

MERCANTILE BANKSHARES CORP  
Form PRE 14A  
March 15, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**MERCANTILE BANKSHARES CORPORATION**

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(Name of Registrant as Specified in Its Charter)

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

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- No fee required.
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1. Title of each class of securities to which transaction applies:

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1. Amount previously paid:

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4. Date Filed:

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# MERCANTILE BANKSHARES CORPORATION

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## NOTICE OF THE 2006 ANNUAL MEETING OF STOCKHOLDERS

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The 2006 Annual Meeting of Stockholders of Mercantile Bankshares Corporation, a Maryland corporation, will be held on Tuesday, May 9, 2006, at 10:30 a.m., local time, at 10 Hopkins Plaza (adjacent to the Mercantile Headquarters at Two Hopkins Plaza), Baltimore, Maryland, for the following purposes:

1. To elect seven Class I directors to serve until the 2009 Annual Meeting of Stockholders and until their successors are duly elected and qualify;
2. To vote on the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2006 fiscal year;
3. To vote on the approval of the Mercantile Bankshares Corporation Annual Cash Incentive Plan;
4. To vote on an amendment to our charter to increase the authorized shares of our common stock from 130,000,000 to 200,000,000; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on March 17, 2006, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting.

Whether or not you plan to attend the Annual Meeting, we urge you to vote your shares by signing, dating and mailing the enclosed proxy card in the envelope provided, or authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card.

By Order of the Board of Directors

John L. Unger

*Secretary*

March 30, 2006

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# PROXY STATEMENT

## INTRODUCTION

This proxy statement is being furnished on or about March 30, 2006, to the stockholders of Mercantile Bankshares Corporation, a Maryland corporation, in connection with the solicitation of proxies by its Board of Directors to be used at the Annual Meeting of Stockholders described in the accompanying notice and at any adjournment or postponement thereof. The purposes of the meeting are set forth in the accompanying notice of Annual Meeting of Stockholders.

Mercantile Bankshares Corporation, with \$16.4 billion in assets for the year ended December 31, 2005, is a regional multibank holding company with headquarters in Baltimore, Maryland. It is comprised of 11 banks and a mortgage banking company. Eight banks are headquartered in Maryland, two are in Virginia and one is in Delaware. At December 31, 2005, Bankshares' largest bank, Mercantile-Safe Deposit and Trust Company, represented approximately 45% of total assets and operated 40 offices in Maryland, 13 in Virginia, two in Washington, D.C. and one in Pennsylvania. MSD&T provides nearly all of Bankshares' substantial wealth management operations and specialized corporate banking services. Mercantile Bankshares Corporation was incorporated under the laws of Maryland on May 27, 1969. In this proxy statement, Mercantile Bankshares Corporation is referred to as *our*, *we* and *Bankshares*, *our* stockholders are referred to as *you*, and Mercantile-Safe Deposit and Trust Company is referred to as *MSD&T*.

The mailing address of our principal executive office is Two Hopkins Plaza, Baltimore, Maryland 21201. Our telephone number is 410-237-5900 and our corporate Website is [www.mercantile.com](http://www.mercantile.com).

## INFORMATION ABOUT THE ANNUAL MEETING

### ***Date, Time and Place of the Annual Meeting***

Our 2006 Annual Meeting of Stockholders, referred to herein as the *Annual Meeting*, will be held on Tuesday, May 9, 2006, at 10:30 a.m., local time, at Ten Hopkins Plaza (adjacent to our Headquarters at Two Hopkins Plaza), Baltimore, Maryland 21201. The doors to the meeting room will open for admission at 10:00 a.m.

### ***Who May Attend the Annual Meeting***

Only stockholders who own common stock as of the close of business on March 17, 2006, the record date for the Annual Meeting, will be entitled to attend the Annual Meeting. In the discretion of management, we may permit certain other individuals to attend the Annual Meeting, including members of the media and our banking customers and employees.

### ***Webcast of Annual Meeting***

The audio portion of the Annual Meeting will be available by telephone dial-in and by webcast. To listen by telephone, please dial 1-888-889-5345 or, internationally, 973-339-3086 ten minutes prior to the start of the meeting and ask to be connected to the Mercantile Bankshares Annual Meeting. You may also listen to the Annual Meeting through the Internet at Investor Relations, Conferences, <http://www.mrbk.com/invest/conferences.html>. If you choose to listen by phone or through the Internet, you will not be deemed to be in attendance at the Annual Meeting in person, will not be able to ask questions and will receive only the audio portion of the Annual Meeting. In order to vote at the Annual Meeting, you must either authorize a valid proxy or attend the Annual Meeting and vote in person.

An audio replay of the Annual Meeting will be available beginning at noon on May 9, 2006, until May 23, 2006, by dialing 1-877-519-4471 and the access code/pin number is 7127405. An audio replay will also be available through the Internet beginning at noon on May 9, 2006, until May 23, 2006, at <http://www.mrbk.com/invest/conferences.html>.

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### ***Who May Vote***

Each share of common stock is entitled to one vote. The record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting is the close of business on March 17, 2006. As of the record date, there were [ ] shares of common stock issued and outstanding. You can vote in person at the Annual Meeting or by proxy. To vote by proxy, please date, execute and mail the enclosed proxy card, or authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order to vote your shares. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a broker's proxy card and bring it to the Annual Meeting in order to vote.

### ***Voting by Proxy***

If you vote by proxy, the individuals named on the proxy card your proxies will vote your shares in the manner you indicate. You may specify whether your shares should be voted for all, some or none of the nominees for director and whether your shares should be voted and, if voted, whether your shares should be voted for or against each of the other proposals. If you date, sign and return the proxy card without indicating your instructions, your shares will be voted as follows:

For the election of each of the seven Class I nominees to serve as director until the 2009 Annual Meeting of Stockholders and until their successors are duly elected and qualify;

For the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2006 fiscal year;

For the approval of the Mercantile Bankshares Corporation Annual Cash Incentive Plan;

For the approval of an amendment to our charter to increase the authorized shares of our common stock from 130,000,000 to 200,000,000; and

In the discretion of either of your proxies on any other matter that properly comes before the Annual Meeting. You may revoke or change your proxy at any time before it is exercised by delivering to us a signed proxy card with a date later than your previously delivered proxy card, by voting in person at the Annual Meeting or by sending a written revocation to our Secretary. Your most current proxy card is the one that will be counted.

### ***Quorum Requirement***

A quorum is necessary to hold a valid meeting. If stockholders entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker does not vote on a particular matter because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

### ***Vote Requirements***

The nominees for election to the Board of Directors will be elected at the Annual Meeting by a plurality of all the votes cast at the Annual Meeting. Our Board has adopted a policy which requires a director nominee who received more votes withheld from than votes for his or her election to tender his or her



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resignation. The Nominating and Corporate Governance Committee will then consider such resignation and whether to accept it. The proposal to ratify the appointment of our independent registered public accounting firm and the proposal to approve the Mercantile Bankshares Corporation Annual Cash Incentive Plan, referred to herein as the 2006 Incentive Plan, each require the affirmative vote of a majority of the votes cast on such proposal. With respect to the election of directors and each of these proposals, abstentions and broker non-votes are not counted as votes cast and, therefore, will have no effect on these items. The proposal to amend our charter requires the affirmative vote of holders of two-thirds of our outstanding shares of common stock. Abstentions and broker non-votes will have the effect of a vote against this proposal.

### ***Board Attendance at Annual Meetings***

It is our policy to encourage all members of the Board to attend our annual meetings of stockholders. Fifteen of the twenty directors in office at the time attended last year's annual meeting.

### ***Other Matters***

The Board of Directors does not intend to present any business at the Annual Meeting other than the management proposals discussed in this proxy statement. Under our Bylaws, generally, no business other than the proposals described in the proxy statement may be transacted at the Annual Meeting. Pursuant to Rule 14a-4 of the Securities Exchange Act of 1934, as amended, if our Board determines to permit a stockholder proposal to be considered at the Annual Meeting which was not received between December 9, 2005 and January 8, 2006, as required by our Bylaws, management proxy holders are allowed to use their discretion in voting on the proposal at the Annual Meeting, without any discussion of the matter in this proxy statement.

### ***Information About the Proxy Statement***

*General.* We have sent to you the proxy materials because the Board of Directors, on behalf of Bankshares, is soliciting your proxy to vote your shares at the Annual Meeting. If you own common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one set of the proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to request a consolidated mailing of these materials, or to have all your accounts registered in the same name and address, by contacting the Transfer Agent for our common stock, American Stock Transfer and Trust Company, at [www.amstock.com](http://www.amstock.com) or 1-800-937-5449. The proxy statement summarizes information that we are required to provide to you under the rules of the Securities and Exchange Commission and is designed to assist you in voting your shares. On March 30, 2006, we began mailing our annual report and the proxy materials to all stockholders of record as of the close of business on the record date, March 17, 2006.

*Electronic Delivery.* You can help us save significant printing and mailing expenses by consenting to access the proxy statement, proxy card and annual report for future meetings electronically over the Internet. If you hold shares in your name (instead of through a broker or other nominee), you can choose this option by contacting the Transfer Agent for our common stock, American Stock Transfer and Trust Company, at [www.amstock.com](http://www.amstock.com) or 1-800-937-5449. If you hold your shares through a broker or other nominee, you should follow the instructions regarding electronic delivery, if any, provided by your broker or other nominee.

If you choose to receive your proxy materials and annual report electronically, then prior to next year's annual meeting you will receive e-mail notification when the proxy materials and annual report are available for your on-line review. Your choice for electronic distribution will remain in effect indefinitely, unless you revoke your choice by sending written notice of revocation to the Transfer Agent for our common stock at American Stock Transfer and Trust Company, Customer Service, 59 Maiden Lane, New York, New York 10038.

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**ELECTION OF DIRECTORS**

The Board of Directors currently has twenty members. The Board of Directors has determined that a majority of the Board of Directors is comprised of independent directors, as defined in Nasdaq Rule 4200. Our independent directors are: Cynthia A. Archer, R. Carl Benna, Richard O. Berndt, William R. Brody, M.D., Eddie C. Brown, George L. Bunting, Jr., Anthony W. Deering, Darrell D. Friedman, Freeman A. Hrabowski, III, Jenny G. Morgan, Morton B. Plant, Christian H. Poindexter, Clayton S. Rose, James L. Shea and Donald J. Shepard. Our charter provides that the directors are divided into three classes. One class of directors is elected at each annual meeting to hold office for a term of three years and until their successors have been duly elected and qualify.

Unless otherwise directed, each of the persons named in the enclosed proxy card, or his substitute, will vote for the election of each of the seven nominees listed below as director for a three-year term and until his successor is duly elected and qualifies. If any nominee at the time of election is unavailable to serve, a contingency not presently anticipated, it is intended that each of the persons named in the proxy card, or his substitute, will vote for an alternate nominee who will be designated by the Board of Directors. Alternatively, the Board of Directors may reduce the number of directors to be elected at the Annual Meeting. Proxies may be voted only for the nominees named or such alternates.

**The Board of Directors recommends that stockholders vote FOR each of the nominees listed below to serve as a Class I director until the 2009 Annual Meeting of Stockholders and until his successor is duly elected and qualifies.**

The following sets forth for all nominees for director, the age, principal occupation, position presently held with Bankshares, and the year in which the person first became a director. The ages of the nominees are as of the date of the mailing of the proxy statement. Each nominee is currently a member of the Board of Directors.

***Class I Director Nominees to Serve until the 2009 Annual Meeting of Stockholders***

**R. CARL BENNA** (age 58) has been the President of North American Housing Corp., a manufacturer of modular structures sold to builders for resale since 1978. He was elected a director of Bankshares in 2003.

**GEORGE L. BUNTING, JR.** (age 65) is the President and Chief Executive Officer of Bunting Management Group, a private financial management company. Mr. Bunting has occupied this position since 1991. Mr. Bunting was elected a director of MSD&T in 1992 and a director of Bankshares in 1992. He is a member of the Board's Audit Committee and Executive Committee. He is also the Chair of the Board's Compensation Committee.

**DARRELL D. FRIEDMAN** (age 64) has been a consultant to the American Jewish Joint Distribution Committee since fall 2003. From 1986 until fall 2003, he was the President and Chief Executive Officer of THE ASSOCIATED: Jewish Community Federation of Baltimore. Mr. Friedman was elected a director of Bankshares in 1999.

**ROBERT A. KINSLEY** (age 65) is the Chairman and Chief Executive Officer of Kinsley Construction, Inc., a general and heavy construction firm. Mr. Kinsley has served in this capacity since 1996. Mr. Kinsley was elected a director of Bankshares in 1996.

**ALEXANDER T. MASON** (age 54) has served as Vice Chairman of Bankshares since joining Bankshares in November 2003. In January 2005, he was named Chief Operating Officer of Bankshares. He held the following positions at Deutsche Bank: Vice Chairman, Deutsche Bank Americas, from 2002 to 2003; Chief Operating Officer, Global Corporate Finance, from 2001 to 2002; Co-Head, Global Industry Group, from 1999 to 2001; and Managing Director, Deutsche Bank Securities, from 1999 to 2003. He was elected a director of MSD&T in 2005 and a director of Bankshares in 2005.

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**CHRISTIAN H. POINDEXTER** (age 67) was Chairman of the Executive Committee of the Board of Directors of Constellation Energy Group, Inc., a public utility holding company, from July 2002 until he retired in March 2003. From November 2001 until July 2002, he was Chairman of the Board of Constellation, and, from April 1999 until November 2001, he was also Constellation's Chief Executive Officer. Mr. Poindexter was Chairman of the Board of Baltimore Gas and Electric Company from 1993 until July 2002. From 1993 until July 2000, he was also its Chief Executive Officer. He is a director of DNP Select Income Fund. Mr. Poindexter was elected a director of MSD&T in 1987 and a director of Bankshares in 1987. He is a member of the Board's Audit Committee, Compensation Committee and Executive Committee.

**JAMES L. SHEA** (age 53) is the Managing Partner of Venable LLP, a law firm engaged in the general practice of law. Mr. Shea has been Managing Partner of that firm since 1995. Mr. Shea was elected a director of MSD&T in 2001 and a director of Bankshares in 2001. He is a member of the Board's Executive Committee.

**CONTINUING DIRECTORS**

The following sets forth for our directors who shall continue in office until the 2007 or the 2008 annual meeting of stockholders, as applicable, the age, principal occupation, position presently held with Bankshares, and the year in which the person first became a director.

***Class II Directors Serving until the 2007 Annual Meeting of Stockholders***

**CYNTHIA A. ARCHER** (age 52) is Vice President of Marketing and Development of Sunoco, Inc., a major oil refiner. Ms. Archer has occupied this position since January 2001. From June 1999 until January 2001, she was Senior Vice President, Operations, Williams-Sonoma, Inc. Prior thereto, she was Senior Vice President-Intermodal Service Group, Conrail, Inc. and Consolidated Rail Corporation. Ms. Archer is a director of Sunoco Logistics Partners, LP. She was elected a director of Bankshares in 1997. She also serves as Chair of the Board's Audit Committee and as a member of the Board's Nominating and Corporate Governance Committee.

**RICHARD O. BERNDT** (age 63) is the Managing Partner of Gallagher, Evelius & Jones, LLP, a law firm engaged in the general practice of law. Mr. Berndt has been a partner in that firm since 1972. He is a director of Municipal Mortgage and Equity, L.L.C. Mr. Berndt was elected a director of MSD&T in 1976 and elected a director of Bankshares in 1978. He is Chair of the Board's Employee Benefit Committee and is a member of the Board's Executive Committee.

**HOWARD B. BOWEN** (age 55) is the President and Chief Executive Officer of Ewing Oil Company, Inc., a gasoline distributor. He has held this position since 1988. Mr. Bowen was elected a director of Bankshares in 2003.

**WILLIAM R. BRODY, M.D.** (age 62) is the President of Johns Hopkins University. Dr. Brody has occupied that position since 1996. Dr. Brody is a director of Medtronic, Inc. He was elected a director of Bankshares in 1996. He is a member of the Board's Nominating and Corporate Governance Committee.

**EDWARD J. KELLY, III** (age 52) has been the Chairman of the Board of Directors of Bankshares since March 2003, and President and Chief Executive Officer of Bankshares, and Chairman of the Board and Chief Executive Officer of MSD&T, since March 2001. Mr. Kelly served as Managing Director, Head of Global Financial Institutions and as Co-Head of Investment Banking Client Management of JPMorgan Chase & Co. during January 2001. Prior thereto, he was a Managing Director of J.P.Morgan & Co. Incorporated and was Head, Global Financial Institutions from February 2000 through December 2000, and

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Member, Global Investment Banking Management Committee from December 1997 through December 2000. Mr. Kelly is a director of CSX Corporation and Hartford Financial Services Group. He was elected a director of MSD&T in 2001 and elected a director of Bankshares in 2001. Mr. Kelly is the Chair of the Board's Executive Committee.

**MORTON B. PLANT** (age 69) has been a consultant to Keywell LLC, a recycler of stainless steel and high temperature alloy scrap metal, since 2002. Prior to that time, Mr. Plant was Chairman and Vice Chairman of that company. He was elected a director of MSD&T in 1997 and elected a director of Bankshares in 1997. He is a member of the Board's Audit Committee and Employee Benefit Committee.

***Class III Directors Serving until the 2008 Annual Meeting of Stockholders***

**EDDIE C. BROWN** (age 65) has been the President of Brown Capital Management, an investment management firm, since 1983. He is a director of Municipal Mortgage and Equity, L.L.C., and of the following Brown Capital Management Mutual Funds: Equity, Balanced, Mid-Cap, Small Company and International. Mr. Brown was elected a director of Bankshares in 2003. He is a member of the Board's Executive Committee and Nominating and Corporate Governance Committee.

**ANTHONY W. DEERING** (age 61) is Chairman of the Board of Exeter Capital, a private equity firm, Chairman of the Board of The Charlesmead Foundation, and served as the Chairman and Chief Executive Officer of The Rouse Company, a corporation focusing on regional shopping centers and community development, from 1997 until 2004. He is also a director of the T. Rowe Price Mutual Funds and Vornado Realty Trust. Mr. Deering was elected a director of Bankshares in 2003. He is a member of the Board's Compensation Committee and Executive Committee.

**FREEMAN A. HRABOWSKI, III** (age 55) is the President of the University of Maryland, Baltimore County. Dr. Hrabowski has served in this capacity since 1993. He is a director of Constellation Energy Group, Inc., Broadwing Corporation and McCormick & Company, Inc. Dr. Hrabowski was elected a director of MSD&T in 1996 and a director of Bankshares in 1996. He is Chair of the Board's Nominating and Corporate Governance Committee and a member of the Employee Benefit Committee.

**JENNY G. MORGAN** (age 46) is an Executive Vice President of Emdeon Corporation (successor to WebMD Corporation) since August 2004. From 1997 until 2004, she was President and Chief Executive Officer of ViPS, Inc., a healthcare information solutions company which became a part of the WebMD Corporation. She was elected a director of Bankshares in March 2004. She is a member of the Board's Audit Committee.

**CLAYTON S. ROSE** (age 47) has been an adjunct professor at Columbia University's Graduate School of Business since 2002. He has also taught at New York University's Stern School of Business. From 1981 through 2000, Mr. Rose worked at J.P. Morgan & Co., Inc. He held a series of senior management positions at JPMorgan & Co., Inc., including heading each of the firm's Global Investment Banking and Global Equities divisions and serving as a member of the firm's executive committee. He also served as Vice Chairman and Chief Operating Officer of the investment bank of J.P. Morgan Chase & Co. following the merger of the two firms in 2001. Mr. Rose serves as a director of Lexicon Genetics, Public/Private Ventures and The Reinvestment Fund. He was elected a director of Bankshares in 2001. He is a member of the Board's Audit Committee and Compensation Committee.

**DONALD J. SHEPARD** (age 59) has been Chairman of the Executive Board and Chief Executive Officer of AEGON N.V., a holding company of insurance and insurance-related companies since April 2002. Mr. Shepard has been a member of the Executive Board of AEGON N.V. since 1992. He also serves as a director, and since June 2005, Chairman of the Board, of AEGON U.S. Corporation, a holding company of AEGON's U.S. operations. From 1989 until April 2002, Mr. Shepard served as President and Chief

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Executive Officer of AEGON USA, Inc., a subsidiary of AEGON N.V. In addition, Mr. Shepard served on the Board of Directors of AEGON USA, Inc. from February 1989 through April 2002, and as Chairman of that Board from May 1992 to July 1999 and from May 2000 to April 2002. He is a director of CSX Corporation. Mr. Shepard was elected a director of MSD&T in 1992 and a director of Bankshares in 1992. He is a member of the Board's Compensation Committee.

**JAY M. WILSON** (age 59) has been a Vice Chairman of Bankshares, and Chief Executive Officer of the Investment and Wealth Management Division of MSD&T since January 2005. From September 1998 until December 2004, he was General Partner of Spring Capital Partners, L.P., a private equity fund providing expansion and acquisition capital to emerging growth companies. He was elected a director of MSD&T in 2005 and a director of Bankshares in 2005.

**Table of Contents****MEETINGS AND COMMITTEES OF THE BOARD**

The Board of Directors held [ ] meetings during 2005 and has the following standing committees: Audit, Nominating and Corporate Governance, Compensation, Employee Benefit and Executive. The following table shows the current membership of these committees. All of the directors attended at least 75% of all the meetings of the Board and all meetings of the Board committees on which he or she served during the last fiscal year.

Name	Audit	Nominating and Corporate Governance	Compensation	Employee Benefit	Executive
Cynthia A. Archer	X*	X			
Richard O. Berndt				X*	X
William R. Brody, M.D.		X			
Eddie C. Brown		X			X
George L. Bunting, Jr.	X		X*		X
Anthony W. Deering			X		X
Freeman A. Hrabowski, III		X*		X	
Edward J. Kelly, III					X*
Jenny G. Morgan	X				
Morton B. Plant	X			X	
Christian H. Poindexter	X		X		X
Clayton S. Rose	X		X		
James L. Shea					X
Donald J. Shepard			X		

\* Committee Chair

**Audit Committee**

The Audit Committee consists of six members (named in the foregoing chart) and assists the Board of Directors in monitoring the integrity of our and our subsidiaries' financial statements, the independent auditor's qualifications and independence, the performance of our internal audit function and independent registered public accounting firm, our compliance with legal and regulatory requirements and our systems of internal control over financial reporting. The Audit Committee selects and oversees the engagement and compensation of our independent registered public accounting firm. Each member of the Audit Committee is an independent director, as independence for audit committee members is defined in the listing standards of the Nasdaq National Market and in Section 10A of the Securities Exchange Act of 1934, as amended, and the Board of Directors has determined that Messrs. Rose and Poindexter are audit committee financial experts as defined in the regulations of the Securities and Exchange Commission. The Audit Committee met eight times during the year, which included meetings held separately with management, internal auditors and the independent auditor. The Audit Committee charter was amended and restated in February 2006 and adopted by our Board of Directors. The amended and restated charter is attached as Appendix A to this proxy statement and is available on our website, [www.mercantile.com](http://www.mercantile.com).

**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee consists of four members (named in the foregoing chart) and assists the Board in identifying qualified individuals to be nominated to become Board members, determining the composition of the Board of Directors and its committees, developing and monitoring a process to assess Board effectiveness and developing and implementing our corporate governance guidelines. Each member of the Nominating and Corporate Governance Committee is an independent director, as defined in the listing standards of the Nasdaq National Market. The Nominating and Corporate Governance Committee met three times during 2005. The Bankshares Corporate Governance Guidelines provide that each director should possess the highest personal and professional ethics and

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integrity, and be devoted to representing the interests of Bankshares and its stockholders, and that a director must be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively. Bankshares seeks to have a Board of Directors representing a broad range of experiences in business, government, education, community and other non-profit organizations, technology and in various areas relevant to Bankshares' businesses. The Nominating and Corporate Governance Committee also will consider the diversity (including gender and minority status), age, skills and other factors relevant to a director's overall qualifications in determining a combination of directors that will best serve the needs of the Board and Bankshares.

The Board of Directors has a policy that stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee for election at an annual meeting of stockholders by submitting the names and qualifications of such persons to the Nominating and Corporate Governance Committee in accordance with the timeframes required in our Bylaws. (See the discussion of the timeframes for the 2007 annual meeting under the heading "Stockholder Proposals for the 2007 Annual Meeting.") Submissions must be made to the Nominating and Corporate Governance Committee, c/o Mercantile Bankshares Corporation, Secretary, Two Hopkins Plaza, Baltimore, Maryland 21201. The Nominating and Corporate Governance Committee considers the qualifications for directors set forth in the Corporate Governance Guidelines and set forth in the preceding paragraph in selecting a director nominee and does not impose additional qualifications on stockholder-recommended potential nominees.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board of Directors, and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee may consider various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through referrals from current Board members, professional search firms, stockholders or other persons. Candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. In evaluating such nominations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

The Nominating and Corporate Governance Committee operates under a written charter which is available on our website, [www.mercantile.com](http://www.mercantile.com).

### ***Compensation Committee***

The Compensation Committee consists of five members (named in the foregoing chart) and advises the Board of Directors with respect to Bankshares compensation policies, assists the Board of Directors in discharging its responsibilities in respect of compensation of our executive officers and produces an annual report on executive compensation for inclusion in our proxy statement. Each member of the Compensation Committee is an independent director, as defined in the listing standards of the Nasdaq National Market, and is a non-employee director, as defined in the applicable rules of the Securities and Exchange Commission. The Compensation Committee met four times during 2005. The Compensation Committee operates under a written charter which was amended and restated in March 2006 and approved by our Board of Directors and is available on our website, [www.mercantile.com](http://www.mercantile.com).

### ***Employee Benefit Committee***

The Employee Benefit Committee consists of three members (named in the foregoing chart) and met two times during 2005. Some members of the Employee Benefit Committee are not independent directors, as defined in the listing standards of the Nasdaq National Market. It has general responsibility for receiving reports from, and giving advice to, the administrator of our tax-qualified Cash Balance Pension Plan, Thrift

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Plan and Health and Welfare Insurance Plan. The Committee is responsible for selecting the Plans administrator and reviewing recommendations for changes to the Plans and their methods of funding. The Employee Benefit Committee also has some oversight responsibility with respect to our Supplemental Cash Balance Pension Plan, Supplemental Thrift Plan and Deferred Compensation Plan.

***Executive Committee***

The Executive Committee consists of seven members (named in the foregoing chart) and exercises the authority of the Board of Directors on such matters as are delegated to it by the Board from time to time and exercises the powers of the Board between meetings of the Board. Some members of the Executive Committee are not independent directors, as defined in the listing standards of the Nasdaq National Market. The Executive Committee did not meet in 2005.

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**STOCK OWNERSHIP BY DIRECTORS,  
DIRECTOR NOMINEES AND NAMED EXECUTIVE OFFICERS**

This table indicates the amount of Bankshares common stock beneficially owned by our directors, nominees for director and executive officers named in the Summary Compensation Table as of March 7, 2006. In general, beneficial ownership includes those shares a director, director nominee or named executive officer has the power to vote or transfer, and stock options that are exercisable currently or that become exercisable within 60 days of such date. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them. On January 10, 2006, Bankshares announced a three-for-two stock split on our common stock payable in the form of a stock dividend on January 27, 2006 to stockholders of record as of the close of business on January 20, 2006. All references to share or option amounts in this proxy statement, including references for prior years, are after giving effect to the stock split, unless otherwise indicated.

Name of Individual	Amount of Common Stock Beneficially Owned (1)	Amount of Phantom Stock Units Beneficially Owned (2)	Percent of Class
Cynthia A. Archer	1,575	10,478	*
R. Carl Benna	34,071 <sup>(3)</sup>	2,288	*
Richard O. Berndt	49,430	19,061	*
Howard B. Bowen	20,285	2,270	*
William R. Brody, M.D.	3,975	1,531	*
Eddie C. Brown	5,250	2,098	*
George L. Bunting, Jr.	25,611		*
Anthony W. Deering	94,500	1,708	*
Peter W. Floeckher, Jr.	49,157		*
Darrell D. Friedman	900	7,371	*
Freeman A. Hrabowski, III	1,035	6,961	*
Edward J. Kelly, III	392,172		*
Robert A. Kinsley	23,835	8,161	*
Alexander T. Mason	87,501		*
Jenny G. Morgan	772	1,839	*
Morton B. Plant	5,775 <sup>(4)</sup>	5,010	*
Christian H. Poindexter	2,325		*
J. Marshall Reid	129,116 <sup>(5)</sup>		*
Clayton S. Rose	1,650	5,035	*
James L. Shea	1,654	3,096	*
Donald J. Shepard	21,000 <sup>(6)</sup>	11,767	*
Jay M. Wilson	47,862		*
Directors, nominees and executive officers as a group (27 persons)	1,202,262	88,674	1.047

\* An asterisk indicates that the individual named in the above table did not beneficially own more than 1% of the outstanding shares of our common stock.

- (1) The numbers shown include the following amounts of our common stock that the following individuals, and the group, have the right to acquire, within 60 days of March 7, 2006, (i) through the exercise of stock options granted pursuant to Bankshares stock option plans: Mr. Benna, 6,864; Mr. Bowen, 5,478; Mr. Floeckher, 40,941; Mr. Kelly 269,999; Mr. Mason, 72,501; Mr. Reid, 86,501; and Mr. Wilson, 12,500 and (ii) as a result of dividend equivalent shares under our 1999 Plan which will vest: Mr. Floeckher, 22; Mr. Kelly, 8,679 and Mr. Reid, 22. All directors, nominees and executive officers as a group, 643,663.

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- (2) The phantom stock units are derivative securities held for the account of the respective director under our Stock Retainer and Deferred Compensation Plan for Non-Employee Directors and can be exchanged for shares of our common stock within 60 days if the person ceases to be a director of Bankshares.
- (3) Includes 3,000 shares held by two trusts for family members of which Mr. Benna is trustee, but has no beneficial interest.
- (4) Includes 2,250 shares owned by his spouse.
- (5) Includes 24,261 shares owned by his spouse.
- (6) Includes 18,750 shares owned by a family trust of which Mr. Shepard is not trustee, but in which he has a beneficial interest.

**STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS**

<b>Name and Address of Beneficial Owner</b>	<b>Amount of Common Stock Beneficially Owned</b>	<b>Percent of Class</b>
Private Capital Management, L.P. <sup>(1)</sup>		