

SECURITIES AND EXCHANGE COMMISSION

FORM DEFC14A

Definitive proxy statement in connection with contested solicitations

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SUBJECT COMPANY

PROVIDENT BANKSHARES CORP

CIK: **818969** | IRS No.: **521518642** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **DEFC14A** | Act: **34** | File No.: **000-16421** | Film No.: **99574724**
SIC: **6022** State commercial banks

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BALTIMORE MD 21244-2739

Business Address
114 EAST LEXINGTON ST
BALTIMORE MD 21202
4102817000

FILED BY

MID ATLANTIC INVESTORS

CIK: **1011884** | State of Incorporation: **SC** | Fiscal Year End: **1231**
Type: **DEFC14A**

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P O BOX 7574
COLUMBIA SC 29202

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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 [x]

Check the appropriate box:

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

Provident Bankshares Corporation

(Name of Registrant as Specified In Its Charter)

Mid-Atlantic Investors

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [x] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

Provident Bankshares Corporation

PROXY STATEMENT OF MID-ATLANTIC INVESTORS

This Proxy Statement is furnished to stockholders of Provident Bankshares Corporation, a Maryland corporation (herein, unless the context otherwise requires, together with its subsidiaries, the "Company"), in connection with the solicitation of proxies by Mid-Atlantic Investors, a South Carolina general partnership ("Mid-Atlantic") for the purposes set forth herein for use at the Annual Meeting of Stockholders of the Company to be held at the offices of the Company, 114 East Lexington Street, Baltimore, Maryland 21202, on April 21, 1999, at 10:00 a.m., and at any adjournment thereof (the "Annual Meeting").

Solicitation of proxies may be made in person or by mail, telephone, telegraph or other electronic means by Mid-Atlantic, its office employees and its general partners. Mid-Atlantic may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Common Stock of the Company held of record by such persons, and Mid-Atlantic will reimburse the reasonable forwarding expenses. Mid-Atlantic has employed D.F. King & Co., Inc. in connection with the solicitation of proxies at a cost of approximately \$10,000. Approximately 25

employees of D.F. King & Co., Inc. will be involved in soliciting proxies for Mid-Atlantic. The total cost of this solicitation of proxies is expected to be approximately \$100,000, and will be paid by Mid-Atlantic. Expenditures through March 1, 1999, in furtherance of, or in connection with solicitation of proxies were less than \$2,000. Mid-Atlantic will not seek reimbursement from the Company for any expenses. This Proxy Statement and the enclosed form of proxy were first sent or given to stockholders on or about March 26, 1999.

The Company has its principal executive offices at the offices of the Company, 114 East Lexington Street, Baltimore, Maryland 21202. The Company's telephone number is (410) 277-7000. Mid-Atlantic has its principal offices at 289 Hunters Blind Drive, Columbia, South Carolina 29212. Mid-Atlantic's telephone number is (803) 749-7888.

RESOLUTION TO BE PRESENTED AT THE
ANNUAL MEETING BY MID-ATLANTIC

Mid-Atlantic plans to present the resolution set forth below to the stockholders for a vote at the Annual Meeting. Mid-Atlantic is soliciting proxies pursuant hereto to vote "FOR" the resolution.

Resolution Proposed By Mid-Atlantic Investors

RESOLVED that the stockholders hereby inform the board of directors that it is the desire of the stockholders that the board of directors immediately take the necessary steps to achieve a sale, merger or other acquisition of the Company on terms that will maximize stockholder value as promptly as possible.

Mid-Atlantic recommends you vote FOR this resolution.

Mid-Atlantic has discussed with management of the Company management's vision for the Company's future on a number of occasions. Management has not articulated to Mid-Atlantic or the stockholders a clear plan for maximizing the value of the Company to its stockholders. It appears to Mid-Atlantic that management is operating from a misguided and erroneous belief that the Company will have greater value to the stockholders if it remains independent rather than if it is sold. Based on the information currently available to it, Mid-Atlantic believes that a sale of the Company would be in the best interest of the stockholders. Mid-Atlantic hopes that adoption of this resolution will lead to a prompt sale of the Company.

REVOCATION OF PROXY

Any stockholder returning the accompanying proxy may revoke such proxy at any time prior to its exercise (a) by giving written notice to the Secretary of the Company of such revocation or (b) by a later dated proxy. Attendance at the Annual Meeting will not in itself constitute revocation of a proxy. Any written notice of revocation should be sent to Corporate Secretary. Please also send a copy to Mid-Atlantic Investors at Post Office Box 7574, Columbia, South Carolina

VOTING PROCEDURES

The securities that may be voted at the meeting consist of shares of Common Stock of the Company (the "Common Stock"), with each share entitling its owner to one vote on all matters to be voted on at the Annual Meeting, except as described below. The close of business on February 17, 1999 has been established by the Board of Directors as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournments thereof. The total number of shares of Common Stock outstanding on the Record Date was 24,289,613.

Directors are elected by a majority of the votes present, without regard to either: (i) broker non-votes or (ii) proxies as to which authority to vote for one or more of the nominees being proposed is withheld. The resolution proposed by Mid-Atlantic will be determined by a majority of the votes cast, without regard to either: (i) broker non-votes or (ii) proxies marked "ABSTAIN" as to that matter. Proxies specifying abstention as to a proposal will cause the shares so represented to be counted toward a quorum, but not counted as voting for such proposal. To the extent holders or brokers having the right to vote shares do not attend the meeting or return a proxy, such shares will not count toward a quorum and, if a quorum is otherwise achieved, will have no effect on the proposals considered at the meeting.

ACTIONS TO BE TAKEN BY THE PROXIES

Each proxy executed pursuant to this solicitation by Mid-Atlantic, unless the stockholder otherwise specifies therein, will be voted "WITHHOLD AUTHORITY" on the election of the persons named in this Proxy Statement as nominees for election to the Board of Directors; "FOR" approval of the Resolution of Stockholders introduced by Mid-Atlantic recommending that the Board of Directors immediately take the necessary steps to achieve a sale, merger or other acquisition of the Company; and "ABSTAIN" the resolution to approve the independent auditors. In each case where the stockholder has appropriately specified how the proxy is to be voted, it will be voted in accordance with those specifications. Mid-Atlantic does not

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hereby seek authority to vote on any other matter of business which may be brought before the Annual Meeting, unless such matter relates to the foregoing resolutions, or is incidental to the conduct of the meeting, in which case, a vote may be cast pursuant to the accompanying proxy in accordance with the best judgment of the persons voting the same.

STOCKHOLDER PROPOSALS

To be eligible under the Securities and Exchange Commission's stockholder proposal rule (Rule 14a-8) for inclusion in the Company's proxy statement and form of proxy card, and for presentation at the Company's 2000 Annual Meeting, currently scheduled to be held on April 19, 2000, a proposal of a stockholder must be received by the Company at 114 East Lexington Street, Baltimore, Maryland 21202 prior to November 6, 1999. For a stockholder proposal submitted outside of the process provided by Rule 14a-8 to be eligible for presentation at the Company's 2000 Annual Meeting, timely notice thereof must be received by the Company by December 21, 1999 in the manner and form required by the Company's By-Laws. In order to curtail controversy as to compliance with these requirements, stockholders are urged to submit proposals to the Secretary of the Company by Certified Mail- Return Receipt Requested. If the date of the 2000 Annual Meeting should change, such deadlines would also change.

SECURITY OWNERSHIP OF PARTICIPANTS
IN MID-ATLANTIC PROXY SOLICITATION

The following table sets forth, as of February 28, 1999, the number and percent of outstanding shares of the Company's common stock beneficially owned by participants in Mid-Atlantic's proxy solicitation.

Name of Participants -----	Business Address -----	Number of Shares Beneficially Owned -----
Mid-Atlantic Investors	P.O. Box 7574 Columbia, SC 29202	583,000 (1) (2)
H. Jerry Shearer	289 Hunters Blind Drive Columbia, SC 29212	598,225 (1)
Jerry Zucker	4838 Jenkins Avenue Charleston, SC 29405	583,000 (1)
Mid-Atlantic Partners	P. O. Box 7574 Columbia, SC 29202	302,500
Mid-Atlantic Investors and Messrs. Shearer and Zucker as a group -----		598,225 (3)

(1) Includes the shares owned by Mid-Atlantic Investors and Mid-Atlantic Partners.

(2) Mr. Shearer's wife, Martha M. Shearer, has joint ownership with Mr. Shearer of 12,075 shares of the Company's Common Stock which are included in the shares beneficially owned by Mr. Shearer. Mrs. Shearer resides at 289 Hunters Blind Drive, Columbia, South Carolina 29212.

(3) The total shares beneficially owned by Mid-Atlantic, Mid-Atlantic Partners and Messrs. Shearer and Zucker

ADDITIONAL INFORMATION ABOUT PARTICIPANTS
IN MID-ATLANTIC PROXY SOLICITATION

Mid-Atlantic is a general partnership organized under the laws of the State of South Carolina for the purpose of investing in financial institutions. Jerry Zucker and H. Jerry Shearer are the general partners of Mid-Atlantic. Mr. Zucker is the chief executive of The InterTech Group, Inc. and the Polymer Group, Inc., the address of both of which is Post Office Box 5205, North Charleston, South Carolina 29406. The principal business of the InterTech Group, Inc. is manufacture of a wide and diverse variety of polymer and elastomer based products. The principal business of The Polymer Group, Inc. is manufacture and marketing of non-woven and woven polyolefin products. Mr. Shearer is managing partner of Mid-Atlantic.

Mid-Atlantic Partners is a limited partnership formed under the laws of the State of South Carolina for the purpose of investing in financial institutions. Mid-Atlantic is the general partner of Mid-Atlantic Partners.

During the past two years Mid-Atlantic made the following purchases of Company stock: 12/18/97 - 13,650 shares; 12/19/97 - 37,800 shares/ 12/22/97 - 52,500; 12/23/97 - 73,500; 12/24/97 - 31,500 shares; 12/29/97 - 6,300 shares; 1/2/98 - 31,500 shares; 1/6/98 - 15,750 shares. Mid-Atlantic also purchased call options to buy: 31,500 shares on 3/12/98; 4,200 shares on 3/13/98; 8,000 shares on 2/18/99; and 10,000 shares on 2/24/99.

During the past two years Mid-Atlantic Partners made the following purchases of Company stock: 1/6/98 - 126,000 shares; 1/7/98 - 73,500 shares; 1/8/98 - 42,000 shares; 1/9/98 - 21,000 shares. Mid-Atlantic Partners also purchased call options to buy: 31,500 shares on 3/12/98; 3,675 shares on 3/13/98; 39,375 shares on 3/26/98; 5,775 shares on 4/3/98; 24,675 on 4/27/98; 20,000 shares on 2/18/99; and 20,000 shares on 2/24/99.

During the past two years Mr. Shearer made the following purchases of Company stock: 3/24/98 - 2,625 shares; 3/26/98 - 3,150 shares; 4/8/98 - 1,575 shares; 4/20/98 - 10,500 shares. Mr. Shearer sold Company stock as follows: 6/2/98 - 175 shares; 8/7/98 - 500 shares; 9/30/98 - 465 shares; 10/6/98 - 126 shares; 10/12/98 - 585 shares; 10/15/98 - 60 shares; 12/8/98 - 714 shares.

All of the share amounts in the preceding three paragraphs have been adjusted to give effect to subsequent stock splits and dividends.

The shares of common stock owned by Mid-Atlantic, Mid-Atlantic Partners, and Mr. Shearer which had a value at February 28, 1999 of approximately \$14,235,081, are pledged to secure margin accounts, which represent funds borrowed for the purpose of acquiring or holding such shares.

Other than the call options referenced above and the Mid-Atlantic

partnership agreement between Messrs. Shearer and Zucker pursuant to which they share dispositive and voting power with respect to partnership matters, neither Mid-Atlantic, nor either of Messrs. Shearer or Zucker is, or has been in the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of the Company. Neither Mid-Atlantic nor Messrs. Shearer or Zucker, nor any of their associates has any arrangement or understanding with any person with respect to any future employment by the Company or its affiliates, or with respect to any future transactions to which the Company or any of its affiliates will or may be a party.

ELECTION OF DIRECTORS AND APPROVAL OF INDEPENDENT AUDITORS

The Company's Board of Directors has nominated seven persons to be elected as directors at the Annual Meeting. Such persons are identified in the Board's Proxy Statement, and information about such persons' employment, business experience and terms of office is also required to be set forth therein.

Mid-Atlantic does not endorse those nominees. As a convenience to stockholders who want to vote in the election of directors, Mid-Atlantic has provided a place on its proxy card for stockholders to register their votes for directors. Mid-Atlantic has also provided a space on its proxy card for stockholders to vote on the approval of PricewaterhouseCoopers, LLP as independent auditors for 1999. The proxy agents named on the proxy card will vote in accordance with the instructions of the stockholder.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Information about compensation of directors and executive officers of the Company is required to be set forth in the Board's Proxy Statement, and reference is made thereto for such information. It may help explain management's opposition to Mid-Atlantic's proposal.

OTHER BUSINESS

Mid-Atlantic is not aware of any other business to be conducted at the Annual Meeting. Mid-Atlantic does not seek authority hereby to vote on any other business unless it relates to nominees for the Board of Directors of the Company, the resolution discussed herein, or is incidental to the conduct of the meeting, in which case, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their best judgment on such matters.

4. And, in the discretion of said agents, upon such other business relating to the foregoing as may properly come before the meeting, and matters incidental to the conduct of the meeting.

THE PROXIES WILL BE VOTED AS INSTRUCTED. IF NO CHOICE IS INDICATED WITH RESPECT TO A MATTER WHERE A CHOICE IS PROVIDED, THIS PROXY WILL BE VOTED "WITHHOLD AUTHORITY" ON PROPOSAL NO. 1, "ABSTAIN" ON PROPOSAL NO. 2 AND "FOR" ON PROPOSAL NO. 3.

Please sign exactly as name appears below. When signing as attorney, executor, administrator, trustee, guardian, or similar position, please give full title. If more than one trustee, all should sign. Joint accounts need only one signature, but all account holders should sign if possible.

Dated: _____, 1999

[SOLICITING MATERIAL]

[Mid-Atlantic Investors Letterhead]

ATTENTION PROVIDENT BANKSHARES SHAREHOLDERS
WE SAY PROVIDENT SHOULD BE SOLD!
WHY?
SHAREHOLDERS MAKE MORE MONEY!
(It's not guaranteed, but that's the usual case.)

March 26, 1999

Dear Fellow Provident Shareholder:

Mid-Atlantic Investors submitted a shareholder resolution for the April 21 annual meeting of Provident Bankshares Corporation shareholders. The resolution calls upon the directors to take immediate steps to achieve a sale, merger or other acquisition of the Company on terms that will maximize shareholder value as promptly as possible. We believe that a sale of Provident Bankshares will produce greater value for shareholders than the current strategy followed by management. As a sophisticated investor, you may have analyzed Provident's numbers and have probably reached the same conclusion that we have.

Accordingly, we encourage you to use the GREEN PROXY CARD to vote FOR the proposal to sell the Company. Your vote FOR this proposal is essential since

management has shown its contempt for shareholder input by not including the proposal on the Board's proxy card. Instead, management will use its discretionary authority and vote proxies which they receive Against the proposal. There is no way to vote FOR our proposal on management's proxy card.

I'm not going to take of your valuable time to run through the data that shows Provident to be an under performer as measured by the usual current standards of measure. Your analysis already shows that. What's significant is the Stock Performance Graph in the Board's proxy statement. The two comparative indices have continued their upward bias; Provident's has turned downward. I believe that earnings alone will not significantly alter the direction of Provident's graph line. Your data probably supports this opinion as well.

The Board's proxy statement mentions that we made a presentation to the Board. That is correct. By telephone conference call with the Board on February 16, I spoke for ten minutes citing factual data arising from BB&T Corporation's (a large regional bank holding company) then recently announced agreement to acquire Mason Dixon Bankshares (headquartered in Maryland) and comparing that data to Provident's performance. I then presented a reasonable, and I believe to be a realistic, acquisition scenario that demonstrated that shareholders would be better served for the Company to be sold. The Board appeared to have listened but said nothing.

I also reminded the Board of its fiduciary duty to set the goals and policies for the Company and that such activity could not be delegated to management. When it comes to considering whether to sell the Company, I noted that management has a conflict of interest. I then suggested to the Board that for them, especially the outside directors, to fulfill their duty they should hire an independent investment banker to do two things: 1) evaluate management's business plan and determine the present value of the Company as an ongoing business; and, 2) determine the value of Provident if it were to be sold.

At the end of the Board presentation, not one question was asked. One would have thought that an open-minded board would have at least asked the obvious question: How do you know that BB&T would be interested in us? No such question was asked. (Incidentally, my answer would have been: BB&T has a publicly announced strategy to pursue acquisitions in Maryland, among other states, and specifically Baltimore.)

Provident Shareholders
March 26, 1999
Page 2

It is inconceivable to believe that BB&T and other potential acquirors having a desire to make acquisitions in Baltimore haven't already contacted Provident. Our question, and probably yours too, is: Why, then, is Provident not

pursuing merger talks? My opinion is two words: Board arrogance. When a board "buries" such an important issue as selling the Company under Other Matters and chooses to exercise their discretionary authority to vote proxies Against such an important proposal, I know of no other way to characterize such action.

Finally, I realize that some Institutional Shareholders have a policy of not voting against management. I respect such policies. However, if this is the case with your institution, I ask that you consider either not returning the Board proxy card or, if you are compelled to do so, at least do yourself the favor of calling management and telling them that you are returning the Board proxy but you believe the Company should put itself up for sale. After all, it is your client's future value at stake.

Thank you for your time.

Sincerely,

Jerry Shearer
Managing Partner

[SOLICITING MATERIAL]

[Mid-Atlantic Investors Letterhead]

ATTENTION PROVIDENT BANKSHARES SHAREHOLDERS
WE SAY PROVIDENT SHOULD BE SOLD!
WHY?
SHAREHOLDERS MAKE MORE MONEY!
(It's not guaranteed, but that's the usual case.)

March 26, 1999

Dear Fellow Provident Shareholder:

Mid-Atlantic Investors has submitted a "sell the Company" proposal for a vote at the Annual Meeting of Shareholders to be held on April 21.

Management has shown its contempt for shareholder input by not even

giving you an opportunity to vote on the proposal on the Board's proxy card. Instead, if you send in the Board provided proxy card they will vote your shares Against the proposal. This is nothing more than raw arrogance from a Board that appears to be interested only in remaining in power.

The enclosed GREEN PROXY CARD is the only card which provides a way for you to vote on all proposals coming before the meeting. We encourage you to vote FOR the proposal to sell the Company. After all, it is your money and your future value at stake, not management's.

Our opinion is that the current Board of Directors is simply unwilling to recognize that the banking industry is rapidly consolidating and that Provident's performance vis-a-vis potential acquirors is insufficient for the Company to remain a survivor in the industry's consolidation. Don't take our word for this. Ask your broker or other financial advisor.

Mid-Atlantic Investors is a shareholder like you. The only benefit we receive from Provident is the value of our stock and dividends. We do not receive any salaries, benefits, perquisites, options or other compensation from Provident. Unlike management, our economic interests are perfectly aligned with yours as a shareholder. We say it is now time for current shareholders to be rewarded by a sale of the Company.

The Stock Performance Graph in the Board's Proxy Statement tells the true story for shareholders. Last year, amidst rumors that a merger was imminent, Provident's share price accelerated to a high of \$36.00 per share. The rumor proved false and the stock price fell to a more normalized trading range based upon the Company's earnings. Our view is that earnings will not produce the kind of stock value that is available through a sale of the Company. As the banking industry continues to consolidate, we are afraid that Provident's franchise value will decline as there will be fewer and fewer potential acquirors for the Company.

Given the Board's arrogance toward shareholders and the Board's apparent unwillingness to initiate merger discussions, we urge shareholders to send a strong message to management -- sell the company. To do this, please use the GREEN PROXY CARD and vote FOR the proposal to sell the Company.

Thank you for your interest and support of this effort.

Sincerely,

Jerry Shearer
Managing Partner