salary at the time of the award. The committee's recommendation was initially based on a review of peer group data for long-term compensation. The committee recommended a value above peer data due to the restriction on bonuses for performance at the time under TARP-CPP restrictions. The resulting award recognized the additional work and effort made by executive management during the economic climate throughout the prior year 2010. The number of shares awarded and the grant date values are provided in the Grants of Plan-Based Awards table on page

76.

Personal Benefits – The committee believes that perquisites should be limited in scope and value and periodically reviews perquisites to ensure alignment with the desired philosophy. On a limited basis, the committee approves specific perquisites or benefits for individuals based on the needs of the position. Mr. Schrider receives the use of a company-paid vehicle. Mr. Caceres and Mr. O’Brien each receive a car allowance of $1,000 per month. Mr. O’Brien maintains a membership, at company expense, at a country club in Northern Virginia for business development purposes. Mr. O’Brien reimburses the company for personal use of the membership. Mr. Schrider, Mr. Mantua, and Mr. Caceres have access to a corporate membership at a local country club for business purposes. In 2011, perquisites for all of the named executive officers included eligibility for a company-paid supplemental long-term disability insurance policy and a long-term care insurance policy, the values for which are represented under “All Other Compensation” in the Summary Compensation table on page 74.

Factors for Determining Compensation

Sandy Spring Bancorp’s Goal Setting for Compensation Purposes – On an annual basis, the board of directors approves Sandy Spring Bancorp’s annual financial plan. This plan is designed to support a multi-year strategic plan by setting annual targets for achievement. Once the financial plan is approved by the board of directors, the performance goals for the short-term incentive plans are derived directly from the stated target financial results. Mr. Schrider and Mr. Mantua report on the performance of Sandy Spring Bancorp to the board of directors at each regularly scheduled meeting.

Pay Levels and Benchmarking – Pay levels for executives are determined using a number of factors, including: the individual’s role and job responsibilities; the individual’s experience and expertise; the pay levels of internal peers; pay levels in the competitive market for similar positions; performance and contribution of the individual; and performance of Sandy Spring Bancorp

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as a whole. Each of these factors is analyzed as part of the compensation review process, with an emphasis placed on market and competitive information.

The committee assessed competitive market compensation using a number of data sources in order to gauge industry practices of other banking organizations including information publicly disclosed by a selected peer group of publicly traded banking organizations. The specific elements of compensation reviewed as part of this comparable company analysis included base salaries, annual performance bonuses, and long-term incentives relative to the peer group. Matches to proxy compensation data were made based on the role of the executive, rather than rank to ensure a better comparison.

The peer group used in 2011 was compiled by PM&P and approved by the committee. It includes banking organizations of similar asset size in the geographic region (two factors that influence executive compensation in financial institutions). The peer group is reviewed and updated annually for appropriateness and compatibility. The committee believes a group of approximately 18 - 22 comparative banks within Maryland and the contiguous states of Delaware, Pennsylvania, Virginia, West Virginia, Ohio, New Jersey and North Carolina provides a market perspective for executive compensation.

The following group of 23 peer banking institutions was used by Sandy Spring Bancorp for 2011:

BNC Bancorp	NC	Metro Bancorp, Inc.	PA
Carter Bank & Trust	VA	Park National Corporation	OH
Cardinal Financial Corporation	VA	StellarOne Corporation	VA
City Holding Company	WV	S&T Bancorp, Inc	PA
First Bancorp, Inc.	NC	Sun Bancorp, Inc.	NJ
First Commonwealth Financial Corp	PA	TowneBank	VA
First Community Bancshares, Inc.	VA	Union First Market Bankshares	VA
First Financial Bancorp	OH	United Bankshares, Inc.	WV
FNB United Corp	NC	Univest Corporation of Pennsylvania	PA
Hampton Roads Bankshares, Inc.	VA	Virginia Commerce Bancorp, Inc.	VA
Lakeland Bancorp, Inc.	NJ	WesBanco, Inc.	WV

Yadkin Valley Financial Corporation NC

The peer group data was drawn from 2010 proxy statements reporting 2009 data. As of December 31, 2009, the banks listed above were between $2 and $8 billion in total assets, with a median asset size of approximately $3.0 billion which placed Sandy Spring Bancorp at the 67th percentile in asset size.

Committee Discretion and Final Compensation Decisions – The committee retains the discretion to decrease all forms of incentive payouts based on significant individual or Sandy Spring Bancorp performance shortfalls. The committee also retains the discretion to increase awards or consider special awards for significant performance, or due to subjective factors described above. No discretionary adjustments or special awards were made in 2011.

Impact of Accounting and Tax on the Form of Compensation

The committee and Sandy Spring Bancorp consider the accounting and tax (individual and corporate) consequences of the compensation plans prior to making any changes to the plans. The committee has considered the impact of FASB ASC Topic 718, which Sandy Spring Bancorp adopted on January 1, 2006, on Sandy Spring Bancorp's use of equity-based awards. This consideration factored heavily in the decision to use a mix of restricted stock and stock options beginning in 2006. The committee also considered the limits on deductibility of compensation imposed by Section 162(m) of the Internal Revenue Code (the Code) with respect to annual compensation exceeding $1 million, and Section 280(G) of the Code with respect to Change-in-Control payments exceeding specified limits.

Risk Assessment of Compensation Policies and Practices

The committee, in consultation with management, has previously assessed the compensation policies and practices applicable to the named executive officers. The committee is in agreement that the compensation plans, policies, and practices of Sandy Spring Bancorp do not encourage or motivate executive officers to take unnecessary or excessive risks that would pose a material threat to Sandy Spring Bancorp.

Stock Ownership Guidelines

Sandy Spring Bancorp does not currently have a formal stock ownership requirement for executives. All of the current executive officers own Sandy Spring Bancorp common stock, and stock ownership by executives is encouraged on a voluntary basis. Sandy Spring Bancorp retains the discretion to implement a minimum ownership requirement of mandatory holding period for shares received under the equity compensation plan.

Executive Compensation

Summary Compensation Table

The following table summarizes compensation earned by or awarded to Sandy Spring Bancorp's named executive officers for the three most recent completed fiscal years.

Name and Principal Position	Year	**Salary**	**Stock Awards** (1)	Option Awards	**Non-Equity Incentive Plan Compensation** (2)	**Change in Pension Value & Nonqualified Deferred Compensation Earnings** (3)	**All Other Compensation** (4)	Total
Daniel J. Schrider	2011	$463,154	$202,506	-	$ 174,589	$ 7,905	$ 34,515	$882,669
President & Chief	2010	$450,000	$202,500	-	$ 7,975	$ 35,493	$ 24,267	$720,235
Executive Officer	2009	$450,000	$148,504	-	$ 7,286	$ 6,210	$ 25,184	$637,184
Philip J. Mantua								
Executive Vice	2011	$262,308	$114,757	-	$ 80,382	$ 5,449	$ 15,494	$478,390
President & Chief	2010	$250,962	$114,750	-	$ 12,142	$ 20,569	$ 10,705	$409,127
Financial Officer	2009	$240,000	$79,206	-	$ 11,092	$ 4,514	$ 12,073	$346,885
Joseph J. O'Brien, Jr.	2011	$283,319	$119,242	-	$ 86,550	$ -	$ 33,887	$522,998
Executive Vice President	2010	$264,758	$119,250	-	$ 2,740	$ -	$ 39,093	$425,841
R. Louis Caceres	2011	$273,088	$119,242	-	$ 88,882	$ 5,955	$ 35,514	$522,681
Executive Vice	2010	$263,654	$119,250	-	$ 9,412	$ 27,122	$ 29,770	$449,208
President	2009	$260,000	$85,799	-	$ 8,598	$ 5,195	$ 19,234	$378,827
Jeffrey A. Welch Executive Vice President	2011	$260,962	$112,495	-	$ 68,764	$ -	$ 23,741	$465,962

(1)

Represents the grant date fair value for the awards computed in accordance with FASB ACS Topic 718 (see Note 12 to the Consolidated Financial Statements of Sandy Spring Bancorp.

(2) 2011 includes payments from the ETIP, EIRP and earnings on existing balances within the EIRP. For 2009 and 2010, the values in this column represent only the earnings on existing balances in the EIRP. There were no payments made under the EIRP or the ETIP in 2009 or 2010.

(3) This column presents the change in present value of the accumulated benefit with respect to Sandy Spring Bancorp's Pension Plan for each year. The Pension Plan was frozen in 2007. See the table of Pension Benefits on page 77.

(4) This column consists of the value of perquisites and personal benefits for the named executive officers including as applicable: car allowance, educational benefits, supplemental long term care and disability insurance, 401(k) matching funds, dividends on unvested restricted stock, and life insurance benefits. Mr. Schrider also has the use of a company-owned vehicle. In 2011, dividends on common stock including restricted stock were $0.34 per share compared to $0.04 per share in 2010 resulting in an increase in "other compensation."

Outstanding Equity Awards at Fiscal Year End

This table shows the outstanding equity awards to the named executive officers at December 31, 2011.

		Option Awards				Stock Awards	
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)(1)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**
Daniel J. Schrider	12/11/2002	4,700	-	31.25	12/11/2012	-	-
	12/17/2003	5,000	-	38.91	12/17/2013	-	-
	12/15/2004	6,625	-	38.00	12/15/2014	-	-
	12/14/2005	6,395	-	38.13	12/14/2012	-	-
	12/13/2006	5,000	-	37.40	12/13/2013	-	-
	3/26/2008	10,000	-	27.96	3/26/2015	(3) 1,000	17,550
	3/25/2009	-	-	-	-	(4) 7,419	130,203
	3/31/2010	-	-	-	-	(5) 13,500	236,925
	3/30/2011	-	-	-	-	(6) 10,835	190,154
Philip J. Mantua	12/11/2002	1,750	-	31.25	12/11/2012	-	-
	12/17/2003	2,200	-	38.91	12/17/2013	-	-
	12/15/2004	6,050	-	38.00	12/15/2014	-	-
	12/14/2005	6,395	-	38.13	12/14/2012	-	-
	12/13/2006	5,000	-	37.40	12/13/2013	-	-
	3/26/2008	5,750	-	27.96	3/26/2015	(3) 500	8,775
	3/25/2009	-	-	-	-	(4) 3,957	69,445
	3/31/2010	-	-	-	-	(5) 6,120	107,406
	3/30/2011	-	-	-	-	(6) 6,140	107,757
Joseph J. O’Brien, Jr.	7/23/2007	2,500	-	28.59	7/23/2014	-	-
	12/19/2007	1,250	-	29.44	12/19/2014	-	-
	3/26/2008	5,000	-	27.96	3/26/2015	(3) 400	7,020
	3/25/2009	-	-	-	-	(4) 3,072	53,914
	3/31/2010	-	-	-	-	(5) 7,950	139,523
	3/30/2011	-	-	-	-	(6) 6,380	111,969
R. Louis Caceres	12/11/2002	4,700	-	31.25	12/11/2012	-	-
	12/17/2003	5,000	-	38.91	12/17/2013	-	-
	12/15/2004	6,050	-	38.00	12/15/2014	-	-
	12/14/2005	6,395	-	38.13	12/14/2012	-	-
	12/13/2006	5,000	-	37.40	12/13/2013	-	-
	3/26/2008	5,000	-	27.96	3/26/2015	(3) 400	7,020
	3/25/2009	-	-	-	-	(4) 4,286	75,219
	3/31/2010	-	-	-	-	(5) 7,950	139,523

	3/30/2011	-	-	-	-	(6) 6,380	111,969
Jeffrey A. Welch	3/25/2009	-	-	-	-	(4) 2,935	51,509
	3/31/2010	-	-	-	-	(5) 6,000	105,300
	3/30/2011	-	-	-	-	(6) 6,019	105,633

(1) All outstanding equity awards were issued under the 1999 Stock Option Plan or the 2005 Omnibus Stock Plan.
(2) Aggregate market values are based upon the closing price of $17.55 on December 30, 2011.
(3) Remaining shares granted on March 26, 2008 will vest ratably on the anniversary of the grant through 2013.
(4) Remaining shares granted on March 25, 2009 will vest ratably on the anniversary of the grant through 2014.
(5) Shares granted on March 31, 2010 will vest in accordance with TARP-CPP restrictions, as applicable, beginning with 40% vesting on March 31, 2012 and thereafter 20% on each anniversary of the grant through 2015. These restrictions did not apply to Mr. Welch’s grant.
(6) Shares granted on March 30, 2011 will vest ratably on the anniversary of the grant through 2016.

Grants of Plan-Based Awards

The following table sets forth information on plan-based awards made to the named executive officers. These include restricted stock awards ("RSA") under the 2005 Omnibus Stock Plan, payments under the ETIP, and contributions made under the EIRP for 2011.

Name		**Grant Date**	**Estimated Possible Payouts Under Non-Equity Incentive Plan Awards**[1]			**All other stock awards: Number of shares of stock**	**All other Option awards: Number of Securities Underlying options**	**Exercise or Base Price of Option Awards ($/share)**	**Grant Date Fair Value of Stock and Option Awards**[2]
			Threshold	*Target*	*Maximum*				
Daniel J. Schrider	RSA	3/30/2011				10,835			$202,506
	ETIP		$ 88,920	$177,840	$266,760				
	EIRP		$ 14,040	$33,930	$33,930				
Philip J. Mantua	RSA	3/30/2011				6,140			$114,757
	ETIP		$ 34,450	$68,900	$103,350				
	EIRP		$ 7,950	$17,225	$17,225				
Joseph J. O'Brien, Jr.	RSA	3/30/2011				6,380			$119,242
	ETIP		$ 43,500	$87,000	$130,500				
	EIRP		$ 8,700	$18,850	$18,850				
R. Louis Caceres	RSA	3/30/2011				6,380			$119,242
	ETIP		$ 41,400	$82,800	$124,200				
	EIRP		$ 8,280	$17,940	$17,940				
Jeffrey A. Welch	RSA	3/30/2011				6,019			$112,495
	ETIP		$ 34,450	$68,900	$103,350				
	EIRP		$ 7,950	$17,225	$17,225				

(1) The information included in the “Threshold,” “Target” and “Maximum” columns reflects the range of potential payouts under the indicated plans as established by the Compensation Committee. The actual amounts earned by each executive under such plans are disclosed in the Summary Compensation Table.

(2) The grant date fair value of each equity award is based on the closing price of $18.69 per share on the grant date.

Option Exercises and Stock Vested

The following table shows the value realized upon the vesting of restricted stock awards in 2011.

Option Awards			Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($)	Number of Shares Acquired on Vesting (#)	padding-left: 9pt">Long-term liabilities (452)
Other deferred revenue	(1,717	)		
Deferred tax liability	(115,554	)		
	$ 362,659			

Goodwill arising from the acquisition mainly consists of the synergies of an ongoing licensing and brand management business. Trademarks have been determined by management to have an indefinite useful life and, accordingly, no amortization is recorded in the Company’s consolidated statement of operations. Goodwill and trademarks are tested for impairment on an annual basis or sooner, if an event occurs or circumstances change that indicate that the carrying amount of the goodwill or trademarks may not be recoverable. Customer agreements are amortized on a straight-line basis over their expected useful lives of four years. The Company incurred legal and other costs related to the transaction of $0.5 million and $5.8 million, which have been recognized in operating expenses in the accompanying consolidated statement of operations during the years ended December 31, 2016 and 2015, respectively.

Total revenues and loss from continuing operations from the Effective Time included in the consolidated statement of operations for the year ended December 31, 2015, are $5.4 million and $6.1 million, respectively.

Acquisition of Joe’s Jeans

On September 8, 2015, the Company and Joe’s Holdings LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of the Company (“Joe’s Holdings”), entered into an asset purchase agreement (the “Joe’s Jeans Purchase Agreement”) with Joe’s Jeans Inc., a Delaware corporation, as part of a series of transactions by Joe’s Jeans, pursuant to which Joe’s Holdings purchased, among other things, certain intellectual property assets used or held for use in Joe's Jeans' business operated under the brand names "Joe's Jeans," Joe's," "Joe's JD" and "else" for an aggregate cash purchase price of $67.0 million (the "Joe's Jeans Acquisition").

On September 11, 2015 (the "Joe's Jeans Closing Date"), the transactions contemplated by the Joe's Jeans Purchase Agreement were consummated concurrently with the transactions contemplated by the asset purchase agreement, dated as of September 8, 2015 (the "GBG Asset Purchase Agreement"), by and between Joe's Jeans and GBG USA Inc. ("GBG"). As of the Joe's Jeans Closing Date, Joe's Jeans retained 32 *Joe's Jeans* branded retail stores and will dispose of certain stores in accordance with terms of the Joe's Jeans Purchase Agreement and the GBG Asset Purchase Agreement. Furthermore, on the Joe's Jeans Closing Date, pursuant to the terms of the Joe's Jeans Purchase Agreement and the GBG Asset Purchase Agreement, Joe's Holdings and GBG made non-refundable deposits of $2.5 million and $1.5 million, respectively, into an escrow account to be used by Joe's Jeans to offset net costs and expenses related to the operation and disposition of such stores. Subject to certain limitations on Joe's Jeans' aggregate net liability with respect to these costs and expenses and subject to the completion of certain other pending transactions by Joe's Jeans, such costs and expenses in excess of the amounts deposited into the escrow account on the Joe's Jeans Closing Date will be borne by Joe's Holdings and Joe's Jeans.

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In connection with the acquisition, the Company also incurred an obligation for (i) $0.8 million in guaranteed contractual payments and (ii) $1.7 million under a loan payoff agreement payable to the Joe's Jeans founder, Mr. Joseph Dahan.

The Joe's Jeans Acquisition was accounted for under the acquisition method of accounting. Accordingly, the acquired assets were recorded at their estimated fair values, and operating results for the *Joe's Jeans* brand are included in the Company's consolidated financial statements from the effective date of the acquisition, September 11, 2015.

The allocation of the purchase price is summarized as follows (in thousands):

Cash paid	$71,168
Guaranteed contractual payments	826
Total consideration paid	$71,994
Allocated to:	
Goodwill	$1,060
Trademarks	70,862
Customer agreements	72
	$71,994

Goodwill arising from the acquisition mainly consists of the synergies of an ongoing licensing and brand management business. The Company's goodwill is deductible for tax purposes and will be amortized over a period of 15 years. Trademarks have been determined by management to have an indefinite useful life and, accordingly, no amortization is recorded in the Company's consolidated statement of operations. Goodwill and trademarks are tested for impairment on an annual basis or sooner, if an event occurs or circumstances change that indicate that the carrying amount of the goodwill or trademarks may not be recoverable. Customer agreements are amortized on a straight-line basis over their expected useful lives of four years. The Company incurred legal and other costs related to the transaction of $2.0 million, which have been recognized in operating expenses in the accompanying consolidated statement of operations during the year ended December 31, 2015.

Total revenues and income from continuing operations from the Joe's Jeans Closing Date, included in the consolidated statements of operations for the year ended December 31, 2015, are both $1.5 million.

Acquisition of Jessica Simpson

On April 8, 2015, the Company consummated transactions pursuant to the purchase agreement, dated as of April 1, 2015 (the "JS Purchase Agreement") with With You, Inc., a California corporation ("WYI"), Corny Dog, Inc., a California corporation (together with WYI, the "WYI Sellers"), With You LLC, a Delaware limited liability company, and Jessica Simpson, in her capacity as the sole stockholder of each of the WYI Sellers. With You LLC owns all assets related to (i) the worldwide business of creating, designing, developing, manufacturing, marketing, selling and licensing all consumer related lifestyle products, including, but not limited to, all categories within the fashion, home, beauty, personal care, baby, crafts, pets, holiday, seasonal, bridal, celebrations, travel, floral and food industry segments, with certain exclusions, of the *Jessica Simpson* brand, (ii) the exploitation of intellectual property and related rights associated with the celebrity and personality rights, subject to certain exceptions, of Jessica Simpson and (iii) all lines of business reasonably related or ancillary thereto (including the establishment and operation of retail stores).

Pursuant to the terms of the JS Purchase Agreement, the Company purchased membership interests in With You LLC for an aggregate purchase price consisting of (a) $119.3 million in cash, (b) $2.8 million of guaranteed contractual payments and (c) $1.3 million of equity utilizing the closing stock price of $13.34 on April 8, 2015. After giving effect to the transactions contemplated by the JS Purchase Agreement, the Company owns 62.5% of the outstanding membership interests in With You LLC and WYI owns 37.5% of the outstanding membership interests in With You LLC. In connection with the JS Purchase Agreement, the Company and WYI entered into an operating agreement for With You LLC, pursuant to which the Company and WYI agreed to certain rights and obligations with respect to the governance of With You LLC.

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The acquisition was accounted for under the acquisition method of accounting. Accordingly, the acquired assets were recorded at their estimated fair values, and operating results for the *Jessica Simpson* brand are included in the Company's consolidated financial statements from the effective date of the acquisition.

The allocation of the purchase price is summarized as follows (in thousands):

Cash paid	$119,250
Guaranteed contractual payments	2,822
Fair value of common stock issued (97,087 shares)	1,295
Total consideration paid by Sequential	$123,367
Allocated to:	
Goodwill	$3,480
Trademarks	184,475
Customer agreements	506
Noncontrolling interest	(65,094)
	$123,367

Goodwill arising from the acquisition mainly consists of the synergies of an ongoing licensing and brand management business. The Company's goodwill is deductible for tax purposes and will be amortized over a period of 15 years. Trademarks have been determined by management to have an indefinite useful life and, accordingly, no amortization is recorded in the Company's consolidated statement of operations. Goodwill and trademarks are tested for impairment on an annual basis or sooner, if an event occurs or circumstances change that indicate that the carrying amount of the goodwill or trademarks may not be recoverable. Customer agreements are amortized on a straight-line basis over their expected useful lives of four years. The Company incurred legal and other costs related to the transaction of $2.8 million, which have been recognized in operating expenses in the accompanying consolidated statement of operations during the year ended December 31, 2015.

Total revenues and income from continuing operations from the date of the acquisition through December 31, 2015, included in the consolidated statements of operations for the year ended December 31, 2015, are $18.2 million and $9.4 million, respectively.

Pro Forma Information (Unaudited)

The following unaudited consolidated pro forma information gives effect to the transaction contemplated by the Gaiam, Inc. acquisition as if such transaction had occurred on January 1, 2015. The following pro forma information is presented for illustration purposes only and is not necessarily indicative of the results that would have been attained had the acquisition been completed on January 1, 2015, nor is it indicative of results that may occur in any future periods.

	For the Year Ended December 31,	
	2016	2015
	(in thousands, except share and per share data)	
Revenues	$ 169,241	$ 112,095
Income from continuing operations	$ 59,983	$ 31,528
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (14,744)	$ (30,584)
Loss per share:		
Basic and diluted	$ (0.24)	$ (0.74)
Weighted average shares outstanding:		
Basic and diluted	61,912,410	41,177,523

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The pro forma information for the years ended December 31, 2016 and 2015 has been adjusted for the following non-recurring expenses:

	Years Ended December 31,	
	2016	2015
	(in thousands)	
Contractual guaranteed minimum royalties for Gaiam Brand Holdco, LLC	$ 23,833	$ 13,713
Interest expense on loan agreements and amortization of deferred financing costs	(25,615)	(3,788)
Acquisition-related costs	-	(3,799)
Net (increase) decrease to pro forma net loss	$ (1,782)	$ 6,126

Galaxy Brand Holdings, Inc. Acquisition Hold Back Shares

On August 15, 2014, the Company completed the acquisition of Galaxy Brand Holdings, Inc. As set forth in the acquisition agreement and included in the consideration, the Company held back ten percent of the acquisition shares as an indemnity for 18 months. The indemnity period ended on February 16, 2016, at which time the Company delivered all 1,375,000 shares to the Galaxy Brand Holdings, Inc. shareholders.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	December 31,	
	2016	2015
	(in thousands)	
Furniture and fixtures	$4,390	$1,492

Computer hardware/equipment	1,173	1,286
Leasehold improvements	4,803	3,777
Computer software	974	748
Websites	400	276
Automobiles and trucks	146	91
Property and equipment	11,886	7,670
Less accumulated depreciation and amortization	(4,212)	(1,123)
Property and equipment, net	$7,674	$6,547

As discussed in Note 18, in February 2016, the Company wrote-off $0.4 million of leasehold improvements due to moving its corporate headquarters. In March 2016, the Company sold computer equipment for a *de minimis* amount. The Company recorded a *de minimis* loss which is recorded in the consolidated statement of operations for the year ended December 31, 2016. In November 2015, the Company sold office equipment for a *de minimis* amount. The Company recorded a loss of $0.1 million which is recorded in the consolidated statement of operations for the year ended December 31, 2015. The Company did not sell any fixed assets during the year ended December 31, 2014. In September 2014, in connection with the relaunch of the *William Rast* business with Lord & Taylor, the Company wrote off $0.9 million of prepaid retail fixtures. This impairment of property and equipment is included in operating expenses in the consolidated statement of operations for the year ended December 31, 2014. There were no impairments of property and equipment recorded in the consolidated statement of operations for the years ended December 31, 2016 and 2015. Depreciation and amortization expense amounted to $3.5 million, $0.8 million and $0.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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NOTE 7 – INTANGIBLE ASSETS

Intangible assets are summarized as follows:

December 31, 2016	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(years)	(in thousands)		
Finite-lived intangible assets:				
Trademarks	15	$4,981	$ (1,558)	$3,423
Customer agreements	4	2,832	(1,738)	1,094
Favorable lease	2	537	(537)	-
Patents	10	665	(230)	435
		$9,015	$ (4,063)	4,952
Indefinite-lived intangible assets:				
Trademarks				1,025,260
Intangible assets, net				$1,030,212

December 31, 2015	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(years)	(in thousands)		
Finite-lived intangible assets:				
Trademarks	15	$4,905	$ (1,228)	$3,677
Customer agreements	4	2,817	(1,017)	1,800
Favorable lease	2	537	(322)	215
Patents	10	665	(164)	501
		$8,924	$ (2,731)	6,193
Indefinite-lived intangible assets:				
Trademarks				866,084
Intangible assets, net				$872,277

Future annual estimated amortization expense is summarized as follows:

Years ending December 31,	(in thousands)
2017	$ 914
2018	782
2019	591
2020	401
2021	399
Thereafter	1,865
	$ 4,952

Amortization expense amounted to $1.3 million, $1.1 million and $0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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Finite-lived intangible assets represent trademarks, customer agreements and patents related to the Company's brands and a favorable lease. Finite-lived assets are amortized on a straight-line basis over the estimated useful lives of the assets. Indefinite-lived intangible assets are not amortized, but instead are subject to impairment evaluation. The carrying value of finite-lived intangible assets and other long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Historically, indefinite-lived intangible assets have been tested for impairment on an annual basis at December 31 and between annual tests if an event occurs or circumstances change that indicate that the carrying amount of the indefinite-lived intangible asset may not be recoverable. When conducting its impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that the asset is impaired. If it is determined by a qualitative evaluation that it is more likely than not that the asset is impaired, the Company then tests the asset for recoverability. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to its expected future undiscounted net cash flows. If the carrying amount of such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the recoverability of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the year ended December 31, 2016, the Company changed its annual impairment testing date from December 31 to October 1. The Company believes this new date is preferable because it allows for more timely completion of the annual impairment test prior to the end of its annual financial reporting period. This change in accounting principle does not delay, accelerate or avoid an impairment charge. The Company has determined that it will be impracticable to objectively determine projected cash flow and related valuation estimates that would have been used as of each October 1 of prior reporting periods without the use of hindsight. As such, the Company applied the change in annual impairment testing date prospectively beginning October 1, 2016. The Company performed its annual impairment evaluation of its indefinite-lived intangible assets and other long-lived assets as of October 1, 2016. There was no impairment of intangible assets or other long-lived assets recognized during the years ended December 31, 2016, 2015 and 2014.

On February 24, 2015, the Company sold the *People's Liberation* brand to a third party for (i) $0.7 million in cash and a note receivable and (ii) an earn-out of $1.0 million in cash (the "Earn-out") in the event that total gross sales of products under the *People's Liberation* brand equal or exceed $30.0 million during the 2015 calendar year (the "People's Liberation Sale Price"). As a result of the sale, the Company recorded a gain of $0.7 million because the *People's Liberation* brand had no carrying value on the Company's consolidated balance sheet. The gain is recorded in other (expense) income in the consolidated statement of operations during the year ended December 31, 2015. The third party agreed to pay the Company one-fifth of the People's Liberation Sale Price upon closing and one-fifth of the People's Liberation Sale Price on the anniversary of the closing for the next four years. The Company reported the short-term portion of the receivable in prepaid expenses and other current assets and the long-term portion in other assets in the consolidated balance sheets as of December 31, 2016 and 2015. The Earn-out was not achieved during the year ended December 31, 2015, as total gross sales of products under the *People's Liberation* brand did not equal or exceed $30.0 million.

NOTE 8 – GOODWILL

Goodwill is summarized as follows:

	December 31, 2016	December 31, 2015
	(in thousands)	
Balance at January 1	$314,288	$169,786
Acquisition of With You LLC	-	3,480
Acquisition of the Joe's Jeans business	-	1,060
Acquisition of Martha Stewart Living Omnimedia, Inc. (see Note 5)	(11,249)	139,962
Acquisition of Gaiam, Inc. Branded Consumer Business	4,705	-
Ending balance	$307,744	$314,288

Goodwill from the acquisitions of With You LLC, Joe's Jeans, Martha Stewart Living Omnimedia, Inc. and Gaiam, Inc. represents the excess of the purchase price over the fair value of net assets acquired under the acquisition method of accounting. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. In evaluating goodwill for impairment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors considered include, for example, macroeconomic and industry conditions, overall financial performance and other relevant entity-specific events. If the Company bypasses the qualitative assessment, or concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, it then performs a two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any.

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In the first step, the Company will compare the estimated fair value of the reporting unit with its carrying value. The Company has determined it has a single reporting unit, and considers its market capitalization (calculated as total common shares outstanding multiplied by the common equity price per share, as adjusted for a control premium factor) to represent its estimated fair value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed. If, however, the estimated fair value of the reporting unit is less than its carrying amount, the Company will proceed to the second step and calculate the implied fair value of the reporting unit goodwill to determine whether any impairment is required. The implied fair value of the reporting unit goodwill is calculated by allocating the estimated fair value of the reporting unit to all of the unit's assets and liabilities as if the unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in the amount of that excess.

During the year ended December 31, 2016, the Company changed its annual impairment testing date from December 31 to October 1. The Company believes this new date is preferable because it allows for more timely completion of the annual impairment test prior to the end of its annual financial reporting period. This change in accounting principle does not delay, accelerate or avoid an impairment charge. The Company has determined that it will be impracticable to objectively determine projected cash flow and related valuation estimates that would have been used as of each October 1 of prior reporting periods without the use of hindsight. As such, the Company applied the change in annual impairment testing date prospectively beginning October 1, 2016. The Company performed its annual impairment evaluation of its goodwill as of October 1, 2016. As of December 31, 2016 and 2015, no impairment of goodwill has been identified.

NOTE 9 – LONG-TERM DEBT

The components of long-term debt are as follows:

	December 31,	
	2016	2015
	(in thousands)	
Secured Term Loans	$582,500	$464,000
Revolving Credit Facility	80,500	86,000

Unamortized deferred financing costs	(17,965)	(7,935)
Total long-term debt, net of unamortized deferred financing costs	645,035	542,065
Less: current portion of long-term debt	28,300	19,000
Long-term debt	$616,735	$523,065

July 2016 Debt Facilities

On July 1, 2016 (the "Closing Date"), the Company and certain of its subsidiaries entered into (i) the Third Amended and Restated First Lien Credit Agreement (the "Amended BoA Credit Agreement") with Bank of America, N.A., as administrative agent and collateral agent and the lenders party thereto and (ii) the Third Amended and Restated Credit Agreement (the "Amended GSO Credit Agreement") with Wilmington Trust, National Association, as administrative agent and collateral agent (the "GSO Agent") and the lenders party thereto. Such agreements amended, restated and replaced the debt facilities described below under "December 2015 Debt Facilities", as described more fully below. The Company used a portion of the proceeds of the $287.5 million loans made to the Company under the Amended BoA Credit Agreement and the $415.0 million loans made to the Company under the Amended GSO Credit Agreement to fund the payment of the purchase price with respect to the acquisition of the Gaiam Brand Holdco, LLC and costs and expenses incurred in connection with such acquisition and related transactions.

The Amended BoA Credit Agreement provides for several five-year credit facilities, consisting of (i) Tranche A Term Loans in an aggregate principal amount of $133.0 million (the "Tranche A Loans"), (ii) Tranche A-1 Term Loans in an aggregate principal amount of $44.5 million (the "Tranche A-1 Loans" and, together with the Tranche A Loans, the "BoA Term Loans") and (iii) revolving credit commitments in the aggregate principal amount of $110.0 million (the "Revolving Credit Facility" and, the loans under the Revolving Credit Facility, the "Revolving Loans"). On the Closing Date, the total amount outstanding under the Amended BoA Credit Agreement was $258.0 million, including (i) $133.0 million of Tranche A Loans, (ii) $44.5 million of Tranche A-1 Loans and (iii) $80.5 million of borrowing under the Revolving Loans.

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The loans under the Amended BoA Credit Agreement bear interest, at the Company's option, at a rate equal to (i) with respect to the Revolving Loans and the Tranche A Loans (a) the LIBOR rate plus 3.50% per annum or (b) the base rate plus 2.50% per annum and (ii) with respect to the Tranche A-1 Loans (a) the LIBOR rate plus 7.00% per annum or (b) the base rate plus 6.00% per annum. The undrawn portions of the commitments under the Revolving Credit Facility are subject to a commitment fee of 0.375% per annum.

The Company may make voluntary prepayments of the loans outstanding under the Amended BoA Credit Agreement, subject to the payment of customary "breakage" costs with respect to LIBOR-based borrowings and, in certain cases, to the prepayment premium set forth in the Amended BoA Credit Agreement. Additionally, the Company is mandated to make prepayments (without payment of a premium or penalty) under the Amended BoA Credit Agreement amounting to: (i) the loans outstanding under the Amended BoA Credit Agreement plus, (a) where intellectual property is disposed, 50.0% of the disposed intellectual property's orderly liquidation value, and (b) where any other assets constituting collateral are disposed or upon the receipt of certain insurance proceeds, 100% of the net proceeds thereof, subject to certain reinvestment rights; and (ii) the Tranche A-1 Loans to the extent that the outstanding principal amount thereof exceeds 10.0% of the orderly liquidation value of the registered trademarks owned by the BoA Facility Loan Parties. Commencing on September 30, 2016, the BoA Term Loans will be amortized in quarterly installments of $5.0 million.

The Amended BoA Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the BoA Facility Loan Parties and their subsidiaries. Moreover, the Amended BoA Credit Agreement contains financial covenants that require the BoA Facility Loan Parties and their subsidiaries to (i) maintain a positive net income, (ii) satisfy a maximum loan to value ratio set at 50.0% (applicable to the Revolving Loans and Tranche A Loans) and (iii) satisfy a maximum consolidated first lien leverage ratio, initially set at 2.80:1.00, decreasing over the term of the Amended BoA Credit Agreement until reaching the final maximum ratio of 2.50:1.00 for the fiscal quarter ending September 30, 2018 and thereafter.

The Amended BoA Credit Agreement contains certain customary events of default, including a change of control. If an event of default occurs and is not cured within any applicable grace period or not waived, the Bank of America Agent, at the request of the lenders under the Amended BoA Credit Agreement, must take various actions, including, without limitation, the acceleration of amounts due under the Amended BoA Credit Agreement.

The Company may request an increase in (i) the Revolving Credit Facility and Tranche A Loans as would not cause the consolidated first lien leverage ratio, determined on a pro forma basis after giving effect to any such increase, to exceed 2.33:1.00 and (ii) the Tranche A-1 Loans, as would not cause the consolidated first lien leverage ratio, determined on a pro forma basis after giving effect to any such increase, to exceed (a) with respect to any increase, the proceeds of which will be used solely to finance an acquisition, 2.50:100 and (b) with respect to any other increase, 2.40:1.00, subject to the satisfaction of certain conditions in the Amended BoA Credit Agreement. At December 31, 2016, the Company is in compliance with the covenants included in the Amended BoA Credit Agreement.

The Amended GSO Credit Agreement provides for a six-year $415.0 million senior secured term loan facility. The Company may request one or more additional term loan facilities or the increase of term loan commitments under the Amended GSO Credit Agreement as would not cause the consolidated total leverage ratio, determined on a pro forma basis after giving effect to any such addition and increase, to exceed 6.00:1.00, subject to the satisfaction of certain conditions in the Amended GSO Credit Agreement.

The loans under the Amended GSO Credit Agreement bear interest, at the Company’s option, at a rate equal to either (i) the LIBOR rate plus an applicable margin of 8.25% or 9.00% per annum or (ii) the base rate plus an applicable margin of 7.25% or 8.00% per annum, in each case based upon the consolidated total leverage ratio.

The Company may make voluntary prepayments of the loans outstanding under the Amended GSO Credit Agreement, subject to the payment of customary “breakage” costs with respect to LIBOR-based borrowings and, in certain cases, to the prepayment premium set forth in the Amended GSO Credit Agreement. The Company is mandated to make prepayments (without payment of a premium or penalty) of loans outstanding under the Amended GSO Credit Agreement amounting to: (i) where intellectual property is disposed, 50.0% of the disposed intellectual property’s orderly liquidation value, (ii) where any other asset constituting collateral is disposed or upon the receipt of certain insurance proceeds, 100% of the net proceeds thereof, subject to certain reinvestment rights, and (iii) any consolidated excess cash flow, in an amount equal to (a) in the event the consolidated total leverage ratio is at least 4.00:1.00, 75% thereof, (b) in the event the consolidated total leverage ratio is less than 4.00:1.00 but at least 3.00:1.00, 50% thereof and (c) in the event the consolidated total leverage ratio is less than 3.00:1.00, 0% thereof. Commencing on March 31, 2017, the Loans under the Amended GSO Credit Agreement will amortize in quarterly installments, equal to 2.00% per annum of the original aggregate principal amount thereof.

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The Amended GSO Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the GSO Facility Loan Parties and their subsidiaries. Moreover, the Amended GSO Credit Agreement contains financial covenants that require the GSO Facility Loan Parties and their subsidiaries to satisfy (i) a maximum consolidated total leverage ratio, initially set at 7.25:1.00, decreasing over the term of the Amended GSO Credit Agreement until reaching the final maximum ratio of 6.50:1.00 for the fiscal quarter ending September 30, 2018 and thereafter and (ii) a maximum consolidated first lien leverage ratio, initially set at 2.80:1.00, decreasing over the term of the Amended GSO Credit Agreement until reaching the final maximum ratio of 2.50:1.00 for the fiscal quarter ending September 30, 2018 and thereafter. At December 31, 2016, the Company is in compliance with the covenants included in the Amended GSO Credit Agreement.

The Amended GSO Credit Agreement contains certain customary events of default, including a change of control. If an event of default occurs and is not cured within any applicable grace period or is not waived, the GSO Agent, at the request of the lenders under the Amended GSO Credit Agreement, is required to take various actions, including, without limitation, the acceleration of amounts due thereunder.

The Company may request one or more additional term loan facilities or the increase of term loan commitments under the GSO Credit Agreement as would not cause the consolidated total leverage ratio, determined on a pro forma basis after giving effect to any such addition and increase, to exceed 6.00:1.00, subject to the satisfaction of certain conditions in the GSO Credit Agreement.

During the year ended December 31, 2016, the Company incurred legal and other fees associated with debt financing in connection with the acquisition of Gaiam, Inc. of $13.1 million which have been recorded as deferred financing costs and included in Long-term debt, net of current portion in the consolidated balance sheets. These legal and other fees are being amortized using the effective interest method over the term of the Amended BoA Credit Agreement and Amended GSO Credit Agreement. The Company expensed $0.3 million of deferred financing costs as a result of a partial extinguishment of the BoA Credit Agreement (as defined below) in accordance with ASC 470 – *Debt* in connection with the Company’s entry into the Amended BoA Credit Agreement.

December 2015 Debt Facilities

On December 4, 2015, in conjunction with the acquisition of MSLO, the Company, Old Sequential and certain other subsidiaries of the Company entered into an amendment to the Second Amended and Restated First Lien Credit Agreement (the “Amendment”), dated as of April 8, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the “BoA Credit Agreement”), by and among, Old Sequential, the guarantors party thereto, the lenders party thereto (the “BoA Lenders”) and Bank of America, N.A., as administrative agent and collateral agent (in such capacity, the “BoA Agent”).

The Amendment had an effective date of December 4, 2015, and amended certain provisions under the BoA Credit Agreement to, among other things, (i) permit the consummation of the Mergers, (ii) permit, subject to the satisfaction of certain conditions, the increase in the aggregate revolving commitments and term loans under the BoA Credit Agreement by such amounts as would not cause the consolidated first lien leverage ratio, determined on a pro forma basis after giving effect to any such increase, to exceed 2.00:1.00, (iii) permit the inclusion of not less than (a) $30.0 million of EBITDA representing EBITDA generation by MSLO, (b) $8.0 million of EBITDA representing EBITDA generation by Joe’s Holdings and (c) fees and expenses incurred and associated with the Mergers and the acquisition of Joe’s Holdings in certain provisions that relate to calculation of the consolidated first lien leverage ratio, (iv) permit the incurrence of indebtedness under the GSO Term Loan Agreement (defined below) and (v) designated the Company as the “borrower” under the BoA Credit Agreement. Additionally, the Amendment provided for an additional $8.0 million of Tranche A-1 Term Loans which were made, on December 4, 2015, to the Company by the BoA Lenders.

On December 4, 2015, the Company, Old Sequential and the BoA Agent entered into a Joinder and Assumption Agreement (the “Joinder and Assumption Agreement”), pursuant to which Old Sequential was discharged from its obligations, liabilities and rights as the “borrower” under the BoA Credit Agreement and the Company assumed all such obligations, liabilities and rights and was designated as the “borrower” under the BoA Credit Agreement for all purposes thereunder.

In addition, on December 4, 2015, the Company, Old Sequential and certain other subsidiaries of the Company entered into a new Second Amended and Restated Credit Agreement (the “GSO Term Loan Agreement”) with Wilmington Trust, National Association, as administrative agent and collateral agent (in such capacity, the “GSO Term Loan Agent”), and the lenders party to the existing Amended and Restated Second Lien Credit Agreement, dated as of April 8, 2015 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the “Existing Second Lien Credit Agreement”), by and among, Old Sequential, the guarantors party thereto, the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent (in such capacity, the “Second Lien Agent”).

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The GSO Term Loan Agreement provided for a six-year $368.0 million senior secured term loan facility (the "Facility"), which consisted of (i) $215.5 million of loans outstanding under the Existing Second Lien Credit Agreement and (ii) $152.5 million of new term loans which were made, on December 4, 2015, to the Company by the lenders party to the GSO Term Loan Agreement.

The GSO Term Loan Agreement, together with the Term Loan A and Term Loan A-1 tranches of the BoA Credit Agreement represented the 2015 Term Loans. The revolving credit line of the BoA Credit Agreement represented the 2015 Revolving Loan.

The Company used the proceeds of the new loans to fund the payment of the purchase price, costs and expenses incurred in connection with the Mergers and related transactions.

The Company had the option to request the addition of one or more additional term loan facilities or the increase of term loan commitments under the Facility by such amounts as would not cause the consolidated total leverage ratio, determined on a pro forma basis after giving effect to any such addition and increase, to exceed 6.00:1.00, which additions and increase are subject to the satisfaction of certain conditions set forth in the GSO Term Loan Agreement.

The loans under the Facility bore interest, at the Company's option, at a rate equal to either (i) LIBOR rate plus an applicable margin ranging from 8.00% to 8.75% per annum or (ii) the base rate plus an applicable margin ranging from 7.00% to 7.75% per annum, in each case based upon the consolidated total leverage ratio and/or the consolidated net leverage ratio. Specifically, the applicable margin with respect to LIBOR loans under the GSO Term Loan Agreement were as set forth below:

Consolidated Total Leverage Ratio	Consolidated Net Leverage Ratio	Applicable Margin – LIBOR Loans	
> 6.00 : 1.00	≥ 5.75 : 1.00	8.75	%
≥ 4.75 : 1.00 ≤ 6.00 : 1.00	≥ 4.50 : 1.00 < 5.75 : 1.00	8.25	%
< 4.75 : 1.00	< 4.50 : 1.00	8.00	%

The Company's obligations under the GSO Term Loan Agreement and any hedging or cash management obligations entered into by the Company or any of its current and future domestic restricted subsidiaries (the "Subsidiary Guarantors" and, together with the Company, the "Loan Parties") with a lender under the GSO Term Loan Agreement, the New Agreement Agent or an affiliate of any such person were guaranteed by the Company and each Subsidiary Guarantor. The Company's and the Subsidiary Guarantors' obligations under the GSO Term Loan Agreement were secured by substantially all of their assets, subject to certain customary exceptions.

The Company was required to make mandatory prepayments of loans outstanding under the Facility (without payment of a premium or penalty) (i) in the case of any disposition of intellectual property, the then applicable LTV Percentage (as defined in the BoA Credit Agreement) of the orderly liquidation value thereof, (ii) in the case of any other disposition of any other assets, 100% of the net proceeds thereof, subject to certain reinvestment rights, and (iii) in the case of any Consolidated Excess Cash Flow (as defined in the GSO Term Loan Agreement), 50% thereof, which shall decrease to 0% if the consolidated total leverage ratio is less than 3.00:1.00. The loans under the Facility were not subject to amortization.

The Company could have made, in whole or in part, voluntarily prepayments of the loans outstanding under the Facility. Such voluntarily prepayments were subject to the payment of customary "breakage" costs with respect to LIBOR-based borrowings and in certain cases to the prepayment premium set forth in the GSO Term Loan Agreement.

The GSO Term Loan Agreement contained customary representations and warranties and customary affirmative and negative covenants applicable to the Loan Parties and their subsidiaries, including, without limitation, restrictions on liens, investments, indebtedness, fundamental changes, dispositions, restricted payments and prepayment of indebtedness. The GSO Term Loan Agreement contained financial covenants that required the Loan Parties and their subsidiaries to (i) not exceed a maximum consolidated total leverage ratio initially set at 7.25:1.00, which decreases periodically over the term of the GSO Term Loan Agreement until the final maximum ratio of 6.75:1.00 is reached for the fiscal quarter ending September 30, 2019 and thereafter and (ii) not exceed a maximum consolidated first lien leverage ratio initially set at 2.47:1.00, which decreases periodically over the term of the GSO Term Loan Agreement until the final maximum ratio of 2.30:1.00 is reached for the fiscal quarter ending September 30, 2019 and thereafter.

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The GSO Term Loan Agreement contained customary events of default, including, without limitation, payment defaults, covenant defaults, breaches of certain representations and warranties, cross defaults to certain material indebtedness, certain events of bankruptcy and insolvency, certain events under the Employee Retirement Income Security Act of 1974, material judgments and a change of control. If an event of default occurred and was not cured within any applicable grace period or was not waived, the New Agreement Agent, at the request of the lenders under the GSO Term Loan Agreement, was required to take various actions, including, without limitation, the acceleration of amounts due thereunder. The Company was in compliance with the covenants throughout the existence of the GSO Term Loan Agreement.

In connection with the BoA Credit Agreement and the GSO Term Loan Agreement, the BoA Agent and the New Agreement Agent had entered into an Intercreditor Agreement, dated as of December 4, 2015 (the “Intercreditor Agreement”), which was acknowledged by the Company and the guarantors party thereto. The Intercreditor Agreement established various inter-lender terms, including, without limitation, priority of liens, permitted actions by each party, application of proceeds, exercise of remedies in the case of a default, incurrence of additional indebtedness, releases of collateral and limitations on the amendment of the BoA Credit Agreement and the GSO Loan Agreement without the consent of the other party.

September 2015 Debt Facilities

On September 11, 2015, the Company amended the debt arrangements described under “April 2015 Debt Facilities”. On such date as further discussed in Note 5, in connection with consummation of the transactions contemplated by the Joe’s Jeans Purchase Agreement and the GBG Asset Purchase Agreement, the Company entered into an Incremental Joinder Agreement, First Amendment to the Amended and Restated Second Lien Credit Agreement (the “Incremental Facility Amendment”), by and among the Company, the guarantors named therein, the lenders party thereto from time to time and Wilmington Trust, National Association, as administrative agent and collateral agent thereunder, to the A&R Second Lien Credit Agreement (as defined below under “April 2015 Debt Facilities”. The Incremental Facility Amendment amended certain provisions of the A&R Second Lien Credit Agreement relating to the change of control which constitutes an event of default and an investment covenant, increased the amount of incremental term loans that can be issued under the A&R Second Lien Credit Agreement to \$56.0 million and provided for a borrowing of \$56.0 million of such term loans which were used, together with the proceeds of a borrowing in a principal amount of \$18.0 million under the Company’s A&R First Lien Credit Agreement and the proceeds of the Equity Issuance (as defined below), to consummate the transactions contemplated by the Joe’s Jeans Purchase Agreement and other permitted investments. On November 4, 2015, the Company entered into a Second Amendment to the Amended and Restated

Second Lien Credit Agreement (the "Second Lien Credit Agreement Amendment"), by and among the Company, the guarantors named therein, the lenders party thereto from time to time and Wilmington Trust, National Association, as administrative agent and collateral agent thereunder, to the A&R Second Lien Credit Agreement. The Second Lien Credit Agreement Amendment had an effective date of September 30, 2015, and amended certain provisions under the A&R Second Lien Credit Agreement that relate to the consolidated total leverage ratio covenant, to permit the inclusion of not less than $8.0 million of EBITDA representing EBITDA generation by the Joe's Jeans business and the inclusion of fees and expenses incurred on or prior to September 11, 2015, and associated with the acquisition of the Joe's Jeans business. The Second Lien Credit Agreement Amendment also increased the compliance level of the loan-to-value ratio to 141% from 128%. In addition, on September 11, 2015, the Company entered into a Limited Consent and Waiver to the A&R First Lien Credit Agreement, pursuant to which the administrative agent and the required lenders thereunder have consented to an increase of $5.0 million through December 31, 2015 in the general investment bucket under the A&R First Lien Credit Agreement.

On September 11, 2015, in connection with the transactions contemplated by the Joe's Jeans Purchase Agreement and the GBG Asset Purchase Agreement, certain affiliates of GSO Capital subscribed for and purchased 740,740 shares of common stock of the Company for aggregate consideration equal to $10.0 million (the "Equity Issuance") in accordance with the equity commitments entered into in connection with the transactions contemplated by the MSLO Merger Agreement. The fair value of the common stock was determined to be $11.5 million using the closing stock price on September 11, 2015 of $15.52. The fair value of the common stock in excess of consideration received in the amount of $1.5 million was recorded as a discount to the A&R Second Lien Credit Agreement and a corresponding increase to additional paid-in capital. This amount was being accreted to non-cash interest expense over the contractual term of the A&R Second Lien Credit Agreement, which expires pursuant to its terms on April 8, 2021. Because the 2015 Term Loan Agreement with GSO was deemed an extinguishment, management determined that the remaining unamortized debt discount from the Existing Second Lien Credit Agreement was written off in accordance with ASC 470 *Debt*. The Company wrote off $1.4 million during the year ended December 31, 2015 within Interest expense, net within the consolidated statement of operations related to the debt discount.

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During the year ended December 31, 2015, the Company incurred legal and other fees associated with debt financing in connection with the Joe's Jeans Acquisition of $1.6 million, $0.2 million of which was included in operating expenses in the consolidated statements of operations as it was related to the amendment and restatement of the A&R Loan Agreements which was deemed as a modification of debt in accordance with ASC 470 - *Debt*. Such legal and other fees directly associated with the A&R Loan Agreements have been recorded as deferred financing costs and included in other assets in the consolidated balance sheets, and were being amortized as non-cash interest expense, using the effective interest method, over the term of the A&R Loan Agreements.

April 2015 Debt Facilities

On April 8, 2015 (the "JS Effective Date"), the Company amended the debt arrangements discussed under "April 2014 Debt Facilities". On such date, in connection with the JS Purchase Agreement, the Company entered into (i) the Second Amended and Restated First Lien Credit Agreement, among the Company, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent and collateral agent thereunder (as so amended and restated, the "A&R First Lien Credit Agreement"), which provides for a $85.0 million tranche A term loan facility, a $15.0 million tranche A-1 term loan facility, a revolving credit facility of up to $90.0 million and a swing line sub-facility of up to $10.0 million and (ii) the Amended and Restated Second Lien Credit Agreement with GSO Capital Partners LP ("GSO Capital"), among the Company, the guarantors party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent thereunder (as so amended and restated, the "A&R Second Lien Credit Agreement" and, together with the A&R First Lien Credit Agreement, the "A&R Loan Agreements"), which provides for a term loan facility of up to $159.5 million, consisting of the existing term loans in the amount of $90.0 million and up to $69.5 million of new term loans. On the JS Effective Date, the Company had an aggregate amount outstanding of $300.2 million, consisting of (i) $100.0 million term loans under the A&R First Lien Credit Agreement and $159.5 million term loans under the A&R Second Lien Credit Agreement (such term loans, the "A&R Term Loans") and (ii) $40.7 million under the revolving credit facility of the A&R First Lien Credit Agreement (the "A&R Revolving Loan"). In addition, the A&R First Lien Credit Agreement provides for incremental borrowings of up to $60.0 million following the JS Effective Date, to be allocated 25% to the revolving credit facility and 75% to the tranche A term loan facility, and the A&R Second Lien Credit Agreement provides for incremental borrowings of up to $40.0 million for general corporate purposes of the Company and its subsidiaries, in each case, subject to certain customary conditions.

The proceeds from the borrowings under the A&R Loan Agreements were used to finance the transactions contemplated by the JS Purchase Agreement pursuant to the terms of the JS Purchase Agreement, to pay fees and expenses in connection therewith and for other general corporate purposes. After the JS Effective Date, the Company expects to use the proceeds of any borrowings under the revolving credit facility of the A&R First Lien Credit Agreement for working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries and any borrowings under the incremental facilities of the A&R First Lien Credit Agreement for working capital purposes and/or for permitted acquisitions.

Term loan borrowings under the A&R First Lien Credit Agreement are subject to amortization of principal quarterly beginning on June 30, 2015 in equal amounts of $4.0 million; provided that if the borrowings have not been prepaid with the proceeds of a capital raise by the Company within one year of the JS Effective Date and as described below, then the Company will be required to repay the borrowings in quarterly amounts of $5.0 million until such time as such capital raise and such prepayment occur. Term loan borrowings under the A&R First Lien Credit Agreement will mature on the fifth anniversary of the Effective Date. Borrowings under the A&R First Lien Credit Agreement bear interest at LIBOR or a base rate, plus, in each case, an applicable margin that fluctuates from (a) 3.50% to 3.75% for LIBOR loans, with respect to revolving loan borrowings and the outstanding tranche A term loan and from 1.50% to 1.75% for base rate loans, with respect to revolving loan borrowings and the outstanding tranche A term loan and (b) 4.50% to 4.75% for LIBOR loans, with respect to the outstanding tranche A-1 term loan and from 2.50% to 2.75% for base rate loans, with respect to the outstanding tranche A-1 term loan, in each case, based on the Company's Loan to Value Ratio (as defined in the A&R First Lien Credit Agreement). All voluntary and mandatory prepayments of the term loan borrowings will be applied first to prepay the tranche A-1 term loans.

Term loan borrowings under the A&R Second Lien Credit Agreement were not subject to amortization and were expected to mature on the sixth anniversary of the JS Effective Date. Borrowings under the A&R Second Lien Credit Agreement bore interest at LIBOR or a base rate, plus, in each case, an applicable margin that fluctuates from (a) 8.00% to 10.00% for LIBOR loans and (b) from 7.00% to 9.00% for base rate loans, based on the Company's Consolidated Total Leverage Ratio and Consolidated Net Leverage Ratio (each, as defined in the A&R Second Lien Credit Agreement) as at the end of the immediately preceding fiscal quarter. Specifically, the applicable margin with respect to LIBOR loans under the A&R Second Lien Credit Agreement is as set forth below:

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Consolidated Total Leverage Ratio	Consolidated Net Leverage Ratio	Applicable Margin – LIBOR Loans	
≥ 6.5 : 1.00	≥ 6.25 : 1.00	10.00	%
> 4.00 : 1.00 < 6.50 : 1.00	> 3.75 : 1.00 < 6.25 : 1.00	9.00	%
≤ 4.00 : 1.00	≤ 3.75 : 1.00	8.00	%

Subject to the terms of the Intercreditor Agreement, borrowings under the A&R First Lien Credit Agreement are voluntarily prepayable from time to time, in whole or in part, and borrowings under the A&R Second Lien Credit Agreement are voluntarily prepayable after the first anniversary of the JS Effective Date, in whole or in part; provided that the Company may, on a one-time basis, prepay up to 25% of the outstanding principal of the borrowings during the one year period prior to the JS Effective Date. Such voluntary prepayments are subject in certain cases to the payment of customary “breakage” costs with respect to LIBOR-based borrowings and prepayment premiums as provided in the respective A&R Loan Agreement. Mandatory prepayments of the borrowings under the A&R Loan Agreements are required (x) in the case of any dispositions of intellectual property, the then applicable LTV Percentage (as defined in the A&R First Lien Credit Agreement) of the orderly liquidation value thereof, (y) in the case of any other dispositions, 100% of the net proceeds thereof and (z) with respect to the A&R First Lien Credit Agreement, upon receipt of the aggregate net proceeds of any capital raise with proceeds in excess of $50.0 million, such amount as will cause the Company’s Loan to Value Ratio to be at least 5% less than such Loan to Value Ratio immediately prior to giving effect to such prepayment, in each case, subject to certain exceptions set forth in the A&R Loan Agreements.

The Company’s obligations under the A&R Loan Agreements are guaranteed jointly and severally by each domestic subsidiary of the Company (each, an “A&R Guarantor” and, collectively, the “A&R Guarantors”), other than Immaterial Subsidiaries (as defined in the A&R Loan Agreements) and certain other excluded subsidiaries and subject to certain other exceptions set forth in the A&R Loan Agreements and the related loan documents (such guarantees provided by the A&R Guarantors, the “A&R Guarantees”). The Company’s and the A&R Guarantors’ obligations under the A&R Loan Agreements and the A&R Guarantees are, in each case, secured by first priority liens (subject, in the case of the A&R Second Lien Credit Agreement, to the liens under the A&R First Lien Credit Agreement) on, and security interests in, substantially all of the present and after-acquired assets of the Company and each A&R Guarantor, subject to certain customary exceptions.

After the JS Effective Date, borrowings under the revolving credit facility of the A&R First Lien Credit Agreement and any incremental borrowings under the A&R Loan Agreements are subject to (x) there being no default or event of default, (y) the representations and warranties of the Company and the A&R Guarantors contained in the A&R First Lien Credit Agreement and any other related loan document being true and correct in all material respects as of the date of such borrowings (except (i) to the extent such representations and warranties refer specifically to an earlier date, in which case they shall be true and correct as of such date and (ii) in the case of any representation and warranty qualified by materiality, they shall be true and correct in all respects) and (z) certain other customary conditions.

The A&R Loan Agreements include customary representations and warranties, including representations relating to the intellectual property owned by the Company and its subsidiaries and the status of the Company's material license agreements. The A&R Loan Agreements also include customary covenants and events of default, including, in the case of the A&R First Lien Credit Agreement, requirements that the Company satisfy a minimum positive net income test and maintain a minimum Loan to Value Ratio (as calculated pursuant to the A&R First Lien Credit Agreement), and, in the case of the A&R Second Lien Credit Agreement, requirements that the Company satisfy a minimum positive net income test, maintain a total leverage ratio and maintain a minimum Loan to Value Ratio (as calculated pursuant to the A&R Second Lien Credit Agreement). Covenants in the A&R Loan Agreements also include certain limitations on the Company's and its subsidiaries' ability to incur indebtedness, grant liens on their assets, consummate acquisitions and make fundamental changes to the Company (including mergers and consolidations), dispose of their assets, make investments, loans, advances and enter into guarantees, pay dividends and make other restricted payments, prepay or amend certain indebtedness and material license agreements, enter into affiliate transactions and issue equity interests, in each case, subject to certain exceptions as set forth in the A&R Loan Agreements. The Company was in compliance with its covenants throughout the existence of the A&R Loan Agreements.

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In connection with the A&R First Lien Credit Agreement and the A&R Second Lien Credit Agreement, Bank of America, N.A., as the administrative agent under the A&R First Lien Credit Agreement, and Wilmington Trust, National Association, as the administrative agent under the A&R Second Lien Credit Agreement, entered into a first amendment to intercreditor agreement, dated as of the Effective Date (the “First Amendment to Intercreditor Agreement”), which was acknowledged by the Company and the A&R Guarantors and amended the Intercreditor Agreement. The Intercreditor Agreement, as amended by the First Amendment to Intercreditor Agreement, establishes various inter-lender terms, including, but not limited to, priority of liens, permitted actions by each party, application of proceeds, exercise of remedies in the case of a default, incurrence of additional indebtedness releases of collateral and limitations on the amendment of the respective A&R Loan Agreements without consent of the other party.

August 2014 Debt Facilities

On August 15, 2014, the Company amended the debt arrangement discussed under “2013 Debt Facilities”. On such date, in connection with the acquisition of Galaxy Brand Holdings, Inc., the Company entered into (i) an Amended and Restated First Lien Credit Agreement, among the Company, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent and collateral agent thereunder (as so amended and restated, the “First Lien Credit Agreement”), which provided for a term loan of up to $75.0 million, a revolving credit facility of up to $25.0 million and a swing line sub-facility of up to $10.0 million and (ii) a Second Lien Credit Agreement with GSO Capital, among the Company, the guarantors party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent thereunder (the “Second Lien Credit Agreement” and, together with the First Lien Credit Agreement, the “2014 Loan Agreements”), which provided for a term loan of up to $90.0 million. In addition, the First Lien Credit Agreement provided for incremental borrowings of up to $60.0 million, to be allocated pro rata between the term loan and the revolving credit facility, and the Second Lien Credit Agreement provided for incremental borrowings of up to $70.0 million for the purpose of consummating permitted acquisitions, in each case, subject to certain customary conditions.

On August 15, 2014, $75.0 million was drawn as a term loan under the First Lien Credit Agreement and $90.0 million was drawn as a term loan under the Second Lien Credit Agreement (together, the “2014 Term Loans”) and $15.0 million was drawn as a revolving loan under the First Lien Credit Agreement (the “2014 Revolving Loan”). The proceeds from the Second Term Loans and the Revolving Loan were primarily used to finance the Galaxy Acquisition pursuant to the terms of the Galaxy Merger Agreement (each, as defined in Note 5), to repay the Company’s existing indebtedness, including the 2013 Term Loans (as defined below), and to pay fees and expenses in connection therewith.

Term loan borrowings under the First Lien Credit Agreement were subject to amortization of principal (x) in an amount equal to $1.5 million for the first payment and (y) thereafter, quarterly, in equal amounts of $3.0 million and were scheduled to mature on August 15, 2019. Borrowings under the First Lien Credit Agreement bore interest at LIBOR or a base rate, plus, in each case, an applicable margin that fluctuated from 3.50% to 3.75% for LIBOR loans and from 1.50% to 1.75% for base rate loans, in each case, based on the Company's loan to value ratio, as described in the First Lien Credit Agreement.

Borrowings under the Second Lien Credit Agreement were not subject to amortization and were scheduled to mature on August 15, 2020. Borrowings under the Second Lien Credit Agreement bore interest at LIBOR plus 8.00% and were subject to a LIBOR floor of 1.00%.

Borrowings under the First Lien Credit Agreement were voluntarily prepayable from time to time, in whole or in part, and borrowings under the Second Lien Credit Agreement were voluntarily prepayable after August 15, 2015, in whole or in part, subject in certain cases to the payment of customary "breakage" costs with respect to LIBOR-based borrowings and prepayment premiums as provided in the respective Loan Agreement. Mandatory prepayments of the borrowings under the Loan Agreements were required (x) in the case of any dispositions of intellectual property, 50% of the orderly liquidation value thereof, (y) in the case of any other dispositions, 100% of the net proceeds thereof and (z) at each fiscal year end, in the amount of 30% of the Consolidated Excess Cash Flow (as defined in the respective 2014 Loan Agreements) of the Company and its subsidiaries, in each case, subject to certain exceptions set forth in the 2014 Loan Agreements.

The Company's obligations under the 2014 Loan Agreements were guaranteed jointly and severally by each domestic subsidiary of the Company (each, a "Guarantor" and, collectively, the "Guarantors"), other than Immaterial Subsidiaries (as defined in the Loan Agreements) and certain other excluded subsidiaries and subject to certain other exceptions set forth in the 2014 Loan Agreements and the related loan documents (such guarantees provided by the Guarantors, the "Guarantees"). The Company's and the Guarantors' obligations under the 2014 Loan Agreements and the Guarantees were, in each case, secured by first priority liens (subject, in the case of the Second Lien Credit Agreement, to the liens under the First Lien Credit Agreement) on, and security interests in, substantially all of the present and after-acquired assets of the Company and each Guarantor, subject to certain customary exceptions.

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In connection with the First Lien Credit Agreement and the Second Lien Credit Agreement, Bank of America, N.A., as the administrative agent under the First Lien Credit Agreement, and Wilmington Trust, National Association, as the administrative agent under the Second Lien Credit Agreement, entered into an intercreditor agreement, dated as of August 15, 2014 (the “Intercreditor Agreement”), which was acknowledged by the Company and the Guarantors. The Intercreditor Agreement established various inter-lender terms, including, but not limited to, priority of liens, permitted actions by each party, application of proceeds, exercise of remedies in the case of a default, incurrence of additional indebtedness releases of collateral and limitations on the amendment of respective 2014 Loan Agreements without consent of the other party.

In addition, the 2014 Loan Agreements included covenants and events of default, including, in the case of the First Lien Credit Agreement, requirements that the Company satisfied a minimum positive net income test and maintained a minimum loan to value ratio (as calculated pursuant to the First Lien Credit Agreement) and, in the case of the Second Lien Credit Agreement, maintained a total leverage ratio and a minimum loan to value ratio (as calculated pursuant to the Second Lien Credit Agreement).

As further discussed above, each of the 2014 Loan Agreements was amended and restated in its entirety in connection with the Company’s entry into the JS Purchase Agreement and consummation of the transactions contemplated therein. The Company was in compliance with its covenants throughout the existence of the 2014 Term Loans and 2014 Revolving Loan.

During the year ended December 31, 2014, the Company incurred legal and other fees associated with the Company’s entry into the 2014 Loan Agreements of $4.7 million. During the year ended December 31, 2014, the Company expensed the portion of the legal and other fees related to the Second Lien Loan Agreement under the Legacy Term Loans in an approximate amount of $0.7 million when the Second Lien Loan Agreement was repaid on August 15, 2014.

2013 Debt Arrangements

Prior to the Company's entry into the 2014 Loan Agreements, in connection with the acquisition of Brand Matter, LLC, on March 28, 2013, the Company entered into (i) a first lien loan agreement (the "First Lien Loan Agreement"), which provided for term loans of up to $45.0 million (the "First Lien Term Loan") and (ii) a second lien loan agreement (the "Second Lien Loan Agreement" and, together with the First Lien Loan Agreement, the "2013 Loan Agreements"), which provided for term loans of up to $20.0 million (the "Second Lien Term Loan" and, together with the First Lien Term Loan, the "2013 Term Loans"). The proceeds from the 2013 Term Loans were used to fund the acquisition of Brand Matter, LLC, to repay existing debt, to pay fees and expenses in connection therewith, to finance capital expenditures and for general corporate purposes. The 2013 Term Loans were secured by substantially all of the assets of the Company and were further guaranteed and secured by each of the domestic subsidiaries of the Company, other than DVS LLC, SBG Revo Holdings, LLC and SBG FM, LLC, subject to certain exceptions set forth in the 2013 Loan Agreements. In connection with the Second Lien Loan Agreement, the Company issued five-year warrants to purchase up to an aggregate of 285,160 shares of the Company's common stock at an exercise price of $4.50 per share. In December 2013, the Company obtained the written consent of each of the lenders to the 2013 Loan Agreements and, in connection therewith, SBG Revo Holdings, LLC agreed to become a Loan Party (as defined in the 2013 Loan Agreements) under each of the 2013 Loan Agreements, which transaction became effective in February 2014.

The 2013 Term Loans were drawn in full on March 28, 2013 and were scheduled to mature on March 28, 2018. The 2013 Loan Agreements were repaid in full on August 15, 2014. The Company was in compliance with its covenants throughout the existence of the 2013 Term Loans.

Interest Expense

Interest expense during the year ended December 31, 2016 includes interest incurred under our loan agreements and interest rate swaps of $46.2 million, non-cash interest related to the amortization of deferred financing costs of $2.8 million and the write-off of $0.3 million of deferred financing costs as a result of an extinguishment a portion of the BoA Credit Agreement in accordance with ASC 470 – *Debt* in connection with the Company's entry into the Amended BoA Credit Agreement. Additionally, we expensed non-cash interest of $1.2 million related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions in 2015.

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Interest expense during the year ended December 31, 2015 includes interest incurred under our loan agreements and interest rate swaps of $21.9 million, non-cash interest related to the amortization of deferred financing costs of $1.5 million and the write-off of $2.1 million of deferred financing costs as a result of an extinguishment of debt in accordance with ASC 470 – *Debt* in connection with loan agreements entered into for the acquisition of With You LLC. In addition, the Company expensed $2.7 million of deferred financing costs as a result of an extinguishment of debt with ASC 470 – *Debt* in connection with the Company's entry into the 2015 Term Loans. During the year ended December 31, 2015, the Company recorded amortization of debt discount related to the Equity Issuance in the amount of $0.1 million within non-cash interest expense. Because the 2015 Term Loan Agreement with GSO was deemed an extinguishment, management determined that the remaining unamortized debt discount from the Existing Second Lien Credit Agreement was written off in accordance with ASC 470 *Debt*. The Company wrote off $1.4 million during the year ended December 31, 2015 within interest expense related to the debt discount. Additionally, we expensed non-cash interest of a *de minimis* amount related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions in 2015.

Interest expense during the year ended December 31, 2014 includes interest incurred under our loan agreements and interest rate swaps of $7.3 million, non-cash interest related to the amortization of deferred financing costs of $0.6 million and the write-off of $0.7 million of deferred financing costs as a result of an extinguishment of a portion of the BoA Credit Agreement in accordance with ASC 470 – *Debt* when the Second Lien Loan Agreement was repaid on August 15, 2014. During the year ended December 31, 2014, accretion of the discount on the 2013 Term Loans amounted to $1.1 million which was recorded as a component of Interest expense, net in the consolidated statements of operations. The accretion of the discount for the year ended December 31, 2014 included $0.9 million, which the Company wrote off due to the Second Lien Loan Agreement being repaid on August 15, 2014.

Interest Rate Caps

On November 30, 2016, the Company entered into interest rate cap agreements related to its 1-month LIBOR rates related to the 2016 Cap Agreements with certain financial institutions. The 2016 Cap Agreements have a $500 million notional value, strike rate of 1.50% and mature on November 23, 2018. The Company recorded its interest rate caps on the consolidated balance sheets at fair value using Level 2 inputs. The valuation technique used to determine the fair value of the 2016 Cap Agreements approximated the net present value of future cash flows, taking into account current interest rates.

The Company's risk management objective and strategy with respect to the 2016 Cap Agreements is to reduce its exposure to variability in expected future cash outflows (forecasted interest payments) attributable to change in 1-month LIBOR rates, the designated benchmark interest rate being hedged, relating to a portion of its outstanding floating-rate debt. The 2016 Cap Agreements protect the Company from increases in hedged cash flows on its floating-rate debt attributable to changes in 1-month LIBOR rates above the strike rate. Should 1-month LIBOR rates exceed 1.50% on a rate reset date during the terms of the 2016 Cap Agreements, the financial institutions will pay the Company for an amount equivalent to the excess interest over the strike rate. To the extent the hedging relationship is perfectly effective, changes in the fair value of the hedging instrument each period will be deferred in Accumulated other comprehensive loss in the statement of changes in equity, and the upfront hedging instrument purchase price will be reclassified to Interest expense, net in the consolidated statements of operations according to its caplet values. If hedge ineffectiveness exists, Accumulated other comprehensive loss will be adjusted to a balance that reflects the lesser of either the cumulative change in the fair value of the hedging or the cumulative change in the fair value of the hypothetically "perfect" derivative. The amount of ineffectiveness, if any, recorded in earnings would be equal to the excess of the cumulative change in the fair value of the hedging instrument over the cumulative change in the fair value of the hypothetical derivative.

Interest Rate Swaps

During 2015, the Company entered into an interest rate swap agreement related to term loans (the "2015 Swap Agreement"). The Company recorded its interest rate swap on the consolidated balance sheets at fair value using Level 2 inputs. The 2015 Swap Agreement ended on December 30, 2016. During 2014, the Company entered into an interest rate swap agreement related to the Second Term Loans (the "2014 Swap Agreement"). The 2014 Swap Agreement ended December 31, 2015.

The objective of the swap agreement was to reduce the variability in cash flows for interest payments associated with the loan agreements, which are based on the 1-month LIBOR rates. The Company formally documented the swap agreement as a cash flow hedge of the Company's exposure to 1-month LIBOR. Because the critical terms of the swap agreement and the hedged items coincided at inception (e.g., notional amount, interest rate reset dates, interest rate payment dates, maturity/expiration date and underlying index), the hedge was expected to completely offset changes in expected cash flows due to fluctuations in the 1-month LIBOR rate over the term of the hedge. The effectiveness of the hedge relationship was periodically assessed during the life of the hedge by comparing the current terms of the swap agreement and the loan agreements to assure they continue to coincide and through an evaluation of the continued ability of the respective counterparties to honor their obligations under the 2015 Swap Agreement. When the key terms no longer match exactly, hedge effectiveness (both prospective and retrospective) is assessed by evaluating the cumulative dollar offset for the actual hedging instrument relative to a hypothetical derivative whose terms exactly match the terms of the hedged item. Because the notional amounts of the Company's swap agreement no longer matched the notional amounts of the loan agreements exactly, the Company assessed the ineffectiveness of the swap agreement and determined that differences were immaterial during the years ended December 31, 2016 and 2015.

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Debt Maturities

As of December 31, 2016, the Company’s debt maturities for the next five years and thereafter on a calendar year basis are as follows:

	Total (in thousands)	2017	2018	2019	2020	2021	Thereafter
2016 Term Loans	$582,500	$28,300	$28,300	$28,300	$28,300	$95,800	$373,500
2016 Revolving Loan	80,500	-	-	-	-	80,500	-
Total	$663,000	$28,300	$28,300	$28,300	$28,300	$176,300	$373,500

Termination of Material Agreements

On December 4, 2015, the proceeds received from the New Secured Term Loan Agreement were used in part to repay in full the Existing Second Lien Credit Agreement, and the Existing Second Lien Credit Agreement and related intercreditor agreement were terminated.

The proceeds received from the 2014 Term Loans were used in part to repay in full the 2013 Term Loans on August 15, 2014. In connection with the repayment of the 2013 Term Loans, all security agreements, assignment agreements and guarantee agreements were terminated.

NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31, 2016	December 31, 2015
	(in thousands)	
Accounts payable	$2,445	$2,623
Accrued Expenses		
Guaranteed payments in connection with acquisitions - current	4,089	3,622
Interest	3,981	2,969
Compensation	3,576	3,096
Restructuring	-	4,855
Other accrued expenses	4,824	6,557
Total accounts payable and accrued expenses	$18,915	$23,722

NOTE 11 – LEASES

Operating Leases

The Company leases the following spaces as of December 31, 2016:

Location	Type	Square Footage (Approximate)	Expiration Date
New York, NY	Corporate Headquarters	176,700	January 31, 2018
New York, NY	Office and Showroom	10,900	September 12, 2024
Los Angeles, CA	Office	4,724	July 31, 2020

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On February 21, 2017, the Company amended the lease of its corporate headquarters which extends the lease through December 31, 2033 and effective in February 2018, lowers the rented square footage to approximately 63,000 square feet of corporate office space and 7,000 square feet of other rentable space.

Total rent expense for the years ended December 31, 2016, 2015 and 2014 amounted to $8.1 million, $1.5 million and $0.6 million, respectively.

The Company also has an operating lease for its photocopiers. The photocopier lease expires on July 31, 2018.

Future annual minimum payments due under the leases for the next five years and thereafter are summarized as follows:

Year Ending December 31,	(in thousands)
2017	$ 7,390
2018	1,453
2019	914
2020	847
2021	736
Thereafter	2,103
	$ 13,443

Future sublease income due under sublease agreements is summarized as follows:

Year Ending December 31,	(in thousands)
2017	$ 175
2018	350
2019	175
	$ 700

Capital Lease

As part of the acquisition of MSLO, the Company acquired a capital lease obligation entered into by MSLO on February 1, 2015 for computer equipment. The lease provides for a $0.7 million obligation ending February 1, 2017. Future annual minimum payments due under the lease are summarized as follows:

Year Ending December 31,	(in thousands)
2017	$ 230

The present value of these minimum lease payments was $0.7 million. Imputed interest was immaterial. The present value of the minimum lease payments, along with associated accumulated amortization of the capital lease, was included within Property and equipment, net on the consolidated balance sheet as of December 31, 2016 and 2015. Ownership of the computer equipment transfers to the Company at the end of the lease term. Accordingly, the computer equipment under this capital lease is being amortized over five years, consistent with the Company's normal depreciation policy for owned computer assets.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

MSLO Stockholder Complaint

In connection with the merger, the following 13 putative stockholder class action lawsuits have been filed in the Court of Chancery of the State of Delaware: (1) *David Shaev Profit Sharing Plan f/b/o David Shaev v. Martha Stewart Living Omnimedia Inc. et. al*., filed on June 25, 2015; (2) *Malka Raul v. Martha Stewart Living Omnimedia Inc. et. al*., filed on June 26, 2015; (3) *Daniel Lisman v. Martha Stewart Living Omnimedia Inc. et. al.,* filed on June 29, 2015; (4) *Matthew Sciabacucchi v. Martha Stewart Living Omnimedia Inc. et. al*., filed on July 2, 2015; (5) *Harold Litwin v. Martha Stewart Living Omnimedia Inc. et. al*., filed on July 5, 2015; (6) *Richard Schiffrin v. Martha Stewart*, filed on July 7, 2015; (7) *Cedric Terrell v. Martha Stewart Living Omnimedia Inc. et. al.*, filed on July 8, 2015; (8) *Dorothy Moore v. Martha Stewart Living Omnimedia Inc. et. al*., filed on July 8, 2015; (9) *Paul Dranove v. Pierre De Villemejane. et. al*., filed on July 8, 2015; (10) *Phuc Nguyen v. Martha Stewart Living Omnimedia Inc. et. al*., filed on July 10, 2015; (11) *Kenneth Steiner v. Martha Stewart Living Omnimedia Inc. et. al*., filed on July 16, 2015; (12) *Karen Gordon v. Martha Stewart et. al.*, filed on July 27, 2015 against the MSLO Board of Directors, Sequential, Madeline Merger Sub, Singer Merger; and (13) *Anne Seader v. Martha Stewart Living Omnimedia, Inc. et. al*., filed on July 28, 2015. All of the 13 class action lawsuits name the Old Sequential, MSLO, the MSLO board of directors, Madeline Merger Sub, Inc., Singer Merger Sub, Inc. and the Company as defendants and allege that (a) members of the MSLO board of directors breached their fiduciary duties and (b) Old Sequential, MSLO, Madeline Merger Sub, Inc., Singer Merger Sub Inc. and the Company aided and abetted such alleged breaches of fiduciary duties by the MSLO board of directors. On August 18, 2015, the Delaware Chancery Court issued an order consolidating these actions for all purposes under the caption *In re Martha Stewart Living Omnimedia, Inc., et. al*. to be the operative complaint in the consolidated action. On January 12, 2016, after the consummation of the Mergers, the plaintiffs filed a Verified Consolidated Amended Class Action Complaint, naming Ms. Martha Stewart, the Company, Old Sequential, Madeline Merger Sub, Inc. and Singer Merger Sub, Inc. and alleging that (a) Ms. Stewart breached her fiduciary duties to MSLO's stockholders and (b) the Company, Old Sequential, Madeline Merger Sub, Inc. and Singer Merger Sub, Inc. aided and abetted Ms. Stewart's breach of her fiduciary duties. On April 4, 2016, Ms. Stewart and the Sequential defendants filed respective motions to dismiss the Verified Consolidated Amended Class Action Complaint. On June 15, 2016, Lead Plaintiffs sought leave to amend the complaint and file the Verified Second Amended Class Action Complaint, which Judge Slights granted on July 14, 2016. On July 18, 2016, Lead Plaintiffs filed the Verified Second Amended Class Action Complaint against Defendants, asserting that Ms. Stewart breached her fiduciary duties and asserting that Sequential, Madeline Merger Sub, Singer Merger Sub, and Holdings aided and abetted the alleged breach of fiduciary duties. On July 28, 2016, Ms. Stewart and the Sequential defendants filed respective motions to dismiss the Verified Second Amended Class Action Complaint. On October 26, 2016, Lead Plaintiffs filed their opposition to Defendants' motions to dismiss. On November 29, 2016, Ms. Stewart and the

Sequential Defendants filed reply briefs in further supports of their motions to dismiss the Verified Second Amended Class Action Complaint. Oral argument on the motions to dismiss has been scheduled for March 22, 2017. The plaintiffs seek to recover unspecified damages allegedly sustained by the plaintiffs, restitution and disgorgement by Ms. Stewart, the recovery of plaintiffs' attorney's fees and other relief. We believe that we have meritorious defenses to the claims made by the plaintiffs, and we are vigorously defending such claims. Litigation costs in this matter may be significant. The Company does not expect that the ultimate resolution of this matter will have a material effect on the consolidated financial statements.

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations. Contingent liabilities arising from potential litigation are assessed by management based on the individual analysis of these proceedings and on the opinion of the Company's lawyers and legal consultants.

Guaranteed Payments

The Company has certain guaranteed payments in connection with acquisitions. Future payments of these guaranteed payments, less imputed interest, are as follows:

Year Ending December 31,	(in thousands)
2017	$ 4,089
2018	3,066
2019	2,441
2020	929
Thereafter	1,995
	$ 12,520

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NOTE 13 – PREFERRED STOCK

As of December 31, 2016, the Company had 10,000,000 shares of preferred stock authorized with a par value of $0.01 per share, none of which were designated or issued and outstanding. The board of directors of the Company (the "BOD") is authorized, with the limitations and restrictions set forth in the Company's certificate of incorporation, to designate from time to time the terms of the preferred stock.

On February 3, 2012, Old Sequential designated a series of preferred stock entitled "Series A Preferred Stock". The Certificate of Designation set forth the rights, preferences, privileges and restrictions of the Series A Preferred Stock, which included the following:

- the authorized number of shares of Series A Preferred Stock is 19,400, having a par value $0.001 per share and a stated value of $1,000 per share ("Stated Value");

- holders of Series A Preferred Stock are not entitled to dividends or any liquidation preference;

- Series A Preferred Stock may only be transferred by a holder of such stock to a transferee if such transfer also includes a transfer to the transferee of $1,000 in principal amount of Debentures for each one share of transferred Series A Preferred Stock;

- holders of Series A Preferred Stock vote together as a single class with the holders of common stock on all matters requiring approval of the holders of common stock, except that each share of Preferred Stock is entitled to 381 votes per share (which is the number of shares of common stock a Debenture holder would receive if it converted $1,000 in principal amount of Debentures into common stock at the Conversion Price), which number of votes per share is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions relating to the Company's common stock;

- as long as any shares of Series A Preferred Stock are outstanding, the Company will not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series A Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend the Certificate of Designation, (b) amend the Company's certificate of incorporation or other charter documents in any manner that adversely affects any rights of such holders, (c) increase the number of authorized shares of Series A Preferred Stock, or (d) enter into any agreement with respect to any of the foregoing; and

- upon conversion of the principal amount of a Debenture, in whole or in part, into shares of common stock or upon the repayment of the principal amount of a Debenture, in whole or in part, by the Company, the Company has the right to and will redeem from the Debenture holder at a price of $0.001 per share, a number of shares of Series A Preferred Stock determined by dividing (i) the outstanding principal amount of the Debenture that has been repaid or converted into common stock, as applicable by (ii) the Stated Value.

NOTE 14 – STOCK INCENTIVE PLAN, OPTIONS AND WARRANTS

Stock Options

Old Sequential

On January 5, 2006, the Company adopted the 2005 Stock Incentive Plan (the "2005 Stock Incentive Plan"), which authorized the granting of a variety of stock-based incentive awards. The 2005 Stock Incentive Plan was administered by the Company's BOD, or a committee appointed by the BOD, which determined the recipients and terms of the awards granted. The 2005 Stock Incentive Plan provided for the issuance of both incentive stock options ("ISOs") and non-qualified stock options ("NQOs"). ISOs could only be granted to employees and NQOs could be granted to directors, officers, employees, consultants, independent contractors and advisors. The 2005 Stock Incentive Plan provided for a total of 366,667 shares of common stock to be reserved for issuance under the 2005 Stock Incentive Plan.

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On July 24, 2013, the BOD approved and adopted the 2013 Stock Incentive Plan. The 2013 Stock Incentive Plan replaced the 2005 Stock Incentive Plan. No new grants will be granted under the 2005 Stock Incentive Plan as of July 24, 2013. Grants that were made under the 2005 Stock Incentive Plan prior to the BOD's approval and adoption of the 2013 Stock Incentive Plan will continue to be administered in effect in accordance with their terms. The 2013 Stock Incentive Plan became effective on July 24, 2013 and, subject to the right of the BOD to amend or terminate the 2013 Stock Incentive Plan in accordance with terms and conditions thereof, will remain in effect until all shares of the Company's common stock reserved for issuance thereunder have been delivered and any restrictions on such shares have lapsed. Notwithstanding the foregoing, no shares of the Company's common stock may be granted under the 2013 Stock Incentive Plan on or after July 24, 2023.

New Sequential

On December 4, 2015, in connection with the Mergers, the Company filed a registration statement, whereby The Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan authorizes the issuance of not more than 2,500,000 shares of the registrant's Common Stock.

The 2013 Stock Incentive Plan is administered by the Compensation Committee. Under the 2013 Stock Incentive Plan, the Compensation Committee is authorized to grant awards to employees, consultants and any other persons to whom the 2013 Stock Incentive Plan is applicable and to determine the number and types of such awards and the terms, conditions, vesting and other limitations applicable to each such award. The Compensation Committee has the power to interpret the 2013 Stock Incentive Plan and to adopt such rules and regulations as it considers necessary or appropriate for purposes of administering the 2013 Stock Incentive Plan.

The following types of awards or any combination of awards may be granted under the 2013 Stock Incentive Plan: (i) NQOs, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) other stock-based awards, (vi) dividend equivalents and (vii) cash-based awards. The aggregate number of shares of the Company's common stock that are reserved for awards to be granted under the 2013 Stock Incentive Plan is 2,500,000 shares, subject to adjustments for stock splits, recapitalizations and other specified events.

Stock-based Compensation Expense

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. The valuation determined by the Black-Scholes pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The risk free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average long-term implied volatilities of peer companies and the expected life is based on the estimated average of the life of options using the simplified method as prescribed by Staff Accounting Bulletin Topic 14 *Share-Based Payment*. The Company utilizes the simplified method to determine the expected life of the options due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

The Company elected to early adopt the provisions of ASU 2016-09 and will reduce compensation cost for actual forfeitures as they occur. Prior to the adoption to ASU 2016-09, the Company's estimated forfeiture rate utilized in calculating compensation cost was zero percent based on the Company's limited historical forfeiture experience.

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The following table summarizes the Company's stock option activity for the years ended December 31, 2016, 2015 and 2014:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
	(in thousands, except share and per share data)			
Outstanding - January 1, 2014	423,667	$ 4.45	2.7	$ 812
Granted	38,500	10.07		
Exercised	(87,667)	(4.76)		
Forfeited or Canceled	(1,333)	(18.75)		
Outstanding - January 1, 2015	373,167	4.91	2.0	3,166
Granted	10,000	12.93		
Exercised	(253,666)	(2.80)		
Forfeited or Canceled	-	-		
Outstanding - January 1, 2016	129,501	9.65	3.3	148
Granted	-	-		
Exercised	-	-		
Forfeited or Canceled	-	-		
Outstanding - December 31, 2016	129,501	$ 9.65	2.3	$ -
Exercisable - December 31, 2016	124,501	$ 9.77	2.4	$ -

A summary of the changes in the Company's unvested stock options is as follows:

	Number of Options	Weighted-Average Grant Date Fair Value
Unvested - January 1, 2014	62,000	$ 3.21
Granted	38,500	10.07
Vested	(60,000)	(1.08)

Forfeited or Canceled	-	-
Unvested - January 1, 2015	40,500	2.74
Granted	10,000	2.97
Vested	(29,500)	(2.85)
Forfeited or Canceled	-	-
Unvested - January 1, 2016	21,000	2.71
Granted	-	-
Vested	(16,000)	(2.94)
Forfeited or Canceled	-	-
Unvested - December 31, 2016	5,000	$ 1.96

The Company did not grant any stock options during the year ended December 31, 2016.

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During the year ended December 31, 2015, the Company granted an aggregate of 10,000 stock options to employees for future services. These stock options are exercisable over a five-year term and vested on December 31, 2015. These stock options had a fair value of less than $0.1 million using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	0.90	%
Expected dividend yield	0.00	%
Expected volatility	32.10	%
Expected life	3.00 years	

The Company did not record compensation pertaining to these grants during the year ended December 31, 2016. The Company recorded less than $0.1 million during the year ended December 31, 2015 as compensation expense pertaining to these grants.

During the year ended December 31, 2014, the Company granted an aggregate of 38,500 stock options to employees for future services. These stock options are exercisable over a five-year term and vest over a period of one to three years. These stock options had a fair value of $0.1 million using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	1.04	%
Expected dividend yield	0.00	%
Expected volatility	37.32	%
Expected life	3.00 – 3.5 years	

The Company recorded less than $0.1 million, $0.1 million and less than $0.1 million during the years ended December 31, 2016, 2015 and 2014, respectively, as compensation expense pertaining to these grants.

Total compensation expense related to stock options for the years ended December 31, 2016, 2015 and 2014 was less than $0.1 million, $0.1 million and $0.1 million, respectively. Total unrecognized compensation expense related to unvested stock options at December 31, 2016 amounted to less than $0.1 million and is expected to be recognized over a weighted average period of 0.2 years.

Warrants

The following table summarizes the Company's outstanding warrants:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
	(in thousands, except share and per share data)			
Outstanding - January 1, 2014	1,744,922	$ 3.88	3.5	$ 3,323
Granted	-	-		
Exercised	(1,104,762)	2.63		
Forfeited or Canceled	-	-		
Outstanding - January 1, 2015	640,160	6.04	3.1	4,501
Granted	200,000	13.32		
Exercised	(38,400)	(5.76)		
Forfeited or Canceled	-	-		
Outstanding - January 1, 2016	801,760	7.87	4.1	1,377
Granted	-	-		
Exercised	-	-		
Forfeited or Canceled	-	-		
Outstanding - December 31, 2016	801,760	$ 7.87	3.1	$ 51
Exercisable - December 31, 2016	751,760	$ 7.51	2.7	$ 51

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A summary of the changes in the Company's unvested warrants is as follows:

	Number of Warrants	Weighted-Average Grant Date Fair Value
Unvested - January 1, 2014	40,000	$ 3.00
Granted	-	-
Vested	(25,000)	2.97
Forfeited or Canceled	-	-
Unvested - January 1, 2015	15,000	3.05
Granted	200,000	6.32
Vested	(65,000)	5.57
Forfeited or Canceled	-	-
Unvested - January 1, 2016	150,000	6.32
Granted	-	-
Vested	(100,000)	6.32
Forfeited or Canceled	-	-
Unvested - December 31, 2016	50,000	$ 6.32

The Company did not grant any warrants during the years ended December 31, 2016 and 2014.

During the year ended December 31, 2015, the Company issued ten-year warrants to purchase up to an aggregate of 200,000 shares of the Company's common stock at an exercise price of $13.32 to a non-employee. These warrants had a fair value of $1.3 million using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	2.16	%
Expected dividend yield	0.00	%
Expected volatility	45.84	%
Expected life	7.25 years	

The Company recorded $0.2 million and $0.4 million during the year ended December 31, 2016 and 2015, respectively as compensation expense pertaining to this grant. The Company marks-to-market the expense for the warrants granted to the non-employee.

Total compensation expense related to warrants for the years ended December 31, 2016, 2015 and 2014 was $0.2 million, $0.4 million and less than $0.1 million, respectively. Total unrecognized compensation expense related to warrants at December 31, 2016 amounted to less than $0.1 million and is expected to be recognized over a weighted average period of 0.4 years.

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Restricted Stock

A summary of the time-based restricted stock activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Vesting Period (in Years)	Aggregate Intrinsic Value
	(in thousands, except share and per share data)			
Unvested - January 1, 2014	464,847	$ 5.71	2.9	$ 20
Granted	260,620	6.87		
Vested	(212,881)	5.72		
Unvested - January 1, 2015	512,586	6.30	1.9	3,470
Granted	189,602	12.74		
Vested	(291,535)	6.96		
Unvested - January 1, 2016	410,653	8.81	1.8	510
Granted	80,903	5.57		
Vested	(232,769)	8.08		
Unvested - December 31, 2016	258,787	$ 8.45	2.1	$ -

During the year ended December 31, 2016, the Company accelerated the vesting of 32,500 shares of time-based restricted stock in connection with restructuring activities. The Company recorded $0.2 million during the year ended December 31, 2016 as compensation expense pertaining to these restructuring activities.

During the year ended December 31, 2016, the Company granted (i) 70,548 shares of time-based restricted stock to members of the Company's BOD and (ii) 10,355 shares of time-based restricted stock to a non-employee pursuant to a partnership agreement. These shares had a grant date fair value of $0.5 million and vest over a period of one to five years. The Company recorded $0.3 million during the year ended December 31, 2016, respectively, as compensation expense pertaining to these grants.

During the year ended December 31, 2015, the Company granted (i) 15,000 shares of time-based restricted stock to an employee for future services, (ii) 24,452 shares of time-based restricted stock to members of the Company's BOD and (iii) 150,150 shares of time-based restricted stock to a non-employee pursuant to a partnership agreement. These shares had a grant date fair value of $2.4 million and vest over a period of one to four years. The Company recorded $0.5 million during each of the years ended December 31, 2016 and 2015 as compensation expense pertaining to these grants. The Company marks-to-market the expense for the shares of time-based restricted stock granted to the non-employee.

During the year ended December 31, 2014, the Company granted (i) 137,500 shares of time-based restricted stock to employees, (ii) 100,000 shares of time-based restricted stock to a consultant for future services and (iii) 23,120 shares of time-based restricted stock to members of the Company's BOD. These shares of time-based restricted stock had a grant date fair value of $1.8 million and vest over a period of one to three and one-half years. The Company marks-to-market the expense for the shares of restricted stock granted to the consultant. The Company recorded $0.6 million, $0.7 million and $0.5 million during the years ended December 31, 2016, 2015 and 2014, respectively, as compensation expense pertaining to these grants.

Total compensation expense related to time-based restricted stock grants for the year ended December 31, 2016, 2015 and 2014 was $1.6 million, $2.3 million and $2.1 million, respectively. Total unrecognized compensation expense related to time-based restricted stock grants at December 31, 2016 amounted to $0.8 million and is expected to be recognized over a weighted average period of 2.1 years.

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Restricted Stock Units

A summary of the time-based restricted stock activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Vesting Period (in Years)	Aggregate Intrinsic Value
	(in thousands, except share and per share data)			
Unvested - January 1, 2015	-	$ -	-	$ -
Granted	100,000	14.33		
Vested	-	-		
Unvested - January 1, 2016	100,000	14.33	3.0	-
Granted	260,000	7.03		
Vested	(33,333)	(14.33)		
Unvested - December 31, 2016	326,667	$ 8.52	2.5	$ -

During the year ended December 31, 2016, the Company granted 260,000 shares of time-based restricted stock units to employees for future services. These shares of time-based restricted stock had a grant date fair value of $1.8 million and vest over a period of three years. The Company recorded $0.2 million during the year ended December 31, 2016 as compensation expense pertaining to this grant.

During the year ended December 31, 2015, the Company granted 100,000 time-based restricted stock units to the Company's Chief Executive Officer pursuant to an amended and restated employment agreement, dated April 14, 2015 (the "A&R CEO Employment Agreement"). These shares had a grant date fair value of $1.4 million and vest over a period of four years. The Company recorded $0.4 million and $0.3 million during the year ended December 31, 2016 and 2015, respectively, as compensation expense pertaining to these grants.

Total compensation expense related to time-based restricted stock units grants for the year ended December 31, 2016 and 2015 was $0.6 million and $0.3 million, respectively. Total unrecognized compensation expense related to time-based restricted stock units grants at December 31, 2016 amounted to $2.4 million and is expected to be recognized over a weighted average period of 2.5 years.

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Performance Stock Units

A summary of the PSUs activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Vesting Period (in Years)	Aggregate Intrinsic Value
	(in thousands, except share and per share data)			
Unvested - January 1, 2014	-	$ -	-	$ -
Granted	1,325,000	10.23		
Vested	-	-		
Unvested - January 1, 2015	1,325,000	10.23	2.1	3,904
Granted	200,000	14.33		
Vested	(210,500)	(9.33)		
Forfeited or Cancelled	(6,000)	(13.81)		
Unvested - January 1, 2016	1,308,500	10.98	1.4	96
Granted	2,134,100	7.23		
Vested	(317,833)	(9.58)		
Forfeited or Cancelled	(321,400)	(11.89)		
Unvested - December 31, 2016	2,803,367	$ 8.18	2.4	$ -

During the year ended December 31, 2016, the Company accelerated the vesting of 108,500 PSUs in connection with restructuring activities. Total compensation expense related to these PSUs of $0.5 million was recorded as operating expenses in the consolidated statement of operations for the year ended December 31, 2016.

During the year ended December 31, 2016, the Company granted 2,104,100 PSUs to employees and consultants and 30,000 PSUs to an employee upon the commencement of his employment with the Company. These PSUs had a grant date fair value of $15.4 million, vest over a period of three years and require achievement of certain of the Company's performance metrics within each fiscal year for such PSUs to be earned. The Company recorded less than $0.1 million during the year ended December 31, 2016 as compensation expense in the consolidated statement of operations pertaining to these PSUs as the likelihood of a portion of these PSUs being earned became probable.

On February 23, 2016, the Compensation Committee voted to approve, on a discretionary basis, an award of 69,994 PSUs to employees and consultants. Included in the above award were 20,000 PSUs and 12,000 PSUs for the Company's Chief Executive Officer and Chief Financial Officer, respectively. The fair value and expense recorded for such PSUs was based on the closing price of the Company's common stock on the date the modification of the performance metric was communicated to employees and consultants. Total compensation expense related to these PSUs of $0.4 million was recorded as operating expenses in the consolidated statement of operations for the year ended December 31, 2016.

During the year ended December 31, 2015, the Company granted 200,000 PSUs to the Company's Chief Executive Officer. These PSUs had a grant date fair value of $2.9 million, vest over a period of three and one-half years and require achievement of certain performance metrics within each fiscal year for such PSUs to be earned. The Company did not record compensation expense during the year ended December 31, 2016 pertaining to these PSUs as the likelihood of such PSUs being earned was not probable.

On February 24, 2015, the Compensation Committee voted to approve, on a discretionary basis, an award of 198,000 PSUs to employees and consultants under the 2013 Stock Incentive Compensation Plan. Included in the above award were 60,000 PSUs and 36,000 PSUs for the Company's Chief Executive Officer and Chief Financial Officer, respectively. The fair value and expense recorded for such PSUs was based on the closing price of the Company's common stock on the date the modification of the performance metric was communicated to employees. Total compensation expense related to these PSUs of $2.0 million was recorded as operating expenses in the consolidated statement of operations for the year ended December 31, 2015.

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In addition, during the year ended December 31, 2015, the Compensation Committee approved, on a discretionary basis, an award of 12,500 PSUs to an employee upon the commencement of his employment with the Company. The fair value and expense recorded for such PSUs was based on the closing price of the Company's common stock on the date the modification of the performance metric was communicated to the employee. Total compensation expense related to these PSUs in the approximate amount of $0.1 million was recorded as operating expenses in the consolidated statement of operations for the year ended December 31, 2015.

During the year ended December 31, 2014, the Company granted 990,000 PSUs to employees and consultants. These PSUs had a grant date fair value of $9.5 million and vest over a period of three years. These PSUs require achievement of certain of the Company's performance metrics within each fiscal year for such PSUs to be earned. The Company recorded $2.9 million and $1.2 million during the year ended December 31, 2016 and 2015, respectively as compensation expense in the consolidated statement of operations pertaining to these PSUs as the performance metrics were achieved. The Company did not record compensation expense pertaining to these PSUs during the year ended December 31, 2014 as the performance metrics were not achieved.

During the year ended December 31, 2014, the Company granted 50,000 PSUs to an employee upon the commencement of his employment with the Company. These PSUs had a grant date fair value of $0.3 million and vest over a period of four years. These PSUs require achievement of certain of the Company's performance metrics within each fiscal year for such PSUs to be earned. The Company did not record compensation expense during each of the years ended December 31, 2016, 2015 and 2014 pertaining to these PSUs as the performance metrics were not achieved.

During the year ended December 31, 2014, the Company granted 250,000 PSUs to an employee upon the commencement of his employment with the Company. These PSUs had a grant date fair value of $3.4 million and vest over a period of two years. These PSUs require achievement of certain of the Company's performance metrics, which began in 2015, within each fiscal year for such PSUs to be earned. The Company did not record compensation expense during the year ended December 31, 2016 and 2015 pertaining to these PSUs as the performance metrics were not achieved.

During the year ended December 31, 2014, the Company granted 35,000 PSUs to employees. These PSUs had a grant date fair value of $0.4 million and vest over a period of two to three years. These PSUs require achievement of certain of the Company's performance metrics, which began in 2015, within each fiscal year for such PSUs to be earned. The Company recorded $0.1 million during each of the years ended December 31, 2016 and 2015 as compensation expense in the consolidated statement of operations pertaining to these PSUs as the performance metrics were achieved.

Total compensation expense related to the PSUs for the year ended December 31, 2016 and 2015 was $4.0 million and $3.4 million, respectively.

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NOTE 15 – INCOME TAXES

The provision for (benefit from) income taxes from continuing operations consists of the following:

	For the Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Federal:			
Current provision	$ (111)	$ 34	$ -
Deferred provision	10,145	9,771	1,689
	$ 10,034	$ 9,805	$ 1,689
Foreign:			
Current provision	$ 206	$ 340	$ 146
Deferred provision	-	-	-
	$ 206	$ 340	$ 146
State:			
Current provision	$ (519)	$ 103	$ 322
Deferred provision	(564)	(11,605)	779
	$ (1,083)	$ (11,502)	$ 1,101
Provision for (benefit from) income taxes	$ 9,157	$ (1,357)	$ 2,936

The difference between the provision for (benefit from) income taxes and the expected income tax provision determined by applying the statutory federal and state income tax rates to pre-tax accounting income from continuing operations are as follows:

	For the Year Ended December 31,		
	2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
State taxes net of federal tax benefit	0.2 %	9.7 %	8.9 %
Non-deductible transaction costs	0.7 %	123.3 %	70.0 %
Noncontrolling interest	(16.5)%	(174.7)%	(6.5)%

Valuation allowance	43.2 %	548.4 %	(3.5)%
Nondeductible compensation	2.2 %	33.4 %	18.4 %
Foreign taxes	1.3 %	32.1 %	4.2 %
Other	1.1 %	6.3 %	1.7 %
Change in state tax rates	(5.5)%	(741.7)%	0.0 %
FIN 48 reversal	(3.7)%	0.0 %	0.0 %
	58.0 %	(128.2)%	128.2 %

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The components of the Company's consolidated deferred income tax balances as of December 31, 2016 and 2015 are as follows:

	December 31,	
	2016	2015
	(in thousands)	
Deferred income tax assets		
Net operating loss carryforwards	$83,248	$73,959
Capital loss carryforwards	1,280	1,280
Intangible assets - finite life	11,090	10,364
Stock-based compensation	1,668	1,154
Property, plant & equipment	4,544	4,405
Deferred rent	1,028	1,048
Credits	1,910	2,673
Deferred revenue	617	620
Available-for-sale securities	1,600	2,386
Accrued severance	-	884
Deferred compensation	3,302	4,813
Other	653	596
	110,940	104,182
Deferred income tax liability - long-term		
Intangible assets - Indefinite-lived	(200,468)	(184,881)
	(200,468)	(184,881)
Less: Valuation Allowance	(110,829)	(104,182)
Net deferred income tax liability - long-term	$(200,357)	$(184,881)

Deferred income taxes arise principally from net operating loss ("NOL") carryforwards and intangible asset deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2016 and 2015.

The taxable temporary difference related to indefinite-lived trademarks, which are currently amortized for tax purposes, will reverse when such assets are disposed of or impaired. Because the period for their reversal is not determinable, the net deferred tax liability of $200.4 million and $184.9 million as December 31, 2016 and 2015, respectively, attributable to indefinite-lived trademarks could not be used to offset the deferred tax assets. As of December 31, 2016 and 2015, a valuation allowance of $110.8 million and $104.2 million, respectively, had been recognized for deferred income taxes that may not be realized by the Company in future periods.

The Company has federal NOLs available to carryforward to future periods of $204.1 million as of December 31, 2016 which begin expiring in 2024. The Company has state NOLs available to carryforward to future periods of $214.7 million as of December 31, 2016 which begin expiring in 2017. The Company has foreign tax credits available to carryforward to future periods of $1.3 million as of December 31, 2016 which begin expiring in 2017. The Company has experienced several changes of ownership under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) which places various limitations on the NOLs. The limitations on NOLs are based upon a formula provided under Section 382 of the Code that is based on the fair market value of the Company and prevailing interest rates at the time of the ownership change. An “ownership change” is generally a 50% increase in ownership over a three-year period by stockholders who directly or indirectly own at least five percent of a company’s stock. The limitations on the use of the NOLs under Section 382 could affect the Company’s ability to offset future taxable income.

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The Company currently files U.S. federal tax returns and various state tax returns. Tax years that remain open for assessment for federal and state purposes include years ended December 31, 2013 through December 31, 2016. The Company is currently under examination by the Internal Revenue Service for Martha Stewart Living Omnimedia Inc. and Subsidiaries' 2013 tax returns.

A reconciliation of the consolidated liability for gross unrecognized income tax benefits (excluding penalties and interest) is as follows:

	December 31,	
	2016	2015
	(in thousands)	
Balance at beginning of year	$ 270	$ 270
Decreases in prior year tax positions	(270)	-
Increases in prior year tax positions	-	-
Increases in current year tax positions	-	-
Settlements with taxing authorities	-	-
Lapse of statute of limitations	-	-
Balance at end of year	$ -	$ 270

During the year ended December 31, 2016, the Company released its $0.3 million reserve of certain unrecognized tax benefits through current income tax expense in accordance ASC 740. The Company has no remaining unrecognized tax benefits at December 31, 2016.

The Company recognizes interest and penalties related to unrecognized tax benefits in the tax provision. During the years ended December 31, 2016 and 2015, the Company recognized a gain of $0.3 million and a charge of less than $0.1 million related to interest and penalties, respectively. The Company has no remaining interest and penalties related to unrecognized tax benefits at December 31, 2016.

NOTE 16 – RELATED PARTY TRANSACTIONS

Consulting Services Agreement with Tengram Capital Partners, L.P. (f/k/a Tengram Capital Management L.P.)

Pursuant to an agreement with Tengram Capital Partners, L.P., formerly known as Tengram Capital Management, L.P. (“TCP”), an affiliate of Tengram Capital Partners Gen2 Fund, L.P., which is one of the Company’s largest stockholders, the Company has engaged TCP, effective as of January 1, 2013, to provide services to the Company pertaining to (i) mergers and acquisitions, (ii) debt and equity financing and (iii) such other related areas as the Company may reasonably request from time to time (the “TCP Agreement”). TCP is entitled to receive compensation of $1.0 million, including fees and reimbursement of out-of-pocket expenses in connection with performing its services under the TCP Agreement. The TCP Agreement remains in effect for a period continuing through the earlier of five years or the date on which TCP and its affiliates cease to own in excess of 5% of the outstanding shares of common stock in the Company. On August 15, 2014, the Company consummated transactions pursuant to an agreement and plan of merger, dated as of June 24, 2014 (the “Galaxy Merger Agreement”) with SBG Universe Brands LLC, a Delaware limited liability company and the Company’s direct wholly-owned subsidiary (“LLC Sub”), Universe Galaxy Merger Sub, Inc., a Delaware corporation and direct wholly-owned subsidiary of LLC Sub, Galaxy Brand Holdings, Inc. and Carlyle Galaxy Holdings, L.P. (such transactions, collectively, the “Galaxy Acquisition”). In connection with the Galaxy Merger Agreement, the Company and TCP entered into an amendment to the TCP Agreement (the “Amended TCP Agreement”), pursuant to which, among other things, TCP is entitled to receive annual fees of $0.9 million beginning with fiscal year 2014.

The Company paid TCP $0.9 million, $1.4 million and $0.5 million for services under the Amended TCP Agreement during the years ended December 31, 2016, 2015 and 2014, respectively. These amounts are included in operating expenses in the Company’s consolidated financial statements. At December 31, 2016 and 2015, there were no amounts due to TCP for services. In connection with the consummation of the acquisition of MSLO, a $2.5 million transaction fee was paid to TCP during the year ended December 31, 2015. In connection with the Galaxy Merger Agreement, a $3.5 million transaction fee was paid to TCP upon consummation of the Galaxy Acquisition during the year ended December 31, 2014.

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Additionally, in July 2013, the Company entered into a consulting arrangement with an employee of TCP (the "TCP Employee"), pursuant to which the TCP Employee provides legal and other consulting services at the request of the Company from time to time. The TCP Employee was also issued 125,000 shares of restricted stock, vesting over a four-year period and 180,000 PSUs, vesting over three years in increments of 20% for 2014, 20% for 2015 and 60% for 2016. During the year ended December 31, 2016, the TCP employee was granted 200,000 PSUs, vesting over three years in increments of 33.3% for 2017, 33.3% for 2018 and 33.4% for 2019. The Company paid the TCP Employee $0.4 million, $0.6 million and $0.3 million for services under the consulting arrangement during the years ended December 31, 2016, 2015 and 2014, respectively. These amounts are included in operating expenses in the Company's consolidated financial statements. At December 31, 2016 and 2015, there were no amounts due to the TCP Employee.

Transactions with E.S. Originals, Inc.

A division president of the Company maintains a passive ownership interest in one of the Company's licensees, E.S. Originals, Inc. ("ESO"). The Company receives royalties from ESO under license agreements for certain of the Company's brands in the footwear category. The Company recorded $17.0 million, $14.8 million and $5.2 million of revenue for the years ended December 31, 2016, 2015 and 2014, respectively, for royalties and advertising revenue earned from ESO license agreements. At December 31, 2016 and 2015, the Company had $7.1 million and $4.1 million recorded as accounts receivable from ESO in the consolidated balance sheets, respectively.

Acquisition of FUL

On November 17, 2014, the Company made a strategic investment in FUL IP. FUL IP is a collaborative investment between the Company and JALP. FUL IP was formed for the purpose of licensing the *FUL* trademark to third parties in connection with the manufacturing, distribution, marketing and sale of *FUL* branded bags, backpacks, duffels, luggage and apparel accessories. JALP contributed the *FUL* trademark with a fair value of $8.9 million. In exchange for a 50.5% economic interest in FUL IP the Company paid JALP $4.5 million. JALP's minority member interest in FUL IP has been reflected as noncontrolling interest on the Company's consolidated balance sheets. One of the Company's directors, Mr. Al Gossett, has a partial ownership interest in JALP. There was $0.4 million of noncontrolling interest recorded during the year ended December 31, 2016. No noncontrolling interest was recorded during the years ended December 31, 2015 and 2014.

Investment in Available-for-Sale Securities

As further discussed in Note 2, in September 2015, the Company purchased available-for-sale securities of an unaffiliated third-party publicly traded company from Tengram Capital Partners, L.P., which is an affiliate of Tengram Capital Partners Gen2 Fund, L.P., one of the Company’s largest stockholders, for an aggregate purchase price of $12.0 million (plus related transaction expenses), which was the purchase price paid by Tengram Capital Partners, L.P. upon the acquisition of such available-for-sale securities in open market transactions. The Company did not pay a fee or any compensation to Tengram Capital Partners, L.P. in connection with the Company’s investment in the available-for-sale securities.

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IP License Agreement and Intangible Asset Agreement

In connection with the transactions contemplated by the Mergers, MSLO entered into an Amended and Restated Asset License Agreement (“Intangible Asset Agreement”) and Amended and Restated Intellectual Property License and Preservation Agreement (“IP License Agreement” and, together with the Intangible Asset Agreement, the “IP Agreements”) pursuant to which Ms. Martha Stewart licensed certain intellectual property to MSLO. The IP Agreements grant the Company the right to use of certain properties owned by Ms. Stewart.

The Intangible Asset Agreement has an initial term commencing at December 4, 2015 and ending on December 31, 2020, provided that the term will automatically be renewed for five additional calendar years ending December 31, 2025 (subject to earlier termination as provided in the employment agreement) if either the aggregate gross licensing revenues (as defined in the employment agreement) for calendar years 2018 through 2020 exceed $195 million or the gross licensing revenues for calendar year 2020 equal or exceed $65 million. During the term of the Intangible Asset Agreement with the Company, Lifestyle Research Center LLC will be entitled to receive a guaranteed annual payment of $1.7 million, which amounts are being paid in connection with the Mergers regardless of Ms. Stewart’s continued employment with the Company plus reimbursable expenses. The Company has paid Lifestyle Research Center LLC $1.8 million in connection with the guaranteed payment and other related services during the year ended December 31, 2016.

During the term of the IP License Agreement with the Company, Ms. Stewart will be entitled to receive a guaranteed annual payment of $1.3 million, which amounts are being paid in connection with the Mergers regardless of Ms. Stewart’s continued employment with the Company. During the year ended December 31, 2016 and 2015, the Company made payments of $1.3 million and $0.1 million, respectively, to Ms. Stewart in connection with the terms of the IP Licenses Agreement. The IP License Agreement is perpetual.

Registration Rights Agreement

On June 22, 2015, Martha Stewart, the Martha Stewart Family Limited Partnership, Alexis Stewart, the Martha Stewart 1999 Family Trust, the Martha Stewart 2000 Family Trust and the Martha and Alexis Stewart Charitable

Foundation (collectively, the “Stewart Stockholders”) entered into an agreement (the “Registration Rights Agreement”) with the Company, which grants the Stewart Stockholders certain “demand” registration rights for up to two offerings of greater than $15 million each, certain “S-3” registration rights for up to three offerings of greater than $5 million each and “piggyback” registration rights with respect to the shares of the Company’s common stock held by the Stewart Stockholders (whether issued pursuant to the Merger Agreement or acquired thereafter) and their transferees. All reasonable expenses incident to such registrations generally are required to be borne by the Company. The Registration Rights Agreement became effective on December 4, 2015.

NOTE 17 – PROFIT SHARING PLAN

The Company has established a 401(k) profit-sharing plan for the benefit of eligible employees. The Company may make contributions to the plan as determined by the BOD. The Company accrued a matching contribution of $0.5 million, $0.2 million and $0.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 18 – RESTRUCTURING

During the year ended December 31, 2016, the Company recorded $3.2 million of restructuring charges in connection with headcount reductions and lease termination costs. The charges incurred during the year ended December 31, 2016 consisted of $1.7 million of severance and related benefits associated with headcount reductions, $0.8 million of professional fees, $0.3 million in contract termination fees and $0.4 million of leasehold improvement write-offs due to moving the corporate headquarters. During the year ended December 31, 2015, the Company recorded $8.7 million of restructuring charges in connection with headcount reductions, contract termination costs and lease termination costs. The charges incurred during the year ended December 31, 2015 consisted of $5.5 million of severance and related benefits associated with headcount reductions, $0.7 million of professional fees, $1.6 million in contract termination fees and $0.9 of asset write-offs. The associated employee headcount reductions in connection with the reduction in workforce since inception were 65 employees. These charges are included in operating expenses in the consolidated statement of operations. The Company does not expect to incur any additional charges associated with these actions.

On a cumulative basis, the Company has recorded $11.9 million of restructuring charges in connection with the acquisition of MSLO, headcount reductions and contract termination costs. The associated employee headcount reductions in connection with the reduction in workforce since inception were 65 employees. All restructuring charges incurred are included in operating expenses in the consolidated statement of operations.

SEQUENTIAL BRANDS, GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 AND 2014

The Company did not incur restructuring charges for the years ended December 31, 2014.

Restructuring accruals of $1.5 million and $6.9 million as of December 31, 2016 and 2015, respectively, are included in accounts payable and accrued expenses on the consolidated balance sheets. These accruals included amounts provided for severance and related benefits, contract termination fees and professional fees. The Company has paid $8.1 million and $0.9 million in cash related to these initiative as of December 31, 2016 and 2015, respectively.

Changes in the restructuring accruals during fiscal 2016 and 2015 were as follows:

	Severance & Related Benefits (in thousands)	Contract Termination Costs	Professional Fees	Total Accrual
Balance at January 1, 2015	$-	$ -	$ -	$ -
Charges to expense	5,471	1,628	679	7,778
Amounts paid	(827)	-	(100)	(927)
Balance at January 1, 2016	4,644	1,628	579	6,851
Charges to expense	1,687	326	755	2,768
Amounts paid	(6,331)	(454)	(1,334)	(8,119)
Balance at December 31, 2016	$-	$ 1,500	$ -	$ 1,500

The remaining contract termination costs are expected to be paid by the end of fiscal 2017.

NOTE 19 – QUARTERLY DATA (UNAUDITED)

Unaudited quarterly consolidated financial information for 2016 and 2015 is summarized as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (1)
	(in thousands, except per share data)			
2016				
Net revenue	$34,008	$ 34,154	$ 41,952	$ 45,414
Income from operations	12,031	13,234	21,772	23,099
Income before income taxes	1,434	2,635	7,180	4,539
Consolidated net income	1,035	1,616	3,322	658
Net income attributable to noncontrolling interests	(2,111)	(1,681)	(2,022)	(1,638)
Net (loss) income attributable to Sequential Brands Group, Inc. and Subsidiaries	(1,076)	(65)	1,300	(980)
Basic (loss) earnings per share:				
Attributable to Sequential Brands Group, Inc. and Subsidiaries	$(0.02)	$ (0.00)	$ 0.02	$ (0.02)
Diluted (loss) earnings per share:				
Attributable to Sequential Brands Group, Inc. and Subsidiaries	$(0.02)	$ (0.00)	$ 0.02	$ (0.02)

(1) During the fourth quarter of 2016, the Company recorded an impairment of available-for-sale securities of $4.4 million and a gain of $0.2 million related to the write-off of acquired assets and estimated liabilities assumed during certain of the Company's acquisitions.

SEQUENTIAL BRANDS, GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 AND 2014

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (1)
	(in thousands, except per share data)			
2015				
Net revenue	$13,617	$ 20,235	$ 22,981	$ 31,429
Income from operations	4,941	8,310	13,021	3,379
Income (loss) before income taxes	2,481	518	6,811	(8,751)
Consolidated net income (loss)	1,562	549	4,351	(4,046)
Net income attributable to noncontrolling interests	(118)	(1,876)	(1,623)	(1,670)
Net income (loss) attributable to Sequential Brands Group, Inc. and Subsidiaries	1,444	(1,327)	2,728	(5,716)
Basic earnings (loss) per share:				
Attributable to Sequential Brands Group, Inc. and Subsidiaries	$0.04	$ (0.03)	$ 0.07	$ (0.12)
Diluted earnings (loss) per share:				
Attributable to Sequential Brands Group, Inc. and Subsidiaries	$0.04	$ (0.03)	$ 0.06	$ (0.12)

(1) During the fourth quarter of 2015, the Company recorded $8.7 million in restructuring charges, wrote-off $1.3 million for a receivable related to estimated inventory acquired and sold to a third-party during the acquisition of the *Revo* brand in 2013 and a recorded a gain of $0.4 million related to a write-off of acquired estimated liabilities assumed during the acquisition of Galaxy Brand Holdings, Inc. during 2014.

Schedule II – Valuation and Qualifying Accounts

Sequential Brands Group, Inc.

(in thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Reserves and allowance deducted from asset accounts:				
Accounts receivable (a):				
Year Ended December 31, 2016	$ 271	$ 475	$ (525)	$ 221
Year Ended December 31, 2015	$ 169	$ 201	$ (99)	$ 271
Year Ended December 31, 2014	$ 135	$ 75	$ (41)	$ 169

(a) - These amounts include reserves for doubtful accounts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEQUENTIAL BRANDS GROUP, INC.

Date: March 14, 2017 /s/ Yehuda Shmidman
By: Yehuda Shmidman
Title: Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	**Title**	**Date**
/s/ Yehuda Shmidman Yehuda Shmidman	Chief Executive Officer, Director (Principal Executive Officer)	March 14, 2017
/s/ Gary Klein Gary Klein	Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2017
/s/ William Sweedler William Sweedler	Chairman of the Board of Directors	March 14, 2017
/s/ Rodney Cohen Rodney Cohen	Director	March 14, 2017
/s/ Al Gossett Al Gossett	Director	March 14, 2017
/s/ Aaron Hollander Aaron Hollander	Director	March 14, 2017
/s/ Gary Johnson Gary Johnson	Director	March 14, 2017
/s/ Stewart Leonard, Jr. Stewart Leonard, Jr.	Director	March 14, 2017

/s/ Martha Stewart	Director	
Martha Stewart		March 14, 2017

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Title
2.1	Agreement and Plan of Merger, dated as of June 22, 2015, by and among Martha Stewart Living Omnimedia, Inc. (SEC File No. 001-15395) (“MSLO”), Madeline Merger Sub, Inc., SQBG, Inc. (previously known as Sequential Brands Group, Inc.) (SEC File No. 001-36082) (“SQBG”), Singer Merger Sub., Inc. and Sequential Brands Group, Inc. Incorporated by reference to Exhibit 2.1 to SQBG’s Current Report on Form 8-K filed on June 22, 2015. *
2.2	Letter Agreement, dated as of October 22, 2015, by and among Sequential Brands Group, Inc., SQBG, Inc., Martha Stewart Living Omnimedia, Inc., Singer Merger Sub, Inc. and Madeline Merger Sub, Inc. Incorporated by reference to Exhibit 2.2 to our Registration Statement on Form S-4/A filed October 22, 2015.
2.3	Purchase Agreement, dated as of April 1, 2015, by and among SQBG, With You, Inc., Corny Dog, Inc., With You LLC and Jessica Simpson. Incorporated by reference to Exhibit 2.1 to SQBG’s Quarterly Report on Form 10-Q filed May 6, 2015.*
2.4	Agreement and Plan of Merger, dated as of June 24, 2014, by and among SQBG., SBG Universe Brands, LLC, Universe Galaxy Merger Sub, Inc., Galaxy Brand Holdings, Inc., solely in its capacity as the Stockholder Representative, Carlyle Equity Opportunity GP, L.P. and Carlyle Galaxy Holdings, L.P., for purposes of Section 6.5(b) only. Incorporated by reference to Exhibit 2.1 to SQBG’s Current Report on Form 8-K filed on June 25, 2014.*
2.5	Membership Interest Purchase Agreement, dated as of June 10, 2016, between SBG-Gaiam Holdings, LLC (formerly known as Stretch & Bend Holdings, LLC), Sequential Brands Group, Inc. and GAIAM, Inc. Incorporated by reference to Exhibit 2.1 to Sequential Brands Group, Inc.’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2016. *
3.1	Amended and Restated Certificate of Incorporation of Sequential Brands Group, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed as an 8-K12B, on December 4, 2015.
3.2	Amended and Restated Bylaws of Sequential Brands Group, Inc., effective as of December 4, 2015. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K, filed as an 8-K12B, filed on December 4, 2015.
10.1	Form of Indemnity Agreement. Incorporated by reference to Exhibit 10.12 to SQBG’s Registration Statement on Form SB-2 (File No. 333-130930) filed on January 9, 2006.
10.2	Preemptive Rights and Board Nominee Agreement by and between Sequential Brands Group, Inc. (as successor to SQBG) and Tennman WR-T, Inc. effective as of October 1, 2011. Incorporated by reference to Exhibit 10.9 to SQBG’s Quarterly Report on Form 10-Q filed on November 21, 2011.

10.3	Amended and Restated Employment Agreement, dated as of April 1, 2015, by and between SQBG and Yehuda Shmidman. Incorporated by reference to Exhibit 10.6 to SQBG's Quarterly Report on Form 10-Q filed on May 6, 2015.†
10.4	2015 Restricted Stock Unit Award Agreement, dated as of April 14, 2015, by and between SQBG and Yehuda Shmidman. Incorporated by reference to Exhibit 10.7 to the SQBG's Quarterly Report on Form 10-Q filed May 6, 2015. †
10.5	Employment Agreement, dated as of June 3, 2014, by and between SQBG and Gary Klein. Incorporated by reference to Exhibit 10.1 to SQBG's Quarterly Report on Form 10-Q filed on August 14, 2014.†
10.6	Purchase Agreement, dated March 28, 2013, by and among SQBG, ETPH Acquisition, LLC and B®and Matter, LLC. Incorporated by reference to Exhibit 10.1 to SQBG's Current Report on Form 8-K filed on April 3, 2013.*
10.7	Asset Purchase Agreement, dated as of September 8, 2015, by and among SQBG, Joe's Jeans Inc. and Joe's Holdings LLC. Incorporated by reference to Exhibit 10.1 to SQBG's Current Report on Form 8-K filed September 14, 2015.*
10.8	Sequential Brands Group, Inc. 2013 Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 (Registration No. 333-208343) filed on December 4, 2015.†

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10.9	2005 Stock Incentive Plan of People's Liberation. Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-8 (Registration No. 333-208343) filed on December 4, 2015 †
10.10	Registration Rights Agreement, dated as of August 15, 2014, by and between SQBG and Carlyle Equity Opportunity GP, L.P., as the representative of the former stockholders and optionholders of Galaxy Brand Holdings, Inc. Incorporated by reference to Exhibit 10.1 to SQBG's Current Report on Form 8-K filed on August 18, 2014.
10.11	Amended and Restated First Lien Credit Agreement, dated as of August 15, 2014, by and among SQBG, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent thereunder. Incorporated by reference to Exhibit 10.2 to SQBG's Current Report on Form 8-K filed on August 18, 2014.*
10.12	Amendment and Restatement Agreement, dated as of April 1, 2015, by and between SQBG and Bank of America, N.A. to the Amended and Restated First Lien Credit Agreement, dated as of August 15, 2014. Incorporated by reference to Exhibit 10.1 to SQBG's Current Report on Form 8-K filed April 7, 2015.*
10.13	Second Amended and Restated First Lien Credit Agreement, dated as of April 8, 2015, by and among SQBG, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., as administrative and collateral agent thereunder. Incorporated by reference to Exhibit 10.3 to SQBG's Quarterly Report on Form 10-Q filed May 6, 2015.*`
10.14	Limited Consent and Waiver, dated as of September 11, 2015, related to the Second Amended and Restated First Lien Credit Agreement, dated as of April 8, 2015, by and among SQBG, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., as administrative and collateral agent thereunder. Incorporated by reference to Exhibit 10.2 to SQBG's Quarterly Report on Form 10-Q filed on November 9, 2015.
10.15	Joinder and Assumption Agreement, dated as of December 4, 2015, by and among Sequential Brands Group, Inc., SQBG and Bank of America, N.A., as administrative agent and collateral agent. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 4, 2015.
10.16	Second Lien Credit Agreement, dated as of August 15, 2014, by and among Sequential Brands Group, Inc., the guarantors party thereto, the lenders party thereto and Wilmington Trust National Association, as administrative agent and collateral agent thereunder. Incorporated by reference to Exhibit 10.3 to SQBG's Current Report on Form 8-K filed on August 18, 2014.*
10.17	Amendment and Restatement Agreement, dated as of April 1, 2015, by and between SQBG and Wilmington Trust, National Association to the Second Lien Credit Agreement, dated as of August 15, 2014. Incorporated by reference to Exhibit 10.2 to SQBG's Current Report on Form 8-K filed April 7, 2015.*
10.18	Amended and Restated Second Lien Credit Agreement, dated as of April 8, 2015, by and among SQBG, the guarantors party thereto, the lenders party thereto from time to time and Wilmington Trust, National Association, as administrative and collateral agent thereunder. Incorporated by reference to Exhibit 10.4 to SQBG's Quarterly Report on Form 10-Q filed May 6, 2015.*
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	Incremental Joinder Agreement, First Amendment, dated as of September 11, 2015, to the Amended and Restated Second Lien Credit Agreement, dated as of April 8, 2015, by and among SQBG, the guarantors party thereto, the lenders party thereto from time to time and Wilmington Trust, National Association, as administrative and collateral agent thereunder. Incorporated by reference to Exhibit 10.3 to SQBG's Quarterly Report on Form 10-Q filed on November 9, 2015.
10.20	Second Amendment, dated as of November 4, 2015, to the Amended and Restated Second Lien Credit Agreement, dated as of April 8, 2015, by and among Sequential Brands Group, Inc., the guarantors party thereto, the lenders party thereto from time to time and Wilmington Trust, National Association, as administrative and collateral agent thereunder. Incorporated by reference to Exhibit 10.4 to SQBG's Quarterly Report on Form 10-Q filed on November 9, 2015.
10.21	Second Amended and Restated Credit Agreement, dated as of December 4, 2015, by and among, Sequential Brands Group, Inc., SQBG and certain other subsidiaries of Sequential Brands Group, Inc., Wilmington Trust, National Association, as administrative agent and collateral agent and the lenders party to the existing Amended and Restated Second Lien Credit Agreement, dated as of April 8, 2015, by and among, SQBG, the guarantors party thereto, the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on December 4, 2015.

10.22	Amended and Restated Intercreditor Agreement, dated as of December 4, 2015, by and between Bank of America, N.A., as administrative agent and collateral agent and Wilmington Trust, National Association, as administrative agent and collateral agent, and acknowledged by Sequential Brands Group, Inc. and the guarantors party thereto. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on December 4, 2015.
10.23	Form of Common Stock Purchase Warrant. Incorporated by reference to Exhibit 10.5 to SQBG's Current Report on Form 8-K filed on August 18, 2014.
10.24	Registration Rights Agreement, dated as of June 22, 2015, by and among Sequential Brands Group, Inc., Martha Stewart, Martha Stewart Family Limited Partnership, Alexis Stewart, the Martha Stewart 1999 Family Trust, the Martha Stewart 2000 Family Trust and the Martha and Alexis Stewart Charitable Foundation. Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-4 (File No. 333-205940) filed on July 30, 3015.
10.25	Employment Agreement, dated as of June 22, 2015, by and between the Company and Martha Stewart. Incorporated by reference to Exhibit 99.1 to SQBG's Current Report on Form 8-K filed on June 23, 2015. †
10.26	Amended and Restated Intellectual Property License and Preservation Agreement, dated as of June 22, 2015, by and between Martha Stewart and MSLO. Incorporated by reference to Exhibit 10.2 to Martha Stewart Living Omnimedia, Inc.'s Current Report on Form 8-K filed on June 23, 2015. †
10.27	Amended and Restated Intangible Asset License Agreement, dated as of June 22, 2015, by and between Lifestyle Research Center, LLC and MSLO. Incorporated by reference to Exhibit 10.3 to Martha Stewart Living Omnimedia, Inc.'s Current Report on Form 8-K filed on June 23, 2015. †
10.28	Assignment and Assumption Agreement, dated as of March 4, 2016, by and between SQBG, Inc. and Sequential Brands Group, Inc. Incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on March 14, 2016. †
10.29	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Nonqualified Stock Option Award Agreement and form of related Notice. Incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on March 14, 2016. †
10.30	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Restricted Stock Award Agreement and form of related Notice. Incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on March 14, 2016. †
10.31	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Performance Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K filed on March 14, 2016. †
10.32	Assignment and Assumption Agreement dated as of May 10, 2016, between SBG-Gaiam Holdings, LLC (formerly known as Stretch & Bend Holdings, LLC), Sequential Brands Group, Inc. and Fit for Life LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2016.

10.33	Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Bank of America, N.A., as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2016.
10.34	Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Wilmington Trust, National Association, as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2016.
10.35	Amendment No. 1, dated as of July 1, 2016, to the Intercreditor Agreement, dated as of December 4, 2015, between Bank of America, N.A., as administrative agent and collateral agent and Wilmington Trust, National Association, as administrative agent and collateral agent, and acknowledged by Sequential Brands Group, Inc. and the guarantors party thereto. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2016.

10.36	Employment agreement, dated as of August 22, 2016, by and between Sequential Brands Group, Inc. and Andrew Cooper. Incorporated by reference to Exhibit 10.1 to Sequential Brands Group, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 24, 2016. †
21.1 +	Subsidiaries of Sequential Brands Group, Inc.
23.1 +	Consent of Independent Registered Public Accounting Firm.
31.1 +	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2 +	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1 +	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS +	XBRL Instance Document
101.SCH +	XBRL Taxonomy Extension Schema Document
101.CAL +	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF +	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB +	XBRL Taxonomy Extension Label Linkbase Document
101.PRE +	XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Item 601(b)(2) of Regulation S-K, the schedules to this agreement have been omitted. The Registrant undertakes to supplementally furnish a copy of the omitted schedules to the Securities and Exchange Commission upon request.

† Each a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

+ Filed herewith.