

SUSSEX BANCORP
Form DEF 14A
March 23, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☐
Filed by a Party other than the Registrant ☐
Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☐ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

SUSSEX BANCORP

(Name of Registrant as Specified in its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

SUSSEX BANCORP

200 Munsonhurst Road
Route 517
Franklin, NJ 07416

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on April 22, 2009

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Annual Meeting") of the holders of shares of Common Stock (the "Common Stock") of Sussex Bancorp (the "Company"), the holding company for Sussex Bank (the "Bank") will be held at the Bank's Augusta Office in Augusta, New Jersey located at 100 Route 206 on April 22, 2009 at 10 a.m. for the purpose of considering and voting upon the following matters, all of which are more completely set forth in the accompanying Proxy Statement:

- 1 The election of four (4) Directors of the Company to serve for the terms described in the proxy statement or until their successors are elected and shall qualify; and
2. Such other business as shall properly come before the Annual Meeting.

Holders of shares of Common Stock of record at the close of business on March 9, 2009 will be entitled to vote at the Annual Meeting or any postponement or adjournment.

You are requested to fill in, sign, date and return the enclosed proxy promptly, regardless of whether you expect to attend the Annual Meeting. A postage-paid return envelope is enclosed for your convenience.

If you are present at the Annual Meeting, you may vote in person even if you have already returned your proxy.

BY ORDER OF THE BOARD OF
DIRECTORS

/s/ Donald L. Kovach
Donald L. Kovach
Chairman of the Board

Franklin, New Jersey
March 23, 2009

IMPORTANT-PLEASE MAIL YOUR PROXY PROMPTLY

You are urged to sign and return the enclosed Proxy promptly in the envelope provided so that there may be sufficient representation at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 22, 2009. Our Proxy Statement and Annual Report to Shareholders are also available on line at

<http://www.snl.com/IRWebLinkX/GenPage.aspx?IID=4015338&gkp=203214>.

SUSSEX BANCORP
PROXY STATEMENT FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 22, 2009

This Proxy Statement is being furnished to shareholders of Sussex Bancorp in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Stockholders to be held on April 22, 2009 at 10 a.m., at the Bank's Augusta Office in Augusta, New Jersey located at 100 Route 206.

About the Annual Meeting

Why have I received these materials?

The accompanying proxy, being mailed to shareholders on or about March 23, 2009, is solicited by the Board of Directors of Sussex Bancorp (referred to throughout this Proxy Statement as the "Company" or "we"), the holding company for Sussex Bank (the "Bank") in connection with our Annual Meeting of Stockholders that will take place on April 22, 2009. You are cordially invited to attend the Annual Meeting and are requested to vote on the proposal described in this Proxy Statement.

Who is entitled to vote at the Annual Meeting?

Holders of Common Stock of the Company as of the close of business on March 9, 2009 will be entitled to vote at the Annual Meeting. On March 9, 2009, there were outstanding and entitled to vote 3,270,932 shares of Common Stock, each of which is entitled to one vote with respect to each matter to be voted on at the Annual Meeting.

How do I vote my shares at the Annual Meeting?

If you are a "record" shareholder of Common Stock (that is, if you hold Common Stock in your own name in the Company's stock records maintained by our transfer agent, American Stock Transfer and Trust Company), you may complete and sign the accompanying proxy card and return it to the Company or deliver it in person.

"Street name" shareholders of Common Stock (that is, shareholders who hold Common Stock through a broker or other nominee) who wish to vote at the Annual Meeting will need to obtain a proxy form from the institution that holds their shares and to follow the voting instructions on such form.

Can I change my vote after I return my proxy card?

Yes. After you have submitted a proxy, you may change your vote at any time before the proxy is exercised by submitting a notice of revocation or a proxy bearing a later date. You may change your vote either by submitting a proxy card prior to the date of the Annual Meeting or if you are a "record" holder of the Common Stock by voting in person at the Annual Meeting.

What constitutes a quorum for purposes of the Annual Meeting?

The presence at the Annual Meeting in person or by proxy of the holders of a majority of the voting power of all outstanding shares of Common Stock entitled to vote shall constitute a quorum for the transaction of business. Proxies marked as abstaining (including proxies containing broker non-votes) on any matter to be acted

upon by shareholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters.

What vote is required to elect directors?

The election of directors at the Annual Meeting requires the affirmative vote of a plurality of the votes cast at the Annual Meeting by shares represented in person or by proxy and entitled to vote for the election of directors.

How does the Board recommend that I vote my shares?

Unless you give other instructions on your proxy card, the persons named as proxies on the card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth together with the description of each item in this Proxy Statement. The Board recommends a vote FOR management's nominees to the Board of Directors.

With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion in the best interest of the Company. At the date this Proxy Statement went to press, the Board of Directors had no knowledge of any business other than that described in this proxy statement that would be presented for consideration at the Annual Meeting.

Who will bear the expense of soliciting proxies?

The Company will bear the cost of soliciting proxies. In addition to the solicitation by mail, proxies may be solicited personally or by telephone, facsimile or electronic transmission by our employees. We may reimburse brokers holding Common Stock in their names or in the names of their nominees for their expenses in sending proxy materials to the beneficial owners of such Common Stock.

ELECTION OF DIRECTORS

The Certificate and By-Laws of the Company provide that the number of Directors shall not be less than five (5) or more than twenty-five (25) and permit the exact number to be determined from time to time by the Board of Directors. Our Certificate of Incorporation provides for a Board of Directors divided into three (3) classes. For 2009, there are four (4) nominees for Director. There are no arrangements or understanding between any director, or nominee for directorship, pursuant to which such director or nominee was selected as a director or nominee.

The Board of Directors of the Company has nominated for election to the Board of Directors the persons named below, each of whom currently serves as a member of the Board. If elected, each nominee will serve until the 2012 Annual Meeting of Stockholders and until his replacement has been duly elected and qualified. The Board of Directors has no reason to believe that any of the nominees will be unavailable to serve if elected.

The following table sets forth the names, ages, principal occupations, and business experience for all nominees, as well as their prior service on the Board, if any. Unless otherwise indicated, principal occupations shown for each Director have extended for five or more years.

NOMINEES FOR ELECTION

Name and Position with the Company	Age	Principal Occupation for Past Five Years	Term of Office Since (1) – Expires
Mark J. Hontz, Director	42	Partner, Hollander, Strelzik, Pasculli, Hinkes, Vandenberg & Hontz, L.L.C. Newton, New Jersey	1998 - 2009
Donald L. Kovach, Chairman, CEO and President	73	Chairman, CEO and President of the Company	1976 - 2009

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Anthony S. Abbate, Director	69	Retired; Formerly President, CEO, Interchange Bank Saddle Brook, New Jersey	2007 - 2009
Timothy Marvil, Director	47	Chairman, Ames Rubber Corporation Hamburg, New Jersey	2008 – 2009

(1) Includes prior service on the Board of Directors of the Bank prior to the formation of the Company, if applicable.

DIRECTORS WHOSE TERMS CONTINUE BEYOND THE 2009 ANNUAL MEETING

Name and Position with the Company	Age	Principal Occupation for Past Five Years	Term of Office Since (1) – Expires
Irvin Ackerson, Director	86	Excavating Contractor, Oak Ridge, New Jersey	1976 - 2010
Richard Branca, Director	61	Owner/President, Bergen Engineering Company East Rutherford, New Jersey	2005 - 2010
Terry H. Thompson, Director	62	President and COO of the Bank	2001 - 2010
Patrick Brady, Director	55	CEO, Heath Alliance for Care Hackettstown, New Jersey	2005 - 2011
Edward J. Leppert, Director	49	Edward J. Leppert, CPA Sandyston, New Jersey	2002 - 2011
Richard Scott, Director	73	Dentist, Richard Scott, DDS Franklin, New Jersey	1976 - 2011

(1) Includes prior service on the Board of Directors of the Bank prior to the formation of the Company.

No Director of the Company is also a director of a company having a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

As a policy, the Company encourages all directors to attend the Company's annual meeting. However, Richard Branca, Mark J. Hontz and Edward J. Leppert were unable to attend the 2008 annual meeting.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors and Committees

Meetings of the Board of Directors are held at least five times annually and as needed. The Board of Directors held six meetings in the year ended December 31, 2008. For the year ended December 31, 2008, each of the Company's Directors attended at least 75% of the aggregate of the total number of meetings of the respective Board of Directors and the total number of meetings of committees on which the respective Directors served, except for Richard Branca who missed two meetings.

A majority of the board consists of individuals who are "independent" under the listing standards of the Nasdaq Stock Market (Donald L. Kovach and Terry H. Thompson are officers of the Bank and the Company and therefore not independent). The independent board members meet quarterly without any members not meeting the independence standard.

Shareholders wishing to communicate directly with the independent members of the Board of Directors may send correspondence to One County Road 560, Sandyston, New Jersey 07826, which correspondence will go directly to the Chairman of the Audit Committee.

Code of Conduct

The Board of Directors has adopted a Code of Conduct governing the Company's CEO and senior financial officers, as well as the Board of Directors, and officers and employees of the Company, as required by the Sarbanes-Oxley Act and SEC regulations. Our Code of Conduct governs such matters as conflicts of interest, use of corporate opportunity, confidentiality, compliance with law and the like. Our Code of Conduct is available on our website at www.sussexbank.com. We will also provide notice of any waivers from our Code of Conduct through our website.

Committees

The Board of Directors has a Nominating and Corporate Governance Committee, an Audit Committee, and a Compensation Committee.

Nominating and Corporate Governance Committee The members of the Nominating Committee for 2008 were Edward J. Leppert (Chairman), Patrick Brady (Co-Chairman), Anthony S. Abbate, Irvin Ackerson, Richard Branca, Mark J. Hontz, Timothy Marvil and Richard W. Scott. Each member of the Nominating Committee is independent, as such term is defined in the Nasdaq listing standards. The purpose of the Committee is to identify qualified individuals to become Board members and officers of the Company, determining the composition of the Board and its committees, developing and implementing a process to assess Board effectiveness and in developing and implementing the Company's corporate governance guidelines. The Committee recommends to the Board the nominees for election as directors, and considers performance of incumbent directors to determine whether to nominate them for re-election. The Nominating Committee will consider qualified nominations for directors recommended by shareholders. All shareholder recommendations are evaluated on the same basis as any recommendation from members of the Board or management of the Company. Recommendations should be sent to One County Road 560, Sandyston, New Jersey 07826. Any nomination for director should be received by the Secretary on or before December 1, 2009. Nominees should have experience in a senior executive position in a corporate or equivalent organization and have experience in at least one facet of the Company's business or its major functions. The Nominating Committee has a written charter, which is available on our website at www.sussexbank.com.

Audit Committee The Company's Audit Committee consisted during 2008 of Directors Anthony S. Abbate, Patrick Brady, Richard Branca, Edward J. Leppert (Chairman), and Richard W. Scott. All Directors who served on the Audit Committee during 2008 are "independent" for purposes of the Nasdaq listing standards and, as required under the Sarbanes-Oxley Act, no member of the Audit Committee receives any form of compensation from the Company, apart from compensation for Board and Committee service. The Board has determined that Mr. Leppert qualifies as an "audit committee financial expert" as that term is defined by SEC Rules.

The Audit Committee is responsible for the selection of the independent accounting firm for the annual audit and to establish, and assure the adherence to, a system of internal controls. The Audit Committee reviews and accepts the reports of the Company's independent auditors and regulatory examiners. The Audit Committee arranges for the Bank's directors' examinations through its independent certified public accountants, evaluates and implements the recommendations of the directors' examinations and interim audits performed by the Bank's internal auditor, receives all reports of examination of the Company and the Bank by bank regulatory agencies, analyzes such regulatory reports, and reports to the Board the results of its analysis of the regulatory reports. The Audit Committee is also responsible for the pre-approval of all non-audit services provided by its independent auditors. Non-audit services are only provided by the Company's auditors to the extent permitted by law. The Board of Directors has adopted a written charter for the Audit Committee which is available on our website at www.sussexbank.com. The Audit Committee met five times during 2008.

Audit Committee Report

The Audit Committee meets periodically, and in any event, no less than once per quarter, to consider the adequacy of the Company's financial controls and the objectivity of its financial reporting. The Audit Committee meets with the Company's independent auditors and the Company's internal auditors, both whom have unrestricted access to the Audit Committee.

In connection with this year's financial statements, the Audit Committee has reviewed and discussed the Company's 2008 audited financial statements with the Company's officers and Beard Miller Company, LLP, its independent auditors. We have discussed with Beard Miller Company, LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). We also have received the written disclosures and letter from Beard Miller Company, LLP as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and have discussed with representatives of Beard Miller Company, LLP their independence with regard to all services provided.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on form 10-K for the fiscal year ended December 31, 2008 for filing with the U.S. Securities and Exchange Commission.

Anthony S. Abbate
Patrick Brady
Richard Branca
Edward J. Leppert (Chairman)
Richard W. Scott

Compensation Committee In 2008, the Compensation Committee consisted of Directors Anthony S. Abbate (Chairman), Irvin Ackerson, Richard Branca, Edward J. Leppert, Mark J. Hontz and Timothy Marvil. Each member of the Compensation Committee is independent, as such term is defined in the Nasdaq listing standards. The purpose of the Compensation Committee is to review senior management's performance and determine compensation, and review and set guidelines for compensation of all employees. The Compensation Committee does not delegate its authority regarding compensation. Mr. Kovach, our Chairman and CEO, provides input to the Committee regarding the compensation of our executive officers. Currently, no consultants are engaged or used by the Compensation Committee for purposes of determining or recommending compensation; however a consultant was engaged for the purpose of reviewing the Executive Incentive Plan, and to modify the Director Deferred Compensation Plan in 2008. In 2008, the Compensation Committee met four times. The Board of Directors has adopted a written charter for the Compensation Committee which is available on our website at www.sussexbank.com.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information concerning the beneficial ownership of shares of Common Stock as of February 27, 2009, by (i) each person who is known by the Company to own beneficially more than five percent (5%) of the issued and outstanding Common Stock, (ii) each director and nominee for director of the Company, (iii) each executive officer of the Company described in this Proxy Statement under the caption "Executive Compensation" and (iv) all directors and executive officers of the Company as a group. Other than as set forth in this table, the Company is not aware of any individual or group that holds in excess of 5% of the outstanding Common Stock.

Name	Common Stock Beneficially Owned (1)	Percentage of Class
Anthony S. Abbate	26,479	0.81%
Irvin Ackerson	36,368(2)	1.11%
Patrick Brady	7,368	0.23%
Richard Branca	6,288(3)	0.19%
Mark J. Hontz	7,243 (4)	0.22%
Donald L. Kovach	156,052 (5)(6)	4.74%
Edward J. Leppert	33,877 (7)	1.03%
Timothy Marvil	8,268(8)	0.25%
Richard Scott	62,820 (9)	1.92%
Terry H. Thompson	55,592 (10)	1.68%
Directors & Principal Officers as a Group	548,544	16.43%

- (1) Beneficially owned shares include shares over which the named person exercises either sole or shared voting power or sole or shared investment power. It also includes shares owned (i) by a spouse, minor children or by relatives sharing the same home, (ii) by entities owned or controlled by the named person, and (iii) by other persons if the named person has the right to acquire such shares within 60 days by the exercise of any right or option. Unless otherwise noted, all shares are owned of record and beneficially by the named person, either directly or through the dividend reinvestment plan.
- (2) Includes 12,767 shares owned by Mr. Ackerson's wife. Also includes 5,819 shares purchasable upon the exercise of immediately exercisable stock options.
- (3) Also includes 1,118 shares purchasable upon the exercise of immediately exercisable stock options.
- (4) Also includes 2,236 shares purchasable upon the exercise of immediately exercisable stock options.
- (5) Includes 17,752 shares owned by Mr. Kovach's wife, and 13,621 shares held by IRA's for the benefit of Mr. Kovach and his spouse. Also includes 19,061 shares purchasable upon the exercise of stock options.
- (6)

Includes 55,057 shares over which Mr. Kovach has voting authority as administrator for Sussex Bank Employee Stock Ownership Plan.

- (7) Includes 3,984 shares FBO Cynthia Leppert, IRA and 9,067 FBO Edward J. Leppert, IRA. Also includes 4,585 shares purchasable upon the exercise of immediately exercisable stock options
- (8) Also includes 4,585 shares purchasable upon the exercise of immediately exercisable stock options.
- (9) Also includes 5,819 shares purchasable upon the exercise of immediately exercisable stock options.

Includes 17,656 shares FBO Terry H. Thompson, IRA. Also includes 28,775 shares purchasable upon the exercise of immediately exercisable stock options.

Name of Beneficial Owner of More Than 5% of the Common Stock	Number of Shares Beneficially Owned (1)	Percentage of Class
Wellington Management Company, LLP 75 State Street Boston, MA 02109	333,084	10.21%
Hot Creek Capital, LLC 1 East Liberty Street, Suite 511 Reno, Nevada 89501	234,298	7.10%
Thomson Horstmann & Bryant, Inc. Park 80 West, Plaza One Saddle Brook, NJ 07663	186,705	5.72%
Lakeland Bancorp, Inc. 250 Oakridge Road Oak Ridge, NJ 07438	187,756	5.76%

(1) Beneficially owned shares include shares over which the named person exercises either sole or shared voting power or sole or shared investment power. It also includes shares owned (i) by a spouse, minor children or by relatives sharing the same home, (ii) by entities owned or controlled by the named person, and (iii) by other persons if the named person has the right to acquire such shares within 60 days by the exercise of any right or option. Unless otherwise noted, all shares are owned of record and beneficially by the named person, either directly or through the dividend reinvestment plan.

EXECUTIVE COMPENSATION

The following table sets forth compensation paid to the CEO and the two other most highly compensated executive officers of the Company earning in excess of \$100,000 (the “named executive officers”) as of the fiscal year ended December 31, 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Donald L. Kovach, Chairman of the Board and CEO	2008	258,536	-	4,051	-	-	148,788(2)	411,675
	2007	257,814	-	3,000	-	-	113,257(2)	374,071
George Lista, Chief Executive Officer, Tri-State Insurance Agency, Inc.	2008	143,920	-	2,026	-	12,000(3)	185,841(4)	343,787
	2007	140,000	-	1,500	-	35,150(3)	186,768(4)	363,418
Terry H. Thompson, President and COO of the Bank	2008	140,343	-	4,051	-	-	105,273(5)	249,667
	2007	140,054	-	3,000	-	-	95,909(5)	238,963
Tammy Case, Executive Vice President, Loan Administration	2008	119,550	-	3,038	-	-	10,959	133,547
	2007	117,872	15,000(6)	2,250	-	-	5,902	141,024

- (1) The amounts set forth represent our expense associated with stock option grants pursuant to SFAS 123(R). No stock options were granted to any named executive officers during 2007 or 2008.
- (2) Includes \$100,058 for 2007 and \$77,780 for 2008 accrued by the Company under the Supplemental Executive Retirement Plan for Mr. Kovach.
- (3) Receipt of 2007 bonus and a portion of his other compensation in 2008 were deferred by Mr. Lista under our Executive Incentive and Deferred Compensation Plan.
- (4) Includes \$176,149 for 2007 and \$175,104 for 2008 in commission payments from the sale of insurance products.
- (5) Includes \$81,702 for 2007 and \$86,428 for 2008 accrued by the Company under the Supplemental Executive Retirement Plan for Mr. Thompson.
- (6) Under employment agreement in effect was entitled to 1,000 shares of stock for reaching 15% net loan portfolio growth year over year, from 12/31/07 over 12/31/06.

The Company and the Bank are parties to an Amended Employment Agreement with Mr. Donald L. Kovach pursuant to which he serves as President and Chief Executive Officer of the Company and Chief Executive Officer of the Bank (the "Employment Agreement"). The Employment Agreement, as amended, provides for a term ending on August

31, 2009. The Employment Agreement provides that Mr. Kovach will receive a base salary of \$223,300, subject to increase or decrease, and he may be granted a discretionary bonus, in cash or equity, as determined by the Board of Directors. He will also receive customary fringe benefits, including an automobile or cash allowance, consistent with his position as CEO of the Bank. The Employment Agreement permits the Company to terminate Mr. Kovach's employment for cause at any time. The Employment Agreement defines cause to mean personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of law, rule or regulation, other than traffic violations or similar offenses, or violation of a final cease and desist order, or a material breach of any provision of the Agreement. In the event Mr. Kovach is terminated for any reason other than cause, or in the event Mr. Kovach resigns his employment because he is reassigned to a position of lesser rank or status than President and Chief Executive Officer, his place of employment is relocated by more than 30 miles from its location on the date of the Agreement, or his compensation or other benefits are reduced, Mr. Kovach, or in the event of his death, his beneficiary, will be entitled to receive his base salary at the time of such termination or resignation for the remaining term of the Agreement. In addition, the Company will continue to provide Mr. Kovach with certain insurance and other benefits through the end of the term of the Agreement. The Employment Agreement also prohibits Mr. Kovach from competing with the Bank and the Company for a period of one year following termination of his employment.

The Company and the Bank are parties to an employment agreement with Mr. Terry H. Thompson. Under this agreement, Mr. Thompson will serve as President and Chief Operating Officer of the Bank for a period ending on January 23, 2011, although it will be automatically extended for successive two (2) year periods unless either the Company or Mr. Thompson provides notice of our or his intention not to extend the contract. Under the agreement, Mr. Thompson is to receive a base salary of \$140,343, subject to any increase or decrease at the discretion of the Board of Directors. Mr. Thompson may also be entitled to receive a bonus, if granted in the discretion of the Board of Directors, and he will receive customary fringe benefits, including an automobile or cash allowance, consistent with his position as President of the Bank. Mr. Thompson may be terminated for "cause". Cause is defined in Mr. Thompson's agreement in substantially the same way it is defined in Mr. Kovach's agreement. In the event he is terminated without "cause", he will be entitled to receive his then current base salary for the remaining term of the agreement, and the Company will be obligated to continue his health benefits for such period. Mr. Thompson's agreement also contains a covenant not to compete, whereby Mr. Thompson is prohibited for a period of one year after termination of his employment from affiliating with any enterprise which competes with the Company in the counties which the Company is conducting business on the date of termination.

The Company has entered into Salary Continuation Agreements with each of Messrs. Kovach and Thompson. Under these agreements, these officers will receive an annual retirement benefit equal to 35% of their average total compensation for the five years prior to their termination of service. However, with regard to Mr. Kovach, to the extent he continues to work past age 70, his benefit will be increased 4% per year for each year he works past age 70 until his retirement. Payments will be made for fifteen years. Mr. Kovach began receiving distributions from the Salary Continuation Agreement in May of 2008.

The Company and the Bank are also parties to an employment agreement with Ms. Tammy Case. Under this agreement, Ms. Case will serve as Executive Vice President for Loan Administration of the Bank for a period ending on August 1, 2010, although it will be automatically extended for one additional one (1) year period unless either party provides notice of their intention not to extend the contract. Under the agreement, Ms. Case is to receive a base salary of \$120,000, subject to any increase or decrease at the discretion of the Board of Directors, and she will receive customary fringe benefits, including an automobile allowance. Ms. Case may also be entitled to receive a bonus, if granted in the discretion of the Board of Directors. Ms. Case may be terminated for "cause". Cause is defined in Ms. Case's agreement in substantially the same way it is defined in Mr. Kovach's and Mr. Thompson's agreements. In the event she is terminated without "cause", she will be entitled to receive her then current base salary for the remaining term of the agreement, and the Company will be obligated to continue her health benefits for such period. Ms. Case's

agreement also contains a covenant not to compete, whereby Ms. Case is prohibited for a period of one year after termination of her employment from affiliating with any enterprise within Sussex County which competes with the Bank in the business of banking.

In September 2006, our Tri-State Insurance Agency subsidiary entered into employment agreements with of Mr. Lista. Under Mr. Lista's agreement, he is to serve as the CEO of Tri-State for a term of five (5) years. The term of the agreement will automatically renew for two additional one (1) year periods unless either Mr. Lista or Tri-State provides notice of an intention not to renew. Mr. Lista is to receive a base salary of \$140,000 annually, which is to be adjusted each January 1 to reflect the increase in the consumer price index. Mr. Lista is also entitled to receive commissions on

insurance products sold by him, and he is also entitled to participate in our Executive Incentive and Deferred Compensation Plan. Mr. Lista may be terminated for cause, which is defined in the same manner as in Mr. Kovach's agreement. In the event Mr. Lista's employment is terminated other than for cause, he will be entitled to receive his then current base salary and insurance benefits for the remaining term of the agreement.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards		Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Donald L. Kovach	2,789	-	8.86	01/22/2013		
	11,183	-	14.67	01/07/2014	1,200	5,400
	5,089	-	13.39	01/25/2015		
George Lista	5,577	-	8.99	04/23/2013		
	5,591	-	14.67	01/07/2014	600	2,700
	2,544	-	13.39	01/25/2015		
Terry H. Thompson	4,227	-	8.90	01/23/2012		
	8,276	-	8.86	01/22/2013	1,200	5,400
	11,183	-	14.67	01/07/2014		
	5,089	-	13.39	01/25/2015		
Tammy Case	1,603	-	13.39	01/25/2015	900	4,050

Potential Payments upon Termination or Change-in-Control

Mr. Kovach's Employment Agreement provides that upon the occurrence of a change in control of the Company, and in the event Mr. Kovach is subsequently terminated for reasons other than cause or in the event Mr. Kovach, within 18 months of the change in control, resigns his employment for good cause, he will be entitled to receive a lump sum severance payment equal to 2.99 times his then current base salary.

A change of control is defined under Mr. Kovach's agreement to include:

- A reorganization, merger or consolidation in which Sussex Bancorp is not the surviving entity;
- A turn over in the majority of the Board of Directors;
- The happening of an event requiring a filing of a Current Report on Form 8-K with the SEC disclosing a change in control; or
- Any person acquiring, or making a tender offer which has been accepted for, twenty-five percent (25%) of the Company's outstanding stock.

Mr. Kovach may resign for good cause if, after a change in control, he experiences any:

- Loss of title, office or responsibility;
- Reduction in his compensation or benefits; or
- Relocation of his principal place of business by more than thirty (30) miles.

If a change in control were to have occurred at year end 2008 and Mr. Kovach's employment was terminated, or if he resigned for good cause, he would have been entitled to a lump sum payment of \$773,030. Mr. Kovach would also be entitled to continuation of his health, medical, hospital and life insurance benefits for a period of three years. Mr. Kovach's severance benefits would be reduced; however, to the extent they would constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended.

Mr. Thompson's agreement contains a change in control provision substantially similar to the one contained in Mr. Kovach's agreement described above. If a change in control were to have occurred at March 1, 2009 and Mr. Thompson's employment was terminated, or if he resigned for good cause, he would have been entitled to a lump sum payment of \$419,636. Mr. Thompson would also be entitled to continuation of his health, medical, hospital and life insurance benefits for a period of three years. Mr. Thompson's severance benefits would be reduced, however, to the extent they would constitute an "excess parachute payment" under Section 280G of the Internal revenue Code of 1986, as amended.

Ms. Case's agreement also contains a change in control provision substantially similar to the ones contained in Mr. Kovach's and Mr. Thompson's agreements described above. If a change in control were to have occurred at March 1, 2009 and Ms. Case's employment was terminated, or if she resigned for good cause, she would have been entitled to a lump sum payment of \$358,800. Ms. Case would also be entitled to continuation of her health, medical, hospital and life insurance benefits for a period of two years. Ms. Case's severance benefits would be reduced, however, to the extent they would constitute an "excess parachute payment" under Section 280G of the Internal revenue Code of 1986, as amended.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Total (\$)
Anthony S. Abbate	21,700	3,350	-	25,050
Irvin Ackerson(2)	11,800	4,088	-	15,888
Patrick Brady	25,400	4,088	-	29,488
Richard Branca (3)	12,900	4,088	-	16,988
Mark J. Hontz (4)	18,800	4,088	-	22,888
Edward J. Leppert (5)	29,700(6)	4,088	-	33,788
Timothy Marvil	14,425	4,088	-	18,513
Richard Scott(7)	25,600	4,088	-	29,688

(1) See Note 15 to the Company's Consolidated Financial Statements in our Annual Report on form 10-K for the fiscal year ended December 31, 2008 for a discussion of the assumptions underlying the valuation.

(2) At December 31, 2008, Mr. Ackerson held options to purchase 5,819 shares.

(3) At December 31, 2008, Mr. Branca held options to purchase 1,118 shares

(4) At December 31, 2008, Mr. Hontz held options to purchase 2,236 shares.

(5) At December 31, 2008, Mr. Leppert held options to purchase 4,585 shares.

- (6) Mr. Leppert deferred \$29,700 of this amount pursuant to our Directors Deferred Compensation Agreement.
- (7) At December 31, 2008, Mr. Marvil held options to purchase 4,585 shares.
- (8) At December 31, 2008, Mr. Scott held options to purchase 5,819

Our Directors receive an annual retainer of \$5,500. In addition, Directors receive a per-meeting fee of \$500. Members of our committees also receive fees for serving as the Chair of a committee or as a member of the committee. The Chair of our Audit Committee receives a per-meeting fee of \$1,500 and committee members receive a per-meeting fee of \$1,000. The Chairs of our Compensation Committees receive per meeting fee of \$1,000, and committee members receive a per-meeting fee of \$500. All members of the Nominating & Corporate Governance Committee receive a per-meeting fee of \$300.

Director Deferred Compensation

In July 2006, the Board of Directors adopted a form of Director Deferred Compensation Agreement for both the Bank and the Company, which has been amended several times since (as amended, the "DCA"). Under the terms of the DCA, a director may elect to defer all or a portion of his fees for the coming year. Under the DCA, only the payment of the compensation earned is deferred, and there is no deferral of the expense in the Company's financial statements related to the participant's deferred compensation, which will be charged to the Company's income statement as an expense in the period in which the participant earned the compensation. The deferred amounts are credited with earnings

at a rate equal to either (i) the average interest rate earned by the Bank on its investment portfolio, or (ii) the total return of the Company's common stock. The method of determining earnings may be selected by the participant in his or her discretion.

The participant's benefit will be distributed to the participant or his beneficiary upon a change in control of the Company, the termination of the DCA, the occurrence of an unforeseeable emergency, the termination of the participant's affiliation with the Company, the participant's retirement or the participant's death or disability. Upon distribution, a participant's benefit will be paid in monthly installments over a period of ten (10) years.

On December 17, 2008, we adopted an Amended and Restated Director Deferred Compensation Agreement pursuant to which our Directors may elect to defer all or a portion of the total amount of fees due, which fees will be paid to such Director or his or her beneficiary upon retirement, disability, early termination or such other events set forth in the Agreement. The amendments allow Directors the option of having deferred compensation earn additional credit either at a stated rate equal to the Company's rate of return on its investment portfolio, or at a rate that tracks the performance of the our common stock, in which case a Director will receive his or her payout in shares of the Company's common stock.

Interest of Management and Others in Certain Transactions; Review, Approval or Ratification of Transactions with Related Persons

The Bank has made in the past and, assuming continued satisfaction of generally applicable credit standards, expects to continue to make loans to directors, executive officers and their associates (i.e. corporations or organizations for which they serve as officers or directors or in which they have beneficial ownership interests of ten percent or more). These loans have all been made in the ordinary course of the Bank's business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavorable features.

Other than the ordinary course lending transactions described above, which must be approved by the Bank's Board under bank regulatory requirements, all related party transactions are reviewed and approved by our Audit Committee. This authority is provided to our Audit Committee under its written charter. In reviewing these transactions, our Audit Committee seeks to ensure that the transaction is no less favorable to the Company than a transaction with an unaffiliated third party. During 2008, there were no transactions with related parties which would not have been required to be approved by our Audit Committee, and there were no related party transactions not approved by our Audit Committee.

Required Vote

DIRECTORS WILL BE ELECTED BY A PLURALITY OF THE VOTES CAST AT THE ANNUAL MEETING WHETHER IN PERSON OR BY PROXY.

Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE NOMINEES SET FORTH ABOVE.

INDEPENDENT AUDITORS

The Company's independent auditors for the fiscal year ended December 31, 2008 were Beard Miller Company LLP. Beard Miller Company LLP has advised the Company that one or more of its representatives will be present at the Annual Meeting to make a statement if they so desire and to respond to appropriate questions.

Independent Auditor Fees

The Sarbanes-Oxley Act of 2002 and the auditor independence rules of the United States and Exchange Commission require all public accounting firms who audit issuers to obtain pre-approval from their respective Audit Committees in order to provide professional services without impairing independence.

We have previously issued engagement letters to or obtained formal approval from the Audit Committee for certain services. These services are summarized below.

The following fees were incurred for December 31, 2008 and 2007:

	2008	2007
Audit Fees(1)	\$ 100,137	\$ 82,507
Audit-Related Fees(2)	21,181	22,935
Tax Fees(3)	36,260	22,910
All Other Fees	-	-
Total Fees	\$ 157,578	\$ 128,352

- (1) Includes professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in Forms 10-Q, or services normally provided in connection with statutory and regulatory filings, including out-of-pocket expenses.
- (2) Assurance and related services reasonably related to the performance of the audit or review of financial statements include the following: assistance with adopting SFAS No. 157, employee benefit plan audits and review of preliminary Section 404 internal control documentation, and audits in connection with acquisitions, and other attest services not required by statute or regulation.
- (3) Tax fees include the following: preparation of state and federal tax returns, PA Bankshare tax return, assistance with calculating estimated tax payments and assistance with the formation of a New York Investment Company (2008).

These fees were approved in accordance with the Audit Committee's policy. The de minimus exception (as defined in rule 202 of the Sarbanes-Oxley Act) was applied to 2% of the 2008 total fees. These fees are located in the Audit-related fees category in the table above.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent stockholders are required by regulation of the Securities and Exchange Commission to furnish the Company with copies of all Section 16(a) forms they file.

The Company believes that all persons associated with the Company and subject to Section 16(a) have made all required filings for the fiscal year ended December 31, 2008.

SHAREHOLDER PROPOSALS

Proposals of shareholders to be included in the Company's 2010 proxy material must be received by the secretary of the Company no later than December 1, 2009.

OTHER MATTERS

The Board of Directors is not aware of any other matters which may come before the Annual Meeting. However, in the event such other matters come before the meeting, it is the intention of the persons named in the proxy to vote on any such matters in accordance with the recommendation of the Board of Directors.

SUSSEX BANCORP
REVOCABLE PROXY FOR
ANNUAL MEETING OF SHAREHOLDERS
APRIL 22, 2009
Solicited on Behalf of the Board of Directors

The undersigned hereby appoints Terry H. Thompson and Edward J. Leppert and each of them, with full power of substitution, to vote all of the shares of Sussex Bancorp (the "Company") standing in the undersigned's name at the Annual Meeting of Shareholders of the Company, to be held at 10:00 a.m., at the Bank's branch in Augusta, New Jersey located at 100 Route 206 on April 22, 2009 and at any adjournment thereof. The undersigned hereby revokes any and all proxies heretofore given with respect to such meeting.

This proxy will be voted as specified below. If no choice is specified, the proxy will be voted "FOR" Management's nominees to the Board of Directors.

(Continued and to be signed on the reverse side.)

ANNUAL MEETING OF SHAREHOLDERS OF
SUSSEX BANCORP
April 22, 2009

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:
The Notice of Meeting, proxy statement and proxy card
are available at: www.sussexbank.com

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

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

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITS NOMINEES.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE
MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

1. Election of the following four (4) nominees to each2. In their discretion, such other business as may serve on the Board of Directors for the term described improperly come before the meeting.
the accompanying Proxy Statement and until their successors are elected and duly qualified:

PLEASE DATE, SIGN AND RETURN THIS PROXY
IN THE ENCLOSED RETURN ENVELOPE.

NOMINEES

“ FOR ALL NOMINEES ; Anthony S. Abbate :
“ WITHHOLD ; Mark J. Hontz
AUTHORITY ; Donald L. Kovach
FOR ALL ; Timothy Marvil
NOMINEES
“ FOR ALL EXCEPT
(See instructions below)

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

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

Signature of Shareholder _____ Date: _____ Signature of
Shareholder _____ Date: _____

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