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DIEGNAN/VAS SEVEN-BILL PACKAGE TO UPDATE, IMPROVE NJ'S CORPORATE BUSINESS LAWS ADVANCES

*Measures Would Make State More Business Friendly;
Make NJ's Corporate Business Laws Similar to Delaware's*

(TRENTON) – The Assembly Commerce and Economic Development Committee today released a seven-bill package sponsored by Assemblymen Patrick J. Diegnan and Joseph Vas to simplify many of New Jersey's corporate governance statutes and make the state more attractive to businesses.

“For New Jersey to be competitive as a home for industry in the global marketplace, we need laws that will allow them to operate in real time, using 21st century technology,” said Diegnan (D-Middlesex). “By making the state more business friendly, we can actively combat the national economic recession, and begin to reverse New Jersey's pervasive stigma as state hostile to business.”

According to the sponsors, the proposed changes in New Jersey's corporate business laws stem largely from recent conversations they had with business leaders and from a desire to be more cognizant of how corporations work and operate in the instant-access global marketplace. The sponsors also studied policies in neighboring states – particularly Delaware, which is widely regarded as being very accepting when it comes to corporate governance. Portions of the package mirror Delaware's General Corporation Laws; portions go even further.

If enacted into law, the Diegnan/Vas initiative would:

- Allow any notice required under the provisions of the “New Jersey Business Corporation Act” to be issued electronically, saving corporations time and money and allowing for more immediate, direct access to corporate directors and shareholders. (A-2879)
- Eliminate the 10-day notice period required for certain types of shareholder actions. That requirement creates inefficiencies in standard transactions and causes unnecessary delays for corporations seeking to complete routine business. (A-2880)

(MORE)

- Enable corporate directors to provide a notice of resignation that is only effective when certain events occur, providing for smoother transitions in many circumstances – such as when a director doesn't receive a majority vote at a shareholder's meeting. (A-2881)
- Provide true one-hour and two-hour options for expedited over-the-counter corporate service requests. Currently, expedited service is considered priority same day service, which is processed within 8.5 hours from the time the request is received. (A-2882)
- Allow a corporation to eliminate plurality voting for director elections using the corporation's bylaws, giving New Jersey corporations greater flexibility in adopting other voting methods concerning the selection of directors. Current law requires a corporation to amend the certificate of incorporation for any such changes. (A-2883)
- Modernize state law to better account for the expanded scope of global business interactions by amending the definition of a foreign corporation to mirror the definition used in the Uniform Limited Partnership Law and the New Jersey Limited Liability Company Act. The measure would eliminate confusion caused by the differing definitions and also allow unincorporated entities beyond the traditional partnerships and limited liability companies to merge with New Jersey corporations. (A-2884)
- Provide greater flexibility in the types of equity awards a corporation may use, in recognition of the corporate trend away from granting stock options in favor of more restricted stock grants. (A-2885)

“Making these changes will help reignite the engines of private commerce in the Garden State,” said Assemblyman Joseph Vas (D-Middlesex) chairman of the Assembly Commerce and Economic Development Committee. “And that, in turn, will stimulate the economy, boost private sector job growth, and help reverse the state's reputation as being business unfriendly.”

The measures all were released by unanimous committee vote. They now head to the Assembly Speaker, who decides if and when to post them for floor votes.