

NBT BANCORP INC  
Form DEF 14A  
March 31, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934 (Amendment No. )

Filed by Registrant  p

Filed by Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- p Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

NBT Bancorp Inc.

(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):

p No fee required.

o 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:

(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:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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NBT Bancorp Inc.

52 South Broad Street  
Norwich, New York 13815

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NBT Bancorp Inc. ("NBT") will hold an annual meeting of shareholders at the Binghamton Holiday Inn Arena at 2-8 Hawley Street, Binghamton, New York 13901 on May 5, 2009 at 10:00 a.m. local time for the following purposes:

1. To fix the size of the Board of Directors at eleven (Proposal 1);
2. To elect four directors, each for a three-year term (Proposal 2);
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2009 (Proposal 3);
4. To vote on a shareholder proposal concerning the annual election of directors (Proposal 4); and
5. To transact such other business as may properly come before the NBT annual meeting.

We have fixed the close of business on March 16, 2009 as the record date for determining those shareholders of NBT entitled to vote at the NBT annual meeting and any adjournments or postponements of the meeting. Only holders of record of NBT common stock at the close of business on that date are entitled to notice of and to vote at the NBT annual meeting.

By Order of the Board of Directors of  
NBT Bancorp Inc.

/s/ Daryl R. Forsythe  
Daryl R. Forsythe  
Chairman of the Board

Norwich, New York  
March 31, 2009

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD PROMPTLY IN THE ENVELOPE PROVIDED OR VOTE VIA THE TOLL-FREE TELEPHONE NUMBER OR VIA THE INTERNET ADDRESS LISTED ON THE PROXY CARD. YOU MAY REVOKE ANY PROXY GIVEN IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE VOTE AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 5, 2009: This Proxy Statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our 2008 Annual Report are available free of charge on our website at

[www.nbtbancorp.com/bncp/proxy.html](http://www.nbtbancorp.com/bncp/proxy.html).

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NBT Bancorp Inc.  
52 South Broad Street  
Norwich, New York 13815

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 5, 2009

This proxy statement and accompanying proxy card are being sent to the shareholders of NBT Bancorp Inc. (“NBT” or, the “Company”) in connection with the solicitation of proxies on behalf of the Board of Directors to be used at the 2009 annual meeting of shareholders. This proxy statement, together with the enclosed proxy card, is being mailed to shareholders on or about March 31, 2009.

When and Where the NBT Annual Meeting Will Be Held

We will hold our annual meeting of shareholders at the Binghamton Holiday Inn Arena at 2-8 Hawley Street, Binghamton, New York 13901 on May 5, 2009 at 10:00 a.m. local time.

What Will Be Voted on at the NBT Annual Meeting

At our annual meeting, our shareholders will be asked to consider and vote upon the following proposals:

To fix the size of the Board of Directors at eleven (Proposal 1);

To elect four directors, each for a three year term (Proposal 2);

- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2009 (Proposal 3);

To vote on a shareholder proposal concerning the annual election of directors (Proposal 4); and

- To transact such other business as may properly come before the NBT annual meeting.

We may take action on the above matters at our annual meeting on May 5, 2009, or on any later date to which the annual meeting is postponed or adjourned.

We are unaware of other matters to be voted on at our annual meeting. If other matters do properly come before our annual meeting, including consideration of a motion to adjourn the annual meeting to another time and/or place for the purpose of soliciting additional proxies, we intend that the persons named in this proxy will vote the shares represented by the proxies on such matters as determined by a majority of the Company’s Board.

Shareholders Entitled to Vote

We have set March 16, 2009, as the record date to determine which of our shareholders will be entitled to vote at our annual meeting. Only those shareholders who held their shares of record as of the close of business on that date will be entitled to receive notice of and to vote at our annual meeting. As of March 16, 2009, there were 32,648,251 outstanding shares of our common stock. Each of our shareholders on the record date is entitled to one vote per share.

Vote Required to Approve the Proposals

A plurality of the shares of our common stock represented at our annual meeting, either in person or by proxy, and entitled to vote at our annual meeting will elect directors. This means that the four nominees who receive the most votes will be elected.

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The affirmative vote of a majority of the shares of our common stock represented at our annual meeting, either in person or by proxy, and entitled to vote at our annual meeting is required to approve the proposals to fix the number of directors at eleven, to ratify the Company's independent registered public accounting firm, and to approve the shareholder proposal concerning the annual election of directors.

Our Board urges our shareholders to complete, date and sign the accompanying proxy and return it promptly in the enclosed postage-paid envelope or to vote by telephone or via the Internet. Broker non-votes will not be counted as a vote cast or entitled to vote on any matter presented at the annual meeting. Abstentions will be counted in determining the number of shares represented and entitled to vote and will have the effect of a vote cast "against" Proposal 1, Proposal 3 and Proposal 4.

#### Number of Shares that Must Be Represented for a Vote to Be Taken

In order to have a quorum, a majority of the total voting power of our outstanding shares of common stock entitled to vote at our annual meeting must be represented at the annual meeting either in person or by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum for the transaction of business.

#### Voting Your Shares

Our Board is soliciting proxies from our shareholders. This will give you an opportunity to vote at our annual meeting without having to attend. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions.

If you are a record holder and vote by proxy but make no specification on your proxy card that you have otherwise properly executed, the named agent may vote the shares represented by your proxy:

FOR fixing the number of directors at eleven (Proposal 1);

FOR electing the four persons nominated by our Board as directors (Proposal 2);

FOR ratifying the appointment of KPMG LLP as our independent registered public accounting firm (Proposal 3);  
and

- AGAINST the shareholder proposal concerning the annual election of directors (Proposal 4).

If you are a shareholder whose shares are registered in your name, you may vote your shares by using one of the following four methods:

**Mail.** To grant your proxy by mail, please complete your proxy card and sign, date and return it in the enclosed envelope. To be valid, a returned proxy card must be signed and dated.

**Telephone.** If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock by telephone by dialing the toll-free telephone number 1-800-690-6903. Telephone voting is available 24 hours a day until 11:59 p.m. local time on May 4, 2009. Telephone voting procedures are designed to authenticate shareholders by using the individual control numbers on your proxy card. If you vote by telephone, you do not need to return your proxy card.

Via the Internet. If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock electronically via the Internet at [www.proxyvote.com](http://www.proxyvote.com). Internet voting is available 24 hours a day until 11:59 p.m. local time on May 4, 2009. Internet voting procedures are designed to authenticate shareholders by using the individual control numbers on your proxy card. If you vote via the Internet, you do not need to return your proxy card.

In person. If you attend the annual meeting in person, you may vote your shares by completing a ballot at the meeting. Attendance at the annual meeting will not by itself be sufficient to vote your shares; you still must complete and submit a ballot at the annual meeting.



If your shares are registered in the name of a bank or brokerage firm you will receive instructions from your holder of record that must be followed in order for the record holder to vote the shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the telephone or via the Internet. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the meeting, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of elections with your ballot.

#### Changing Your Vote

Any NBT shareholder of record giving a proxy may revoke the proxy at any time before the vote at the annual meeting in one or more of the following ways:

Delivering a written notice of revocation to the Secretary of NBT bearing a later date than the proxy;

Submitting a later dated proxy by mail, telephone or via the Internet; or

Appearing in person and submitting a later dated proxy or voting at the annual meeting.

Attendance at the annual meeting will not by itself constitute a revocation of a proxy; to revoke your proxy, you must complete and submit a ballot at the annual meeting or submit a later dated proxy.

You should send any written notice of revocation or subsequent proxy to NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: Corporate Secretary, or hand deliver the notice of revocation or subsequent proxy to the Corporate Secretary at or before the taking of the vote at the annual meeting. You may also revoke your proxy by telephone or via the Internet by giving a new proxy over the telephone or the Internet prior to 11:59 p.m. on May 4, 2009.

If you hold shares through a bank or brokerage firm, you must contact that firm to revoke any prior voting instructions. You may also vote in person at the annual meeting if you obtain a legal proxy as described above.

#### Solicitation of Proxies and Costs

We will bear our own costs of soliciting of proxies. We will reimburse brokerage houses, fiduciaries, nominees and others for their out-of-pocket expenses in forwarding proxy materials to owners of shares of our common stock held in their names. In addition to the solicitation of proxies by use of the mail, we may solicit proxies from our shareholders by directors, officers and employees acting on our behalf in person or by telephone, facsimile or other appropriate means of communications. We will not pay any additional compensation, except for reimbursement of reasonable out-of-pocket expenses, to our directors, officers and employees in connection with the solicitation. You may direct any questions or requests for assistance regarding this proxy statement to Michael J. Chewens, Senior Executive Vice President of NBT, by telephone at (607) 337-6520 or by e-mail at [mjchewens@nbtbc.com](mailto:mjchewens@nbtbc.com).

#### Annual Report

A copy of the Company's 2008 Annual Report accompanies this Proxy Statement. NBT is required to file an annual report on Form 10-K for its 2008 fiscal year with the Securities and Exchange Commission (the "SEC"). Shareholders may obtain, free of charge, a copy of the Form 10-K by writing to: NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: Corporate Secretary. Our annual report on Form 10-K is available on our website, [www.nbtbancorp.com](http://www.nbtbancorp.com).

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO US. PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE BY TELEPHONE OR VIA THE INTERNET USING THE TELEPHONE NUMBER OR THE INTERNET ADDRESS ON YOUR PROXY CARD.

PROPOSAL 1

SIZE OF THE BOARD OF DIRECTORS

Our Bylaws provide for a Board consisting of a number of directors, not less than five nor more than twenty-five, as shall be designated by our shareholders as of each annual meeting. Our Board is presently comprised of eleven members. The Board has proposed that the shareholders vote to fix the number of directors constituting the full Board at eleven members.

The Board of Directors unanimously recommends that shareholders vote “FOR” fixing the size of the Board of Directors at eleven members.

PROPOSAL 2

ELECTION OF DIRECTORS

At the annual meeting, four directors will be elected to serve a three year term until each such director’s successor is elected and qualified or until the director’s earlier death, resignation or removal. The Board currently consists of eleven members and is divided into three classes. The term of only one class of directors expires in each year, and their successors are elected for terms of up to three years and until their successors are elected and qualified. Messrs. Dietrich, Mitchell, Nasser and Murphy, whose terms expire at the 2009 annual meeting, have been nominated to stand for re-election at the 2009 annual meeting for terms expiring in 2012.

As of the 2008 annual meeting, Dr. Peter B. Gregory, Mr. Paul D. Horger and Ms. Janet H. Ingraham retired from the Board. The Board greatly appreciates their service and contributions to the success of the Company and NBT Bank (the “Bank”).

The persons named in the enclosed proxy intend to vote the shares of our common stock represented by each proxy properly executed and returned to us FOR election of the aforementioned nominees as directors, but if the nominees should be unable to serve, they will vote such proxies for those substitute nominees as our Board shall designate to replace those nominees who are unable to serve. Our Board currently believes that each nominee will stand for election and will serve if elected as a director. Assuming the presence of a quorum at the annual meeting, the four director nominees for the class of directors whose term expires at the 2012 annual meeting will be elected by a plurality of the votes cast by the shares of common stock entitled to vote at the annual meeting and present in person or represented by proxy. This means that the four nominees who receive the most votes will be elected. There are no cumulative voting rights in the election of directors.

BENEFICIAL OWNERSHIP AND RELATED INFORMATION FOR NOMINEES,  
CONTINUING DIRECTORS AND NON-DIRECTOR EXECUTIVE OFFICERS

The following table contains stock ownership and other information on the nominees for election for the terms as shown, our directors and our non-director executive officers:

Name	Age at 12/31/08	Principal Occupation During Past Five Years and Other Directorships	Director Since	Number of Common Shares Beneficially Owned on 12/31/08	Percent of Shares Outstanding
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Nominees with terms expiring in 2012:

Martin A. Dietrich	53	CEO of NBT since January 2006;	2005	41,192	(1)	
		President of NBT since January 2004;		848	(1) (a)	
		President and CEO of NBT Bank since		24,352	(1) (b)	
		January 2004; President and Chief Operating		10,953	(2)	
		Officer of NBT Bank from September 1999		158,844	(4)	
		to December 2003		6,000	(c)	
		Directorships:		755	(g)	
		Preferred Mutual Insurance Company		242,944		*
		Chenango Memorial Hospital Board of Trustees				
		United Health Services				
		Independent Bankers Association of New York				
		New York Bankers Association				
		Pennstar Bank since 2004				
		NBT Bank since 2001				

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John C. Mitchell	58	Consultant, Blue Seal Feeds Inc.	1994	27,301	(1) (e)		
		President and CEO of I.L. Richer Co. (agri. business)			3,097	(2)	
		from 1979 to 2008			8,287	(3)	
		Directorships:			38,685		*
		Preferred Mutual Insurance Company NY Agridevelopment Corporation Delaware Otsego Corporation NBT Bank since 1993					
Joseph G. Nasser	51	Accountant, Nasser & Co.	2000	43,162	(1) (f)		
		Directorships:			415	(1) (a)	
		Pennstar Bank since 1999			11,449	(2)	
					1,230	(3)	
				56,256		*	
Michael M. Murphy	47	President & Owner, Red Line Towing Inc.	2002	8,539	(1)		
		Directorships:			50	(2)	
		Pennstar Bank since 1999			3,630	(3)	
					12,219		*
Continuing Directors with terms expiring in 2011:							
Richard Chojnowski	66	Electrical contractor (sole proprietorship)	2000		(1)		
		Directorships:			7,613		
		Pennstar Bank since 1994			264,353	(2)	
				9,330	(3)		
				281,296		*	
Joseph A. Santangelo	56	President and CEO – Arkell Hall Foundation Inc.	2001	9,477	(1) (f)		
		Directorships:			4,808	(2)	
		NBT Bank since 1991			8,080	(3)	
				22,365		*	
Continuing Directors with terms expiring in 2010:							
Daryl R. Forsythe	65	Chairman of NBT since January 2004;	1992	118,260	(1) (f)		
		Chairman of NBT Bank since January 2004;			1,842	(1) (a)	
		Chairman and CEO of NBT from January 2004 to			9,369	(2)	
		December 2005; Chairman, President and CEO of NBT			5,000	(3)	
		From April 2001 to December 2003; Chairman and			134,471		*
		CEO of NBT Bank from September 1999 to					

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		December 2003; President and CEO of NBT and NBT Bank from January 1995 to April 2001 and September 1999, respectively			
		Directorships:			
		Security Mutual Life Ins. Co. of NY			
		New York Central Mutual Fire Insurance Co.			
		New York Business Development Corp.			
		NBT Bank since 1988			
William C. Gumble	71	Retired attorney-at-law; County Solicitor and District Attorney of Pike County, PA	2000	96,607 (1)	
		Directorships:		9,288 (3)	
		Pennstar Bank since 1985		105,895	*
William L. Owens	59	Partner, law firm of Stafford, Owens, Piller, Murnane & Trombley, PLLC	1999	13,696 (1)	
		Directorships:		6,487 (3)	
		Mediquest, Inc.		20,183	*
		Champlain Valley Health Network Inc.			
		NBT Bank since 1995			
Patricia T. Civil	59	Retired Managing Partner, PricewaterhouseCoopers LLP	2003	7,594 (1)	
		Directorships:		5,830 (3)	
		Unity Mutual Life Insurance Company		13,424	*
		SRC Inc.			
		Anaren Inc.			

Robert A. Wadsworth	60	Chairman of Preferred Mutual Insurance Co. 2006	3,999	(1)	
		CEO of Preferred Mutual Insurance Co. from 1997 to 2008	1,318	(3)	
		Directorships:	164,041	(d)	
		Preferred Mutual Insurance Company	169,358		*
		Preferred Services Corp.			
		Preferred of New York Inc.			
		Excess Reinsurance Company			
		Guilderland Reinsurance Company			
		NBT Bank since 2005			

## Executive Officers of NBT Bancorp Inc. other than Directors who are Officers:

Name	Age	Present Position and Principal Position During Past Five Years	Number of Common Shares Beneficially Owned on 12/31/08		Percent of Shares Outstanding
Michael J. Chewens	47	Senior Executive Vice President, Chief Financial Officer of NBT and NBT Bank since January 2002; EVP, CFO of same 1999-2001; Secretary of NBT and NBT Bank since December 2000	14,225	(1)	
			15,558	(1) (b)	
			55,022	(4)	
			84,805		*
David E. Raven	46	President of Retail Banking of NBT Bank since July 2006; President and Chief Executive Officer of Pennstar Bank Division since August 2005; President and Chief Operating Officer of Pennstar Bank Division from August 2000 to August 2005; Sales and Administration, September 1999 – August 2000	19,034	(1) (f)	
			15,921	(1) (b)	
			66,320	(4)	
			101,275		*
Jeffrey M. Levy	47	Executive Vice President, President of Commercial Banking of NBT Bank since December 2006; Capital Region President since August 2005; Manager New York State Government Banking at M & T Bank, January 2004 – August 2005; President of the Capital District, Commercial Banking at M & T Bank, January 2001 – December 2003	7,550	(1)	
			1,915	(1) (b)	
			28,400	(4)	
			37,865		*

As of December 31, 2008, all directors and executive officers listed above as a group beneficially owned 1,321,041 or 4.05 % of total shares outstanding as of December 31, 2008, including shares owned by spouses, certain relatives and trusts, as to which beneficial ownership may be disclaimed, and options exercisable within sixty days of December 31, 2008.

NOTES:

- (a) The information under this caption regarding ownership of securities is based upon statements by the individual nominees, directors, and officers and includes shares held in the names of spouses, certain relatives and trusts as to which beneficial ownership may be disclaimed. These indirectly held shares total 3,105 for the spouses, minor children and trusts.
- (b) In the case of officers and officers who are directors, shares of our stock held in NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan as of December 31, 2008 totaling 57,746 are included.
- (c) Martin A. Dietrich is a named beneficiary of his mother's estate, which includes 6,000 shares.
- (d) Preferred Mutual Insurance Company, of which Robert A. Wadsworth serves as Chairman, owns 164,041 shares.
- (e) Does not include 5,000 shares owned by The Adelbert L. Button Charitable Foundation, for which Mr. Mitchell serves as a trustee, but in which all investment and disposition discretion over the shares has been granted to NBT Bank, N.A., as trustee.
- (f) Includes shares pledged as security for an obligation, such as pursuant to a loan arrangement or agreement or margin account agreement for the following directors and officers: Daryl R. Forsythe 75,000 shares; Joseph G. Nasser 2,800 shares; Joseph A. Santangelo 7,544 shares; and David E. Raven 5,000 shares.
- (g) Martin A. Dietrich is the custodian for a minor.
  - (1) Sole voting and investment authority.
  - (2) Shared voting and investment authority.
- (3) Shares under option from the NBT 2001 Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan, which are exercisable within sixty days of December 31, 2008.
- (4) Shares under option from the NBT 1993 Stock Option Plan, which are exercisable within sixty days of December 31, 2008.
- (\* Less than 1%.

The Board of Directors unanimously recommends that shareholders vote "FOR" the election of all of its director nominees.



## BENEFICIAL OWNERSHIP OF PRINCIPAL HOLDERS OF VOTING SECURITIES OF NBT

The following table sets forth information as of February 14, 2009 with respect to the beneficial ownership of common stock by any person or group as defined in Section 13(d)(3) of the Exchange Act who is known to the Company to be the beneficial owner of more than five percent of the Common Stock.

Name and Addresses of Beneficial Owners	Number of Shares; Nature of Beneficial Ownership (1)	Percent of Common Stock Owned
Barclays Global Investors, NA 400 Howard Street San Francisco, CA 94105	1,753,457 (2)	5.39%

(1) Based on information in the most recent Schedule 13D or 13G filed with the Securities and Exchange Commission pursuant to the Exchange Act, unless otherwise indicated. In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if such person has or shares voting power and/or investment power with respect to the security, or has the right to acquire beneficial ownership at any time within 60 days from February 14, 2009. As used herein, "voting power" includes the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

(2) Barclays Global Investors, NA reports that it has sole dispositive and sole voting power over 1,753,457 and 1,662,866 shares, respectively, which includes beneficial ownership of entities and individuals affiliated with Barclays Global Investors, NA, including Barclays Global Fund Advisors. All securities over which Barclays Global Investors, NA reports that it has sole dispositive or sole voting power are held in trust accounts for the economic benefit of the beneficiaries of those accounts.

## CORPORATE GOVERNANCE

The business and affairs of the Company are managed under the direction of the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Company's executive officers, by reviewing materials provided to them and by participating in meetings and strategic planning sessions of the Board and its committees. The Board has adopted corporate governance practices and policies which the Board and senior management believe promote sound and effective corporate governance.

### Director Independence

Based on a review of the responses of the directors to questions regarding employment and compensation history, affiliations and family and other relationships and on individual discussions with directors, the full Board has determined that all directors, excluding Mr. Dietrich, meet the standards of independence set forth by the NASDAQ Stock Market. In making this determination, the Board considered transactions and relationships between each director or his or her immediate family and the Company and its subsidiaries, including those reported under "Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Related Party Transactions" below. Mr. Dietrich is not independent because he is the President and Chief Executive Officer of the Company.

The independent members of the Board meet at least twice annually in an executive session where non-independent directors and management are excused. John Mitchell, who serves as chairman of the Nominating and Corporate Governance Committee, currently chairs these executive sessions.

### Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all employees, as well as each member of the Company's Board of Directors. The Code of Business Conduct and Ethics is available at the Company's website at [www.nbtbancorp.com/bncp/corporategov.html](http://www.nbtbancorp.com/bncp/corporategov.html).

### Board Policy Regarding Communications with the Board

The Board of Directors maintains a process for shareholders to communicate with the Board of Directors. Shareholders wishing to communicate with the Board of Directors should send any communication to Corporate Secretary, NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815. Any such communication must state the name of and the number of shares beneficially owned by the shareholder making the communication. The Corporate Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate. At each Board meeting, a member of management presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available on request.

### Director Attendance at Board Meetings and Annual Meetings

During fiscal 2008, the Board held seven meetings. Each incumbent director attended at least 75% of the aggregate of (i) the total number of meetings of the Board held during the period that the individual served and (ii) the total number of meetings held by all committees of the Board on which the director served during the period that the individual served. In addition, directors are expected to attend our annual meeting of shareholders. All directors were in attendance at the 2008 annual meeting, and we expect that all directors will be present at the 2009 annual meeting.

Committees of the Board of Directors

Our Board has a number of standing committees, including a Nominating and Corporate Governance Committee, Audit and Risk Management Committee and Compensation and Benefits Committee. The Board has determined that all of the directors who serve on these committees are independent for purposes of NASDAQ Rule 4200 and that the members of the Audit and Risk Management Committee are also “independent” for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”). A description of each of these committees follows:

#### Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are John C. Mitchell (Chair), Richard Chojnowski, William C. Gumble, Joseph A. Santangelo and Robert A. Wadsworth. The Committee is responsible for determining the qualification of and nominating persons for election to the Board of Directors, including (if applicable) shareholder nominations that comply with the notice procedures set forth by SEC rules and the Company's Bylaws. The Committee also formulates our corporate governance guidelines and functions to insure successful development of management at the senior level and succession planning, as applicable. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which is available on the NBT Bancorp website at [www.nbtbancorp.com/bncp/corporategov.html](http://www.nbtbancorp.com/bncp/corporategov.html). This Committee met three times in 2008.

The Board of Directors believes that it should be comprised of directors who possess the highest personal and professional ethics, integrity, and values, and who shall have demonstrated exceptional ability and judgment and who shall be most effective in representing the long-term interests of the shareholders.

When considering candidates for the Board of Directors, the Nominating and Corporate Governance Committee takes into account the candidate's qualifications, experience and independence from management. In addition, in accordance with the Company's Bylaws:

Every director must be a citizen of the United States and have resided in the State of New York, or within two hundred miles of the principal office of the company, for at least one year immediately preceding the election;

Each director must own \$1,000 aggregate book value of the Company's common stock; and

No person shall be eligible for election or re-election as a director if they shall have attained the age of 70 years.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The Committee also has the authority to retain any search firm to assist in the identification of director candidates. The Committee will review the qualifications and experience of each candidate. If the Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

The Company's Bylaws also permit shareholders eligible to vote at the annual meeting to nominate director candidates, but only if such nominations are made pursuant to timely notice in writing to the President of NBT. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of NBT within 10 days following the day on which public disclosure of the date of any annual meeting called for the election of directors is first given. The Nominating and Corporate Governance Committee will consider candidates for director suggested by shareholders applying the criteria for candidates described above and considering the additional information required by Article III, Section 3 of the Company's Bylaws, which must be set forth in a shareholder's notice of nomination. Article III, Section 3 of the Company's Bylaws requires that the notice include: (a) as to each person whom the shareholder proposes to nominate for election as a director, (i) the name and address of such person and (ii) the principal occupation or employment of such person; and (b) as to the shareholder giving notice (i) the name and address of such shareholder, (ii) the number of shares of the Company that will be voted for the proposed nominee by such shareholder (including shares to be voted by proxy) and (iii) the number of shares of the Company which are beneficially owned by such shareholder.

#### Audit and Risk Management Committee

The Audit and Risk Management Committee represents our Board in fulfilling its statutory and fiduciary responsibilities for independent audits of NBT's consolidated financial statements, including monitoring accounting and financial reporting practices and financial information distributed to shareholders and the general public. The Committee members are identified in the Audit and Risk Management Committee Report on page 36. Directors on our Audit and Risk Management Committee meet the expanded independence requirements of audit committee members. In addition, our Board of Directors has determined that Ms. Civil is an "audit committee financial expert" as that term is defined in NASDAQ Marketplace Rule 4350(d)(2)(A) and the rules of the SEC.

This Committee met four times in 2008. Responsibilities and duties of this Committee are discussed more fully in the Audit and Risk Management Committee Report on page 36 and in the Committee's charter, which is available on the Company's website at [www.nbtbancorp.com/bncp/corporategov.html](http://www.nbtbancorp.com/bncp/corporategov.html).

#### Compensation and Benefits Committee

Directors William L. Owens (Chair), Patricia T. Civil, William C. Gumble, Michael M. Murphy, Joseph G. Nasser, and Joseph A. Santangelo constitute the Company's Compensation and Benefits Committee. All of the Committee members are independent directors, as determined by the Board, and as such term is defined in the NASDAQ Marketplace Rules as they apply to the Company.

The Committee is responsible for the development, oversight and administration of the Company's compensation program. The Committee works closely with the Company's CEO and Executive Vice President of Human Resources to implement our compensation program. In addition, the Committee sometimes works in executive sessions without Company management present.

The Committee regularly reviews our compensation practices and policies and recommends to the Board of Directors the compensation and benefits for the CEO, directors and executive management team, including the named executive officers. In making compensation recommendations to the Board of Directors for the named executive officers, the Committee relies substantially on the recommendations of the CEO and, in the case of the CEO's compensation, upon the recommendation of the Chairman of the Board. The Committee generally determines the compensation for the named executive officers at its December meeting preceding the commencement of the fiscal year in which the compensation will be paid or earned or in January of such fiscal year.

The Committee has engaged Mercer Human Resources Consulting, ("Mercer") a global human resources consulting firm, to conduct an annual review of the Company's executive compensation program. Mercer is charged with comparing all elements of the Company's executive compensation program to external, objective benchmarks in order to assess the competitiveness of the Company's total compensation. Two competitive markets are compared - the broader banking industry and peer group data. In addition to a competitive analysis, Mercer performs a pay for performance alignment analysis based on a few macro-financial metrics. These measures provide information regarding compensation paid by our competitors and the broader banking industry taking into consideration size, asset growth, earnings growth and stewardship of capital. Mercer provides the Committee with relevant market data and alternatives to consider in its executive compensation decision-making. The Committee reviews information provided by Mercer to determine the appropriate level and mix of short and long-term incentive compensation and cash and equity-based compensation.

The CEO's compensation reflects the Committee's evaluation of his performance measured against the following criteria: (i) implementation of the Company's short and long-term strategies; (ii) financial and operating performance; (iii) management development; (iv) customer service; and (v) leadership in positioning the Company to meet the significant operational and regulatory challenges of the evolving financial services industry. The Committee may use its discretion to deviate from or modify compensation policies and recommendations, but does so rarely, and typically, only in unusual circumstances.

The Committee also administers the Company's pension plan, 401(k) & ESOP, the directors' and officers' stock option plans, the deferred and performance share stock plans as well as the 2008 Omnibus Incentive Plan (the "Omnibus Plan"). Pursuant to the terms of the Company's Omnibus Plan, the Committee may delegate its authority to grant awards under such plan to a member of the Board and the Committee has granted such authority, within certain defined limits, to Mr. Dietrich. A charter that reflects these responsibilities and delegated authority, which the Committee and the Board periodically review and revise, governs the Committee. A copy of the charter appears on the

Company's website at [www.nbtbankcorp.com/bncp/corporategov.html](http://www.nbtbankcorp.com/bncp/corporategov.html). The Committee met four times in 2008.

Policy on Recovery of Awards

The Company does not currently have a policy with respect to the recovery of awards when the performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

Director Compensation

In 2008, the Company's non-employee directors received fees according to the following schedule:

Annual Retainer:	Cash (Chairman of the Board) - \$0
Cash (Director) - \$5,000	
Restricted Stock (Chairman of the Board) - \$50,000	
Restricted Stock (Director) - \$10,000	
Deferred Stock (Chairman of the Board) - 600 Shares	
Deferred Stock (Director) - 400 Shares	
Board Meetings:	Chairman of the Board - \$1,000 per meeting
Director - \$900 per meeting	
Telephonic Board Meetings:	Chairman of the Board - \$1,000 per meeting
Director - \$900 per meeting	
Committee Meetings:	Committee Member - \$600 per meeting
Committee Chairperson - \$900 per meeting	
Chairman of the Board - \$1,000 per meeting for which he is a member	

Common Stock Chairman – 5,000 shares (i) multiplied by the number of board meetings attended during the year  
Options: and (ii) divided by the number of meetings held during the year

Member – 1,000 shares (i) multiplied by the number of board meetings attended during the year and (ii) divided by the number of meetings held during the year

The restricted stock and the deferred stock awards were issued pursuant to the NBT Bancorp Inc. Non-Employee Directors Restricted and Deferred Stock Plan. The restricted stock awarded to Directors vests one-third annually beginning on the first anniversary of the grant date and the restricted stock awarded to the Chairman of the Board vests 50% annually beginning on the first anniversary of the grant date. The deferred stock vests fully upon the award date but issuance of shares is delayed until the respective director leaves the Board. Options were issued pursuant to the NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan and each grant vests 40% after one year, 20% annually for the following three years. In addition to the fees set forth above, committee members receive an additional \$900 per meeting for meetings held at the request of management for the purpose of discussing Board related matters.

Mr. Forsythe serves as the Company's Chairman under an agreement that was entered into in 2003, when he was also serving as the Company's President and CEO. Pursuant to this agreement, commencing January 1, 2006 and continuing as long as Mr. Forsythe is a member of the Board of Directors, he will serve as Chairman of the



Company. In addition to the fees set forth above, pursuant to his agreement, Mr. Forsythe is also entitled to be reimbursed for dues and assessments (including initiation fees) incurred in relation to his country club membership. Mr. Forsythe has also agreed that for one year after the termination of his agreement, he will not directly or indirectly compete with the Company or the Bank. Under the agreement, during the term of his tenure with the Company, Mr. Forsythe may not disclose confidential information about the Company or its subsidiaries to any other person or entity.

The following table provides information about the compensation paid to the Company's non-employee directors in 2008.

## Director Compensation Table

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Restricted Stock Awards (\$) (1) (2) (c)	Stock Option Awards (\$) (3) (4) (d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (5) (f)	All Other Compensation (\$) (6) (g)	Total (\$) (h)
Daryl R. Forsythe	\$ 26,300	\$ 92,665	\$ 19,872		\$ 26,304	\$ 165,141
Richard Chojnowski	\$ 25,900	\$ 23,305	\$ 8,201		\$ 5,397	\$ 62,803
Patricia T. Civil						