

14A: 8-2

LEGISLATIVE HISTORY CHECKLIST

H.R.S.A. 14A:8-2 (Removes requirement that corporations have shareholders consent for employee stock purchase plans).

LAWS OF 1977 CHAPTER 334

Bill No. S3416

Sponsor(s) Cafiero, McGahn

Date Introduced Sept. 19, 1977

Committee: Assembly

Senate

Amended during passage Yesx No Substituted for A3553 (enclosed).

Date of Passage: Assembly Oct. 3, 1977

Senate Sept. 29, 1977

Date of approval January 24, 1978

Following statements are attached if available:

Sponsor statement Yesx No

Committee Statement: Assembly Yesx No

Senate Yesx No

Fiscal Note Yesx No

Veto Message Yesx No

Message on signing Yesx No

Following were printed:

Reports Yesx No

Hearings Yesx No

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REFERENCE

SENATE, No. 3416

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 19, 1977

By Senators CAFIERO and McGAHN

(Without Reference)

AN ACT concerning employee plans of certain corporations and amending N. J. S. 14A :8-2.

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

1 1. N. J. S. 14A :8-2 is amended to read as follows:

2 14A :8-2. The board alone, by affirmative vote of a majority of
3 directors in office, may adopt any plan described in section 14A :8-1
4 and may include such provisions therein as the board may deem
5 advisable; provided that, *except as hereinafter set forth*, the ap-
6 proval of the shareholders shall be required for the adoption of any
7 plan which permits the use or issuance of treasury shares or
8 authorized but unissued shares, and shall also be required for the
9 adoption of any other plan if the certificate of incorporation or
10 the bylaws so provide. Nothing herein or in subsection 14A :7-7(2)
11 shall be deemed to require shareholder approval (1) for the issu-
12 ance by a corporation of share options or rights in substitution
13 for outstanding options or rights issued by another corporation
14 prior to its merger or consolidation with, or the acquisition of its
15 shares or assets by, the corporation issuing such substituted options
16 or rights or its subsidiary, or (2) for the adoption of any plan for
17 the use or issuance of treasury shares or authorized but unissued
18 shares which have been authorized by the Board of Public Utilities
19 pursuant to R. S. 48:3-9 or which are listed on a national securities
20 exchange or are held of record by not less than 1,000 holders.

1 2. This act shall take effect immediately.

STATEMENT

The statutory requirement in N. J. S. A. 14A :8-2 of shareholder consent for all employee plans involving the use of stock has no

counterpart in the laws of neighboring states (e.g., New York, Pennsylvania and Delaware) and involves costly and time-consuming procedures to obtain such consent for corporations whose shares are widely held by the public. The proposed amendment will remove this statutory impediment for many New Jersey corporations and make available to their employees benefits through stock ownership plans such as those provided by the Federal Tax Deduction Act of 1975 and the Tax Reform Act of 1976. The amendment will also permit modification of such plans when federal tax laws change without resubmitting them to stockholders for approval.

The amendment would exclude from the requirement of shareholders' consent those plans involving the use or issuance of shares which have been authorized by the Board of Public Utilities, or which would be subject to the disclosure and proxy requirements of the Federal Securities and Exchange Act of 1934. The latter exclusion is comparable to the standards of N. J. S. A. 14A:11-1 limiting appraisal rights. Allowing the exclusions would present no unfairness to shareholders.

REFERENCE USE ONLY

ASSEMBLY, No. 3553

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 26, 1977

By Assemblymen HURLEY and CHINNICI

(Without Reference)

AN ACT concerning beneficial provisions for employees of certain corporations under certain circumstances, and amending N. J. S. 14A:8-2.

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

1 1. N. J. S. 14A:8-2 is amended to read as follows:

2 14A:8-2. The board alone, by affirmative vote of a majority
3 of directors in office, may adopt any plan described in section
4 14A:8-1 and may include such provisions therein as the board may
5 deem advisable; provided that, *except as hereinafter set forth*, the
6 approval of the shareholders shall be required for the adoption of
7 any plan which permits the use or issuance of treasury shares or
8 authorized but unissued shares, and shall also be required for the
9 adoption of any other plan if the certificate of incorporation or the
10 bylaws so provide. Nothing herein or in subsection 14A:7-7 (2)
11 shall be deemed to require shareholder approval (a) for the
12 issuance by a corporation of share options or rights in substitution
13 for outstanding options or rights issued by another corporation
14 prior to its merger or consolidation with, or the acquisition of its
15 shares or assets by, the corporation issuing such substituted options
16 or rights or its subsidiary or (b) *for the adoption of any plan*
17 *for the use or issuance of treasury shares or authorized but unissued*
18 *shares which have been authorized by the Board of Public Utility*
19 *Commissioners pursuant to R. S. 48:3-9 or which are listed on a*
20 *national securities exchange or are held of record by not less than*
21 *1,000 holders.*

1 2. This act shall take effect immediately.

STATEMENT

The statutory requirement in N. J. S. 14A:8-2 of shareholder consent for all employee plans involving the use of stock has no counterpart in the laws of neighboring states (e.g., New York, Pennsylvania, and Delaware) and involves costly and time-consuming procedures to obtain such consent for corporations whose shares are widely held by the public. The proposed amendment will remove this statutory impediment for many New Jersey corporations and make available to their employees benefits through stock ownership plans such as those provided by the Federal Tax Reduction Act of 1975 and the Tax Reform Act of 1976. The amendment will also permit modification of such plans when Federal tax laws change without resubmitting them to stockholders for approval.

The amendment would exclude from the requirement of shareholder's consent those plans involving the use or issuance of shares which have been authorized by the Board of Public Utilities, or which would be subject to the disclosure and proxy requirements of the Federal Securities and Exchange Act of 1934. (The latter exclusion is comparable to the standards of N. J. S. 14A:11-1 limiting appraisal rights.) Allowing the exclusions would present no unfairness to shareholders.