

SUSSEX BANCORP
Form DEF 14A
March 20, 2006

**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
- Fee Computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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

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(3)	Filing Party:
(4)	Date Filed:

SUSSEX BANCORP

200 Munsonhurst Road 1 Route 517 1 Franklin, NJ 07416 1 (973) 827-2914

20, 2006

March

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders (the "Annual Meeting") of Sussex Bancorp (the "Company"), the holding company for Sussex Bank (the "Bank"), to be held on April 26, 2006, at 10:00 at Crystal Springs Country Club, One Wild Turkey Way, Hamburg, New Jersey.

At the Annual Meeting stockholders will be asked to consider and vote upon the election of Mark J. Hontz, Donald L. Kovach and Joel D. Marvil to the Company's Board of Directors, each to serve for the term set forth in the accompanying Proxy Statement.

The Board of Directors of the Company believes that the election of its nominees to the Board of Directors is in the best interest of the Company and its stockholders and unanimously recommends that you vote "**FOR**" each of the Board's nominees.

Your cooperation is appreciated since a majority of the Common Stock of the Company must be represented, either in person or by proxy, to constitute a quorum for the conduct of business. Whether or not you expect to attend, please sign, date and return the enclosed proxy card promptly in the postage-paid envelope provided so that your shares will be represented.

Very truly yours,

/s/ Donald L. Kovach

Donald L. Kovach
Chairman of the Board

SUSSEX BANCORP
200 Munsonhurst Road
Route 517
Franklin, NJ 07416

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD April 26, 2006

Notice is hereby given that the Annual Meeting of Stockholders (the "Annual Meeting") of Sussex Bancorp (the "Company") will be held at 10:00, on April 26, 2006, at Crystal Springs Country Club, One Wild Turkey Way, Hamburg, New Jersey for the purpose of considering and voting upon the following matters:

1. The election of Mark J. Hontz, Donald L. Kovach and Joel D. Marvil, each to serve as directors of the Company for the term set forth in this Proxy Statement, and in each case until his successor is elected and duly qualified; and
2. Such other business as shall properly come before the Annual Meeting.

Stockholders of record at the close of business on March 3, 2006 are entitled to notice of and to vote at the Annual Meeting. Whether or not you contemplate attending the Annual Meeting, it is suggested that the enclosed proxy be executed and returned to the Company. You may revoke your proxy at any time prior to the exercise of the proxy by delivering to the Company a later proxy or by delivering a written notice of revocation to the Company.

By Order of the Board of Directors

/s/ Donald L. Kovach

Donald L. Kovach
Chairman of the Board

Franklin, New Jersey
March 20, 2006

IMPORTANT---PLEASE MAIL YOUR PROXY PROMPTLY

SUSSEX BANCORP
200 Munsonhurst Road
Route 517
Franklin, NJ 07416

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
April 26, 2006

GENERAL PROXY STATEMENT INFORMATION

This Proxy Statement is being furnished to stockholders of Sussex Bancorp (the "Company") in connection with the solicitation by the Board of Directors of proxies to be used at the annual meeting of stockholders (the "Annual Meeting"), to be held on April 26, 2006, at 10:00, at Crystal Springs Country Club, One Wild Turkey Way, Hamburg, New Jersey and at any adjournments thereof. The 2005 Annual Report to Stockholders, including consolidated financial statements for the fiscal year ended December 31, 2005, and a proxy card, accompanies this Proxy Statement, which is first being mailed to record holders on or about March 20, 2006.

Solicitation and Voting of Proxies

Regardless of the number of shares of common stock, no par value, of the Company ("Common Stock") owned, it is important that you vote by completing the enclosed proxy card and returning it signed and dated in the enclosed postage-paid envelope. Stockholders are urged to indicate their vote in the spaces provided on the proxy card. **Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, signed proxy cards will be voted "FOR" the election of each of the nominees for director named in this Proxy Statement.**

Other than the matters set forth on the attached Notice of Annual Meeting of Stockholders, the Board of Directors knows of no additional matters that may be presented for consideration at the Annual Meeting. Execution of a proxy, however, confers on the designated proxy holders' discretionary authority to vote the shares in accordance with their best judgment on such other business, if any, that may properly come before the Annual Meeting and at any adjournments thereof, including whether or not to adjourn the Annual Meeting. A proxy may be revoked at any time prior to its exercise by sending a written notice of revocation to the Company, 200 Munsonhurst Road, Route 517, Franklin, New Jersey 07416-0353, and Attn: Candace A. Leatham. A proxy filed prior to the Annual Meeting may be revoked by delivering to the Company a duly executed proxy bearing a later date, or by attending the Annual

Meeting and voting in person. However, if you are a stockholder whose shares are not registered in your own name, you will need appropriate documentation from your record holder to vote personally at the Annual Meeting.

The cost of solicitation of proxies on behalf of the Board of Directors will be borne by the Company. Proxies may also be solicited personally or by mail or telephone by directors, officers and other employees of the Company and Sussex Bank (the "Bank"), its wholly owned subsidiary, without additional compensation therefor. The Company will also request persons, firms and corporations holding shares in their names, or in the name of their nominees, which are beneficially owned by others, to send proxy material to and obtain proxies from such beneficial owners, and will reimburse such holders for their reasonable expenses in doing so.

Voting Securities

The securities which may be voted at the Annual Meeting consist of shares of the Company's Common Stock, with each share entitling its owner to one vote on all matters to be voted on at the Annual Meeting, except as described below. There is no cumulative voting for the election of directors.

The close of business on March 3, 2006, has been fixed by the Board of Directors as the record date (the "Record Date") for the determination of stockholders of record entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof. The total number of shares of Common Stock outstanding on the Record Date was 3,164,082 shares.

The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. In the event that there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

The proxy card being provided by the Board of Directors enables a stockholder to vote "FOR" the election of the nominees proposed by the Board of Directors, or to "WITHHOLD AUTHORITY" to vote for one or more of the nominees being proposed. Under New Jersey law and the Company's Bylaws, directors are elected by a plurality of votes cast, without regard to broker non-votes or abstentions.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Company's Certificate of Incorporation and its Bylaws authorize a minimum of five (5) and a maximum of twenty-five (25) directors but leave the exact number to be fixed by resolution of the Board of Directors. The Board currently consists of nine (9) members. Director Joseph Zitone, valued member of our Board of Directors since 1984, passed away this year. Three incumbent directors, Mark J. Hontz, Donald L. Kovach and Joel D. Marvil have been nominated by the Board to stand for election, each for the terms set forth on the table below.

Directors are elected to serve for staggered terms of three years each, with the term of certain directors expiring each year. Directors serve until their successors are duly elected and qualified.

If, for any reason, any of the nominees become unavailable for election, the proxy solicited by the Board of Directors will be voted for a substitute nominee selected by the Board of Directors. The Board has no reason to believe that any of the named nominees is not available or will not serve if elected. **Unless authority to vote for the nominee is withheld, it is intended that the shares represented by the enclosed proxy card, if executed and returned, will be voted "FOR" the election of the nominees proposed by the Board of Directors.**

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES NAMED IN THIS PROXY STATEMENT.

Information with respect to the Nominees

The following tables set forth, as of the Record Date, the names of the nominees for election and those directors whose terms continue beyond the Annual Meeting, their ages, a brief description of their recent business experience, including present occupations, and the year in which each became a director of the Company or the Bank. No nominee is a director of another company registered pursuant to Section 12 of the Securities Exchange Act of 1934 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.

Table I
Nominees for 2006 Annual Meeting

Name, Age and Position With the Company	Principal Occupations During Past Five Years	Director Since (1)	Term Expires
Mark J. Hontz, 39 Director	Partner Hollander, Strelzik, Pasculli, Hinkes, Vandenberg & Hontz, L.L.C. Newton, New Jersey	1998	2006
Donald L. Kovach, 71 Chairman of the Board, CEO and President	Chairman, CEO and President of the Company	1976	2006
Joel D. Marvil, 71 Director	Chairman of Manufacturing Co. Ames Rubber Corporation Hamburg, New Jersey	1989	2006

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

Table II
Directors of the Company whose Terms Continue Beyond this Annual Meeting

Name, Age and Position With the Company	Principal Occupations During Past Five Years	Director Since (1)	Term Expires
Patrick Brady, 52 Director	CEO, Health Alliance for Care Hackettstown, New Jersey	2005	2008
Edward J. Leppert, 46 Director	Owner, E.J. Leppert & Co. (certified public accountants); previously partner, Murphy, Perry & Leppert.	2002	2008
Richard Scott, 70 Director	Dentist, Richard Scott, DDS Franklin, New Jersey	1976	2008
Irvin Ackerson, 83 Director	Excavating Contractor Ackerson Contracting Co. Oak Ridge, New Jersey	1976	2007
Richard Branca, 58 Director	Owner/President, Bergen Engineering Company East Hanover, New Jersey	2005	2007
Terry Thompson, 59 Director	President and Chief Operations Officer of the Bank	2001	2007

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

The Company encourages all directors to attend the Company's annual meeting. All of the Company's directors were able to attend the 2005 annual meeting.

Board of Directors' Meetings

Pursuant to the New Jersey Business Corporation Act and the Company's by-laws, the Company's business and affairs are managed under the direction of the Board of Directors. The Board of Directors of the Company held five meetings during 2005. All of the directors of the Company attended at least 75% of the total number of Board meetings and committee meetings held during 2005. A majority of the board consists of individuals who are "independent" under the American Stock Exchange listing standards (the "AMEX listing standards").

Shareholders Communications to the Board of Directors

Shareholders wishing to communicate with the independent members of the Board of Directors may send correspondence to P.O. Box 965, Branchville, New Jersey 07826. All correspondence will go directly to the Chairman of our Audit Committee.

Code of Conduct

The Board of Directors has adopted a Code of Conduct governing the company's Chief Executive Officer and senior financial officers, as well as the Board of Directors, officers and employees of the Company, as required by the Sarbanes-Oxley Act, SEC regulations and the AMEX listing standards. The Code of Conduct governs such matters as conflicts of interest, use of corporate opportunity, confidentiality, compliance with law and the like. A copy of the Code of Conduct has been filed as an exhibit to our annual report on Form 10-KSB.

Committees of the Board

During 2005, the Board of Directors maintained an Audit Committee, a Compensation Committee and a Nominating Committee.

Nominating Committee

The members of the Nominating Committee for 2005 were Edward Leppert, Joel D. Marvil and Richard W. Scott. Each member of the Nominating Committee is independent; as such term is defined in the AMEX listing standards. The purpose of the Committee is to assess Board composition, size, additional skills and talents needed, and make recommendations to the Board regarding those assessments. The Committee determines 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 P.O. Box 965, Branchville, New Jersey 07826. Any nomination for director should be received by the Secretary on or before November 29, 2006. Nominees should have a minimum of education, 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, a copy of was filed as Exhibit A to our 2005 Proxy Statement.

Audit Committee

The Company's Audit Committee consisted during 2005 of Directors Patrick Brady, Richard Branca, Edward J. Leppert (Chairman), Joel D. Marvil and Richard W. Scott. The Audit Committee met five times during 2005. All Directors who served on the Audit Committee during 2005 are "independent" for purposes of the AMEX 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 in SEC Regulation S-B Item 401(e).

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.

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.

The Board has adopted a written charter for the Audit Committee setting forth the audit related functions the Audit Committee is to perform, its structure and membership requirements, all in compliance with the requirements of the Sarbanes-Oxley Act, SEC regulations and the Amex Listing Standards. A copy of the Audit Committee Charter was filed as Exhibit B to the Company's proxy statement for the 2005 Annual Meeting.

In connection with this year's financial statements, the Audit Committee has reviewed and discussed the Company's 2005 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 Statements on Auditing Standards 61, 89 and 90 (Communication with Audit Committees), as amended or supplemented, which include, among other items, matters related to the conduct of the audit of the Company's financial statements. 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-KSB for the fiscal year ended December 31, 2005 for filing with the U.S. Securities and Exchange Commission.

Patrick Brady
Richard Branca

Edward J. Leppert (Chairman)
Joel D. Marvil
Richard W. Scott

Compensation Committee

The Company maintains a Compensation Committee which sets the compensation for the executive officers of the Company. In 2005, the Compensation Committee consisted of Directors Richard Branca, Edward Leppert, Joel D. Marvil (Chairman), Irvin Ackerson, and Mark J. Hontz, all of whom are independent under the AMEX Listing Standards. In 2005, the Compensation Committee met once.

Compensation of Directors

During 2005, Directors of the Bank who were not full-time employees of the Bank received a fee of \$500 for each regular monthly Bank Board meeting or special Bank Board meeting attended, and \$100 for each committee meeting attended. Each member of the Bank's loan committee received \$500 per meeting in 2005. In addition, Directors of the Company received an annual retainer of \$5,000 each. Members of the Audit Committee receive an additional fee of \$1,000 per Audit Committee meeting, and the Chairman will receive \$1,500 per meeting.

The Company maintains the 1995 Stock Option Plan for Non-Employee Directors (the "Non-Employee Plan), the purpose of which is to assist the Company in attracting and retaining qualified persons to serve as members of the Board of Directors. Under the Non-Employee Plan, options may be granted at exercise prices which may not be less than the fair market value of the Common Stock on the date of grant. As of December 31, 2005, 20,307 options were outstanding under this plan and there were no authorized shares available for grant.

In addition, members of the Board of Directors are eligible to participate in the 2001 Stock Option Plan. Under the 2001 Stock Option Plan, options to purchase up to a total of 165,000 shares of Common Stock may be granted. Pursuant to the terms of the 2001 Stock Option Plan, options which qualify as incentive stock options under the Internal Revenue Code of 1986 must be granted at an exercise price of no less than 100% of the then current fair market value of the Common Stock, and options which are nonstatutory options may be granted at an exercise price no less than 85% of the then current fair market value of the Common Stock.

Members of the Board of Directors are also eligible to participate in the 2004 Equity Incentive Plan. Up to 200,000 shares of Common Stock may be issued pursuant to awards granted under the 2004 Equity Incentive Plan. Pursuant to the terms of the 2004 Equity Incentive Plan, options which qualify as incentive stock options under the Internal Revenue Code of 1986 must be granted at an exercise price of no less than 100% of the then current fair market value of the Common Stock, and options which are nonstatutory options may be