

FULTON FINANCIAL CORP
Form DEF 14A
April 02, 2007

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 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the
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- Definitive Proxy Statement
- Definitive Additional Materials

FULTON FINANCIAL CORPORATION

(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)(4) and 0-11.

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**P.O. Box 4887
One Penn Square
Lancaster, Pennsylvania 17604**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MONDAY, MAY 7, 2007**

TO THE SHAREHOLDERS OF FULTON FINANCIAL CORPORATION:

NOTICE IS HEREBY GIVEN that, pursuant to the call of its directors, the regular Annual Meeting of the shareholders of FULTON FINANCIAL CORPORATION will be held on Monday, May 7, 2007, at 12:00 noon, at the Hershey Lodge and Convention Center, West Chocolate Avenue and University Drive, Hershey, Pennsylvania, for the purpose of considering and voting upon the following matters:

1. ELECTION OF DIRECTORS. To elect three directors for the terms specified.
2. EMPLOYEE STOCK PURCHASE PLAN. To approve a proposal adopted by the Board of Directors to amend the Employee Stock Purchase Plan for the purpose of increasing by 1,500,000 shares the number of shares of common stock for which options may be granted under the Employee Stock Purchase Plan.
3. OTHER BUSINESS. To consider such other business as may properly be brought before the meeting and any adjournments thereof.

Only those shareholders of record at the close of business on March 19, 2007, shall be entitled to be given notice of, and to vote at, the meeting.

It is requested that you promptly execute the enclosed Proxy and return it in the enclosed postpaid envelope. Alternatively, you may vote by telephone or electronically through the Internet by following the instructions on the proxy card. **You are cordially invited to attend the meeting, but you must RSVP that you will attend. Please see the proxy card for more information.** Your Proxy is revocable and may be withdrawn at any time before it is voted at the meeting.

A copy of the Annual Report on Form 10-K of Fulton Financial Corporation is also enclosed.

Sincerely,
George R. Barr, Jr.
Secretary

Enclosures
April 2, 2007

PROXY STATEMENT

Dated and To Be Mailed on or about: April 2, 2007

**P.O. Box 4887, One Penn Square
Lancaster, Pennsylvania 17604
(717) 291-2411**

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 7, 2007

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GENERAL

Introduction

Fulton Financial Corporation, a Pennsylvania business corporation and registered financial holding company, was organized pursuant to a plan of reorganization adopted by Fulton Bank and implemented on June 30, 1982. On that date, Fulton Bank became a wholly owned subsidiary of Fulton Financial Corporation and the shareholders of Fulton Bank became shareholders of Fulton Financial Corporation. Since that time, Fulton Financial Corporation has acquired other banks and currently owns the following subsidiary banks: Delaware National Bank, FNB Bank, N.A., Fulton Bank, Hagerstown Trust Company, Lafayette Ambassador Bank, Lebanon Valley Farmers Bank, The Peoples Bank of Elkton, Resource Bank, Skylands Community Bank, Somerset Valley Bank, Swineford National Bank, The Bank, and The Columbia Bank.

In addition, Fulton Financial Corporation has several direct, non-banking subsidiaries including: Fulton Financial Advisors, National Association (which offers fiduciary and investment services), Fulton Insurance Services Group, Inc. (which operates an insurance agency selling life insurance and related insurance products), Fulton Financial Realty Company (which owns or leases certain properties on which certain branch and operational facilities are located), Fulton Reinsurance Company, Ltd. (which reinsures credit life, health and accident insurance that is directly related to extensions of credit by subsidiary banks of Fulton Financial Corporation), Central Pennsylvania Financial Corp. (which owns, directly or indirectly, certain limited partnership interests, principally in low-moderate income and elderly housing projects), and FFC Management, Inc. (which holds certain investment securities and corporate owned life insurance policies).

RSVP, Date, Time and Place of Meeting

The regular annual meeting of the shareholders of Fulton Financial Corporation (Annual Meeting) will be held on Monday, May 7, 2007, at 12:00 noon, at the Hershey Lodge and Convention Center, West Chocolate Avenue

and University Drive, Hershey, Pennsylvania. You are cordially invited to attend the Annual Meeting, but you must RSVP that you will attend on your proxy card.

The meeting to which this Proxy Statement relates will be the twenty-fifth Annual Meeting of the shareholders of Fulton Financial Corporation. Attendance at the Annual Meeting will be limited to shareholders as of the Record Date, their authorized representatives and guests of Fulton Financial Corporation.

Shareholders Entitled to Vote

Only those shareholders of record at the close of business on March 19, 2007 (the "Record Date") shall be entitled to receive notice of, and to vote at, the meeting.

Purpose of Meeting

The shareholders will be asked to consider and vote upon the following matters at the meeting: (i) to elect three directors for the terms specified herein; (ii) to approve a proposal by the Board of Directors to amend the Employee Stock Purchase Plan for the purpose of increasing by 1,500,000 shares the number of shares of common stock for which options may be granted under the Employee Stock Purchase Plan; and (iii) to consider and vote upon such other business as may be properly brought before the meeting and any adjournments thereof.

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation of proxies, in the accompanying form, by the Board of Directors of Fulton Financial Corporation for use at the Annual Meeting of shareholders to be held at 12:00 noon on Monday, May 7, 2007, and any adjournments thereof.

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Revocability and Voting of Proxies

The execution and return of the enclosed proxy will not affect a shareholder's right to attend the Annual Meeting and to vote in person. A shareholder may revoke any proxy given pursuant to this solicitation by delivering written notice of revocation to George R. Barr, Jr., Secretary of Fulton Financial Corporation, at any time before the proxy is voted at the Annual Meeting. Unless revoked, any proxy given pursuant to this solicitation will be voted at the meeting in accordance with the instructions thereon of the shareholder giving the proxy. In the absence of instructions, all proxies will be voted FOR the election of the three nominees identified in this Proxy Statement and FOR the amendment of the Employee Stock Purchase Plan. Although the Board of Directors knows of no other business to be presented, in the event that any other matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors of Fulton Financial Corporation.

Shares held for the account of shareholders who participate in the Dividend Reinvestment and Stock Purchase Plan and for the account of employees who participate in the Employee Stock Purchase Plan will be voted in accordance with the instructions of each shareholder as set forth in his or her proxy. If a shareholder who participates in these plans does not return a proxy, the shares held for the shareholder's account will not be voted.

Shares held for the account of employees of Fulton Financial Corporation and its subsidiaries who participate in the Fulton Financial Stock Fund of the Fulton Financial Corporation Profit Sharing Plan and Affiliate 401(k) Savings Plan will be voted by Fulton Financial Advisors, National Association (the "Plan Trustee") in accordance with the instructions of each participant as set forth in the separate voting instruction card sent to the participant with respect to such shares. To allow sufficient time for the Plan Trustee to vote, participants' voting instructions must be received by April 27, 2007. Shares held under the Fulton Financial Stock Fund with respect to which no voting instructions are received by April 27, 2007, will be voted by the Plan Trustee FOR the election of the three nominees identified in the Proxy Statement and FOR the amendment of the Employee Stock Purchase Plan.

Voting of Shares and Principal Holders Thereof

At the close of business on March 19, 2007, which is the Record Date for determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments thereof, Fulton Financial Corporation had 173,017,944 shares of common stock outstanding and entitled to vote. There is no other class of stock outstanding. As of the Record Date, 3,426,088 shares of Fulton Financial Corporation common stock were held by Fulton Financial Advisors, National Association, a subsidiary of Fulton Financial Corporation, as sole fiduciary. The shares held by Fulton Financial Advisors, National Association as sole fiduciary represent, in the aggregate, approximately 1.98 percent of the total shares outstanding and will be voted FOR the election of the three nominees identified in this Proxy Statement and FOR the amendment of the Employee Stock Purchase Plan.

A majority of the outstanding common stock present in person or by proxy constitutes a quorum for the conduct of business. The judge of election will treat shares of Fulton Financial Corporation common stock represented by a properly signed and returned proxy as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the judge of election will treat shares of common stock represented by broker non-votes (i.e., shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable rules of the National Association of Securities Dealers, Inc. or the instrument under which it serves in such capacity, and (iii) the record holder has indicated on the proxy or otherwise notified Fulton Financial Corporation that it does not have authority to vote such shares on that matter) as present for purposes of determining a quorum.

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Each share is entitled to one vote on all matters submitted to a vote of the shareholders. A majority of the votes cast at a meeting at which a quorum is present is required in order to approve any matter submitted to a vote of the shareholders, except in cases where the vote of a greater number of shares is required by law or under Fulton Financial Corporation's Articles of Incorporation or Bylaws.

In the case of the election of directors, the three candidates receiving the highest number of votes cast at the Annual Meeting shall be elected to the Board of Directors. Abstentions and broker non-votes will be counted as shares that are present at the meeting, but will not be counted as votes cast on the election of directors. Abstentions and broker non-votes will have no effect on the director election since only votes cast will be counted. A majority of the votes cast is necessary to approve the amendment of the Employee Stock Purchase Plan. Abstentions and broker non-votes will be counted as shares that are present at the meeting, but will not be counted as votes cast on the proposal to amend the Employee Stock Purchase Plan. Therefore, abstentions and broker non-votes will have no effect on the amendment of the Employee Stock Purchase Plan.

To the knowledge of Fulton Financial Corporation, no person or entity owned of record or beneficially on the Record Date more than five percent of the outstanding common stock of Fulton Financial Corporation.

Recommendation of the Board of Directors

The Board of Directors recommends that the shareholders vote FOR the election of the three nominees identified in this Proxy Statement and FOR the proposal to amend the Employee Stock Purchase Plan.

Shareholder Proposals

Shareholder proposals intended to be presented at the 2008 Annual Meeting must be received at the executive offices of Fulton Financial Corporation at One Penn Square, Lancaster, Pennsylvania not later than December 4, 2007, in order to be included in the proxy statement and proxy form to be prepared by Fulton Financial Corporation in connection with the 2008 Annual Meeting. A shareholder may not submit more than one proposal, and the proposal, including any accompanying supporting statement, may not exceed 500 words.

In order to be eligible to submit a proposal, a shareholder must have continuously held at least \$2,000 in market value of Fulton Financial Corporation common stock for at least one year before the date the proposal is submitted. The shareholder must continue to hold that stock through the date of the 2008 Annual Meeting.

Any shareholder submitting a shareholder proposal to Fulton Financial Corporation must also provide Fulton Financial Corporation with a written statement verifying ownership of stock and confirming the shareholder's intention to continue to hold the stock through the date of the 2008 Annual Meeting. The shareholder, or a qualified representative, must attend the 2008 Annual Meeting to present the proposal.

Contacting the Board of Directors

Any shareholder of Fulton Financial Corporation who desires to contact the Board of Directors may do so by writing to: Board of Directors, Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, PA 17604. These written communications will be provided to the Chair of the Executive Committee of the Board of Directors who will determine further distribution based on the nature of the information in the communication. For example, communications concerning accounting, internal accounting controls or auditing matters will be shared with the Chair of the Audit Committee of the Board of Directors.

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Code of Conduct

Fulton Financial Corporation has had a Code of Conduct ("Code") for two decades that governs the conduct of its directors, officers and employees. The Code was revised in 2004 to comply with the requirements of the Sarbanes-Oxley Act of 2002 and NASDAQ listing standards, and Fulton Financial Corporation provides the Code to each director, officer and employee. In 2006, Fulton Financial Corporation updated the Code to include a new process for filing anonymous complaints and to make other minor changes. A copy of the Code can be obtained, without cost, by writing to the Corporate Secretary at: Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, PA 17604. The Code is also posted and available on Fulton Financial Corporation's website at www.fult.com.

SELECTION OF DIRECTORS

General Information

The Bylaws of Fulton Financial Corporation provide that the Board of Directors shall consist of not less than two nor more than thirty-five persons and that the directors shall be classified with respect to the time they shall severally hold office by dividing them into three classes, each consisting as nearly as possible of one-third of the number of the whole Board of Directors. The Bylaws do not require exact equality in the number of directors in each class. The Bylaws further provide that the directors of each class shall be elected for a term of three years, so that the term of office of one class of directors shall expire at the Annual Meeting each year. The Bylaws provide that the Board of Directors shall determine the number of directors in each class of directors.

A majority of the Board of Directors may increase the number of directors between meetings of the shareholders. Any vacancy occurring in the Board of Directors, whether due to an increase in the number of directors, resignation, retirement, death or any other reason, may be filled by appointment by the remaining directors. Any director who is appointed to fill a vacancy shall hold office until the next Annual Meeting of the shareholders and until a successor is elected and shall have qualified. There is a mandatory retirement provision in the Bylaws, which states that the office of a director shall be considered vacant at the Annual Meeting of shareholders next following the director attaining the age of 70 years.

Procedure for Shareholder Nominations

Section 3 of Article II of the Bylaws of Fulton Financial Corporation requires that nominations, other than those made by the Nominating Committee of the Board of Directors, shall be made in writing and shall be delivered or mailed to the Chief Executive Officer not less than the earlier of (a) one hundred twenty (120) days prior to any meeting of shareholders called for the election of directors or (b) the deadline for submitting shareholder proposals for inclusion in a proxy statement and form of proxy as calculated under Rule 14a-8(e)

promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (or any successor provision thereto). The notice to the Chief Executive Officer of a nomination, other than one made by the Nominating Committee, shall set forth (i) the name, age, business address and residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of Fulton Financial Corporation that are beneficially owned by each such nominee and (iv) a statement of qualifications of the recommended nominee and a letter from the nominee affirming that he or she will agree to serve as a director of Fulton Financial Corporation if elected by the shareholders. The chairman of the meeting shall determine whether nominations have been made in accordance with the requirements of this Section and, if the chairman determines that a nomination is defective, the nomination and any votes cast for the nominee shall be disregarded.

Director Qualifications

In considering any individual nominated for board membership, Fulton Financial Corporation considers a variety of factors, including whether the candidate is recommended by executive management; the individual's professional and personal qualifications, including business experience, education and community and charitable activities; and the individual's familiarity with the communities in which Fulton Financial Corporation is located or is seeking to locate. In 2004, the Board of Directors formed the Nominating Committee of the Board, whose members are independent and are responsible for recommending director nominees to the Board of Directors. The charter for the Nominating Committee is posted and available on Fulton Financial Corporation's website at www.fult.com.

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ELECTION OF DIRECTORS

General Information

The Board of Directors has fixed the number of directors at fourteen as of May 7, 2007. There are eleven continuing directors whose terms of office will expire at either the 2008 Annual Meeting or the 2009 Annual Meeting. The Board of Directors has nominated the following persons for election to the Board of Directors for the term specified below:

For a Term of Three Years - Class of 2010

Donald M. Bowman, Jr.
George W. Hodges
John O. Shirk

Each of the above nominees is presently a director of Fulton Financial Corporation. Following the recommendation of the Nominating Committee, the Board of Directors approved their nomination at a meeting of the Board of Directors. The Board of Directors recommends that the shareholders vote FOR the election of the three nominees listed above.

In the event that any of the foregoing nominees is unable to accept nomination or election, any proxy given pursuant to this solicitation will be voted in favor of such other persons as the Board of Directors of Fulton Financial Corporation may recommend. However, the Board of Directors has no reason to believe that any of its nominees will be unable to accept nomination or to serve as a director if elected.

Vote Required

The three candidates receiving the highest number of votes cast at the Annual Meeting shall be elected to the Board of Directors. Abstentions and broker non-votes will be counted as shares that are present at the Annual Meeting, but will not be counted as votes cast on the election of directors.

Recommendation of The Board of Directors

The Board of Directors recommends that the shareholders vote FOR the election of the three nominees identified in this Proxy Statement.

Information about Nominees, Continuing Directors and Independence Standards

Information concerning the three persons nominated by the Board for election to the Board of Directors of Fulton Financial Corporation at the 2007 Annual Meeting and concerning the other continuing directors is set forth below, including whether they were determined by the Board of Directors to be independent for purposes of the NASDAQ listing standards.

Fulton Financial Corporation is a NASDAQ listed company and follows the NASDAQ listing standards for Board and committee independence. At its January 2007 meeting, the Board of Directors determined that ten of the Corporation's fourteen continuing directors were independent as defined in the applicable NASDAQ listing standards and pursuant to the definition contained in NASDAQ Stock Market Rule 4200(a)(15), including that each director is free of any relationships that would interfere with his or her individual exercise of independent judgment. In addition, members of the Audit Committee of the Board of Directors meet the more stringent requirements under the NASDAQ listing standards. The Board of Directors considered the relationships and other arrangements, if any, with each director when director independence was reviewed, including Fulton Financial Corporation's relationships with the law firms with which Directors Shirk and Dally are affiliated. The other types of relationships and transactions that were reviewed are more fully described in "Related Person Transactions with Directors and Executive Officers" on page 34.

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NOMINEES

CLASS OF 2010 (Three-Year Term)

DONALD M. BOWMAN, JR. (Independent Director), age 68. Director of Hagerstown Trust Company. Partner, Bowman Group (trucking and real estate business). Director since 1994.

GEORGE W. HODGES (Independent Director), age 56. Director, The Wolf Organization, Inc. (distributors of lumber and building supplies). Mr. Hodges also serves as a director of Burnham Holdings, Inc. and York Water Company (NASDAQ: YORW), which is subject to the requirements of Section 15(d) of the Securities Exchange Act of 1934. Director since 2001.

JOHN O. SHIRK (Independent Director), age 63. Director of Fulton Bank. Of Counsel, Barley Snyder LLC (law firm). Mr. Shirk also serves as a director of Eastern Insurance Holdings, Inc. (NASDAQ: EIHI), which is subject to the requirements of Section 15(d) of the Securities Exchange Act of 1934. Director since 1983.

CONTINUING DIRECTORS

CLASS OF 2008

JOHN M. BOND, Jr., age 63. Chairman of the Board, The Columbia Bank. Mr. Bond was Chief Executive Officer of The Columbia Bank until his retirement on December 31, 2006. Mr. Bond also serves as a director of the Federal Home Loan Bank of Atlanta. Director since 2006.

PATRICK J. FREER (Independent Director), age 57. Director of Lebanon Valley Farmers Bank. President, Strickler Insurance Agency, Inc. (insurance broker). Director since 1996.

CAROLYN R. HOLLERAN (Independent Director), age 68. Member of the Fulton Bank Great Valley Division Advisory Board. Retired Partner, Jerlyn Associates (real estate investments). Director since 1994.

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DONALD W. LESHER, JR. (Independent Director), age 62. Director of Lebanon Valley Farmers Bank. Retired President, Leshar Mack Sales and Service (truck dealership). Director since 1998.

ABRAHAM S. OPATUT, age 59. Chairman of the Board and Director of First Washington State Bank, which was merged into The Bank in February 2007, and Mr. Opatut is currently a Director of The Bank and a member of the First Washington Divisional Board. President, Colonial Marketing Associates (wholesale foods). Director since 2005.

GARY A. STEWART (Independent Director), age 59. Member of the Fulton Bank York Division Advisory Board. Partner, Stewart Associates (real estate developer). Director since 2001.

CLASS OF 2009

JEFFREY G. ALBERTSON (Independent Director), age 66. Director of The Bank. Attorney, Albertson Ward (law firm). Director since 1996.

CRAIG A. DALLY (Independent Director), age 50. Director of Lafayette Ambassador Bank. Attorney, Pierce & Dally, LLP (law firm). Mr. Dally is a member of the Pennsylvania House of Representatives, serving District 138. Director since 2000.

RUFUS A. FULTON, JR., age 66. Retired Chairman of the Board and Chief Executive Officer, Fulton Financial Corporation. Mr. Fulton also serves as a director of The Aerospace Corp., Burnham Holdings, Inc., High Real Estate Group, and Highmark, Inc. Director since 1984.

WILLEM KOOYKER (Independent Director), age 64. Director of Somerset Valley Bank. Chairman and Chief Executive Officer, Blenheim Capital Management, LLC (investment management company). Director since 2005.

R. SCOTT SMITH, JR., age 60. Chairman of the Board, President and Chief Executive Officer, Fulton Financial Corporation. Mr. Smith also serves as a director of the American Bankers Association. Director since 2001.

Security Ownership of Directors, Nominees and Management

The following table sets forth the number of shares of common stock beneficially owned as of the Record Date by each director, nominee for director and the named executive officers. To the knowledge of Fulton Financial Corporation, no person or entity owned of record or beneficially on the Record Date more than five percent of the outstanding common stock of Fulton Financial Corporation. Unless otherwise indicated in a footnote, shares shown as beneficially owned by each nominee, continuing director or named executive officer are held either (i) individually by the person indicated, (ii) individually by the person's spouse or children living in the same household, (iii) jointly with the person's spouse or children living in the same household, or (iv) in the name of a bank, broker or nominee for the account of the person or the person's spouse. The directors, nominees and executive officers of Fulton Financial Corporation as a group owned of record and beneficially 5,668,236⁽¹⁾ shares of Fulton Financial Corporation common stock, representing 3.24 percent of such shares then outstanding. Shares representing less than one percent of the outstanding shares are shown with a "□" below.

Name of Beneficial Owner	Title	Number of Common Shares Beneficially Owned ^{(2) (3)}
Jeffrey G. Albertson	Director	230,341 ⁽⁴⁾
Richard J. Ashby, Jr.	Senior Executive Vice President	326,359 ⁽⁵⁾
John M. Bond, Jr.	Director	540,790 ⁽⁶⁾
Donald M. Bowman, Jr.	Nominee for Director	766,569 ⁽⁷⁾
Craig A. Dally	Director	169,807 ⁽⁸⁾
Patrick J. Freer	Director	70,505 ⁽⁹⁾

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Rufus A. Fulton, Jr.	Director	434,983 ⁽¹⁰⁾
George W. Hodges	Nominee for Director	9,463 ⁽¹¹⁾
Carolyn R. Holleran	Director	40,003 ⁽¹²⁾
Thomas W. Hunt	Director	442,854 ⁽¹³⁾
Willem Kooyker	Director	356,596 ⁽¹⁴⁾
Donald W. Leshner, Jr.	Director	149,902 ⁽¹⁵⁾
Charles J. Nugent	Senior Executive Vice President and Chief Financial Officer	375,657 ⁽¹⁶⁾
Abraham S. Opatut	Director	410,149 ⁽¹⁷⁾
John O. Shirk	Nominee for Director	52,153 ⁽¹⁸⁾
James E. Shreiner	Senior Executive Vice President	280,275 ⁽¹⁹⁾
R. Scott Smith, Jr.	Director and Chairman of the Board, President and Chief Executive Officer	467,345 ⁽²⁰⁾
Gary A. Stewart	Director	345,749 ⁽²¹⁾
E. Philip Wenger	Senior Executive Vice President	198,736 ⁽²²⁾
TOTAL OWNERSHIP	DIRECTORS AND OFFICERS AS A GROUP	5,668,236

Footnotes

- (1) Includes 1,672,869 shares issuable upon the exercise of vested stock options, which have been treated as outstanding shares for purposes of calculating the percentage of outstanding shares owned by directors and executive officers as a group.
- (2) As of the Record Date, none of the listed individuals had pledged Fulton Financial Corporation stock except for Mr. Bowman, who has pledged 407,468 shares in connection with a personal line of credit with another financial institution, and Mr. Stewart, who has pledged 122,997 shares in connection with a mortgage loan with another financial institution.
- (3) Fulton Financial Corporation does not have a qualifying share requirement for the Board of Directors or Senior Management.
-
- (4) Mr. Albertson's ownership includes 11,317 shares held in an IRA and 126,505 shares held jointly with his spouse. Also includes 11,555 shares held solely by his spouse and 940 shares in his spouse's IRA.
- (5) Mr. Ashby's ownership includes 9,195 shares held in Fulton Financial Corporation's Profit Sharing Plan and 220,099 shares which may be acquired pursuant to the exercise of vested stock options. Also includes 2,790 shares held jointly with his spouse and 43,977 shares held solely by his spouse.
- (6) Mr. Bond's ownership includes 294,501 shares which may be acquired pursuant to the exercise of stock options and 136,723 shares held solely by his spouse.
- (7) Mr. Bowman's ownership includes 8,373 shares held in an IRA, 36,252 shares held jointly with his spouse, 31,539 shares held solely by his spouse and 8,374 shares in his spouse's IRA. Also includes 205,934 shares held by Bowman Sales & Equipment, Inc.
- (8) Mr. Dally's ownership includes 9,916 shares held in an IRA, 3,396 shares held jointly with his spouse and 18,028 shares held as custodian for his children.

- (9) Mr. Freer's ownership includes 23,306 shares held jointly with his spouse and 256 shares held solely by his spouse. Also includes 46,943 shares held by Strickler Insurance Agency, Inc. Mr. Freer disclaims beneficial ownership of any of these shares beyond his pro rata interest in the company.
- (10) Mr. Fulton's ownership includes 8,232 shares held solely by his spouse. Mr. Fulton disclaims any beneficial ownership in the 8,232 shares held by his spouse. Also includes 57,673 shares held in Fulton Financial Corporation's Profit Sharing Plan and 184,851 shares which may be acquired pursuant to the exercise of vested stock options.
- (11) Mr. Hodge's ownership includes 8,103 shares which may be acquired pursuant to the exercise of stock options.
- (12) Mrs. Holleran's 40,003 shares are held in a revocable trust.
- (13) Mr. Hunt has decided to not stand for reelection as a director and his term as a director will end on May 7, 2007 at the Annual Meeting. Mr. Hunt's ownership includes 224,000 shares held solely by his spouse. Also includes 119,188 shares held in trust for his children and 49,422 shares which may be acquired pursuant to the exercise of vested stock options.
- (14) Mr. Kooyker's ownership includes 194,911 shares held jointly with his spouse and 161,685 shares held in trusts for his children.
- (15) Mr. Leshner's ownership includes 9,040 shares held in an IRA, 42,758 shares held jointly with his spouse and 5,425 shares held solely by his spouse.
- (16) Mr. Nugent's ownership includes 55,078 shares held solely by his spouse. Also includes 25,972 shares held in Fulton Financial Corporation's Profit Sharing Plan, 11,383 shares held in an IRA and 273,837 shares which may be acquired pursuant to the exercise of vested stock options.
- (17) Mr. Opatut's ownership includes 46,681 shares held in various IRA accounts, 188,122 shares held jointly with his spouse and 5,095 shares held solely by his spouse. Also includes 64,060 shares owned by a limited liability company of which Mr. Opatut is a managing member.
- (18) Mr. Shirk's ownership includes 17,131 shares held solely by his spouse and 3,618 shares held as custodian for his child. Also includes 3,256 shares held in a trust.
- (19) Mr. Shreiner's ownership includes 101,145 shares held jointly with his spouse and 179,130 shares which may be acquired pursuant to the exercise of vested stock options.
- (20) Mr. Smith's ownership includes 287 shares held solely by his child. Also includes 18,956 shares held in Fulton Financial Corporation's Profit Sharing Plan and 318,261 shares which may be acquired pursuant to the exercise of vested stock options.
- (21) Mr. Stewart's ownership includes 89,635 shares held in a grantor retained annuity trust and 89,283 shares held in the Stewart

Foundation. Mr. Stewart disclaims beneficial ownership of any of these shares beyond his pro rata interest in the Foundation.

(22) Mr. Wenger's ownership includes 34,383 shares held jointly with his spouse, 17,021 shares held in Fulton Financial Corporation's Profit Sharing Plan and 144,665 shares which may be acquired pursuant to the exercise of vested stock options. Also includes 2,228 shares held in Fulton Financial Corporation's Profit Sharing Plan for his spouse and 436 shares held as custodian for his children.

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INFORMATION CONCERNING COMPENSATION

Named Executive Officers

The following persons are the named executive officers of Fulton Financial Corporation for this proxy statement: (1)

Name	Age	Office Held and Term of Office
R. Scott Smith, Jr.	60	Chairman of the Board, President and Chief Executive Officer of Fulton Financial Corporation since January 2006; previously President and Chief Operating Officer of Fulton Financial Corporation from 2001 to 2005; and Executive Vice President of Fulton Financial Corporation and Chairman, President and Chief Executive Officer of Fulton Bank from 1998 to 2001.
Charles J. Nugent	58	Senior Executive Vice President and Chief Financial Officer of Fulton Financial Corporation since January 2001; previously Executive Vice President and Chief Financial Officer of Fulton Financial Corporation from 1992 to 2001.
Richard J. Ashby, Jr.	62	Senior Executive Vice President of Fulton Financial Corporation since January 2006 and Chairman and Chief Executive Officer of Fulton Financial Advisors, National Association since October 2006; previously Executive Vice President of Fulton Financial Corporation and Chairman and Chief Executive Officer of Fulton Bank from 2003 to 2005; Chairman, President and Chief Executive Officer of Fulton Bank; President and Chief Operating Officer of Fulton Bank from 1999 to 2003; and Chairman of the Board, President and Chief Executive Officer of Lafayette Ambassador Bank from 1991 to 1999.
James E. Shreiner	57	Senior Executive Vice President of Fulton Financial Corporation since January 2006; previously Executive Vice President of Fulton Financial Corporation and Executive Vice President of Fulton Bank from 2000 to 2005.

E. Philip Wenger	49	Senior Executive Vice of Fulton Financial Corporation since January 2006 and Chairman of Fulton Bank since October 2006; previously Chairman and Chief Executive Officer of Fulton Bank from January 2006 to October 2006; President and Chief Operating Officer of Fulton Bank from 2003 to 2006; and Senior Executive Vice President the Lancaster, York and Chester Counties Division of Fulton Bank from 2001 to 2003.
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(1) Craig H. Hill, age 52, Senior Executive Vice President of Fulton Financial Corporation - Human Resources since November 2005 and Executive Vice President/Director of Human Resources from 1992 to November 2005, is a Fulton Financial Corporation executive officer, but is not required to be included as a named executive officer in this proxy statement and thus is not included in compensation tables or other parts of this document.

Compensation Discussion and Analysis

Introduction and Overview

Objectives. The primary objectives of the Fulton Financial Corporation executive compensation program are to:

- Provide a competitive level of executive compensation;
- Provide compensation that promotes Fulton Financial Corporation's fundamental business objectives and strategy;
- Provide executives with forms of compensation, including equity compensation, that align the interests of management with Fulton Financial Corporation's shareholders;
- Provide appropriate allocations between short-term and long-term compensation and equity and non-equity compensation; and
- Improve Fulton Financial Corporation's ability to attract and retain key executive talent as it continues to grow outside of its historical footprint into more competitive markets.

Committee Membership and Role. Each member of the Executive Compensation Committee (the "Compensation Committee") qualifies as an independent director under the NASDAQ listing standards. The Compensation Committee is currently comprised of five independent directors, including a committee Chair and Vice Chair, all of whom are elected annually by Fulton Financial Corporation's Board of Directors. There are no interlocking relationships, as defined in the regulations of the Securities and Exchange Commission (the "SEC"), involving members of the Compensation Committee. For a further discussion on director independence, see the "Information about Nominees, Continuing Directors and Independence Standards" section on page 5 of this proxy statement.

Pursuant to its charter, which is available on Fulton Financial Corporation's website at www.fult.com, the role of the Compensation Committee is to assist the Board of Directors of Fulton Financial Corporation in evaluating and setting salaries, bonuses and other compensation of Messrs. Smith, Ashby, Nugent, Shreiner and Wenger (the "Senior Management" or the "Executives" and individually the "Executive"), to administer Fulton Financial Corporation's equity and other compensation plans (except those plans in which all employees may participate), and to take such other actions, within the scope of its charter, as the Compensation Committee deems necessary and appropriate.

The Compensation Committee has the power to appoint subcommittees, but no subcommittee has any final decision-making authority on behalf of the Compensation Committee or the Board. The Compensation Committee relies upon such performance data, statistical information and other data regarding executive compensation programs, including information provided by Fulton Financial Corporation's Human Resources Department, Fulton Financial Corporation's officers and outside advisors, as it deems appropriate. The Compensation Committee has unrestricted access to individual members of management and employees and may ask them to attend any committee meeting or to meet with any members of the Compensation Committee. The Compensation Committee has the power and discretion to retain, at Fulton Financial Corporation's expense, such independent counsel and other advisors and experts as it deems necessary or appropriate to carry out its duties.

Fulton Financial Corporation's compensation program is a continuing process throughout the year, and the Compensation Committee meets as often and at such times as the Chair or the Vice Chair (in the absence of the Chair) or a majority of the Committee determines. A special meeting of the Committee may be called by the Chair or the Vice Chair (in the absence of the Chair) or upon the request of any two Committee members to discuss compensation matters.

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Management plays a significant role in recommending agenda items for these meetings and by gathering and producing information for committee meetings. As requested, the Chief Executive Officer and other members of Senior Management participate in committee meetings to provide background information, compensation recommendations, performance evaluations and other items requested by the Chair or the other members of the Compensation Committee.

Compensation Philosophy. The overall compensation program is designed to enable Fulton Financial Corporation to achieve the compensation objectives listed above. For 2006, the Board of Directors determined the compensation for Senior Management of Fulton Financial Corporation after receiving recommendations from the Compensation Committee based upon external salary comparisons of certain peer institutions and individual performance. Fulton Financial Corporation's executive compensation program is based, to a significant degree, on peer information, because the Compensation Committee believes that Fulton Financial Corporation must offer competitive compensation in order to recruit and retain qualified executive officers. The Compensation Committee endorses the philosophy that executive compensation should reflect Fulton Financial Corporation's overall performance and the contribution of its Executives to that performance. The executive compensation program is designed to support Fulton Financial Corporation's core values and strategic objectives.

Use of Consultants. The Compensation Committee retained an external compensation consultant, the Hay Group, in 2005 and 2006 to review certain aspects of executive compensation and obtain recommendations for updates to Fulton Financial Corporation's compensation programs. This included a base salary review and assistance with the creation of a new performance based bonus plan. Compensation reviews like this one cover in detail only those individuals for whom compensation information is disclosed publicly. As a result, these studies typically include only the most highly compensated members of a company's senior management. The overall results of this information provided the starting point for the Compensation Committee analysis. Several of these recommendations were implemented in 2006, including new employment agreements with Senior Management and a variable bonus compensation plan (Variable Compensation Bonus Plan) that are both described in more detail below.

Evaluation of Executives. In making recommendations to the Board of Directors regarding the appropriate levels of executive compensation for 2006, the Compensation Committee considered the individual performance factors established for each Executive under the Variable Compensation Bonus Plan. With regard to the compensation paid to the Executives other than the Chief Executive Officer, the Compensation Committee considered its own perceptions of the performance of each Executive, and reviewed information provided by the Chief Executive Officer as to each executive officer's level of individual performance, attainment of performance goals, contribution to the organization, and salary history during the past four years. With regard to the compensation paid to the Chief Executive Officer, the Compensation Committee considered his performance level, attainment of performance goals, results of management decisions made by the Chief Executive Officer, the earnings of Fulton Financial Corporation during the previous year and other factors. The Compensation Committee reviewed the amounts payable under each individual element of compensation as well as in the aggregate for each member of Senior Management and concluded that the individual elements of, and total aggregate, compensation paid to each Executive were appropriate.

Use of Peer Groups. The Compensation Committee has used peer groups of different bank holding companies over the last few years for purposes of making a comparative analysis of compensation of Fulton Financial Corporation and its peers and for other compensation program purposes. The peer group includes bank holding companies that are members of the peer group used by Fulton Financial Corporation for purposes of the Performance Graph included in the 2006 Annual Report (the "Performance Peer Group") and is also used to determine the annual option awards as discussed below. The Performance Peer Group includes bank holding companies that, at the time of selection in 2004, were comparable to Fulton Financial Corporation in terms of asset size, although they were not necessarily comparable in terms of financial performance.

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For the evaluation of the base salaries of the Executives, the Hay Group developed a second, smaller peer group (the "Comparator Peer Group"), which consists of several of the members from the Performance Peer Group plus other financial service companies. The Comparator Peer Group members were selected because each had a median total asset size of approximately \$15.5 billion, similar to Fulton Financial Corporation based on 2006 data, and were closer geographically or in other respects comparable to Fulton Financial Corporation. The Comparator Peer Group was used to determine competitive compensation for executives in organizations similar in size and scope to Fulton Financial Corporation. When a peer group member announces that it is being acquired, it is either deleted from the Performance Peer Group and Comparator Peer Group, or replaced, as appropriate. The current members of two peer groups are:

Peer Group Table*

Peer Group Member (Stock Symbol)	Performance	Comparator
Associated Bancorp (ASBC)	X	X
Bancorp South, Inc. (BXS)	X	
Bank of Hawaii Corporation (BOH)	X	
BOK Financial Corporation (BOKF)	X	
Citizens Banking Corporation (CBCF)	X	
City National Corporation (CYN)	X	
The Colonial BancGroup, Inc. (CNB)	X	
Commerce Bancorp, Inc. (CBH)		X
Commerce Bancshares, Inc. (CBSH)	X	X
Compass Bancshares, Inc. (CBSS)		X
Cullen/Frost Bankers, Inc. (CFR)	X	
First Citizens BancShares, Inc. (FCNCA)	X	X
First Horizon National Bank (FHN)		X
First Midwest Bancorp, Inc. (FMBI)	X	
First Republic Bank (FRC)	X	
FirstMerit Corporation (FMER)	X	
Greater Bay Bancorp (GBBK)	X	
International Bancshares Corporation (IBOC)	X	
Mercantile Bankshares Corp. (MRBK)	X**	X
Northwest Bancorp, Inc. (NWSB)		X
Old National Bancorp (ONB)	X	
Sky Financial Group, Inc. (SKYF)	X**	X
The South Financial Group, Inc. (TSFG)	X	X
Susquehanna Bancshares, Inc. (SUSQ)	X	X
TCF Financial Corporation (TCB)	X	X
Trustmark Corporation (TRMK)	X	
UMB Financial Corporation (UMBF)	X	
United Bankshares, Inc. (UBSI)	X	X
Valley National Bancorp (VLY)	X	
Webster Financial Corp. (WBS)		X

Whitney Holding Corporation (WTNY)	X	
Wilmington Trust Corporation (WL)	X	X

*Members as of 12/31/2006.

** Were members of the 2006 Performance Peer Group, but deleted for 2007 because Mercantile was acquired by PNC and Sky Financial Group Inc. is in the process of being acquired by Huntington Bancshares.

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Elements of Executive Compensation

The Fulton Financial Corporation compensation review process consists of establishing targeted overall compensation for each member of Senior Management and then allocating that compensation among base salary, incentive compensation and equity awards. The Compensation Committee determined the amount of each type of compensation for Senior Management by reviewing publicly available information regarding other companies for base salary; by assessing possible demand for the Executives by competitors and other companies; by evaluating the compensation appropriate to attract executives to Lancaster, Pennsylvania; by consulting with outside compensation consulting firms; and by consulting with the Chief Executive Officer with respect to the other Executives. After the Variable Compensation Bonus Plan was introduced, and based on the January 2007 review of base salaries, the Compensation Committee concluded that Fulton Financial Corporation's program was well balanced between cash, non-cash and incentive elements and that the base salaries of the Executives were generally appropriate. Under Fulton Financial Corporation's compensation structure, the mix of base salary, bonus and equity compensation varies depending upon the Executive's level. Fulton Financial Corporation does not have a policy with regard to the allocation between cash and non-cash compensation. In allocating compensation among these elements, Fulton Financial Corporation believes that the compensation of Senior Management, the level of management having the greatest ability to influence Fulton Financial Corporation's performance, should be predominately performance-based, while lower levels of management should receive a greater portion of their compensation in base salary.