

# A bank 'rebel' fights on

## Ex-director seeks seat after stymieing takeover

By ALEXANDER MILCH

A one-man campaign has been inaugurated by a former director of the Garden State National Bank of Paramus seeking to be renamed to the board of that institution.

William A. Conway of Hackensack, who retired from the bank's presidency in 1974, has sent proxy statements to the 1,150 stockholders asking for their votes so that he can be one of the bank's 15 directors. The management slate does not include his name.

Voting for directors will take place at the annual stockholder meeting, slated for March 20 at the bank's principal office at 10 Forest Ave., Paramus.

Conway owns 16,600 shares of Garden State common stock, his wife Margaret, 16,900 shares. His quest for a seat on the board is not an inexpensive one; he has spent \$800 thus far for postage, and printing and legal bills are not yet in.

Conway clashed last year with Charles A. Agemian, chairman and chief executive officer of the bank, over its proposed merger with the National State Bank of Elizabeth, a union which would have created the first or second largest bank in the state.

It was Conway's contention that the merger terms were unduly favorable to Warner Communications Inc. of New York, owner of 63.4 per cent of the bank's 1,617,384 outstanding shares of stock, and

unfair to minority stockholders such as himself. He charged the merger would be "a raid, thinly disguised as a consolidation, on shareholder equity of the two banks."

U.S. Comptroller of the Currency John G. Heimann subsequently announced that he would approve the merger only if conditions he was imposing to improve the ratio of stockholders' equity to assets were met. This led to both banks announcing Nov. 22 that the merger was off, their contention being that dividends would have to be omitted for five years to meet such conditions.

Conway resigned from the board last April in protest against the proposed merger. After it was called off, he sought to be reinstated on the board, but was rebuffed by a board vote of 17 to 2.

Conway said that the two directors who voted for him were dropped from the management slate for 1979 now coming up for a vote. He identified them as Hyden W. Newbold and Davenport West Jr., directors since 1969 and 1951, respectively.

The board also voted to place before the upcoming session a proposal to limit the board to 15 members.

"The concern I had expressed since June 1978 as to the viability of the new (merged) bank was reflected in the comptroller's final opinion," Conway said in his proxy material.

"Over the opposition of our bank's directors, I seek election so that I can monitor closely all actions which the board might take that might not be in the best interests of minority shareholders of our bank."

In particular, he said, he wants to be sure that the bank takes no action assisting Warner Communications to divest itself of its majority ownership detrimental to other shareholders.

The Warner firm, which owns the Cosmos soccer team, is under orders of the Federal Reserve to give up its control of Garden State before the end of 1980. Under the aborted merger plan, it would have been paid \$36.3 million in cash for its holdings, along with 150,000 shares of \$100 value 6 per cent nonconvertible preferred shares.

With postage costs at 58 cents per stockholder, Conway did manage to save \$8.70. He did not send proxies to Agemian or the other 14 board candidates.

# Proxy fight brews at Garden State

By Amy Dunkin  
Business Writer

One thing scheduled to take place at the Garden State National Bank's annual shareholders' meeting Tuesday won't be on the official agenda. It's a proxy fight and it's being orchestrated by a former director who wants to regain his position on the board.

William A. Conway of Hackensack, who was president of the bank for three years until he retired in 1974, resigned from the board in April 1978 to fight a proposed merger with the National State Bank of Elizabeth.

Conway felt that minority stockholders would have been cheated by the proposed merger, which he said was heavily weighted in favor of Warner Communications Inc., owner of 63.4 percent, or 1,025,859, of the bank's 1,617,384 outstanding shares. Warner has an agreement with the Federal Reserve

Board to divest itself of its shares by Dec. 31, 1980.

Plans for the merger fell through last November when the comptroller of the currency imposed some requirements that the bank's officers decided they could not meet. With no consolidation to worry about, Conway says the reason for his resignation no longer exists, and he wants his old board seat back.

The bank management, including Chairman Charles Agelman, has other ideas. The directors have rejected his offer to rejoin their ranks by a 17-2 vote. In addition, the slate offered in the management proxy has 15 names. Conway says the two directors who voted for his reinstatement — Hayden W. Newbold and Davenport West Jr. — are not on it. And neither is he.

But Conway is not taking this sitting down. At his own expense (about \$800 for postage, with printing and legal bills still to come), he has sent proxy state-

ments to 1,150 stockholders asking for their votes. His pitch is that his presence on the board would enable him to champion their interests. He figures he needs about 100,000 shares in his favor to clinch the directorship. The meeting will be held at the bank's principal office at 10 Forest Ave., Paramus.

"It [Garden State] is a good, going concern. I have no quarrel with the management," he said. "I want to make sure they don't put up any scheme that is not fair to all the shareholders. I don't think cash should leave the bank's capital to satisfy one stockholder."

Management's opinion, as expressed by a bank spokesman, is this: "It would not be traumatic whether he [Conway] was elected to the board or not. He says he is a voice for the minority stockholders. But remember — 14 of our 15 board members are minority stockholders."

The spokesman said the number of directors has been reduced from 20 to 15

because several, including Conway, have resigned or reached the mandatory retirement age of 72 in the past year and "we have not found any replacements." He said there were several reasons for dropping Newbold and West, the least important being their support of Conway.

Conway owns 16,600 shares of Garden State's Class A common stock. His wife, Margaret, owns 16,900 shares. Under the proposed merger, he and the other minority shareholders would have received \$20 cash and three shares of common stock of the resulting bank for each of their Garden State shares. A revision in the terms later took away the \$20 and substituted preferred stock.

Warner, on the other hand, was to receive \$50 cash per share for 825,859 shares and preferred stock for the balance of 200,000 shares. After the revision, that was changed to \$50 for each of 725,859 shares and preferred stock for the balance.

## Merger Foe Seeks Return to Board

PARAMUS, N.J. — An unusual one-man campaign is under way by William A. Conway of Hackensack, seeking to be returned to the board of directors of the Garden State National Bank of Paramus.

Mr. Conway, a former president of the bank, has sent proxy statements to 1,150 stockholders asking for their vote. The management slate of 15 does not include his name.

The election will be held March 20 at the annual stockholders meeting at the bank's headquarters in Paramus.

Mr. Conway, who owns 16,600 shares of common stock — his wife, Margaret, has 16,900 — concedes his campaign will be costly. Postage costs to date are \$800, and his printing and legal bills have not yet arrived.

Mr. Conway was a leader last year in stockholder opposition to a proposed

merger of Garden State with National State Bank of Elizabeth. He resigned from the board in protest.

It was Mr. Conway's contention that the merger was favorable to Warner Communications, Inc. of New York, owner of 63.4% of the bank's 1,617,384 shares of outstanding stock, and unfair to minority stockholders. He called the merge: "a raid, thinly disguised as a consolidation, on shareholder equity of the two banks."

Warner, which must divest itself of the stock under an order of the Federal Reserve Board, would have received \$36.3 million in cash plus 150,000 shares of \$100 value 6% nonconvertible preferred stock. Other shareholders would have received common and preferred stock in the new bank, but no cash.

U.S. Comptroller of the Currency John G. Heimann in November said he would

approve the merger only if the ratio of stockholders' equity to assets in the combined bank was increased substantially. This led to both banks announcing the merger was off, since the only way this could be done was omitting dividends for five years.

Mr. Conway said Mr. Heimann's finding supported his own.

He said he wants to be on the board so that he can continue to protect the interests of minority stockholders.

Because of cumulative voting procedures, Mr. Conway estimates he will need 110,000 votes to secure a board position. ■

### MORTGAGES

Friday's column is worth your interest.

# A coup in Garden State Bank board

By Amy Dunkin  
Business Writer

**PARAMUS** — Former Garden State National Bank President William A. Conway staged a coup at the bank's annual shareholders meeting yesterday by winning a seat on the board of directors despite management opposition.

Conway, who had sent proxy statements to 1,150 stockholders asking for their support, polled more than double the number of shares he needed to clinch the election. Proxies representing 90 percent of the bank's 1,617,384 outstanding shares were turned in.

Conway resigned from the board in April 1978 to avoid a conflict of interest in his fight against a proposed merger with the National State Bank of Elizabeth. But the directors refused to reinstate him after the merger fell through last November. So he decided to stage a proxy fight.

The bank's management, seeking to limit to 15 the number of directors to be elected, had offered a slate of 15 names in its proxy. Conway was not among them. When the votes were counted, Albert Sarnoff, a vice-president of Warner Communications Inc., the majority stockholder, proposed that the number of directors be increased to 16 so that no one would have to be dropped to make room for Conway.

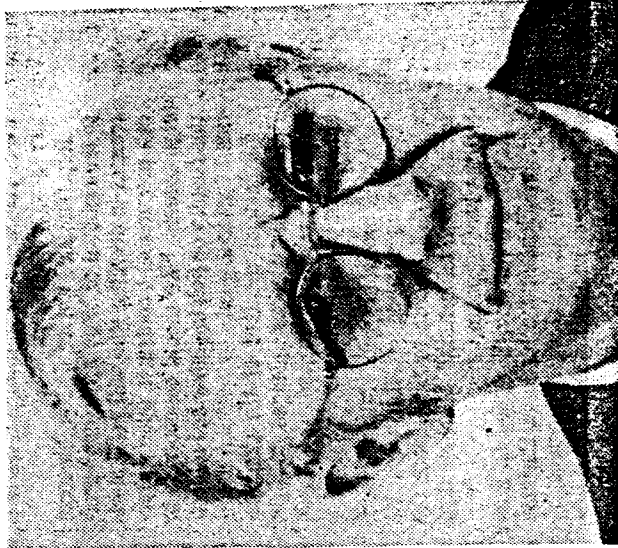
When the shares in his favor were counted, Conway had polled the equivalent of 3,658,960 votes. He had the support of Davenport West Jr., who along with Hayden W. Newbold, had voted for Conway's reinstatement on the board. Both men later were omitted from the management slate of candidates.

West said he would probably try to regain his seat

at a later time.

"The first problem was to get Bill [Conway] elected," he said. "If more than one candidate had run, it might have diluted the vote."

Fourteen of the 15 management-supported candidates received 1,272,767 votes each, while Charles Agemian, chairman and chief executive officer, got 2,302,626 votes. The proxies were counted by two



William Conway

judges from the Manufacturers Hanover Trust Co.

Stockholders also voted overwhelmingly to select Arthur Young and Co. as the bank's auditor and to increase the capital stock of the bank by declaring a stock dividend of 10 percent.

Conway, who owns 16,600 shares of Garden States Class A common stock, and whose wife, Margaret, owns 16,900 shares, had opposed the merger with National State Bank of Elizabeth because he felt the terms were unfavorable to minority stockholders.

Warner Communications, which owns 63.4 percent of the stock, is under orders by the Federal Reserve Board to divest itself of its shares by Dec. 31, 1980. Conway said he wanted to be on the board to ensure that the minority stockholders don't get cheated when the divestiture occurs.

In his brief speech to the stockholders, Chairman Agemian said Warner has made no plans to relinquish its holdings since the aborted merger. He said he believed the merger proposal was fair and sound and that reaction to it "on the part of some stockholders annoyed me a lot." He cautioned the unnamed people to "behave" in the future.

"Warner can sell its 63 percent any time it wants. I don't know what a minority holding in this bank would be worth if Warner is pushed to that," Agemian said.

Conway later disputed Agemian's statement.

"When they say they can sell the stock and sell it quickly, I don't believe them. It would be true if it were like the telephone company and all the shares were the same, but there are two different kinds of See CHIEF, Page A-18

stock—Class A and B—and a buyer would know that," he said.

Agemian also commented on the bank's annual report. Net income for 1978 was \$7,785 million or \$4.81 per share, compared with 1977 net income of \$5.647 million or \$3.49 per share—an increase of 37.9 percent. Total assets rose from \$732.912 million in 1977 to \$786.644 million in 1978. Agemian said growth has been consistent, and he expects it to continue this year.

# Ex-bank president triumphs

## Maverick Garden State exec returns to board

By ALEXANDER MILCH

A one-man campaign for election to the board of directors of the \$710-million-deposit Garden State National Bank of Paramus ended successfully yesterday for William A. Conway of Hackensack.

Conway, former president, who resigned from the board last April in protest against a since-aborted merger involving the bank, was returned to the board with 3,658,960 votes, the result of 228,685 shares being voted cumulatively. The occasion was the annual stockholders' meeting.

Under cumulative voting, a stockholder is allowed to cast votes equal to the number of shares he or she owns, multiplied by the number of board seats to be filled. So, with 16 directors to be elected to the bank's board, a holder of 100 shares had 1,600 votes — which could

be cast for one candidate or spread, in smaller numbers, among two to 16 candidates.

The stockholders also elected the full management slate of 15, with Charles A. Agemian, chairman and president, getting 2,302,626 votes and the others 1,276,767 each.

The amount of votes received by each became academic when Warner Communications Inc. (WCI) of New York, which owns 63.4 per cent of the bank's stock, had a resolution adopted increasing the size of the board from 15 to 16. WCI had assigned proxies to Agemian to make sure he would not be the man left out on a 15-member board.

Results of the voting were announced by inspectors of election from the Manufacturers Hanover Trust Co. of New York. Conway brought in proxies he had received from sympathetic stock-

holders following mailings to some 1,150 eligible to vote.

Conway spent \$800 on postage alone, and still has bills to pay for printing and legal expenses. He got his first \$200 back yesterday, that having been his fee for attending the monthly board meeting which followed the election.

Conway clashed last year with Agemian over a proposed merger of their bank with the National State Bank of Elizabeth, a consolidation which would have created the first or second largest bank in the state.

Conway insisted that the merger terms were unduly favorable to WCI, to the disadvantage of minority stockholders such as himself. WCI was to be paid \$36.3 million in cash, plus nonconvertible preferred shares for its holdings, while other stockholders would only get stock.

WCI is under orders of the Federal Reserve to give up its control of Garden State before the end of next year, and the cash payment arrangement was intended to help WCI achieve that end.

However, it was a ruling by U.S. Comptroller of the Currency John G. Heilmann which led to abandonment of the merger proposal. He said in November that he would approve the merger only if stockholders' equity was increased in relation to the bank's assets — something that would have necessitated omitting dividends for five years.

Conway was president of Garden State from 1971 until he retired in 1974. He had been president of the North Jersey National Bank, successor to the Hudson County National Bank, which was merged in 1971 with Garden State, successor to Hackensack Trust Co.

The stockholders at yesterday's session approved a 10 per cent stock dividend payable April 27 to stockholders of record March 30.

It was revealed at the session that Garden State spent \$300,000 in getting ready for the failed merger. National State had previously said its total expenses were \$350,000.

## Ex-President of NJ Bank Wins Drive for Board Seat

Special to the American Banker

PARAMUS, N.J. — William A. Conway, former president of the \$709.5 million-deposit Garden State National Bank here, has won his one-man campaign to be returned to the board of directors of the bank.

Mr. Conway, who resigned from the board last April in protest against a merger proposal, received 3,658,960 votes at the annual stockholders' meeting this week. There were 228,685 shares voted for him on a cumulative basis in response to proxies he had mailed out to all 1,150 stockholders.

Stockholders also voted in the full management slate of 15 directors, with Charles A. Agemian, chairman, president and chief executive officer, getting 2,302,626 votes and the others receiving 1,276,767 each.

All the bank's common stock, carried proxies for Mr. Agemian to make sure he would not be left out of a 15-member board. However, with Mr. Conway assured of election, Warner Communications, Inc. — holder of 63.4% of the bank's outstanding shares — sponsored a resolution increasing the board to 16 members.

Mr. Conway clashed with Mr. Agemian last year over a proposal to create New Jersey's first or second largest commercial bank by merging Garden State with the \$681.8 million-deposit National State Bank, Elizabeth.

Mr. Conway opposed the plan as taking stockholder equity away from stockholders. WCI was to be paid \$36.3 million in cash, plus stock, while a stockholder would only get stock in the combined institution.

The Comptroller of the Currency, John G. Heimann, eventually ruled that stockholder equity as a ratio to assets would have to be brought up to levels in peer banks if the merger was to be approved. The two banks, which were planning to borrow additional capital funds, declined to do this since it would be necessary to omit dividends for five years.

WCI in effect has to be paid cash for most of its stock, since it has been directed by the Federal Reserve Board to rid itself of its control of the bank before the end of next year. Thus far, no new proposal to buy out WCI has been made known.

Mr. Conway spent about \$800 in mailing out proxy forms and statements and is awaiting his bills for legal advice and printing. He owns 16,600 shares of the bank's stock; his wife, Margaret, has 16,000.

Mr. Conway sat with the new board following the election, for his first \$200 fee. It will be applied toward his expenses, he said. ■

# Banks, citing risks, part company

Three companies called the merger of Garden State National Bank in Paterson with the National State Bank in Newark, controller of the Currency Unit, a west merger proposal.

These are the explanations of those in an interest in or who had watched the 18-month-long process as it unfolded.

It could have ended in the creation of Jersey's second-largest commercial bank — one with \$1.5 billion in assets, \$1.3 billion in deposits, more than 10,000 employees, and 76 offices in nine of the state's 21 counties.

The principles involved — Garden State Chairman Charles Agemian and National State President W. Erman Rosow — cite Heimann's demands as being dominant in their eventually abandoning the merger a week ago.

In a letter to shareholders, Agemian said the merger had been mailed to the controller called him down in Washington and unexpectedly imposed new conditions as his price for the deal.

Business were "unrealistic."

"Both Garden State National and National State managements felt these conditions were unnecessary and entirely unrealistic," he wrote.

One of the terms, was a requirement to equalize the ratio of stockholders' equity to combined bank up to 5 percent.

Agemian wrote that this would have given the controller virtual control over the combined bank's future.

Agemian also complained that the controller of cash and loans agreed to pay Garden State stockholders to pay back preferred stock after the merger. Agemian said that the controller's instruction, with real regard,

one of the figures included in calculation of a bank's capital, considered by bankers and regulators to be the cornerstone of a commercial bank. Other figures include retained profits and surplus funds.

Regulators which capital and its size in relation to assets as a reflection of an institution's financial stability.

## ANALYSIS

Typically, for other institutions as big as the combined Garden State-National State bank, the ratio of stockholders' equity to total assets is about 5 percent.

If the merger had gone through, the new bank would have had a ratio of 3.7 percent.

But opponents of the merger and banking analysts who followed the merger say that the basic financial structure of the merger — by Heimann's last-minute demands — did it in.

"I guess another way of putting it," said Melchior Banks Inc. treasurer Robert Keenan, "is that the people who were watching this weren't totally surprised by the turn-down."

Last May former Garden State President William Conway made the first formal objection to the merger.

In a letter of protest to the controller, Agemian contended the merger was arranged to help Warren Commission's Inc., the entertainment, consultation, estate trust and other services of Garden State's common stock, get out of the banking business at a profit.

Conway also charged that the controller of cash and loans agreed to pay Garden State stockholders to pay back preferred stock after the merger. Conway said that the controller's instruction, with real regard,

were factors in two revisions of the merger terms, each calling for less cash and more deferred payments in the form of preferred and common stock.

Some people are saying that the negative political implications of approving a shaky merger eventually influenced controller Heimann to make his untenable demands.

"Regulatory agencies are kind of feeling their way anyway right now," said one analyst.

"They don't want to rubber stamp things like they used to. They listen to everything and anything that might affect an issue — which winds up like a guy checking out a newspaper for the 15 millionth time for a mistake."

"They don't want to make any mistakes which might end up being embarrassing," he said.

Heimann especially wants to be cautious. In August 1977, two months after he took office, Heimann told Congress that Bert Lance, President Carter's former budget director, didn't violate any laws while serving as president of his Georgia bank.

A federal grand jury is still reviewing allegations Heimann once dismissed.

Other political pressure against the merger was marshalled by Conway, who sent copies of his protests to Senators William Proxmire of Wisconsin and Harrison Williams of New Jersey. The legislators heard Senate committees on banking and securities.

Other objections from stockholders tipped off Heimann to additional write-in votes against the merger in addition to the steady commercialism Currency Unit.

Conway and the controller's office in Newark, N.J., also complained that the controller of cash and loans agreed to pay Garden State stockholders to pay back preferred stock after the merger. Conway said that the controller's instruction, with real regard,

senior Board chairman, the controller of banking interests for the state and next year. The merger would have been completed that.

Now, Warren officials say they will pursue other avenues of investment, as well as other banks in the state's banking industry.

The Garden State-National State merger also had implications for New Jersey banking. It was one of the mergers that would part of a long and painful trimming of the state's banking industry.

After changes in the state's banking laws nearly 10 years ago, the banking business went through a period of rapid expansion. New banks were organized. Old banks branched into communities they once were prohibited by law from entering. Deposits and assets increased quickly.

The expansion caused problems. Smaller banks couldn't generate enough earnings, which hurt the growth of their capital. The recorders of 1974-75 trimmed earnings of the banks so that they too, experienced capital problems.

State banking regulators reported many of these problems to end of packed sessions. They encouraged the banks as they reported the problems to the state.

Other banks were also in trouble. Many were in a state of financial emergency. They were in a state of financial emergency. They were in a state of financial emergency.

But one of the banks that survived with its capital intact was the Garden State National Bank. It was the only bank in the state that survived with its capital intact.

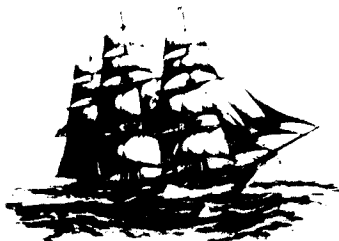
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PARAMUS, N. J. - CHARLES A. AGEMIAN, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, GARDEN STATE NATIONAL BANK, PARAMUS, AND W. EMLER ROOSEVELT, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE NATIONAL STATE BANK, ELIZABETH, ANNOUNCED TODAY THE TERMINATION OF THE PROPOSED MERGER OF THE COMBINED BANKS AFTER IT BECAME CLEAR FROM DISCUSSION WITH THE COMPTROLLER OF THE CURRENCY THAT IT WAS IMPRACTICAL FOR THE COMBINED BANKS TO MEET SOME OF HIS REQUIREMENTS. THE MEETINGS OF SHAREHOLDERS OF BOTH BANKS, CALLED FOR NOVEMBER 29TH, HAVE BEEN CANCELLED.



*The*  
**NATIONAL STATE BANK**

ELIZABETH, NEW JERSEY 07207

SPECIAL NOTICE TO ALL SHAREHOLDERS

W. Emler Roosevelt, President and Chief Executive Officer of The National State Bank, Elizabeth, N. J., and Charles A. Agemian, Chairman of the Board and Chief Executive Officer of Garden State National Bank, Paramus, N. J., announced today the termination of the proposed merger of the combined banks after it became clear from discussions with the Comptroller of the Currency that it was impractical for the combined banks to meet some of his requirements.

The meeting of shareholders of both banks called for November 29 has been cancelled.