

14A:7-7

LEGISLATIVE HISTORY CHECKLIST

NJSA: 14A:7-7 (Stock rights and options-- allow for adjustments)

LAWS OF: 1989 CHAPTER: 107

BILL NO: S3296

SPONSOR(S): Lesniak

Date Introduced: February 6, 1989

Committee: Assembly: -----

Senate: Labor, Industry and Professions

Amended during passage: No

Date of Passage: Assembly: May 15, 1989

Senate: April 24, 1989

Date of Approval: June 29, 1989

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly No

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

See newspaper clipping-- attached:

"N.J. firms given muscle to battle takeover," 7-1-89 Home News.

RDV

P.L.1989, CHAPTER 107, approved June 29, 1989
1989 Senate No. 3296

1 **AN ACT** concerning share rights or options issued by corporations
chartered in this State and amending N.J.S.14A:7-7.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the
5 **State of New Jersey:**

6 1. N.J.S.14A:7-7 is amended to read as follows:

7 14A:7-7. Share rights and options.

8 (1) Subject to any provisions in respect thereof set forth in its
9 certificate of incorporation in effect before the authorization
10 and issuance of the rights or options, a corporation may create
11 and issue, whether or not in connection with the issuance and sale
12 of any of its shares or bonds, rights or options entitling the
13 holders thereof to purchase from the corporation shares of any
14 class or series for such consideration and upon such terms and
15 conditions as may be fixed by the board. Such rights or options
16 shall be evidenced in such manner as the board shall approve and,
17 without limiting the generality of the foregoing, may be
18 evidenced by warrants attached to or forming part of bond
19 instruments or share certificates or existing independently
20 thereof. The instruments evidencing such rights or options shall
21 set forth or incorporate by reference the terms and conditions of
22 their exercise, including the time or times, which may be limited
23 or unlimited in duration, within which, and the price or prices at
24 which such shares may be purchased from the corporation, and
25 any limitations on the transferability of any such right or option.
26 The rights or options may contain provisions which adjust the
27 rights or options in the event of an acquisition of shares or a
28 reorganization, merger, consolidation, sale of assets or other
29 occurrence. The consideration for shares to be purchased upon
30 the exercise of any such right or option shall comply with the
31 requirements of sections 14A:7-4 and 14A:7-5. A good faith
32 judgment of the board as to the adequacy of the consideration
33 received for such rights or options is conclusive.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 (2) (Deleted by amendment. P.L.1988, c.94.)

3 (3) Notwithstanding N.J.S.14A:7-1 and N.J.S.14A:7-2 and any
5 other provision of chapter 7 of Title 14A of the New Jersey
7 Statutes, and unless otherwise provided in the certificate of
9 incorporation in effect before the authorization and issuance of
11 the rights or options, a corporation may before, on or after the
13 effective date of this 1989 amendatory act, authorize and issue
15 rights or options which include conditions that prevent the holder
17 of a specified percentage of the outstanding shares of the
19 corporation, including subsequent transferees of the holder, from
21 exercising those rights or options or which invalidate any rights
23 or options beneficially owned by the holder of a specified
25 percentage of the outstanding shares of the corporation, including
27 subsequent transferees of the holder.

(cf: P.L.1988, c.94, s.39)

2. This act shall take effect immediately.

21 STATEMENT

21 Corporations chartered in this State have issued share rights or
23 options which include conditions that, among other things,
25 preclude the holder or holders of a specified percentage of the
27 outstanding shares of the corporation and their subsequent
29 transferees from exercising those rights or options or which
invalidate such rights or options beneficially owned by such
holder or holders and their subsequent transferees. The purpose
of this bill is to make it clear that such rights and options have
been and continue to be valid under the laws of this State.

31 COMMERCE AND INDUSTRY

33 Corporations

35 Allows share rights or options of a corporation to contain
37 provisions which adjust them in event of change of ownership of
the corporation.

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 (3) Notwithstanding N.J.S.14A:7-1 and N.J.S.14A:7-2 and any
 3 other provision of chapter 7 of Title 14A of the New Jersey
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 5 incorporation in effect before the authorization and issuance of
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rights or options which include conditions that prevent the holder
 9 of a specified percentage of the outstanding shares of the
corporation, including subsequent transferees of the holder, from
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53296 (1988)

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

SENATE, No. 3296

STATE OF NEW JERSEY

DATED: FEBRUARY 23, 1989

The Senate Labor, Industry and Professions Committee reports favorably Senate Bill No. 3296.

This bill provides that the rights or options of corporations incorporated under the "New Jersey Business Corporation Act" (N.J.S.14A:1-1 et seq.) may contain provisions which adjust the rights or options in the event of an acquisition of shares or a reorganization, merger, consolidation, sale of assets or other occurrence.

The bill also provides that, unless otherwise provided in the certificate of incorporation, a corporation may, before, on, or after the effective date of this bill, authorize and issue rights or options which include conditions that prevent the holder of a specified percentage of outstanding shares of the corporation from exercising those rights or options or that invalidate the rights or options of such holder.