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P.L. 2007, CHAPTER 226, *approved January 3, 2008*
Senate, No. 2428

1 AN ACT concerning the directors of State-chartered banks and
2 amending P.L.1948, c.67.

3

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

6

7 1. Section 102 of P.L.1948, c.67 (C.17:9A-102) is amended to
8 read as follows:

9 102. Directors; classification; election; vacancies; tenure.

10 A. A bank may provide in its certificate of incorporation for the
11 classification of its directors in respect to the time for which they
12 shall severally hold office, but no class of directors shall hold office
13 for a term shorter than one year or longer than five years, and the
14 term of office of at least one class shall expire in each year. No
15 classification of directors shall be effective prior to the first annual
16 meeting of stockholders.

17 B. The directors named in the certificate of incorporation shall
18 hold office until the first annual meeting of stockholders, and until
19 their successors shall have been elected and qualified. At the first
20 annual meeting of stockholders, and at each annual meeting
21 thereafter, the stockholders shall elect directors to hold office until
22 the next succeeding annual meeting of stockholders, except in the
23 case of the classification of directors pursuant to subsection A. of
24 this section.

25 C. Directors elected at each annual meeting of stockholders shall
26 be elected by ballot of the stockholders [at each annual meeting].
27 The persons [receiving] nominated for election as a director at each
28 annual meeting of stockholders who receive the greatest number of
29 votes shall be [the] elected as directors at that annual meeting.

30 D. When an increase in the number of directors is authorized,
31 other than an increase authorized pursuant to subsection **[C]** E. of
32 this section, the newly created directorships shall be filled by the
33 stockholders. The board of directors may, at its option, fill any
34 other vacancy in the board. If, following a vacancy, less than 5
35 directors or less than a quorum remain, the directors in attendance
36 at the next regular or special meeting of the board shall fill the
37 vacancy.

38 **[B.]** E. A director elected at an annual meeting of the
39 stockholders shall hold office for the term for which he is elected
40 from the time when a majority of all directors elected at such
41 meeting shall have qualified, and until [the time when a majority of
42 the directors elected at the next annual meeting] his successor shall
43 have been elected and qualified. A director otherwise elected or
44 appointed, including a director appointed pursuant to subsection

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.

S2428

3

1 their national bank counterparts, and other types of business
2 corporations.

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7 _____

8 Allows State banks to provide for staggered terms of directors in
certificate of incorporation.

SENATE, No. 2428

STATE OF NEW JERSEY
212th LEGISLATURE

INTRODUCED JANUARY 8, 2007

Sponsored by:

Senator JOHN H. ADLER

District 6 (Camden)

Assemblywoman SHEILA Y. OLIVER

District 34 (Essex and Passaic)

SYNOPSIS

Allows State banks to provide for staggered terms of directors in certificate of incorporation.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/14/2007)

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2 amending P.L.1948, c.67.

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11 classification of its directors in respect to the time for which they
12 shall severally hold office, but no class of directors shall hold office
13 for a term shorter than one year or longer than five years, and the
14 term of office of at least one class shall expire in each year. No
15 classification of directors shall be effective prior to the first annual
16 meeting of stockholders.

17 B. The directors named in the certificate of incorporation shall
18 hold office until the first annual meeting of stockholders, and until
19 their successors shall have been elected and qualified. At the first
20 annual meeting of stockholders, and at each annual meeting
21 thereafter, the stockholders shall elect directors to hold office until
22 the next succeeding annual meeting of stockholders, except in the
23 case of the classification of directors pursuant to subsection A. of
24 this section.

25 C. Directors elected at each annual meeting of stockholders shall
26 be elected by ballot of the stockholders [at each annual meeting].
27 The persons [receiving] nominated for election as a director at each
28 annual meeting of stockholders who receive the greatest number of
29 votes shall be [the] elected as directors at that annual meeting.

30 D. When an increase in the number of directors is authorized,
31 other than an increase authorized pursuant to subsection [C] F. of
32 this section, the newly created directorships shall be filled by the
33 stockholders. The board of directors may, at its option, fill any
34 other vacancy in the board. If, following a vacancy, less than 5
35 directors or less than a quorum remain, the directors in attendance
36 at the next regular or special meeting of the board shall fill the
37 vacancy.

38 [B.] E. A director elected at an annual meeting of the
39 stockholders shall hold office for the term for which he is elected
40 from the time when a majority of all directors elected at such
41 meeting shall have qualified, and until [the time when a majority of
42 the directors elected at the next annual meeting] his successor shall
43 have been elected and qualified. A director otherwise elected or
44 appointed, including a director appointed pursuant to subsection

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.

S2428 ADLER

4

- 1 their national bank counterparts, and other types of business
- 2 corporations.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2428

STATE OF NEW JERSEY

DATED: MARCH 5, 2007

The Senate Commerce Committee reports favorably Senate Bill No.2428.

This bill allows a bank to provide for the "classification" or staggering of its directors in its certificate of incorporation, based on the time for which they hold office. Currently, all directors of a State-chartered bank must be elected each year at the bank's annual meeting of stockholders. Thus, a State-chartered bank is prohibited from having a "staggered" or "classified" board of directors.

Under the terms of the bill, no class of directors shall hold office for a term shorter than one year or longer than five years, and the term of office of at least one class shall expire in each year. No classification of directors shall be effective prior to the first annual meeting of stockholders. The directors named in the certificate of incorporation shall hold office until the first annual meeting of stockholders, and until their successors are elected and qualified. At the first annual meeting of stockholders, and at each annual meeting thereafter, the stockholders shall elect directors to hold office until the next succeeding annual meeting of stockholders, except in the case of the initial classification of directors as established pursuant to the certificate of incorporation.

Under current law, New Jersey banks do not have the same flexibility as national banks and banks chartered under the laws of a majority of other states. National banks are expressly permitted to adopt bylaws that provide for a staggering of terms of directors, and New Jersey is one of only 12 states that do not permit the staggering of directors' terms. New Jersey business corporations are permitted to have staggered or classified boards as well. The most common benefits realized from having a staggered or classified board of directors are: continuity and stability of business strategies, policies and practices; consistent management; and consistent implementation of long-range strategic business initiatives and goals. This bill then would permit State-chartered banks to take advantage of the benefits realized from a staggered or classified board of directors, and put them on an equal footing with their national bank counterparts, and other types of business corporations.

ASSEMBLY, No. 3813

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED DECEMBER 14, 2006

Sponsored by:

Assemblyman NEIL M. COHEN

District 20 (Union)

Assemblywoman CHARLOTTE VANDERVALK

District 39 (Bergen)

Co-Sponsored by:

Assemblyman Connors

SYNOPSIS

Allows State banks to provide for staggered terms of directors in certificate of incorporation.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/14/2007)

1 AN ACT concerning the directors of State-chartered banks and
2 amending P.L.1948, c.67.

3

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

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7 1. Section 102 of P.L.1948, c.67 (C.17:9A-102) is amended to
8 read as follows:

9 102. Directors; classification; election; vacancies; tenure.

10 A. A bank may provide in its certificate of incorporation for the
11 classification of its directors in respect to the time for which they
12 shall severally hold office, but no class of directors shall hold office
13 for a term shorter than one year or longer than five years, and the
14 term of office of at least one class shall expire in each year. No
15 classification of directors shall be effective prior to the first annual
16 meeting of stockholders.

17 B. The directors named in the certificate of incorporation shall
18 hold office until the first annual meeting of stockholders, and until
19 their successors shall have been elected and qualified. At the first
20 annual meeting of stockholders, and at each annual meeting
21 thereafter, the stockholders shall elect directors to hold office until
22 the next succeeding annual meeting of stockholders, except in the
23 case of the classification of directors pursuant to subsection A. of
24 this section.

25 C. Directors elected at each annual meeting of stockholders shall
26 be elected by ballot of the stockholders [at each annual meeting].
27 The persons [receiving] nominated for election as a director at each
28 annual meeting of stockholders who receive the greatest number of
29 votes shall be [the] elected as directors at that annual meeting.

30 D. When an increase in the number of directors is authorized,
31 other than an increase authorized pursuant to subsection **[C]** F. of
32 this section, the newly created directorships shall be filled by the
33 stockholders. The board of directors may, at its option, fill any
34 other vacancy in the board. If, following a vacancy, less than 5
35 directors or less than a quorum remain, the directors in attendance
36 at the next regular or special meeting of the board shall fill the
37 vacancy.

38 **[B.]** E. A director elected at an annual meeting of the
39 stockholders shall hold office for the term for which he is elected
40 from the time when a majority of all directors elected at such
41 meeting shall have qualified, and until [the time when a majority of
42 the directors elected at the next annual meeting] his successor shall
43 have been elected and qualified. A director otherwise elected or
44 appointed, including a director appointed pursuant to subsection
45 **[C]** F. of this section, shall hold office from the time when he shall

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Matter underlined thus is new matter.

1 have qualified until the time when a majority of the directors
2 elected at the next annual meeting shall have qualified.

3 **[C.] E.** If the original or amended certificate of incorporation
4 of a bank so provides, the directors may, between annual meetings,
5 increase the number of directors by not more than 2, and may,
6 subject to the limitation imposed by subsection A_ of section 101 of
7 P.L.1948, c.67 (C.17:9A-101), appoint persons to fill the vacancies
8 so created.

9 (cf: P.L.1964, c.32, s.1)

10

11 2. This act shall take effect immediately.

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STATEMENT

15

16 This bill allows a bank to provide for the "classification" or
17 staggering of its directors in its certificate of incorporation, based
18 on the time for which they hold office. Currently, all directors of a
19 State-chartered bank must be elected each year at the bank's annual
20 meeting of stockholders. Thus, a State-chartered bank is prohibited
21 from having a "staggered" or "classified" board of directors.

22 Under the terms of the bill, no class of directors shall hold office
23 for a term shorter than one year or longer than five years, and the
24 term of office of at least one class shall expire in each year. No
25 classification of directors shall be effective prior to the first annual
26 meeting of stockholders. The directors named in the certificate of
27 incorporation shall hold office until the first annual meeting of
28 stockholders, and until their successors are elected and qualified.
29 At the first annual meeting of stockholders, and at each annual
30 meeting thereafter, the stockholders shall elect directors to hold
31 office until the next succeeding annual meeting of stockholders,
32 except in the case of the classification of directors.

33 Under the current law, New Jersey banks do not have the same
34 flexibility as national banks and banks chartered under the laws of a
35 majority of other states. National banks are expressly permitted to
36 adopt bylaws that provide for a staggering of terms of directors, and
37 New Jersey is one of only 12 states that do not permit the
38 staggering of directors' terms. New Jersey business corporations
39 are permitted to have staggered or classified boards as well. The
40 most common benefits realized from having a staggered or
41 classified board of directors are: continuity and stability of business
42 strategies, policies and practices; consistent management; and
43 consistent implementation of long-range strategic business
44 initiatives and goals. This bill then would permit State-chartered
45 banks to take advantage of the benefits realized from a staggered or
46 classified board of directors, and put them on an equal footing with
47 their national bank counterparts, and other types of business
48 corporations.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3813

STATE OF NEW JERSEY

DATED: JANUARY 18, 2007

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill No. 3813.

This bill allows a bank to provide for the "classification" or staggering of its directors in its certificate of incorporation, based on the time for which they hold office. Currently, all directors of a State-chartered bank must be elected each year at the bank's annual meeting of stockholders. Thus, a State-chartered bank is prohibited from having a "staggered" or "classified" board of directors.

Under the terms of the bill, no class of directors shall hold office for a term shorter than one year or longer than five years, and the term of office of at least one class shall expire in each year. No classification of directors shall be effective prior to the first annual meeting of stockholders. The directors named in the certificate of incorporation shall hold office until the first annual meeting of stockholders, and until their successors are elected and qualified. At the first annual meeting of stockholders, and at each annual meeting thereafter, the stockholders shall elect directors to hold office until the next succeeding annual meeting of stockholders, except in the case of the classification of directors.

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