

14A:3-6
~~14:3-15~~

December 21, 1961

LEGISLATIVE HISTORY
of
R. S. 14:3-15 et seq.
(Actions by Shareholders; security for expenses)

Laws 1945, Chapter 131 - Assembly 242. Introduced March 16, 1945 by Mr. W.H. Jones
Not amended during passage. No hearings or reports on this bill are
available.

This bill had the following statement:

Statement

This bill affects only one kind of action which has
been the subject of great abuse and malodorous scandal.

This bill does not bar any action nor does it
bar any right. It requires that the complainant
represent a certain minimum of interest in the
corporation or that he put up security for costs
and expenses which will be incurred if his case
is determined to be unfounded. If the stock-
holder owns only a small percentage of the
corporation's stock and if his action has any
merit at all, it would be simple for him to
interest others who hold the minimum percentage
or stock value and thereby avoid putting up
security.

Section 2 will incorporate into State law the
rule that has long obtained in the Federal courts.

This act embodies similar laws which were
enacted in the State of New York in chapters 667
and 668 which became effective on April 9, 1944.

For legislative history of the New York law you may write to:

William P. Leonard
New York State Library
Albany 1, New York

RS/jre

ASSEMBLY, No. 242

STATE OF NEW JERSEY

INTRODUCED MARCH 16, 1945

By Mr. W. H. JONES

Referred to Committee on Corporations

AN ACT concerning the institution and maintenance of actions in the right of any domestic or foreign corporation by the holders of shares or voting trust certificates, and supplementing chapter three of Title 14 of the Revised Statutes.

1 BE IT ENACTED by the Senate and General Assembly of the State of New
2 Jersey:

1 1. In any action instituted or maintained in the right of any domestic or
2 foreign corporation by the holder or holders of shares, or of voting trust
3 certificates representing shares, of such corporation having a total par value
4 or stated capital value of less than five per centum (5%) of the aggregate
5 par value or stated capital value of all the outstanding shares of such cor-
6 poration's stock of every class, exclusive of shares held in the corporation's
7 treasury, unless the shares or voting trust certificates held by such holder or
8 holders have a market value in excess of fifty thousand dollars (\$50,000.00),
9 the corporation in whose right such action is brought shall be entitled, at any
10 stage of the proceeding before final judgment, to require the complainant or
11 complainants to give security for the reasonable expenses, including counsel
12 fees, which may be incurred by it in connection with such action and by the
13 other parties defendant in connection therewith for which it may become
14 subject pursuant to law, its certificate of incorporation, its by-laws or under
15 equitable principles, to which the corporation shall have recourse in such

16 amount as the court having jurisdiction shall determine upon the termination
17 of such action. The amount of such security may thereafter, from time to time,
18 be increased or decreased in the discretion of the court having jurisdiction
19 of such action upon showing that the security provided has or may become
20 inadequate or is excessive.

1 2. In any action, suit or proceeding brought or maintained in the right
2 of a domestic or foreign corporation by the holder or holders of shares, or of
3 voting trust certificates representing shares, of such corporation, it must
4 be made to appear that the complainant was a shareholder or the holder of
5 a voting trust certificate at the time of the transaction of which he com-
6 plains or that his share or voting trust certificate thereafter devolved upon
7 him by operation of law.

1 3. This act shall take effect immediately and shall apply to all such
2 actions, suits or proceedings now pending in which no final judgment has
3 been entered, and to all future actions, suits and proceedings.

STATEMENT

This bill affects only one kind of action which has been the subject of great abuse and malodorous scandal.

This bill does not bar any action nor does it bar any right. It requires that the complainant represent a certain minimum of interest in the corporation or that he put up security for costs and expenses which will be incurred if his case is determined to be unfounded. If the stockholder owns only a small percentage of the corporation's stock and if his action has any merit at all, it would be simple for him to interest others who hold the minimum percentage or stock value and thereby avoid putting up security.

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