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COMMERCE BANCORP INC /NJ/  
Form PRE 14A  
April 26, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by  
Rule 14a-6(e) (2))

[ ] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to ss.240.14a-12

COMMERCE BANCORP, INC.

-----  
(Name of Registrant as Specified In Its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and  
0-11.

(1) Title of each class of securities to which transaction applies:

N/A  
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(2) Aggregate number of securities to which transaction applies:

N/A  
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(3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule 0-11 (set forth the amount on which  
the filing fee is calculated and state how it was determined):

N/A  
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(4) Proposed maximum aggregate value of transaction:

N/A

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(5) Total fee paid:

N/A

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[ ] Fee paid previously with preliminary materials:

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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[COMMERCE BANCORP LOGO]

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Shareholders (the "Annual Meeting") of Commerce Bancorp, Inc. ("Bancorp") will be held at Commerce University, 17000 Horizon Way, Mt. Laurel, New Jersey, on Friday, June 11, 2004, at 11:00 A.M., local time to consider and act upon the following matters as more fully described in the annexed proxy statement:

1. To elect directors;
2. To approve the Commerce Bancorp, Inc. 2004 Employee Stock Option Plan;

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3. To approve the amendment of Bancorp's Restated Certificate of Incorporation to increase the number of shares of Common Stock that Bancorp is authorized to issue by 350,000,000 shares;

4. To ratify the appointment of Ernst & Young LLP as Bancorp's independent auditors for the fiscal year ending December 31, 2004; and

5. To act upon such other matters as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The board of directors has fixed April 23, 2004 as the record date for determination of shareholders entitled to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to receive notice of, and to vote at, the Annual Meeting.

You are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting in person, you are urged to sign and date the enclosed proxy and promptly return it in the envelope provided for that purpose.

By Order of the Board of Directors

ROBERT C. BECK,  
Secretary

April 29, 2004

COMMERCE BANCORP, INC.  
COMMERCE ATRIUM  
1701 ROUTE 70 EAST  
CHERRY HILL, NEW JERSEY 08034-5400

PROXY STATEMENT

This Notice of Annual Meeting, proxy statement and enclosed proxy are being furnished to shareholders of Commerce Bancorp, Inc. ("Bancorp") in conjunction with the solicitation of proxies by the board of directors of Bancorp for use at Bancorp's 2004 Annual Meeting of Shareholders to be held on Friday, June 11, 2004, at 11:00 A.M., local time, at Commerce University, 17000 Horizon Way, Mt. Laurel, New Jersey, (the "Annual Meeting"), and at any adjournment or postponement thereof. The approximate date upon which this proxy statement and the accompanying form of proxy will be first sent, given or otherwise made available to Bancorp's shareholders is April 29, 2004.

The expense of the proxy solicitation will be borne by Bancorp. In addition to solicitation by mail, proxies may be solicited in person or by telephone by directors, officers or employees of Bancorp and its subsidiaries without additional compensation. Bancorp may engage the services of a proxy soliciting firm. Bancorp is required to pay the reasonable expenses incurred by recordholders of Bancorp Common Stock who are brokers, dealers, banks or voting trustees, or their nominees, for mailing proxy material and annual shareholder reports to the beneficial owners of Bancorp common stock they hold of record,

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upon request of such recordholders.

The board of directors of Bancorp has fixed the close of business on April 23, 2004, as the date for determining holders of record of Bancorp Common Stock, par value \$1.00 per share (the "Common Stock") entitled to receive notice of, and to vote at, the Annual Meeting. On that date, there were 77,907,957 shares of Bancorp Common Stock outstanding. Each holder of Bancorp Common Stock is entitled to cast one vote for each share held of record on that date.

The holders of a majority of the aggregate outstanding shares of Bancorp Common Stock, present either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Pursuant to the New Jersey Business Corporation Act ("NJBCA"), abstentions and broker non-votes (described below) will be counted for the purpose of determining whether a quorum is present.

Under the NJBCA, abstentions or a withholding of authority are not counted as votes cast for the purpose of electing directors or amending Bancorp's Restated Certificate of Incorporation to increase the number of shares of Common Stock and, therefore, will have no effect on the outcome of the vote on the election of directors or the amendment to the Certificate of Incorporation at the Annual Meeting. However, under applicable New York Stock Exchange ("NYSE") rules, abstentions will be counted as votes cast for the purpose of approving the 2004 Employee Stock Option Plan (the "2004 Plan") and, therefore, will have the legal effect of an "AGAINST" vote in connection with the vote on such approval at the Annual Meeting.

Brokers who hold shares for the accounts of their clients may vote such shares either as directed by their clients or in their own discretion if permitted by the applicable stock exchange or other organization of which they are members. Members of the NYSE are permitted to vote their clients' shares in their own discretion as to the election of directors, the amendment to the Certificate of Incorporation and certain other "routine" matters if the clients have not timely furnished voting instructions prior to the Annual Meeting. However, brokers will not be permitted to vote their clients' shares without obtaining voting instructions with respect to the approval of the 2004 Plan. When a broker votes a client's shares on

some but not all of the proposals at a meeting, the omitted votes are referred to as "broker non-votes." Broker non-votes are not counted as votes cast.

If the enclosed form of proxy is properly marked, signed, and returned in time to be voted at the Annual Meeting and not revoked, the shares represented by the proxy will be voted in accordance with the instructions marked thereon. Signed proxies not marked to the contrary will be voted "FOR" the election of all nominees for director, "FOR" the approval of the 2004 Plan, "FOR" the amendment to Bancorp's Restated Certificate of Incorporation to increase the number of shares of Common Stock that Bancorp is authorized to issue by 350,000,000 shares and "FOR" the ratification of the appointment of auditors.

Any Bancorp shareholder giving a proxy may revoke it at any time before it is voted by (i) giving written notice of such revocation, signed in the same manner as the proxy, to Bancorp's Secretary, (ii) executing a new proxy and returning it to the Bancorp's Secretary prior to the voting of the first proxy at the Annual Meeting, or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy).

SECURITY OWNERSHIP OF MANAGEMENT AND  
CERTAIN BENEFICIAL OWNERS

## Common Stock

The following table sets forth, as of April 23, 2004, the beneficial ownership of Bancorp's Common Stock by (i) each person who is known by Bancorp to be the beneficial owner of more than 5% of Bancorp's Common Stock, (ii) each director and nominee for director of Bancorp, (iii) each of the executive officers of Bancorp named in the Summary Compensation Table and (iv) all the directors and executive officers of Bancorp as a group. Unless otherwise specified, all persons listed below have sole voting and investment power with respect to their shares. The address of Mr. Hill is c/o Commerce Bancorp, Inc., Commerce Atrium, 1701 Route 70 East, Cherry Hill, New Jersey 08034.

Name of Beneficial Owner or Identity of Group -----	Number of Shares Beneficially Owned(1) (2) -----	Percent of Class Beneficially Owned(1) (2) -----
Robert C. Beck	387,762 (3)	*
Jack R Bershad	131,918 (4)	*
Joseph E. Buckelew	648,372 (5)	*
Donald T. DiFrancesco	10,082 (6)	*
John P. Ferguson	9,803 (7)	*
Vernon W. Hill, II	3,575,971 (8)	4.48%
Morton N. Kerr	8,231 (9)	*
Steven M. Lewis	520,672 (10)	*
George E. Norcross, III	1,064,067 (11)	1.36%
Joseph J. Plumeri, II	1,000	*
Daniel J. Ragone	197,409 (12)	*
William A. Schwartz, Jr.	92,445 (13)	*
Joseph T. Tarquini, Jr.	552,400 (14)	*
Frank C. Videon, Sr.	203,081 (15)	*
Dennis M. DiFlorio	813,293 (16)	1.04%
Robert D. Falese, Jr.	249,626 (17)	*
Peter M. Musumeci, Jr.	436,260 (18)	*

Name of Beneficial Owner or Identity of Group -----	Number of Shares Beneficially Owned(1) (2) -----	Percent of Class Beneficially Owned(1) (2) -----
All Directors and Executive Officers of Bancorp as a Group (20 Persons)	9,411,218 (19)	11.42%

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Putnam, LLC One Post Office Square Boston, MA 02109	5,921,332 (20)	7.60%
Gilder, Gangon, Howe & Co. LLC 1775 Broadway, 26th Floor NY, NY 10019	9,046,104 (21)	11.61%

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\* less than 1%

- (1) The securities "beneficially owned" are determined in accordance with the definitions of "beneficial ownership" as set forth in the regulations of the Securities and Exchange Commission ("SEC") and, accordingly, may include securities owned by or for, among others, the wife and/or minor children of the individual and any other relative who has the same residence as such individual as well as other securities as to which the individual has or shares voting or investment power or has the right to acquire under outstanding stock options within 60 days after April 23, 2004. Shares subject to outstanding stock options which an individual has the right to acquire within 60 days after April 23, 2004 are deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such individual or any group including such individual only. Beneficial ownership may be disclaimed as to certain of the securities.
- (2) The figures in these columns reflect the shares of Bancorp Common Stock issuable upon the conversion of the 5.95% Convertible Trust Capital Securities (the "trust capital securities") issued by Commerce Capital Trust II on March 11, 2002. Messrs. Bershad, Buckelew, DiFlorio, Hill, Ragone and Videon beneficially own 3,000, 10,000, 2,000, 8,000, 2,000 and 8,000 trust capital securities, respectively, and the directors and executive officers of Bancorp, as a group (20 persons), beneficially own 35,000 trust capital securities. Each trust capital security is convertible, at the option of the holder thereof, into shares of Bancorp Common Stock at an initial conversion ratio of 0.9478 shares of Bancorp Common Stock for each trust capital security, subject to adjustment under certain circumstances. As of April 23, 2004, the trust capital securities are convertible at the election of the holder.
- (3) Includes 1,108 shares of Bancorp Common Stock held by Mr. Beck's wife and 93,376 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors.
- (4) Includes 29,356 shares of Bancorp Common Stock held by Mr. Bershad's wife and 62,112 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors and 2,843 shares issuable upon the conversion of the trust capital securities.
- (5) Includes 158,488 shares of Bancorp Common Stock held by Mr. Buckelew's wife, 4,778 shares of Bancorp Common Stock held by Buckelew & Lane Investments, 3,327 shares of Bancorp Common Stock allocated to Mr. Buckelew's account under Bancorp's 401(k) Plan, 162,500 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's Employee Plans, as defined on page 20

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and 9,478 shares issuable upon the conversion of the trust capital securities. Mr. Buckelew is a partner of Buckelew & Lane Investments.

- (6) Includes 1,826 shares of Bancorp Common Stock held jointly with Mr. DiFrancesco's wife, 731 shares of Bancorp Common Stock held by Mr. DiFrancesco's wife and 6,250 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's 1998 Stock Option Plan for Non-Employee Directors.
- (7) Includes 8,795 shares issuable upon the exercise of stock options granted under Bancorp's 1998 Stock Option Plan for Non-Employee Directors.
- (8) Includes 103,680 shares of Bancorp Common Stock held by Site Development Inc., 43,936 shares of Bancorp Common Stock held by Mr. Hill's wife, 145,542 shares of Bancorp Common Stock held by S. J. Dining, Inc., 148,666 shares of Bancorp Common Stock held by U.S. Restaurants, Inc., 145,018 shares of Bancorp Common Stock held by J.V. Properties, 35,748 shares of Bancorp Common Stock held by InterArch, Inc., 154,904 shares held by InterArch, Inc. Profit Sharing Plan, 122,786 shares of Bancorp Common Stock held by the Hill Family Trust, 139,798 shares held by the Hill Family Foundation, 4,473 shares of Bancorp Common Stock held by Galloway National Golf Club and 37,146 shares of Bancorp Common Stock allocated to Mr. Hill's account under Bancorp's 401(k) Plan. Mr. Hill is the Chairman of the Board of Site Development, Inc., a shareholder of S. J. Dining, Inc., a shareholder of U.S. Restaurants, Inc., a partner in J.V. Properties, a co-trustee and beneficiary of the Hill Family Trust, a trustee of the Hill Family Foundation, and a principal equity holder of Galloway National Golf Club. InterArch, Inc., is a company owned by Mr. Hill's wife and Mrs. Hill is a trustee of InterArch, Inc. Profit Sharing Plan. This amount also includes 1,883,092 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Hill under Bancorp's Employee Plans and 7,582 shares issuable upon conversion of the trust capital securities.
- (9) Includes 8,131 shares of Bancorp Common Stock held by the Markeim-Chalmers, Inc. Pension Plan. Mr. Kerr is a trustee of the Markeim-Chalmers, Inc. Pension Plan.
- (10) Includes 18,432 shares of Bancorp Common Stock held jointly with Mr. Lewis' wife, 145,542 shares of Bancorp Common Stock held by S. J. Dining, Inc., 148,666 shares of Bancorp Common Stock held by U.S. Restaurants, Inc. and 64,076 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Lewis under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors. Mr. Lewis is President of S. J. Dining, Inc. and President of U.S. Restaurants, Inc. This amount also includes 14,796 shares of Bancorp Common Stock held in trust for Mr. Lewis' minor children.
- (11) Includes 338,343 shares of Bancorp Common Stock held jointly with Mr. Norcross' wife, 1,271 shares of Bancorp Common Stock held by Mr. Norcross' wife, 6,709 shares of Bancorp Common Stock held as custodian for Mr. Norcross' minor children, 159,906 shares of Bancorp Common Stock held under a grantor trust for Mr. Norcross' minor children, 3,386 shares of Bancorp Common Stock allocated to Mr. Norcross's account under Bancorp's 401(k) Plan and 541,534 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Norcross under Bancorp's Employee Plans.

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- (12) Includes 50,222 shares of Bancorp Common Stock held by Mr. Ragone's wife, 17,025 shares of Bancorp Common Stock held jointly with Mr. Ragone's wife and 65,402 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Ragone under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors and 1,896 shares issuable upon conversion of the trust capital securities.
- (13) Includes 6,724 shares of Bancorp Common Stock held by Mr. Schwartz's wife, 36,398 shares of Bancorp Common Stock held jointly with Mr. Schwartz's wife and 46,882 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Schwartz under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors.
- (14) Includes 454,328 shares of Bancorp Common Stock held by JCT Associates, L.P., 4,696 shares of Bancorp Common Stock held by The Tarquini Foundation and 93,376 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Tarquini under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors. Mr. Tarquini is the General Partner of JCT Associates, L.P., and a trustee of The Tarquini Foundation.
- 5
- (15) Includes 49,545 shares of Bancorp Common Stock held jointly with Mr. Videon's wife, 18,489 shares of Bancorp Common Stock held by Mr. Videon's wife, 16,066 shares held by the Frank C. Videon, Inc., Profit Sharing Trust, 9,287 shares of Bancorp Common Stock held by the Videon Chevrolet Profit Sharing Plan, 31,516 shares of Bancorp Common Stock held by the Videon Dodge, Inc. Employee Profit Sharing Trust, 4,327 shares of Bancorp Common Stock held by the Frank C. Videon Funeral Home Profit Sharing Plan, 29,035 shares of Bancorp Common Stock held in Trust for Mr. Videon's grandchildren, 37,234 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Videon under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors and 7,582 shares issuable upon conversion of the trust capital securities. Mr. Videon is a trustee for each of the above-referenced Plans and/or Trusts.
- (16) Includes 25,638 shares held by Mr. DiFlorio's wife, 580,806 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. DiFlorio under Bancorp's Employee Plans, 17,473 shares of Bancorp Common Stock allocated to Mr. DiFlorio's account under Bancorp's 401(k) Plan and 1,896 shares issuable upon conversion of the trust capital securities.
- (17) Includes 97,120 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Falese under Bancorp's Employee Plans, 10,146 shares of Bancorp Common Stock allocated to Mr. Falese's account under Bancorp's 401(k) Plan, 1,956 shares of Bancorp Common Stock held by Mr. Falese's wife and 903 shares of Bancorp Common Stock held jointly with Mr. Falese's wife.
- (18) Includes 203,380 shares of Bancorp Common Stock held jointly with Mr. Musumeci's wife, 5,450 shares held by the Peter/Linda Musumeci Foundation, 196,594 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Musumeci under Bancorp's Employee Plans and 30,182 shares of Bancorp Common Stock allocated to Mr. Musumeci's account under Bancorp's 401(k) Plan. Mr. Musumeci is a



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trustee of the Peter/Linda Musumeci Foundation.

- (19) Includes an aggregate of 4,459,651 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to directors and executive officers of Bancorp under Bancorp's 1989 and 1998 Stock Option Plans for Non-Employee Directors and Bancorp's Employee Plans and 33,173 shares issuable upon conversion of the trust capital securities.
- (20) Based upon a Schedule 13G filed with the SEC on February 13, 2004, the shares of Bancorp Common Stock shown in the table as beneficially owned by Putnam, LLC are beneficially owned as follows: Putnam Investment Management, LLC, 3,400,681 shares; The Putnam Advisory Company, LLC, 2,520,651 shares. According to the Schedule 13G, Putnam, LLC and related entities have shared voting power over 1,647,784 shares and shared dispositive power over 5,921,332 shares of the shares reported as beneficially owned.
- (21) Based upon a Schedule 13G filed with the SEC on February 10, 2004, the shares of Bancorp Common Stock shown in the table as beneficially owned by Gilder, Gagnon, Howe & Co. LLC are beneficially owned as follows: shares held in customer accounts, 6,284,404; shares held in accounts owned by the partners and their families; 2,666,749, and shares held in the profit-sharing plan, 94,951. According to the Schedule 13G, Gilder, Gagnon, Howe & Co. has the sole voting power over 94,951 shares and shared dispositive power over 9,046,104 shares of the shares reported as beneficially owned.

6

### ELECTION OF DIRECTORS

The bylaws of Bancorp provide that Bancorp's business shall be managed by a board of not less than five nor more than twenty-five directors and that within these limits the number of directors shall be as established by resolution of a majority of the full board of directors. The board of directors by resolution has set at thirteen the number of persons to be elected to the board of directors at the Annual Meeting.

Pursuant to the NJBCA, the election of directors will be determined by a plurality vote and the thirteen nominees receiving the most "FOR" votes will be elected. Shares may be voted "FOR" or withheld from each nominee. Abstentions and broker non-votes will have no effect on the outcome of the election because directors will be elected by a plurality of the shares voted for directors.

The board of directors unanimously recommends a vote "FOR" the election as directors of the nominees named herein.

The board of directors has designated the thirteen persons listed below to be nominees for election as directors. Twelve of the thirteen nominees are currently members of the board, and each of them has consented to serve if elected. Bancorp has no reason to believe that any of the nominees will be unavailable for election; however, if any nominee becomes unavailable for any reason, the board of directors may designate a substitute nominee, or the number of directors to be elected at the Annual Meeting will be reduced accordingly. Unless directed otherwise, the persons named on the enclosed proxy intend to vote such proxy "FOR" the election of the listed nominees or, in the event of the inability of any of the nominees to serve for any reason, for the election of such other person as the board of directors may designate to fill the

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vacancy. Directors of Bancorp hold office for one year and until their respective successors have been duly elected and qualified.

The following information regarding Bancorp's nominees is based, in part, on information furnished by the nominees.

Name	Age	Positions with Bancorp and Subs
Vernon W. Hill, II.....	58	Chairman and President of Bancorp; President of Commerce NJ; Chairman PA, Commerce Shore, Commerce North Delaware
Robert C. Beck.....	68	Secretary and Director of Bancorp a NJ
Jack R Bershad.....	73	Director of Bancorp and Commerce NJ
Joseph E. Buckelew.....	75	Director of Bancorp, Commerce NJ and Shore; President of Commerce Shore; Chairman of Commerce Insurance Serv
Donald T. DiFrancesco.....	59	Director of Bancorp and Commerce NJ
John P. Ferguson.....	55	Director of Commerce North
Morton N. Kerr.....	73	Director of Bancorp and Commerce NJ
Steven M. Lewis.....	54	Director of Bancorp and Commerce NJ

7

George E. Norcross, III.....	48	Director of Bancorp and Commerce NJ and Chief Executive Officer of Comm Insurance Services, Inc.
Joseph J. Plumeri, II.....	60	Director of Bancorp and Commerce NJ
Daniel J. Ragone.....	76	Director of Bancorp and Commerce NJ
William A. Schwartz, Jr.....	63	Director of Bancorp and Commerce NJ
Joseph T. Tarquini, Jr.....	68	Director of Bancorp and Commerce NJ

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Frank C. Videon, Sr. served as a director of Bancorp for the year ended December 31, 2003 and will not stand for re-election.

Mr. Hill, a director of Commerce NJ since 1973 and Bancorp since 1982, has been Chairman and/or President of Commerce NJ since 1973 and Chairman and President of Bancorp since 1982. Mr. Hill has been Chairman of Commerce PA from June 1984 to June 1986 and from January 1987 to the present, Chairman of Commerce Shore since January 1989, Chairman of Commerce North since January 1997 and Chairman of Commerce Delaware since October 1999.

Mr. Beck, a director of Commerce NJ since 1973 and Bancorp since 1982, has been Secretary of Commerce NJ since 1973 and Secretary of Bancorp since 1982. Mr. Beck has been of counsel to the law firm of Parker, McCay & Criscuolo, Marlton, New Jersey, since 2003. Mr. Beck was a member of the law firm of Parker, McCay & Criscuolo, Marlton, New Jersey from 1987 until 2000.

Mr. Bershad, a director of Bancorp and Commerce NJ since 1987, is a retired partner of the law firm of Blank Rome LLP, Philadelphia, Pennsylvania and Cherry Hill, New Jersey, and was a partner in such firm from 1964 to 2002.

Mr. Buckelew, a director of Bancorp since November 1996, Commerce Shore

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since 1993 and Commerce NJ since June 1997, has been Vice Chairman of Commerce Insurance Services, Inc. since November 2000 and President of Commerce Shore since 1998. Mr. Buckelew was Chairman of Commerce Insurance Services, Inc. from November 1996 through November 2000.

Mr. DiFrancesco, a director of Bancorp and Commerce NJ since March 2002, was the Acting Governor of New Jersey from January 31, 2001 through January 8, 2002, served as the President of the New Jersey Senate from 1992 through January 31, 2001 and has been a partner in the law firm of DiFrancesco, Bateman, Coley, Yospin, Kunzman, Davis & Lehrer, P.C., Warren, New Jersey, from 1992 through January 31, 2001 and from January 8, 2002 to present.

Mr. Ferguson, a director of Commerce North since June 1997, has been the President and Chief Executive Officer of Hackensack University Medical Center, Hackensack, New Jersey, since 1986. Bancorp's Nominating and Governance Committee recommended Mr. Ferguson as a nominee for a director to the Bancorp board of directors.

Mr. Kerr, a director of Commerce NJ since 1973 and Bancorp since 1982, has been Chairman of Markeim-Chalmers, Inc., Realtors, Cherry Hill, New Jersey, a real estate company, since 1965 and Markeim-Chalmers, Inc., Appraisal Firm, Cherry Hill, New Jersey, from 1965 through August 1, 2002 on which date Mr. Kerr resigned from the appraisal company and divested his interest in such company.

Mr. Lewis, a director of Bancorp and Commerce NJ since 1988, has been President of U.S. Restaurants, Inc., Blue Bell, Pennsylvania, since 1985 and President of S. J. Dining, Inc., Blue Bell, Pennsylvania, since 1986. Mr. Lewis is also a director of Quality Dining Inc.

8

Mr. Norcross, a director of Bancorp and Commerce NJ since March 2002, has been the Chairman and Chief Executive Officer of Commerce Insurance Services, Inc. since November 2000. Mr. Norcross was the President and Chief Executive Officer of Commerce Insurance Services, Inc. from November 1996 through November 2000.

Mr. Plumeri, who was appointed by the board as a director in January 2004, has been Chairman and Chief Executive Officer of Willis Group Holdings Limited, New York, New York, an insurance broker and NYSE company, since October 2000. Mr. Plumeri served as Chairman and Chief Executive Officer of Citigroup Inc.'s Primerica Financial Services from 1995 to 1999.

Mr. Ragone, a director of Commerce NJ since 1981 and Bancorp since 1982, was the former Chairman and/or President of Ragone, Raible, Lacatena & Boppel, C.P.A., Haddonfield, New Jersey, and its predecessor firms from 1960 to 1996.

Mr. Schwartz, a director of Bancorp and Commerce NJ since June 1997, has been Chairman, President and Chief Executive Officer of U.S. Vision, Inc., Glendora, New Jersey, an optical retailer, or its predecessor firms, since 1967. Mr. Schwartz is also a director of Mothers Work, Inc.

Mr. Tarquini, a director of Commerce NJ since 1973 and Bancorp since 1982, was the Chairman and/or President of The Tarquini Organization, A.I.A., Camden, New Jersey, from 1980 to 2000.

Independence

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As permitted by the NYSE rules, to assist the board in evaluating the independence of each of its directors, the board has adopted categorical standards of independence. Applying these standards, the board of directors has determined that the following directors, constituting a majority of the members of the board, are independent as defined in the applicable NYSE rules: Robert C. Beck, Jack R Bershada, Donald T. DiFrancesco, John P. Ferguson, Morton N. Kerr, Joseph J. Plumeri, II, Daniel J. Ragone, William A. Schwartz, Jr. and Joseph T. Tarquini, Jr. The categorical standards adopted and applied by the board consist of the following business or charitable relationships which the board has determined are not material relationships that would impair a director's independence:

- o Lending relationships, deposit relationships or other financial service relationships (such as depository, transfer, registrar, indenture trustee, trusts and estates, insurance and related products, private banking, investment management, custodial, securities brokerage, cash management and similar services) between Bancorp or its subsidiaries, on the one hand, and (i) the director; and/or (ii) any immediate family member of the director who resides in the same home as the director; and/or (iii) any profit or non-profit entity with which the director is affiliated by reason of being a director, officer, employee, trustee, partner and/or an owner thereof, on the other, provided that (A) such relationships are in the ordinary course of business of Bancorp or its subsidiaries and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons; and in addition, (B) with respect to any extension of credit by a subsidiary of Bancorp to any borrower described in clauses (i) - (iii) above, such extension of credit has been made in compliance with applicable law, including Regulation O of the Board of Governors of the Federal Reserve System and Section 13(k) of the Exchange Act and no extension of credit is on a non-accrual basis.
- o The fact that (i) the director is a director, officer, employee, trustee, partner and/or an owner thereof in, any profit or non-profit entity, (ii) the director is of counsel to a law firm, or (iii) an immediate family member is a director, officer, employee, trustee, partner and/or an owner of any entity, that makes payments to, or receives payments from, Bancorp or its subsidiaries for

9

property or services in an amount which, in any fiscal year, is less than the greater of \$1 million or two percent of such other entity's consolidated gross revenues, and such property or services were provided or received in the ordinary course of business of each of the parties.

- o The fact that the director, or an immediate family member of the director who resides in the same home as the director, is a director, officer, employee or trustee of a non-profit organization, foundation or university to which Bancorp or its subsidiaries makes discretionary contributions provided such contributions in any fiscal year, excluding Bancorp or its subsidiaries matching funds, are less than the greater of \$1 million or two percent of the entity's consolidated gross

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revenues for the most recently ended fiscal year for which total revenue information is available.

- o Any contract or other arrangement for personal services provided by the director to Bancorp or its subsidiaries (excluding services as a director of Bancorp or its subsidiaries) if the compensation to the director does not exceed \$100,000 per calendar year.
- o The employment by Bancorp or its subsidiaries of an immediate family member of the director provided that such immediate family member was or is not an executive officer of Bancorp and the compensation of any such family member was established by Bancorp or its subsidiary in accordance with its employment and compensation practices applicable to employees holding comparable positions.

For purposes of the foregoing standards of director independence, an "immediate family member" means any of the director's spouse, parents, children, brothers, sisters, mother- and father-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares the director's home.

Directors are requested to inform the Chairman of the Nominating and Governance Committee and the President of Bancorp of any change of circumstances or before serving as a director, officer, employee, partner, trustee and/or owner of an outside profit or non-profit entity so that such change in circumstances or opportunity can be reviewed as to whether or not it might put a director's independence at issue.

### Communication with the Board

Shareholders may communicate with the board of directors, including the non-management directors, by sending a letter to an individual director or to Bancorp's board of directors, c/o Chief Regulatory Officer, Commerce Bancorp, Inc., Commerce Atrium, 1701 Route 70 East, Cherry Hill, NJ 08034-5400. All written communications directed to the non-management directors will be referred to the Chairman of the Nominating and Governance Committee. Communications directed to the Audit Committee will be referred to the Audit Committee Chairman. All other shareholder communications received by the Chief Regulatory Officer will be delivered to the Chairman of the Board or to the director to which such correspondence is addressed.

### Director Compensation

Directors of Bancorp and Commerce NJ were paid an annual fee of \$25,000 plus \$1,000 for each meeting of the board of directors and committee meeting attended in 2003 and will be paid an annual fee of \$30,000 and a meeting fee of \$1,000 for each meeting of the board of directors and committee meeting attended in 2004. When meetings of the board of directors of Bancorp and Commerce NJ occur on the same day, only one fee is paid. In addition, in 2003, the Chairman of the Audit Committee and the Chairman of the Nominating and Governance Committee each received an additional annual fee of \$25,000 and will receive an additional annual fee of \$30,000 in 2004, and, in 2003, the Chairman of the

Compensation Committee received an additional annual fee of \$12,500 and will receive an additional annual fee of \$15,000 in 2004. Directors of Commerce PA,

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Commerce Shore, Commerce North and Commerce Delaware were paid a fee of \$500 for each meeting of the board of directors and committee meeting attended in 2003 and will be paid the same meeting fee for each meeting of the board of directors and committee meeting attended in 2004. No fees are paid to directors who are also officers of Bancorp or its subsidiaries. Each director of Bancorp is provided with \$100,000 of permanent life insurance.

A retirement plan for Bancorp's directors who are not officers or employees of Bancorp on the date their service as a Bancorp director ends ("outside director"), provides that outside directors with five or more years of service as a Bancorp director are entitled to receive annually, for ten years or the number of years served as a director, whichever is less, commencing upon such director's attainment of age 65 and retirement from the Bancorp board or upon such director's disability, payments equal to the highest 1099 Compensation (as such term is defined in the plan) in effect at any time during the five year period immediately preceding such director's retirement or, if earlier, death or disability. This plan further provides that, in the event a director dies before receiving all benefits to which he or she is entitled, such director's surviving spouse is entitled to receive all benefits not received by the deceased director commencing upon such director's death. Upon a change in control of Bancorp, the plan provides that each director then sitting on the Bancorp board, notwithstanding the length of time served as a director, becomes entitled to receive annually, for ten years, or twice the number of years served as a director, whichever is less, payments equal to the higher of the director's 1099 Compensation at the time of the director's termination of board service and the highest 1099 Compensation in effect at any time during the five year period immediately preceding the change in control commencing on the latest to occur of the termination of the director's board service, attainment of age 65 or any date designated by the director at any time and from time to time. The definition of "change in control" for purposes of this plan parallels the definition of that term contained in the Employment Agreements discussed on page 19 of this proxy statement. This plan became effective January 1, 1993, as amended.

### 1989 and 1998 Stock Option Plans For Non-Employee Directors

Effective April 24, 1989 (and as amended in 1994), Bancorp adopted the 1989 Stock Option Plan for Non-Employee Directors (the "1989 Plan") which provides for the purchase of a total of not more than 641,379 shares of Bancorp Common Stock (as adjusted for all stock splits and dividends through April 23, 2004) by members of the boards of directors of Bancorp and its subsidiary corporations. Options granted pursuant to the 1989 Plan may be exercised beginning on the earlier to occur of (i) one year after the date of their grant or (ii) a "change in control" of Bancorp, as such term is defined in the 1989 Plan. No further options may be granted under the 1989 Plan. As of April 23, 2004, options to purchase 62,102 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) were outstanding under the 1989 Plan.

Effective June 29, 1998 (and as amended in 1998 and 2003), Bancorp adopted the 1998 Stock Option Plan for Non-Employee Directors (the "1998 Plan") which provides for the purchase of a total of not more than 1,602,500 shares of Bancorp Common Stock (as adjusted for all stock splits and dividends through April 23, 2004) by members of the boards of directors of Bancorp or its subsidiary corporations and other persons who are not employees of Bancorp or its subsidiary corporations. Options may be granted under the 1998 Plan through June 29, 2008. Under the 1998 Plan, members of the boards of directors of Bancorp or its current and future subsidiary corporations (i.e., any corporation in which Bancorp owns, directly or indirectly, fifty percent or more of the outstanding voting power of all classes of stock of such corporation at the time of election or reelection of such director) who are not also employees of Bancorp or its subsidiary corporations and other persons who are not employees

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of Bancorp or its subsidiary corporations are entitled to receive options to purchase Bancorp Common Stock. Options granted prior to January 1, 2003 pursuant to the 1998 Plan may be exercised in whole, or from time to

11

time in part, beginning on the earlier to occur of (i) one year after the date of their grant or (ii) a "change in control" of Bancorp, as such term is defined in the 1998 Plan. Options granted after January 1, 2003 pursuant to the 1998 Plan may be exercised in whole, or from time to time in part, beginning on the earlier to occur of (i) one year after the date of their grant and then are exercisable ratably over four years or (ii) a "change in control" of Bancorp. As of April 23, 2004, options to purchase 1,239,124 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) had been granted under the 1998 Plan and 363,376 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) were available for issuance under the 1998 Plan.

Both the 1989 Plan and 1998 Plan are administered by the board of directors of Bancorp, including non-employee directors. Options granted under the 1989 Plan and/or 1998 Plan are not "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Option prices are intended to equal 100% of the fair market value of Bancorp's Common Stock on the date of option grant. The board of directors of Bancorp, in their sole discretion, may grant options under the 1998 Plan to non-employee directors or to other persons who are not employees of Bancorp or its subsidiaries and determine the number of shares subject to each option, the rate of option exercisability, and subject to certain limitations, the option price and the duration of the options. Unless terminated earlier by the option's terms, options granted under the 1989 Plan and/or 1998 Plan expire ten years after the date they are granted. For the year ended December 31, 2003, options to purchase the following shares of Bancorp Common Stock were granted to the following Bancorp directors under the 1998 Plan: Messrs. Beck, 5,000; Bershad, 5,000; DiFrancesco, 5,000; Kerr, 5,000; Lewis, 5,000; Ragone, 5,000; Schwartz, 5,000; Tarquini, 5,000; and Videon, 5,000. Such options were not exercisable in 2003.

### Meetings and Committees of the Board of Directors

During 2003, there were 12 meetings of the board of directors of Bancorp. The board of directors of Bancorp has established an Audit Committee, an Oversight Committee, a Compensation Committee and a Nominating and Governance Committee. In addition, each of Bancorp's five subsidiary banks, Commerce Bank, N.A., Cherry Hill, New Jersey ("Commerce NJ"), Commerce Bank/Pennsylvania, N.A., Devon, Pennsylvania ("Commerce PA"), Commerce Bank/Shore, N.A., Toms River, New Jersey ("Commerce Shore"), Commerce Bank/Delaware, N.A., Wilmington, Delaware ("Commerce Delaware") and Commerce Bank/North, Ramsey, New Jersey ("Commerce North") has various committees of their respective boards.

Bancorp's non-management directors have regularly scheduled meetings without any management directors in attendance at least two times a year chaired by a non-management director in rotating order.

### Attendance

In 2003, each of Bancorp's directors and nominees for director attended more than 75% of the total number of meetings of the board of directors and all committees of which they were members of Bancorp and its subsidiary banks, as

the case may be.

#### Attendance at Annual Meetings of Shareholders

The board of directors has a policy that all of the directors should attend the annual meeting of shareholders. All directors attended the 2003 Annual Meeting of shareholders.

Information with respect to the committees of the board of directors of Bancorp is set forth below.

12

#### Audit Committee

The principal duties of the Audit Committee are to monitor the integrity of the financial statements of Bancorp, the compliance by Bancorp with legal and regulatory requirements, the independence and performance of Bancorp's independent auditors and the performance of Bancorp's internal audit function. This committee engages Bancorp's independent auditors and pre-approves the professional services provided by the independent auditors. The Audit Committee is governed by a written charter approved by the board of directors, a copy of which is attached as Appendix A to this proxy statement. The report of the Audit Committee is set forth on page 15 of this proxy statement. During 2003, there were ten meetings of the Audit Committee. Daniel J. Ragone, Chairman, Frank C. Videon, Sr. and Joseph T. Tarquini, Jr. are the current members of the Audit Committee. Each member of the Audit Committee is independent under applicable NYSE listing standards and SEC regulations. In addition, the board has determined that Daniel J. Ragone qualifies as an "audit committee financial expert" as defined by the SEC and, is independent within the meaning of applicable NYSE listing standards and SEC regulations.

#### Oversight Committee

The Oversight Committee which is comprised of independent non-employee directors, reviews compliance matters at Bancorp and its banking subsidiaries, and reports to Bancorp's Audit Committee. Daniel J. Ragone, Frank C. Videon, Sr., Joseph T. Tarquini, Jr., Joseph A. Haynes (Director of Commerce North) and Daniel M. Monroe (Director of Commerce Shore) are the current members of the Oversight Committee. During 2003, there were four meetings of the Oversight Committee.

#### Compensation Committee

The Compensation Committee which is comprised of independent non-employee directors, reviews and recommends the compensation of Bancorp's Chief Executive Officer and the policies regarding compensation of Bancorp's and its subsidiaries' other executive officers and directors, and administers Bancorp's Employee Plans. Morton N. Kerr, Chairman, Daniel J. Ragone and Jack R. Bershad are the current members of the Compensation Committee. During 2003, there was one meeting of the Compensation Committee. The Compensation Committee is governed by a written charter approved by the board of directors, a copy of which can be found on Bancorp's website, [www.commerceonline.com](http://www.commerceonline.com), under the "Investor Relations" section in "Corporate Governance." The report of the Compensation Committee with respect to 2003 compensation is set forth on page 25 of this proxy statement.



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### Nominating and Governance Committee

The Nominating and Governance Committee which is comprised of independent non-employee directors considers and recommends to the board of directors nominees for election to the board of directors. The committee also is charged with developing corporate governance guidelines for Bancorp and recommending to the board of directors corporate governance practices generally. Jack R Bershada, Chairman, Frank C. Videon, Sr. and Joseph T. Tarquini, Jr. are the current members of the Nominating and Governance Committee. Each member of the Nominating and Governance Committee is independent under applicable NYSE listing standards and SEC regulations. During 2003, there were four meetings of the Nominating and Governance Committee. The Nominating and Governance Committee is governed by a written charter approved by the board of directors, a copy of which can be found on Bancorp's website, [www.commerceonline.com](http://www.commerceonline.com), under the "Investor Relations" section in "Corporate Governance."

Consideration of Director Candidates Recommended or Nominated by Shareholders. The Nominating and Governance Committee will consider properly submitted shareholder recommendations

13

for director candidates. According to Bancorp's Bylaws, nominations by shareholders for directors to be elected at a meeting of shareholders which have not previously been approved by the board of directors must be submitted to the Secretary of Bancorp, not later than (i) the latest date upon which shareholder proposals must be submitted to Bancorp for inclusion in Bancorp's proxy statement relating to such meeting pursuant to Rule 14a-8 under the Exchange Act, or other applicable rules or regulations under the federal securities laws or, if no such rules apply, at least 90 days prior to the date one year from the date of the immediately preceding annual meeting of shareholders, and (ii) with respect to an election to be held at a special meeting of shareholders, 30 days prior to the printing of Bancorp's proxy materials with respect to such meeting or if no proxy materials are being distributed to shareholders, at least the close of business on the fifth day following the date on which notice of such meeting is first given to shareholders. Each nomination is required to set forth:

- o the name and address of the shareholder making the nomination and the person or persons nominated;
- o a representation that the shareholder is a holder of record of capital stock of Bancorp entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to vote for the person or persons nominated;
- o a description of all arrangements and understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination was made by the shareholder;
- o such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated by the Nominating and Governance Committee; and
- o the consent of each nominee to serve as a director of Bancorp if

so elected.

Director Qualifications. Nominees for director will be selected on the basis of outstanding achievement in their careers; broad experience; education; independence under applicable NYSE and SEC rules; financial expertise; integrity; financial integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to board of directors and committee duties. Nominees should also have experience in the banking industry and knowledge about the issues affecting the banking industry. Nominees should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of Bancorp's shareholders. They must also have an inquisitive and objective perspective, practical experience and mature judgment. Bancorp endeavors to have a board representing diverse experiences and policy-making levels in business, government, education and technology, and in other areas relevant to Bancorp's activities. Directors are expected to attend scheduled board and committee meetings and to be prepared for the meetings by reviewing the materials provided to them in advance of the meetings. Nominees must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board for an extended period of time. Finally, the proposed nominee should be free of conflicts of interest that could prevent such nominee from acting in the best interest of shareholders.

Additional criteria apply to directors being considered to serve on a particular committee of the board of directors. For example, members of the Audit Committee must meet additional standards of independence and have the ability to read and understand Bancorp's financial statements.

14

Identifying and Evaluating Nominees for Director. The Nominating and Governance Committee assesses the appropriate size of the board in accordance with the limits fixed by Bancorp's charter and bylaws, whether any vacancies on the board are expected and what incumbent directors will stand for re-election at the next meeting of shareholders. If vacancies are anticipated, or otherwise arise, the Nominating and Governance Committee considers candidates for director suggested by members of the Nominating and Governance Committee and other board members as well as management, shareholders and other parties. Historically, all of Bancorp's director nominees have served on one of Bancorp's bank's boards. The Nominating and Governance Committee also has the authority to retain a search firm to identify and evaluate director candidates. Except for incumbent directors standing for re-election as described below, there are no differences in the manner in which the Nominating and Governance Committee evaluates nominees for director, based on whether the nominee is recommended by a shareholder or any other party.

In the case of an incumbent director, the Nominating and Governance Committee reviews such director's service to Bancorp during the past term, including, but not limited to, the number of board and committee meetings attended, as applicable, quality of participation and whether the candidate continues to meet the general qualifications for a director outlined above, including the director's independence, as well as any special qualifications required for membership on any committees on which such director serves. When a member of the Nominating and Governance Committee is an incumbent director eligible to stand for re-election, such director will not participate in that portion of the Nominating and Governance Committee meeting at which such director's potential nomination for election as a director is discussed by the

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Nominating and Governance Committee.

In the case of a new director candidate, the Nominating and Governance Committee will evaluate whether the nominee is independent, as independence is defined under applicable NYSE Rules, and whether the nominee meets the qualifications for director outlined above as well as any special qualifications applicable to membership on any committee on which the nominee may be appointed to serve if elected. In connection with such evaluation, the Nominating and Governance Committee determines whether the committee should interview the nominee, and if warranted, one or more members of the Nominating and Governance Committee or the board of directors will interview the nominee in person or by telephone.

Upon completing the evaluation, and the interview in case of a new candidate, the Nominating and Governance Committee makes a decision as to whether to recommend that the board of directors nominate the director candidate for election at the shareholders meeting.

### Corporate Governance Matters

The corporate governance policies of Bancorp are set forth in the Corporate Governance Guidelines approved by the board of directors. The Corporate Governance Guidelines include information regarding the functions, responsibilities, qualifications and composition of the board of directors and other matters. A copy of the Corporate Governance Guidelines as approved by the board of directors can be found on Bancorp's website, [www.commerceonline.com](http://www.commerceonline.com), under the "Investor Relations" section in "Corporate Governance."

### REPORT OF THE AUDIT COMMITTEE

On March 10, 2004, the Audit Committee met with management to review and discuss the audited financial statements. The Audit Committee also conducted discussions with Bancorp's independent auditors, Ernst & Young LLP, regarding the matters required by the Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90 (Communication with Audit

15

Committees). As required by Independence Standards Board Standard No. 1, "Independence Discussion with Audit Committees," the Audit Committee has discussed with and received the required written disclosures and a confirming letter from Ernst & Young LLP regarding its independence and has discussed with Ernst & Young LLP its independence. The Audit Committee has also considered whether the provision of non-audit services by the independent auditors to Bancorp is compatible with maintaining the auditors' independence. Based upon the review and discussions referred to above, the Audit Committee recommended to the board of directors that the audited financial statements be included in Bancorp's Annual Report on Form 10-K for the year ended December 31, 2003.

This Audit Committee Report and information regarding the Audit Committee contained in the paragraph preceding the Report shall not be deemed incorporated by reference in any document previously or subsequently filed with the SEC that incorporates by reference all or any portion of this proxy statement, except to the extent that Bancorp specifically requests that the Report or information be specifically incorporated by reference. The Audit Committee's considerations and discussions referred to above do not assure that the audit of Bancorp's financial statements for the year ended December 31, 2003 has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally

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accepted accounting principles or that Bancorp's auditors are in fact "independent."

AUDIT COMMITTEE

Daniel J. Ragone, Chairman  
 Frank C. Videon, Sr.  
 Joseph T. Tarquini, Jr.

SENIOR OFFICERS

The senior officers of Bancorp and its subsidiaries, as of April 23, 2004, are set forth

Name	Age	Positions with Bancorp and/or Principal Occupat
Vernon W. Hill, II.....	58	Chairman and President of Bancorp Chairman and/or President of Comme Chairman of Commerce PA from June and from January 1987 to present; Commerce Shore since 1989, Commerc and Commerce Delaware since 1999.
Peter M. Musumeci, Jr. ....	53	Executive Vice President and Senio Bancorp and Commerce NJ since 1986 Assistant Secretary of Bancorp sin of Commerce Shore since 1989.
Robert D. Falese, Jr.....	57	Executive Vice President and Senio Bancorp and Commerce NJ since 1992
Dennis M. DiFlorio.....	50	Executive Vice President of Bancorp since January 1996; Director of Co 1997.
C. Edward Jordan, Jr.....	60	Executive Vice President of Bancorp since 1982.
Douglas J. Pauls.....	45	Chief Financial Officer of Bancorp Senior Vice President of Bancorp s Prior thereto Mr. Pauls was the Ch Officer of Bancorp from October 19

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## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table is a summary of certain information concerning the compensation during the last three fiscal years awarded or paid to, or earned by, Bancorp's chief executive officer and each of Bancorp and/or its subsidiaries' other four most highly compensated executive officers during 2003.

Name/Title	Year	Annual Compensation		
		Salary	Bonus	Other Annual Compensation(1)
Vernon W. Hill, II..... Chairman and President of Bancorp and Commerce NJ; Chairman of Commerce PA, Commerce Shore, Commerce North, and Commerce Delaware	2003	\$2,000,000	\$1,000,000	\$205,325
	2002	1,500,000	750,000	154,339
	2001	1,250,000	500,000	123,614
Peter M. Musumeci..... Executive Vice President and Senior Credit Officer of Bancorp and Commerce NJ; Treasurer and Assistant Secretary of Bancorp	2003	\$ 450,000	\$100,000	
	2002	400,000	100,000	
	2001	360,000	100,000	
Robert D. Falese, Jr..... Executive Vice President and Senior Loan Officer of Bancorp and Commerce NJ	2003	\$650,000	\$150,000	
	2002	550,000	150,000	
	2001	500,000	150,000	
Dennis M. DiFlorio..... Executive Vice President of Bancorp and Commerce NJ	2003	\$650,000	\$150,000	
	2002	550,000	150,000	
	2001	500,000	150,000	
George E. Norcross, III..... Chairman and Chief Executive Officer of Commerce Insurance Services, Inc.	2003	\$850,000	\$300,000	\$ 89,592
	2002	750,000	300,000	76,127
	2001	600,000	200,000	

(1) The total in this column reflects personal use of a company car (for 2003, Mr. Hill, \$5,924; Mr. Norcross, \$4,800, for 2002, Mr. Hill, \$3,020; Mr. Norcross, \$4,800, and for 2001, Mr. Hill, \$4,518), expense allowances (for 2003, Mr. Hill, \$195,837; Mr. Norcross, \$ 82,470; for 2002, Mr. Hill, \$147,917; Mr. Norcross, \$69,167; and for 2001, Mr. Hill, \$117,086;) and country club dues (for 2003, Mr. Hill, \$3,564; Mr. Norcross, \$2,322; for 2002, Mr. Hill, \$3,402; Mr. Norcross, \$2,160; and for 2001, Mr. Hill, \$2,010). The value of such other annual

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compensation did not exceed the lesser of \$50,000 or 10% of salary and bonus for any individual in any year except for Mr. Hill and Mr. Norcross in 2002 and 2003.

18

- (2) The stock option grants reflected in this column have been adjusted for the 2 for 1 stock split declared on November 21, 2001. The original grant was adjusted based on the unexercised option shares outstanding on the date of the stock split.
- (3) The totals in this column reflect (i) premiums on life insurance (for 2003, Mr. Hill, \$3,494; Mr. Musumeci, \$1,472; and Mr. Norcross, \$10,030; for 2002, Mr. Hill, \$3,096; Mr. Musumeci, \$1,383; and Mr. Norcross, \$9,130; and for 2001, Mr. Hill, \$21,446; Mr. Musumeci, \$12,540; and Mr. Norcross, \$3,130); (ii) long-term disability policies (for 2003, Mr. Hill, \$8,240; Mr. Musumeci, \$6,330; Mr. Falese, \$16,623 and Mr. DiFlorio \$5,112; for 2002, Mr. Hill, \$8,153; Mr. Musumeci, \$6,208; Mr. Falese, \$16,527; and Mr. DiFlorio, \$4,843; and for 2001, Mr. Hill, \$7,796; Mr. Musumeci, \$5,800; Mr. Falese, \$14,027; and Mr. DiFlorio, \$4,300); (iii) contributions to Bancorp's ESOP (in 2001, \$165 each for all five individuals); and (iv) contributions to Bancorp's 401(k) (for 2003, Mr. Hill, \$5,000; Mr. Musumeci, \$4,418; Mr. Falese, \$5,000; Mr. DiFlorio, \$5,000; and Mr. Norcross, \$5,000; for 2002, Mr. Hill, \$5,000; Mr. Musumeci, \$3,615; Mr. Falese, \$5,000; Mr. DiFlorio, \$5,000; and Mr. Norcross, \$5,000; and for 2001, Mr. Hill, \$3,709; Mr. Musumeci, \$3,662; Mr. Falese, \$3,709; Mr. DiFlorio, \$3,709; and Mr. Norcross, \$3,709).

### Employment Agreements

Mr. Hill's employment agreement provides that he will be employed by Bancorp and Commerce NJ as Chairman of the Board, President and Chief Executive Officer for a term of five years effective January 1, 1992, provided that on each January 1 thereafter Mr. Hill's employment agreement shall be automatically renewed and extended for a new five year term unless either Bancorp or Mr. Hill gives the other at least 90 days prior written notice of their desire to terminate Mr. Hill's employment agreement, in which event the term will have four years remaining.

Under the terms of Mr. Hill's employment agreement, Mr. Hill's "base salary" shall not be less than \$2,000,000. Mr. Hill's employment agreement provides that Mr. Hill will participate in any benefit or compensation programs in effect which are generally made available from time to time to executive officers of Bancorp and provides for all other fringe benefits as in effect from time to time which are generally available to Bancorp's salaried officers including, without limitation, medical and hospitalization coverage, life insurance coverage and disability coverage.

Mr. Hill's employment agreement requires Bancorp to compensate Mr. Hill for the balance of the term of his employment agreement at a rate equal to seventy percent of his annual base salary if he becomes permanently disabled (as defined in Mr. Hill's employment agreement) during the term and to pay Mr. Hill's designated beneficiary a lump sum death benefit if he dies during the term in an amount equal to three times his average annual base salary in effect during the 24 months immediately preceding his death.

Mr. Hill's employment agreement allows Mr. Hill to terminate his

employment with Bancorp upon a change in control of Bancorp (as defined in Mr. Hill's employment agreement) and if within three years of such change in control, without Mr. Hill's consent, among other things, the nature and scope of his authority with Bancorp or a surviving or acquiring person are materially reduced to a level below that which he enjoyed on January 1, 1992. If Mr. Hill terminates his employment because of a change in control, he will be entitled to a lump sum severance payment equal to four times his average annual base salary in effect during the 24 month period immediately preceding such termination (provided that such payment does not constitute a "parachute payment" under Section 280G of the Code, and in the event such payment would constitute a "parachute payment," such lump sum severance payment shall be reduced so as to not constitute a "parachute payment"), and the continuation of certain benefits including

19

medical, hospitalization and life insurance. Mr. Hill's employment agreement contains a non-competition covenant for Mr. Hill should his employment with Bancorp be terminated under certain circumstances.

The employment agreements for Messrs. Musumeci, Falese, DiFlorio and Norcross are substantially similar to that of Mr. Hill's except that: Mr. Musumeci will serve as Executive Vice President and Senior Credit Officer of Bancorp and Commerce NJ, Mr. Falese will serve as Executive Vice President and Senior Loan Officer of Bancorp and Commerce NJ, Mr. DiFlorio will serve as Executive Vice President of Bancorp and Commerce NJ, and Mr. Norcross will serve as Chief Executive Officer of Commerce Insurance Services, Inc. The term of each employment agreement is three years and the lump sum death benefit is in each case equal to two times the respective average annual base salary in effect during the 24 month period preceding death. Mr. Musumeci's "base salary" under his employment agreement is \$450,000, Mr. Falese's "base salary" under his employment agreement is \$650,000, Mr. DiFlorio's "base salary" under his employment agreement is \$650,000, Mr. Norcross' "base salary" under his employment agreement is \$850,000.

#### Employee Stock Option Plans

Effective May 1994, Bancorp adopted the Commerce Bancorp, Inc. 1994 Employee Stock Option Plan (the "1994 Plan") which provided for the purchase of a total of not more than 3,348,579 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) by officers and key employees of Bancorp or its subsidiary corporations. Pursuant to the 1994 Plan, stock options may be granted which qualify under the Code as incentive stock options as well as stock options that do not qualify as incentive stock options. No further options may be granted under the 1994 Plan. As of April 23, 2004, options to purchase 972,655 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) were outstanding under the 1994 Plan.

Effective May 1997, Bancorp adopted the Commerce Bancorp, Inc. 1997 Employee Stock Option Plan (the "1997 Plan") which provides for the purchase of a total of not more than 17,234,000 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) by officers and key employees of Bancorp or its subsidiary corporations. Pursuant to the 1997 Plan, stock options may be granted which qualify under the Code as incentive stock options as well as stock options that do not qualify as incentive stock options. All officers and key employees of Bancorp or any current or future subsidiary corporation are eligible to receive options under the 1997 Plan. As of April 23, 2004, options to purchase 17,051,706 shares of Bancorp Common Stock

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(as adjusted for all stock splits and stock dividends through April 23, 2004) had been granted under the 1997 Plan and 194,160 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) were available for issuance under the 1997 Plan. No further options will be granted under the 1997 Plan if the 2004 Plan is approved. See "APPROVAL OF THE COMMERCE BANCORP, INC. 2004 EMPLOYEE STOCK OPTION PLAN."

The 1994 Plan and 1997 Plan are collectively referred to as the "Employee Plans."

The purpose of the Employee Plans is to provide additional incentive to employees of Bancorp and its subsidiary corporations by encouraging them to invest in Bancorp's Common Stock and thereby acquire a proprietary interest in Bancorp and an increased personal interest in Bancorp's continued success and progress.

The Employee Plans are administered by the Compensation Committee which is appointed by the board of directors and consists only of directors who are not eligible to receive options under the Employee Plans. The Compensation Committee determines in concert with senior management, among other things, which officers and key employees receive an option or options under the Employee Plans, the type of option (incentive stock options or non-qualified stock options, or both) to be granted, the number of shares subject to each option, the rate of option exercisability, and, subject to certain other

20

provisions to be discussed below, the option price and duration of the option. Under the 1997 Plan, no individual may be granted a number of options that is more than 50% of the total number of shares of Bancorp Common Stock authorized for issuance under the 1997 Plan. In addition, incentive stock options first exercisable by an employee in any one year under the 1997 Plan (and all other Employee Plans of Bancorp) may not exceed \$100,000 in value (determined at the time of grant). The Compensation Committee may, in its discretion, modify or amend any of the option terms herein described, provided that if an incentive stock option is granted, the option as modified or amended continues to be an incentive stock option.

In the event of any change in the capitalization of Bancorp, such as by stock dividend, stock split or what the board of directors deems in its sole discretion to be similar circumstances, the aggregate number and kind of shares which may be issued under the Employee Plans will be appropriately adjusted in a manner determined in the sole discretion of the board of directors. Reacquired shares of Bancorp's Common Stock, as well as unissued shares, may be used for the purpose of the 1997 Plan. The option price for options issued under the 1997 Plan must be at least equal to 100% of the fair market value of the Bancorp Common Stock as of the date the option is granted.

Options granted prior to January 1, 2003 pursuant to the Employee Plans are not exercisable until one year after the date of grant and then are exercisable pursuant to a schedule based on years of service or option holding period. Options granted after January 1, 2003 pursuant to the Employee Plans are not exercisable until one year after the date of grant and then are exercisable ratably over four years. Under the Employee Plans, in the event of a "change in control" of Bancorp, as defined in the Employee Plans, each optionee may exercise the total number of shares then subject to the option. The Compensation Committee has the authority to provide for a different rate of option exercisability for any optionee.



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Options granted under the 1994 Plan are not transferable other than by will or by the laws of descent and distribution. Except as otherwise authorized by the Compensation Committee with respect to non-qualified stock options only, options granted pursuant to the 1997 Plan are not transferable, except by will or the laws of descent and distribution in the event of death.

Under the 1994 Plan and 1997 Plan, unless terminated earlier by the option's terms, both incentive stock options and non-qualified stock options expire ten years after the date they are granted. Options terminate three months after the date on which employment is terminated (whether such termination be voluntary or involuntary), other than by reason of death or disability. The option terminates one year from the date of termination due to death or disability (but not later than the scheduled termination date). During an optionee's lifetime, the option is exercisable only by the optionee including, for this purpose, the optionee's legal guardian or custodian in the event of disability, except that under the 1997 Plan, if specifically permitted by the Compensation Committee or the board of directors, non-qualified stock options are transferable.

During 2003, Bancorp granted stock options to purchase an aggregate of 2,547,210 shares of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004) at an average exercise price of \$42.51 per share (as adjusted for all stock splits and stock dividends through April 23, 2004) under the 1997 Plan. During 2003, a total of 1,530,804 options were exercised under the Employee Plans.

Stock Option Tables

The following table sets forth certain information regarding options granted during 2003 to each of the executive officers named in the Summary Compensation Table.

Individual Option Grants in Fiscal 2003				
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date
Vernon W. Hill, II.....	150,000	5.9%	\$ 42.80	February 18, 2013
Peter M. Musumeci, Jr.....	40,000	1.6%	42.80	February 18, 2013
Robert D. Falese, Jr.....	75,000	2.9%	42.80	February 18, 2013
Dennis M. DiFlorio.....	75,000	2.9%	42.80	February 18, 2013
George E. Norcross, III.....	100,000	3.9%	42.80	February 18, 2013

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- (1) In accordance with SEC rules, the Black-Scholes option pricing model was chosen to estimate the grant date present value of the options set forth in this table. Bancorp's use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require a prediction about future movement of the stock price. The assumptions used in the model were expected volatility of .304, risk-free rate of return of 3.00%, dividend yield of 1.50%, and weighted average expected life of 5.22 years. The real value of the options in this table depends upon the actual performance of Bancorp's Common Stock during the applicable period.

22

The following table sets forth certain information regarding individual exercises of stock options during 2003 by each of the executive officers named in the Summary Compensation Table.

### AGGREGATED STOCK OPTION EXERCISES IN 2003 AND YEAR-END STOCK OPTION VALUES

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Stock Options at Year-End 2003(1)	
			Exercisable	Unexercisable
Vernon W. Hill, II	175,862	\$8,160,220	1,883,092	112,500
Peter M. Musumeci, Jr.	51,672	1,901,530	196,594	22,992
Robert D. Falese, Jr.	222,182	5,721,984	97,120	56,250
Dennis M. DiFlorio	82,000	2,698,005	580,806	56,250
George E. Norcross, III	274	4,853	541,534	75,000

- (1) Includes stock options held as of December 31, 2003 and which were exercisable on or within 60 days of December 31, 2003.
- (2) Represents the difference between \$52.68, the closing price of Bancorp Common Stock on December 31, 2003, as reported on the NYSE, and the exercise price of in-the-money options, multiplied by the number of exercisable or unexercisable options held, as applicable.

#### Employee Stock Ownership Plan

Effective January 1, 2002, the Commerce Bancorp, Inc. Employee Stock Ownership Plan ("ESOP") was merged into the Commerce Bancorp, Inc. 401(k) Retirement Plan ("401(k) Plan").

As of December 31, 2003, the ESOP Trust held of record 1,533,000 shares

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of Bancorp Common Stock (as adjusted for all stock splits and stock dividends through April 23, 2004). In connection with the merger, shares of Bancorp Common Stock were allocated to each of the individual participant accounts in the 401(k) Plan.

For the Plan Year ended December 31, 2003, Bancorp made no contribution to the ESOP.

### Supplemental Executive Retirement Plan

Effective January 1, 2004, Bancorp established a Supplemental Executive Retirement Plan ("SERP") for certain designated executives in order to provide supplemental retirement income. The 2004 SERP replaces the Supplemental Executive Retirement Plan previously approved by the board of directors effective January 1, 1992. The SERP is a defined contribution plan, and contributions will be made at Bancorp's discretion. For the year ended December 31, 2003, Bancorp made no contributions to the SERP. The SERP is unfunded, is not a "qualified plan" under the Code and benefits are paid directly by Bancorp. Messrs. Hill, Musumeci, Falese, DiFlorio and Norcross have been designated to participate in the SERP.

### Certain Transactions

Certain directors and executive officers of Bancorp and its subsidiaries and certain of their immediate family members and certain corporations or organizations with which they are affiliated have had and expect to continue to have loan and other banking transactions with Bancorp's subsidiary banks. All such loans and other banking transactions were made

23

in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions for unrelated parties, and did not involve more than the normal risk of uncollectibility or present other unfavorable features.

Currently, the board of directors of Bancorp approves all related party transactions in which an officer or director of Bancorp or any of its subsidiaries has an interest. In the case of a transaction involving a director of Bancorp, such director does not vote on the transaction. Bancorp complies with any and all approval requirements of the NYSE related to transactions between Bancorp and its officers, directors and other affiliates.

Mr. DiFrancesco is a member of and Mr. Beck is of counsel to law firms which Bancorp and its subsidiaries have retained during Bancorp's last fiscal year and which Bancorp and its subsidiaries intend to retain during its current fiscal year.

Management believes that the legal fees paid for the foregoing services are comparable to those which they would have paid to non-affiliated parties for similar services.

Bancorp leases the land on which it has constructed seventeen branch offices from limited partnerships in which Mr. Hill is a partner or in which a corporation owned by Mr. Hill is a partner, or from the Hill Family Trust under separate operating lease agreements (with purchase options). The aggregate annual rental under these leases for 2003 was approximately \$1.1 million. These leases expire periodically beginning 2004 but are renewable through 2040. In August 2002, Mr. Hill agreed not to participate in any future real estate

leasing transactions involving Bancorp and its subsidiaries.

Management believes that the rental paid or received for each of the foregoing leases is and was comparable to the rental which they would have to pay to or would have received from, as the case may be, non-affiliated parties in similar commercial transactions for similar locations, assuming that such locations were available.

Bancorp has obtained architectural design and facilities management services for over twenty-five years from a business owned by the spouse of Mr. Hill. Bancorp spent \$6.4 million in 2003 for such services and related costs. Additionally, the business received additional revenues for project management of approximately \$3.8 million in 2003 on furniture and facility purchases made directly by Bancorp. In 2003, the board approved the transfer, without cost, into Bancorp of the project management services. The business will continue to provide architectural and design services to Bancorp. Management believes these disbursements were substantially equivalent to those that would have been paid to unaffiliated companies for similar services. The board of directors believes this arrangement has been an important factor in the success of the Commerce brand.

During 2003, Bancorp and its subsidiaries utilized the facilities of Galloway National Golf Club in the amount of approximately \$448,000. Mr. Hill is a principal equity holder of Galloway National Golf Club. Management believes such expenses were substantially equivalent to those that would have been paid to unaffiliated companies for utilization of their facilities.

24

#### REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the board of directors of Bancorp is composed of independent non-employee directors. Bancorp's compensation package for its executive officers consists of base salary, annual performance bonus, annual stock option grants and various broad based employee benefits. Management recommendations of base salary levels, annual performance bonuses and stock option grants are reviewed by the Compensation Committee and submitted to the full board of directors for approval.

The objective of Bancorp's executive compensation is to enhance Bancorp's long-term profitability by providing compensation that will attract and retain superior talent, reward performance and align the interests of the executive officers with the long term interests of the shareholders of Bancorp.

Bancorp has employment agreements with Messrs. Hill, Musumeci, Falese, DiFlorio and Norcross which were effective January 1, 1992 for Messrs. Hill, and Musumeci, January 1, 1998 for Messrs. Falese and DiFlorio, and October 1, 1996 for Mr. Norcross. See "EXECUTIVE COMPENSATION - Employment Agreements."

Base salary levels for Bancorp's executive officers are competitively set relative to companies in peer businesses. In reviewing base salaries, the Compensation Committee also takes into account individual experience and performance.

Bancorp's annual performance bonuses are intended to provide a direct cash incentive to executive officers and other key employees to maximize Bancorp's profitability. Financial performance is compared against budgets as well as peer businesses.

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Stock options are intended to encourage officers and other key employees to remain employed by Bancorp by providing them with a long term interest in Bancorp's overall performance as reflected by the performance of Bancorp's Common Stock. In granting stock options, the Compensation Committee takes into account prior stock option grants and considers the executive's level of compensation and past contributions to Bancorp.

Vernon W. Hill, II was Bancorp's Chairman and President (chief executive officer) for 2003. Mr. Hill's base salary is set competitively relative to other chief executive officers in financial service companies in Bancorp's market area. In determining Mr. Hill's base salary as well as annual performance bonus, the Compensation Committee reviewed independent compensation data and Bancorp's performance as compared against budgets and peer businesses. As with Bancorp's other executive officers, Mr. Hill's total compensation involves certain subjective judgments and is not based solely upon any specific objective criteria or weighting.

### COMPENSATION COMMITTEE

Morton N. Kerr, Chairman  
Daniel J. Ragone  
Jack R Bershad

25

### Compensation Committee Interlocks and Insider Participation

The Compensation Committee members are Morton N. Kerr, Daniel J. Ragone and Jack R Bershad. No person who served as a member of the Compensation Committee during 2003 was a current or former officer or employee of Bancorp or, except as disclosed below, engaged in certain transactions with Bancorp required to be disclosed by regulations of the SEC. Additionally, there were no compensation committee "interlocks" during 2003, which generally means that no executive officer of Bancorp served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of the Compensation Committee of Bancorp.

26

### Financial Performance

The graph below shows a comparison of the cumulative return experienced by Bancorp's shareholders over the years 1998 through 2003, the S&P Mid 400 Fin Index and the S&P 500 Index assuming an investment of \$100 in each at December 31, 1998 and the reinvestment of dividends.

### Comparison of Five Year Cumulative Total Return

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Commerce Bancorp, S&P Mid 400 Fin Index, S&P 500 Index

[OBJECT OMITTED]

The beginning and end data points used for the performance graph are listed below.

December 31,	CBH	S&P Mid 400 Fin Index	S&P 500
-----	-----	-----	-----
1998	100.0	100.0	100.0
1999	82.5	87.6	121.0
2000	149.6	106.5	110.0
2001	174.9	107.3	97.0
2002	194.6	99.7	75.5
2003	241.0	134.0	97.2

Previously, Bancorp used the S&P Mid-Cap Bank Index for comparison purposes. However, the S&P Mid-Cap Bank Index is no longer available. As a result, Bancorp replaced the S&P Mid-Cap Bank Index with the S&P Mid 400 Fin Index.

27

### APPROVAL OF THE COMMERCE BANCORP, INC. 2004 EMPLOYEE STOCK OPTION PLAN

In April 2004, the board of directors of Bancorp adopted the Commerce Bancorp, Inc. 2004 Employee Stock Option Plan, subject to approval by the shareholders of Bancorp (the "2004 Plan"). Pursuant to the 2004 Plan, stock options may be granted which qualify under the Code as incentive stock options as well as stock options that do not qualify as incentive stock options. All officers and key employees of Bancorp or any current or future subsidiary corporation are eligible to receive options under the 2004 Plan. As of April 23, 2004, no options had been granted under the 2004 Plan and no determination has been made with respect to the grant of options under the 2004 Plan.

The Board believes that the 2004 Plan will advance the interest of Bancorp and its shareholders by strengthening Bancorp's ability to attract, retain and motivate officers and key employees. The 2004 Plan is intended to replace the 1997 Plan. See "EXECUTIVE COMPENSATION - Employee Stock Option Plans." The 2004 Plan is being submitted to Bancorp shareholders for their approval in order to grant incentive stock options, to be eligible to qualify for certain tax deductions for compensation paid to its executive officers under Section 162(m) of the Code and to meet the shareholder approval requirements of the NYSE.

#### Required Vote

The affirmative vote of the holders of a majority of the votes cast, provided that the total vote cast on the approval of the 2004 Plan represents over 50% in interest of all securities entitled to vote on such amendment, is necessary to approve the 2004 Plan. For purposes of determining the votes cast

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on the proposal to approve the 2004 Plan, under applicable NYSE rules, votes "FOR," "AGAINST" and "ABSTENTIONS" are included. Abstentions will have the legal effect of an "AGAINST" vote. Broker non-votes will not be treated as votes cast.

The Board of Directors unanimously recommends that you vote "FOR" approval of the 2004 Plan.

Set forth below is a summary of the provisions of the 2004 Plan. This summary is qualified and amplified in its entirety by the detailed provisions of the text of the actual 2004 Plan, which is filed as Appendix C to Bancorp's definitive proxy statement on Form 14A for the 2004 annual meeting of shareholders available on the SEC's website at [www.sec.gov](http://www.sec.gov). A copy of the 2004 Plan may also be obtained upon request to Bancorp and without charge to any shareholder upon written request to C. Edward Jordan, Jr., Executive Vice President, Commerce Bancorp, Inc., Commerce Atrium, 1701 Route 70 East, Cherry Hill, New Jersey, 08034-5400.

### Purpose

The purpose of the 2004 Plan is to provide additional incentive to employees of Bancorp by encouraging them to invest in Bancorp Common Stock and thereby acquire a proprietary interest in Bancorp and an increased personal interest in Bancorp's continued success and progress.

### Administration

The 2004 Plan is administered by the Compensation Committee ("Committee") which is appointed by the board of directors and consists only of directors who are not eligible to receive options under the 2004 Plan. The Committee determines, among other things, which officers and key employees receive an option or options under the 2004 Plan, the type of option (incentive stock options or non-qualified stock options, or both) to be granted, the number of shares subject to each option, the rate of option

28

exercisability, and, subject to certain other provisions to be discussed below, the option price and duration of the option. No individual may be granted a number of options that is more than 50% of the total number of shares of Bancorp Common Stock authorized for issuance under the 2004 Plan and incentive stock options first exercisable by an employee in any one year under the 2004 Plan (and all other plans of Bancorp) may not exceed \$100,000 in value (determined at the time of grant).

The Committee may, in its discretion, modify or amend any of the option terms hereafter described, provided that if an incentive option is granted under the 2004 Plan, the option as modified or amended continues to be an incentive stock option.

### Aggregate Number of Shares

The aggregate number of shares which may be issued upon the exercise of options under the 2004 Plan is 15,000,000 shares of Common Stock. In the event of any change in the capitalization of Bancorp, such as by stock dividend, stock split or what the board of directors deems in its sole discretion to be similar circumstances, the aggregate number and kind of shares which may be issued under the 2004 Plan will be appropriately adjusted in a manner determined in the sole discretion of the board of directors. Reacquired shares of Bancorp Common Stock,

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as well as unissued shares, may be used for the purpose of the 2004 Plan. Common Stock of Bancorp subject to options which have terminated unexercised, either in whole or in part, will be available for future options granted under the 2004 Plan.

### Option Price

The option price for options issued under the 2004 Plan must be at least equal to 100% of the fair market value of the Common Stock as of the date the option is granted. As of April 23, 2004 the closing sale price of the Common Stock on the NYSE was \$59.80.

### Payment

Payment of the option price on exercise of options granted under the 2004 Plan may be made in (a) cash, (b) (unless prohibited by the Committee) Bancorp Common Stock which will be valued by the Secretary of Bancorp at its fair market value or (c) (unless prohibited by the Committee) any combination of cash and Common Stock of Bancorp valued as provided in clause (b).

Under the terms of the 2004 Plan, the board has interpreted the provision of the 2004 Plan which allows payment of the option price in Common Stock of Bancorp to permit the "pyramiding" of shares in successive exercises. Thus, an optionee could initially exercise an option in part, acquiring a small number of shares of Common Stock, and immediately thereafter effect further exercises of the option, using the Common Stock acquired upon earlier exercises to pay for an increasingly greater number of shares received on each successive exercise. This procedure could permit an optionee to pay the option price by using a single share of Common Stock or a small number of shares of Common Stock to acquire a number of shares of Common Stock having an aggregate fair market value equal to the excess of (a) the fair market value (as determined above) of all shares to which the option relates over (b) the aggregate exercise price under the option. A vote in favor of this Proposal is also a vote in favor of this interpretation.

### Exercisability

Except as otherwise described below, none of the options granted under the 2004 Plan may be exercised during the first year after the date granted. Thereafter, each optionee may exercise options held more than one year based upon option holding period pursuant to the following schedule:

29

Option Holding Period	Vesting Schedule
0-1 year	0%
1-2 years	25%
2-3 years	50%
3-4 years	75%



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More than 4 years

100%

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In the event of a "change in control" of Bancorp, as defined in the 2004 Plan, each optionee may exercise the total number of shares then subject to the option. The Committee has the authority to provide for a different rate of option exercisability for any optionee.

### Option Expiration and Termination

Unless terminated earlier by the option's terms both incentive stock options and non-qualified stock options expire ten years after the date they are granted.

Options terminate three months after the date on which employment is terminated (whether such termination be voluntary or involuntary), other than by reason of death or disability. Options terminate one year from the date of termination due to death or disability (but not later than the scheduled termination date).

### Transferability

Options granted pursuant to the 2004 Plan are not transferable, except (i) by the will or the laws of descent and distribution in the event of death, and (ii) the board, the Committee or a designee thereof has the authority to provide for the transferability of non-qualified options. A transfer permitted by the board, the Committee or a designee thereof may be on a general or specific basis, and may impose conditions and limitations on any permitted transferability. During an optionee's lifetime, the option is exercisable only by the optionee, including, for this purpose, the optionee's legal guardian or custodian in the event of disability and the optionee's transferee to the extent permitted by the board, the Committee or a designee thereof with respect to non-qualified stock options.

### Amendment or Termination; Plan Expiration

Bancorp's board of directors has the right at any time, and from time to time, to modify, amend, suspend or terminate the 2004 Plan, without shareholder approval, except to the extent that shareholder approval of the 2004 Plan modification or amendment is required by the Code, to permit the granting of incentive stock options under the 2004 Plan. Any such action will not affect options previously granted. If the board of directors voluntarily submits a proposed modification, amendment, suspension or termination for shareholder approval, such submission will not require any future modifications,

30

amendments, suspensions or terminations (whether or not relating to the same provision or subject matter) to be similarly submitted for shareholder approval.

### ERISA Compliance

The 2004 Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974, as amended.

### FEDERAL INCOME TAX CONSEQUENCES OF THE 2004 PLAN

THE FOLLOWING INFORMATION IS NOT INTENDED TO BE A COMPLETE DISCUSSION OF THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE 2004

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EMPLOYEE STOCK OPTION PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE CODE, AND THE REGULATIONS ADOPTED PURSUANT THERETO. THE PROVISIONS OF THE CODE DESCRIBED IN THIS SECTION INCLUDE CURRENT TAX LAW ONLY AND DO NOT REFLECT ANY PROPOSALS TO REVISE CURRENT TAX LAW. AN OPTIONEE WHO ACQUIRES SHARES OF COMMON STOCK UNDER THE 2004 PLAN SHOULD CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO HIS OR HER INDIVIDUAL TAX POSITION AND THE EFFECT OF ANY LEGISLATIVE REVISIONS ON SUCH POSITION.

OPTIONEES SUBJECT TO TAXES IMPOSED BY STATE, LOCAL AND OTHER TAXING AUTHORITIES, INCLUDING FOREIGN GOVERNMENTS, SHOULD CONSULT WITH THEIR OWN ATTORNEYS OR TAX ADVISERS REGARDING THE TAX CONSEQUENCES THEREUNDER.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES APPLICABLE TO PERSONS SUBJECT TO POTENTIAL LIABILITY UNDER SECTION 16(b) OF THE EXCHANGE ACT AND THE RULES THEREUNDER MAY BE DIFFERENT THAN THE U.S. FEDERAL INCOME TAX CONSEQUENCES APPLICABLE TO PERSONS WHO ARE NOT SUBJECT TO SECTION 16(b) OF THE EXCHANGE ACT. PERSONS SUBJECT TO SECTION 16(b) SHOULD CONSULT THEIR OWN TAX ADVISORS FOR MORE SPECIFIC INFORMATION.

### Incentive Stock Options

Generally, under the Code, an optionee will not realize taxable income by reason of the grant or the exercise of an incentive stock option (see, however, discussion of Alternative Minimum Tax below) granted pursuant to the 2004 Plan. If an optionee exercises an incentive stock option and does not dispose of the shares until the later of (i) two years from the date the option was granted and (ii) one year from the date of exercise, the entire gain, if any, realized upon disposition of such shares will be taxable to the optionee as long-term capital gain, and Bancorp will not be entitled to any deduction. If an optionee disposes of the shares within the period of two years from the date of grant or one year from the date of exercise (a "disqualifying disposition"), the optionee generally will realize ordinary income in the year of disposition and Bancorp will receive a corresponding deduction, in an amount equal to the excess of (1) the lesser of (a) the amount, if any, realized on the disposition and (b) the fair market value of the shares on the date the option was exercised over (2) the option price. Any additional gain realized on the disposition will be long-term or short-term capital gain and any loss will be long-term or short-term capital loss. The optionee will be considered to have disposed of a share if he sells, exchanges, makes a gift of or transfers legal title to the share (except transfers, among others, by pledge, on death or to a spouse). If the disposition is by sale or exchange, the optionee's tax basis will equal the amount paid for the share plus any ordinary income realized as a result of the disqualifying disposition.

31

The exercise of an incentive stock option may subject the optionee to the alternative minimum tax. The amount by which the fair market value of the shares purchased at the time of the exercise exceeds the option exercise price is an adjustment for purposes of computing the so-called alternative minimum tax. In the event of a disqualifying disposition of the shares in the same taxable year as exercise of the incentive stock option, no adjustment is then required for purposes of the alternative minimum tax, but regular income tax, as described above, may result from such disqualifying disposition.

An optionee who surrenders shares as payment of the exercise price of his or her incentive stock option generally will not recognize gain or loss on his surrender of such shares. The surrender of shares previously acquired upon

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exercise of an incentive stock option in payment of the exercise price of another incentive stock option, is, however, a "disposition" of such stock. If the incentive stock option holding period requirements described above have not been satisfied with respect to such stock, such disposition will be a disqualifying disposition that may cause the optionee to recognize ordinary income as discussed above.

Under the Code, all of the shares received by an optionee upon exercise of an incentive stock option by surrendering shares will be subject to the incentive stock option holding period requirements. Of those shares, a number of shares (the "Exchange Shares") equal to the number of shares surrendered by the optionee will have the same tax basis for capital gains purposes (increased by any ordinary income recognized as a result of a disqualifying disposition of the surrendered shares if they were incentive stock option shares) and the same capital gains holding period as the shares surrendered. For purposes of determining ordinary income upon a subsequent disqualifying disposition of the Exchange Shares, the amount paid for such shares will be deemed to be the fair market value of the shares surrendered. The balance of the shares received by the optionee will have a tax basis (and a deemed purchase price) of zero and a capital gains holding period beginning on the date of exercise. The incentive stock option holding period for all shares will be the same as if the option had been exercised for cash.

### Non-Qualified Stock Options

Generally, there will be no U.S. federal income tax consequences to either the optionee or Bancorp on the grant of non-qualified stock options pursuant to the 2004 Plan. On the exercise of a non-qualified stock option, the optionee has taxable ordinary income equal to the excess of the fair market value of the shares acquired on the exercise date over the option price of the shares. Bancorp will be entitled to a federal income tax deduction (subject to the limitations contained in Section 162(m)) in an amount equal to such excess, provided that Bancorp complies with applicable reporting rules.

Upon the sale of stock acquired by exercise of a non-qualified stock option, optionees will realize long-term or short-term capital gain or loss depending upon their holding period for such stock. Capital losses are deductible only to the extent of capital gains for the year plus \$3,000 for individuals.

An optionee who surrenders shares in payment of the exercise price of a non-qualified stock option will not recognize gain or loss with respect to the shares so delivered unless such shares were acquired pursuant to the exercise of an incentive stock option and the delivery of such shares is a disqualifying disposition. See "Incentive Stock Options." The optionee will recognize ordinary income on the exercise of the non-qualified stock option as described above. Of the shares received in such an exchange, that number of shares equal to the number of shares surrendered have the same tax basis and capital gains holding period as the shares surrendered. The balance of shares received will have a tax basis equal to their fair market value on the date of exercise and the capital gains holding period will begin on the date of exercise.

In the event of a permitted transfer by gift of a non-qualified stock option, the transferor will remain taxable on the ordinary income realized as and when such non-qualified stock option is exercised by the transferee. All other tax consequences described above will be applicable to the transferee of

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the non-qualified stock option. A permitted transfer by gift of a non-qualified stock option may result in federal transfer taxes (gift tax) to the transferor at such time as the option is transferred, as well as such later time or times as the non-qualified stock option vests, if not fully vested on the date of the initial transfer.

### Limitation on Bancorp's Deduction

Section 162(m) of the Code will generally limit Bancorp's federal income tax deduction for compensation paid in any year to its chief executive officer and its four highest paid executive officers to \$1,000,000, to the extent that such compensation is not "performance based." Under Treasury regulations, a stock option will, in general, qualify as "performance based" compensation if it (i) has an exercise price of not less than the fair market value of the underlying stock on the date of grant, (ii) is granted under a plan that limits the number of shares for which stock options may be granted to an employee during a specified period, which plan is approved by a majority of the shareholders entitled to vote thereon, and (iii) is granted and administered by a compensation committee consisting solely of at least two outside directors (as defined in Section 162(m)). If a stock option to an executive referred to above is not "performance based", the amount that would otherwise be deductible by Bancorp in respect of such stock option will be disallowed to the extent that the executive's aggregate non-performance based compensation paid in the relevant year exceeds \$1,000,000.

33

### EQUITY COMPENSATION PLAN INFORMATION

The following table details information regarding Bancorp's existing equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights
Equity compensation plans approved by security holders	11,957,602	\$28.76
Equity compensation plans not approved by security holders	N/A	N/A
Total	11,957,602	\$28.76

(1) Does not include the effect of the proposed approval of the 2004 Plan described herein.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act") requires Bancorp's directors and executive officers, and persons who own more than 10% of a registered class of Bancorp's equity securities, to file with the SEC reports about their beneficial ownership of Common Stock and other equity securities of Bancorp. All such persons are required by SEC regulation to furnish Bancorp with copies of all Section 16(a) reports they file.

Based solely on review of the copies of such reports furnished to Bancorp and written representations that no other reports were required during the fiscal year ended December 31, 2003, Bancorp believes all Section 16(a) filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were timely complied with, except that the following persons filed reports that were inadvertently late: (a) Daniel Ragone filed a Form 4 in connection with a disposition of common stock which was not timely; (b) William Schwartz filed a Form 4 in connection with a purchase of common stock which was not timely; and (c) Edward Jordan, Douglas Pauls, David Wojcik and the individuals (other than John P. Ferguson and Joseph J. Plumeri) listed on the Security Ownership of Management and Certain Beneficial Owners table on page 3 of this proxy statement, each filed a Form 4 in connection with the grant of stock options which was not timely.

34

### APPROVAL OF AMENDMENT TO BANCORP'S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK WHICH BANCORP IS AUTHORIZED TO ISSUE

The board of directors of Bancorp has determined that it is advisable to increase the number of shares of Common Stock which Bancorp is authorized to issue by 350,000,000 shares to a total of 500,000,000. The Restated Certificate of Incorporation currently provides that Bancorp is authorized to issue 150,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock.

As of April 23, 2004, there were 78,305,816 issued shares of Common Stock. Of the unissued 71,694,184 shares, 13,096,559 shares of Common Stock were reserved for issuance under Bancorp's 1994 and 1997 Employee Stock Option Plans, 3,346,571 shares of Common Stock were reserved for issuance under Bancorp's Dividend Reinvestment and Stock Purchase Plan, and 1,262,236 shares of Common Stock were reserved for issuance under Bancorp's 1989 and 1998 Stock Option Plan for Non-Employee Directors, leaving 53,988,818 shares of Common Stock unreserved and available for issuance. If the proposed amendment is approved and becomes effective, a total of 403,988,818 shares of Common Stock will be unreserved and available for issuance. All outstanding and reserved shares have been adjusted to reflect all stock splits and stock dividends through April 23, 2004.

As of April 23, 2004, no shares of Preferred Stock were outstanding. Under Bancorp's Restated Certificate, the board of directors is authorized, without further shareholder action, to provide for the issuance of the Preferred Stock in one or more series, with such designations, dividends, number of shares, relative rights (including, without limitation, voting rights, conversion rights, redemption rights and/or liquidation rights), preferences and limitations as shall be set forth in resolutions providing for the issuance thereof adopted by the board of directors. The proposed amendment does not increase the number of shares of Preferred Stock unreserved and available for issuance.

The increase in authorized shares will not affect shareholders' equity in Bancorp or the capital or surplus account of Bancorp.

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Except as set forth above, Bancorp has no present plan, commitment, arrangement, understanding, or agreement, written or oral, regarding the issuance of shares subsequent to the increase of the authorized shares of Common Stock upon adoption of this proposal; however, in the judgment of the board of directors, the increase in authorized Common Stock will provide Bancorp with greater flexibility in meeting future stock needs without the delay and expense involved in holding a special meeting of shareholders to authorize the issuance of such shares. Such shares could be used for future financings, acquisitions, employee benefit plans, stock splits, stock dividends, or other proper corporate purposes.

Shares will have no preemptive rights with respect to such additional authorized shares of Common Stock and such shares may be issued solely upon the action of Bancorp's board of directors for any proper corporate purpose determined by the Board without further authorization from the shareholders except where because of particular circumstances under which any such shares will be issued, shareholder approval is required by law and/or the rules of the NYSE. However, the issuance of such additional shares of Common Stock may adversely affect current shareholders. See "Anti-takeover Provisions and Management Implications" below. These additional shares of Common Stock, when issued, will have the same rights as Bancorp's presently authorized shares of Common Stock.

If the recommendation of the board of directors is approved, the first sentence of Article Fifth of Bancorp's Restated Certificate of Incorporation will be amended to read as follows:

35

"FIFTH: The aggregate number of shares which the corporation shall have authority to issue shall be 510,000,000 shares of which 500,000,000 shares shall be common stock with a par value of \$1.00 per share and of which 10,000,000 shares shall be preferred stock without par value."

### Required Vote

Pursuant to the NJBCA, the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon is necessary for adoption of this proposal to amend Bancorp's Restated Certificate of Incorporation. For purposes of determining the votes cast, only those votes "FOR" or "AGAINST" are included. Abstentions and broker non-votes will be counted solely for the purpose of determining whether a quorum is present.

The board of directors unanimously recommends that the shareholders vote "FOR" the amendment to Bancorp's Restated Certificate of Incorporation to increase the number of shares of Common Stock that Bancorp is authorized to issue by 350,000,000 shares.

### "Anti-Takeover" Provisions and Management Implications

Bancorp's Restated Certificate of Incorporation requires the affirmative vote of the holders of at least 80% of the outstanding capital stock of Bancorp entitled to vote thereon in order to permit the consummation of any of the fol