

SHORE BANCSHARES INC
Form DEF 14A
March 25, 2005

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Shore Bancshares, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: N/A
- (2) Aggregate number of securities to which transaction applies: N/A
- (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): N/A
- (4) Proposed maximum aggregate value of transaction: N/A
- (5) Total fee paid: N/A

Fee paid previously with preliminary materials: N/A

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:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of SHORE BANCSHARES, INC.

Notice is hereby given that the Annual Meeting of Stockholders of Shore Bancshares, Inc. (the "Company") will be held at the Avalon Theatre, 42 East Dover Street, Easton, Maryland 21601 at 11:00 a.m., local time, on Wednesday, April 27, 2005, for the following purposes:

1. To elect one Class I director to serve until the 2007 Annual Meeting, four Class II directors to serve until the 2008 Annual Meeting, and one Class III director to serve until the 2006 Annual Meeting.
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on March 8, 2005 will be entitled to notice of and to vote at the meeting. This proxy statement is accompanied by the Company's Annual Report to Stockholders for the year ended December 31, 2004.

All stockholders are cordially invited to attend the meeting in person. Those who cannot attend are urged to sign, date and mail promptly the enclosed proxy in the envelope provided for that purpose. Proposal 1 requires the affirmative vote of holders of a majority of the shares of common stock present and voting. **Whether you own a few or many shares, your proxy is important in fulfilling this requirement.** To assist us with planning the meeting, please mark the appropriate box on your proxy card as to whether you plan to attend the meeting in person. Returning your proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

By Order of the Board of Directors,

W. Moorhead Vermilye
President and CEO

March 28, 2005

18 East Dover Street, Easton, Maryland 21601
410-822-1400 / Fax 410-820-4238

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SHORE BANCSHARES, INC.
18 East Dover Street
Easton, Maryland 21601

PROXY STATEMENT
FOR
2005 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is furnished to the stockholders of Shore Bancshares, Inc. (the “Company”) in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting of Stockholders. The Annual Meeting of Stockholders will be held on Wednesday, April 27, 2005, at 11:00 a.m., local time, at the Avalon Theatre, 42 East Dover Street, Easton, Maryland 21601, and at any adjournments thereof. The expense of preparing, printing, and mailing the proxies and solicitation materials will be borne by the Company. In addition to solicitations by mail, the Company may solicit proxies in person or by telephone, and arrange for brokerage houses and other custodians, nominees, and fiduciaries to send proxies and proxy material to their principals at the expense of the Company. The approximate date on which this proxy statement and attached form of proxy are being mailed to stockholders is March 28, 2005.

Holders of record at the close of business on March 8, 2005 (the “Record Date”) of outstanding shares of the Company’s common stock, par value \$.01 per share (“Common Stock”), are entitled to notice of and to vote at the meeting. As of the Record Date, the number of shares of outstanding Common Stock entitled to vote is 5,515,622 shares. Each share of stock is entitled to one vote. Shares represented by any proxy properly executed and received pursuant to this solicitation will be voted in accordance with the directions of the stockholder; if no direction is given, the proxy will be voted for approval of Proposal 1 and in the discretion of the holders of the proxies as to any other matters that may properly come before the meeting. The proxy may be revoked by a stockholder at any time prior to its use by execution of another proxy bearing a later date, or by written notice delivered to W. Moorhead Vermilye, President and CEO of the Company, at the Company’s address or at the meeting. The Company’s address is 18 East Dover Street, Easton, Maryland 21601 (410-822-1400).

Holders of Common Stock will be asked to elect six directors to serve until their successors are elected and qualify.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth information as of the Record Date, relating to the beneficial ownership of the Common Stock by (i) each person or group known by the Company to own beneficially more than five (5%) of the outstanding shares of Common Stock; (ii) each of the Company’s directors, director nominees, and named executive officers; and (iii) all directors and executive officers of the Company as a group, and includes all shares of Common Stock that may be acquired within 60 days of the Record Date. Unless otherwise indicated below, each person specified below has sole investment and voting power with regard to the shares set forth in the following table. The address of each of the persons named below is the address of the Company except as otherwise indicated.

Name	Number of Shares Beneficially Owned		Percent of Class Beneficially Owned
Directors, Nominees and Named Executive Officers			
Herbert L. Andrew, III	58,378	(1)	1.058
Blenda W. Armistead	6,129	(2)	*
Lloyd L. Beatty, Jr.	7,646	(3)	*
Paul M. Bowman	5,250	(4)	*
David C. Bryan	18,208	(5)	*
Daniel T. Cannon	5,825	(6)	*
Thomas H. Evans	1,746		*
Mark M. Freestate	6,275	(7)	*
Steven A. Fulwood	0		
Richard C. Granville	97,100	(8)	1.760
W. Edwin Kee, Jr.	1,320	(9)	*
Kevin P. LaTulip	0		
Susan E. Leaverton	13,144	(10)	*
Neil R. LeCompte	2,200	(11)	*
Jerry F. Pierson	5,603	(12)	*
Christopher F. Spurry	8,500	(13)	*
W. Moorhead Vermilye	110,376	(14)	2.001
All Directors/Executive Officers as a Group (18 Persons)	348,944	(15)	6.326
5% Stockholders			
Nicholas F. Brady PO Box 1410 Easton, MD 21601	278,719	(16)	5.053
Total	627,663		11.380

* Amount constitutes less than 1%.

Notes:

- (1) Includes 54,970 shares held as tenants in common by Herbert L. Andrew, III and Della M. Andrew; and 558 shares held by Herbert L. Andrew, III under Individual Retirement Account arrangements.
- (2) Includes 870 shares held individually by Bruce C. Armistead; 1,688 shares held by Bruce C. Armistead under an Individual Retirement Account arrangement; 1,180 shares held by Bruce C. Armistead, as custodian for a minor child; and 875 shares held by Blenda W. Armistead under an Individual Retirement Account arrangement; and exercisable options to acquire 100 shares.
- (3) Includes 2,171 shares held by Lloyd L. Beatty, Jr. under Individual Retirement Account arrangements; 3,220 shares held jointly with Nancy W. Beatty; and 570 shares held individually by Nancy W. Beatty.
- (4) Includes 50 shares held by Paul M. and Elaine M. Bowman; 120 shares held individually by David A. Bowman; 634 shares held individually by Elaine M. Bowman; 220 shares held individually by Elaine M. Bowman, as

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Custodian for Erin Reynolds Bowman; 245 shares held by Elaine M. Bowman, as Custodian for Jeffrey P. Bowman; 606 shares held by Paul M. Bowman, Trustee of the

Page 2

Harry Price Phillips Trust; 975 shares held jointly by Thelma B. Gaines and Paul M. Bowman; 325 shares held by Paul M. Bowman under an Individual Retirement Account arrangement; 325 shares held by Elaine M. Bowman under an Individual Retirement Account arrangement; and exercisable options to acquire 1,100 shares.

- (5) Includes 2,476 shares held individually by Barbara C. Bryan.
- (6) Includes 2,925 shares held jointly by Daniel T. Cannon and Sandra F. Cannon; and exercisable options to acquire 1,300 shares.
- (7) Includes exercisable options to acquire 700 shares.
- (8) Includes 16,875 shares held by Richard C. Granville under an Individual Retirement Account arrangement.
- (9) Includes 1,320 shares held jointly by W. Edwin Kee, Jr. and Deborah D. Kee.
- (10) Includes 4,239 shares held by Susan E. Leaverton under an Individual Retirement Account arrangement; 200 shares held by Susan E. Leaverton, as custodian for two minor children; 2,405 shares held by Keith R. Leaverton under an Individual Retirement Account arrangement; and exercisable options to acquire 3,450 shares.
- (11) Includes 114 shares held by Neil R. LeCompte under an Individual Retirement Account arrangement; and exercisable options to acquire 700 shares.
- (12) Includes 1,008 shares held jointly by Jerry F. Pierson and Bonnie K. Pierson; and exercisable options to acquire 1,100 shares.
- (13) Includes 2,380 shares held by Christopher F. Spurry under an Individual Retirement Account arrangement; 4,230 shares held jointly with Beverly B. Spurry; 25 shares held individually by Beverly B. Spurry; 35 shares held by Beverly B. Spurry under an Individual Retirement Account arrangement.
- (14) Includes 23,984 shares held by W. Moorhead Vermilye under an Individual Retirement Account arrangement; 1,972 shares held individually by Sarah W. Vermilye; and exercisable options to acquire 29,700 shares.
- (15) Includes exercisable options to acquire 231 shares not disclosed above.
- (16) Includes 2,500 shares held by Nicholas F. Brady under an Individual Retirement Account arrangement.

ELECTION OF DIRECTORS (Proposal 1)

The number of directors constituting the Board of Directors is currently set at 13. Directors have been divided into three classes with respect to the time for which the directors may hold office. Directors are elected to hold office for a term of three years, and one class of directors expires each year. In accordance with the Company's Amended and Restated Articles of Incorporation ("Charter") and Amended and Restated By-Laws ("By-Laws"), the terms of directors of Class I expire in 2007, the terms of directors of Class II expire this year, and the terms of directors of Class III expire in 2006. In all cases, directors are elected until their successors are duly elected and qualify.

Stockholders are being asked to vote for a total of six director nominees at this year's Annual Meeting. Three of the current Class II directors are standing for re-election. The fourth member of Class II, David C. Bryan, is not standing for re-election and the Board has nominated Mark M. Freestate to replace Mr. Bryan. Additionally, W. Edwin Kee, Jr. and Thomas H. Evans are also standing for re-election. The Maryland General Corporation Law requires any director who was elected during the year other than at a regular or special meeting of the Company's stockholders to stand for re-election at the annual meeting of stockholders immediately following that election. In May 2004, the Board elected Mr. Kee to serve as a director as part of the Company's merger with Midstate Bancorp, Inc. ("Midstate Bancorp"), as required by the merger agreement. In November 2004, the Board elected Mr. Evans to serve as a director. If elected, Mr. Kee will serve in Class III and Mr. Evans will serve in Class I. Steven A. Fulwood, who was also elected by the Board in November 2004 to serve as a director, resigned from the Board on March 21, 2005 and is not standing for re-election. As permitted by the Charter and By-Laws, the Board eliminated the vacancy created by Mr. Fulwood's resignation.

Mr. Freestate was recommended for nomination by Mr. Jerry F. Pierson, a non-management director of the Company. Mr. Evans was originally elected upon the recommendation of the Company's President and Chief Executive Officer.

The following nominees for directors, their ages as of the Record Date, their principal occupations and business experience for the past five years, and certain other information are set forth below.

CLASS I DIRECTORS
(Terms Expire in 2007)

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
Thomas H. Evans	55	Mr. Evans has served as a director of the Company since November 2004. He has served as a director of The Felton Bank ("Felton Bank"), a wholly-owned subsidiary of the Company, since July 2004 and as its President and Chief Executive Officer since February 2001.

CLASS II DIRECTORS
(Terms Expire in 2008)

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
Herbert L. Andrew, III	68	Mr. Andrew has served as a director of the Company since December 2000, and previously served as a director of Talbot Bancshares, Inc. ("Talbot Bancshares"). He has served as a director of The Talbot Bank of Easton, Maryland ("Talbot Bank"), a wholly-owned subsidiary of the Company, since 1977. He is a farmer and served on the Talbot County Council from 1994 to 1998.
Blenda W. Armistead	53	Ms. Armistead has served as a director of the Company since 2002, and previously as a director of Talbot Bancshares. She has served as a director of Talbot Bank since 1992. She is an investor and the former Manager of Talbot County.
Mark M. Freestate	52	Mr. Freestate has served on the Board of Directors of The Centreville National Bank of Maryland ("Centreville National Bank"), a wholly-owned subsidiary of the Company, since 1984, and previously served as a director of Shore Bancshares, Inc. from 1996 to December 2000. He currently serves as Vice President of Avon Dixon Agency, LLC ("Avon-Dixon"), another subsidiary of the Company.
Neil R. LeCompte	64	

Mr. LeCompte has been a director of the Company since its formation in 1996, and of Centreville National Bank since 1995. He is a Certified Public Accountant in the Accounting Office of Neil R. LeCompte.

CLASS III DIRECTOR
(Term Expires in 2006)

<u>Name</u>	<u>Age</u>	<u>Principal Occupation and Business Experience</u>
W. Edwin Kee, Jr.	53	Mr. Kee has served as a director of the Company since May 2004 and the Chairman of the Board of Felton Bank since 1992. Between 1996 and 2004, Mr. Kee served as the Chairman of the Board of Midstate Bancorp, Inc. Mr. Kee is a professor at the University of Delaware, College of Agriculture, and the President of Kee's Creek Farm.

A quorum for the Annual Meeting consists of a majority of the issued and outstanding shares of Common Stock present in person or by proxy and entitled to vote. Directors are elected by a plurality of the votes of the shares present in person or by proxy and entitled to vote. Consequently, withholding of votes, abstentions and broker non-votes with respect to shares of Common Stock otherwise present at the Annual Meeting in person or by proxy will have no effect on the outcome of this vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE ABOVE NOMINEES.

The following tables contain information regarding directors of other classes whose terms do not expire in 2005, including the directors' ages as of the Record Date, and their principal occupations and business experience for the past 5 years.