

COMMERCE BANCORP INC /NJ/  
Form DEF 14A  
April 15, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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 under ss. 240.14a-12

**COMMERCE BANCORP, INC.**

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

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

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

N/A

(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

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

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:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2005 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 Tuesday, May 17, 2005, at 5:30 P.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 ratify the appointment of Ernst & Young LLP as Bancorp's independent registered public accounting firm for the fiscal year ending December 31, 2005; and
3. 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 1, 2005 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 may submit your proxy by using the Internet, using a toll-free telephone number or by signing and dating the enclosed proxy card and returning it in the accompanying envelope. Instructions on how to vote your shares via the Internet or by telephone are set forth on the proxy card enclosed with this proxy statement.

By Order of the Board of Directors

ALEXANDER D. BONO,  
Secretary

April 15, 2005

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**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 2005 Annual Meeting of Shareholders to be held on Tuesday, May 17, 2005, at 5:30 P.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 15, 2005.

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, upon request of such recordholders.

The board of directors of Bancorp has fixed the close of business on April 1, 2005, 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 161,606,325 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 and, therefore, will have no effect on the outcome of the vote on the election of directors 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 and certain other "routine" matters if the clients have not timely furnished voting instructions prior to the Annual Meeting. 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, or you vote using the Internet or the toll-free telephone number in time to be voted 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 and "FOR" the ratification of the appointment of the independent registered public accounting firm.



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 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 1, 2005, 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.

| Name of Beneficial Owner or<br>Identity of Group | Number of<br>Shares<br>Beneficially<br>Owned <sup>(1)(2)</sup> | Percent of Class<br>Beneficially<br>Owned <sup>(1)(2)</sup> |
|--|--|---|
| Jack R Bershad                                   | 277,339 <sup>(3)</sup>   | *   |
| Joseph E. Buckelew                               | 1,361,306 <sup>(4)</sup>                                       | *   |
| Donald T. DiFrancesco                            | 26,936 <sup>(5)</sup>  | *   |
| Vernon W. Hill, II                               | 7,368,058 <sup>(6)</sup>                                       | 4.46%   |
| Morton N. Kerr                                   | 21,462 <sup>(7)</sup>  | *   |
| Steven M. Lewis                                  | 1,048,722 <sup>(8)</sup>                                       | *   |
| John K. Lloyd                                    | 6,450 <sup>(9)</sup>   | *   |
| George E. Norcross, III                          | 2,679,279 <sup>(10)</sup>                                      | 1.65%   |
| Joseph J. Plumeri, II                            | 4,500 <sup>(11)</sup>  | *   |
| Daniel J. Ragone                                 | 390,706 <sup>(12)</sup>  | *   |
| William A. Schwartz, Jr.                         | 208,345 <sup>(13)</sup>  | *   |
| Joseph T. Tarquini, Jr.                          | 1,109,800 <sup>(14)</sup>                                      | *   |
| Joseph S. Vassalluzzo                            | 70,000 <sup>(15)</sup>   | *   |
| Dennis M. DiFlorio                               | 1,660,388 <sup>(16)</sup>                                      | 1.02%   |
| Robert D. Falese, Jr.                            | 576,133 <sup>(17)</sup>  | *   |
| Peter M. Musumeci, Jr.                           | 913,336 <sup>(18)</sup>  | *   |

| <b>Name of Beneficial Owner or Identity of Group</b>   | <b>Number of Shares Beneficially Owned<sup>(1)(2)</sup></b> | <b>Percent of Class Beneficially Owned<sup>(1)(2)</sup></b> |
|--|---|---|
| All Directors and Executive Officers of Bancorp as a Group (18 Persons)                              | 17,199,140 <sup>(19)</sup>                                  | 10.15%  |
| Basswood Capital Management, LLC<br>645 Madison Avenue, 10 <sup>th</sup> Floor<br>New York, NY 10022 | 8,444,606 <sup>(20)</sup>                                   | 5.23%   |
| Putnam, LLC<br>One Post Office Square<br>Boston, MA 02109  | 16,432,422 <sup>(21)</sup>                                  | 10.17%  |
| The TCW Group, Inc.<br>865 South Figueroa Street<br>Los Angeles, CA 90017                            | 17,546,032 <sup>(22)</sup>                                  | 10.86%  |
| Gilder, Gangon, Howe & Co. LLC<br>1775 Broadway, 26 <sup>th</sup> Floor<br>NY, NY 10019              | 18,893,972 <sup>(23)</sup>                                  | 11.69%  |

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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 1, 2005. Shares subject to outstanding stock options which an individual has the right to acquire within 60 days after April 1, 2005 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 and Ragone beneficially own 3,000, 10,000, 2,000, 8,000 and 2,000 trust capital securities, respectively, and the directors and executive officers of Bancorp, as a group (18 persons), beneficially own 27,000 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 1.8956 shares of Bancorp Common Stock for each trust capital security, subject to adjustment under certain circumstances. As of April 1, 2005, the trust capital securities are convertible at the election of the holder.





(3) Includes 63,090 shares of Bancorp Common Stock held by Mr. Bershad's wife, 129,224 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 5,687 shares issuable upon the conversion of the trust capital securities.

(4) Includes 316,976 shares of Bancorp Common Stock held by Mr. Buckelew's wife, 9,556 shares of Bancorp Common Stock held by Buckelew & Lane Investments, 24,191 shares of Bancorp Common Stock allocated to Mr. Buckelew's account under Bancorp's 401(k) Plan, 370,000 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's Employee Plans and 18,956 shares issuable upon the conversion of the trust capital securities. Mr. Buckelew is a partner of Buckelew & Lane Investments.

(5) Includes 3,652 shares of Bancorp Common Stock held jointly with Mr. DiFrancesco's wife, 2,964 shares of Bancorp Common Stock held by Mr. DiFrancesco's wife and 17,500 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under Bancorp's 1998 Stock Option Plan for Non-Employee Directors.

(6) Includes 207,360 shares of Bancorp Common Stock held by Site Development Inc., 87,872 shares of Bancorp Common Stock held by Mr. Hill's wife, 291,084 shares of Bancorp Common Stock held by S. J. Dining, Inc., 297,332 shares of Bancorp Common Stock held by U.S. Restaurants, Inc., 305,792 shares of Bancorp Common Stock held by J.V. Properties, 71,496 shares of Bancorp Common Stock held by InterArch, Inc., 325,808 shares held by InterArch, Inc. Profit Sharing Plan, 245,572 shares of Bancorp Common Stock held by the Hill Family Trust, 322,140 shares held by the Hill Family Foundation, 9,045 shares of Bancorp Common Stock held by Galloway National Golf Club and 81,521 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 3,715,192 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Hill under Bancorp's Employee Plans, 100,000 shares of Bancorp Common Stock related to the exercise of call options and 15,164 shares issuable upon conversion of the trust capital securities.

(7) Includes 16,262 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. This amount also includes 5,000 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Kerr under Bancorp's 1998 Stock Option Plan for Non-Employee Directors.

(8) Includes 61,308 shares of Bancorp Common Stock held jointly with Mr. Lewis' wife, 291,084 shares of Bancorp Common Stock held by S. J. Dining, Inc., 297,332 shares of Bancorp Common Stock held by U.S. Restaurants, Inc. and 126,464 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 30,970 shares of Bancorp Common Stock held in trust for Mr. Lewis' minor children.

(9) Includes 1,200 shares of Bancorp Common Stock held as custodian for Mr. Lloyd's minor children and 5,250 shares of Bancorp Common Stock issuable upon the exercise of stock options granted under the 1998 Stock Option Plan for Non-Employee Directors.

(10) Includes 706,776 shares of Bancorp Common Stock held jointly with Mr. Norcross' wife, 3,621 shares of Bancorp Common Stock held by Mr. Norcross' wife, 3,575 shares of Bancorp Common Stock held as custodian for Mr. Norcross' minor children, 347,465 shares of Bancorp Common Stock held under a grantor trust for Mr. Norcross' minor children, 33,730 shares of Bancorp Common Stock allocated to Mr. Norcross's account under Bancorp's 401(k) Plan, 1,183,068 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Norcross under Bancorp's Employee Plans and 400,000 shares of Bancorp Common Stock related to the exercise of call options.

(11) Includes 2,500 shares issuable upon the exercise of stock options granted under Bancorp's 1998 Stock Option Plan for Non-Employee Directors.

(12) Includes 98,033 shares of Bancorp Common Stock held by Mr. Ragone's wife, 34,050 shares of Bancorp Common Stock held jointly with Mr. Ragone's wife, 135,804 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 3,791 shares issuable upon conversion of the trust capital securities.

(13) Includes 13,629 shares of Bancorp Common Stock held by Mr. Schwartz's wife, 94,406 shares of Bancorp Common Stock held jointly with Mr. Schwartz's wife and 95,428 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 908,656 shares of Bancorp Common Stock held by JCT Associates, L.P., 9,392 shares of Bancorp Common Stock held by The Tarquini Foundation and 191,752 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.

(15) Includes 70,000 shares of Bancorp Common Stock held by Naples, LLC. Naples, LLC is a company owned by Mr. Vassalluzzo's wife.

(16) Includes 51,276 shares held by Mr. DiFlorio's wife, 927,416 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. DiFlorio under Bancorp's Employee Plans, 43,355 shares of Bancorp Common Stock allocated to Mr. DiFlorio's account under Bancorp's 401(k) Plan and 3,791 shares issuable upon conversion of the trust capital securities.

(17) Includes 269,240 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Falese under Bancorp's Employee Plans, 38,000 shares of Bancorp Common Stock held by the A&R Charitable Foundation, 22,173 shares of Bancorp Common Stock allocated to Mr. Falese's account under Bancorp's 401(k) Plan, 3,912 shares of Bancorp Common Stock held by Mr. Falese's wife and 1,806 shares of Bancorp Common Stock held jointly with Mr. Falese's wife. Mr. Falese's wife is the trustee of the A&R Charitable Foundation.

(18) Includes 402,760 shares of Bancorp Common Stock held jointly with Mr. Musumeci's wife, 14,900 shares held by the Peter/Linda Musumeci Foundation, 433,188 shares of Bancorp Common Stock issuable upon the exercise of stock options granted to Mr. Musumeci under Bancorp's Employee Plans and 61,180 shares of Bancorp Common Stock allocated to Mr. Musumeci's account under Bancorp's 401(k) Plan. Mr. Musumeci is a trustee of the Peter/Linda Musumeci Foundation.

(19) Includes an aggregate of 7,853,766 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 51,180 shares issuable upon conversion of the trust capital securities.

(20) Based upon a Schedule 13G filed with the SEC on February 28, 2005, Basswood Capital Management, LLC has shared voting power over 8,444,626 shares and shared dispositive power over 8,444,626 shares of the shares reported as beneficially owned.

(21) Based upon a Schedule 13G filed with the SEC on February 9, 2005, 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, 13,487,972 shares; The Putnam Advisory Company, LLC, 2,944,450 shares. According to the Schedule 13G, Putnam, LLC and related entities have shared voting power over 2,937,912 shares and shared dispositive power over 16,432,422 shares of the shares reported as beneficially owned.

(22) Based upon a Schedule 13G filed with the SEC on February 18, 2005, The TCW Group, Inc. has shared voting power over 15,335,182 shares and shared dispositive power over 17,546,032 shares of the shares reported as beneficially owned.

(23) Based upon a Schedule 13G filed with the SEC on February 14, 2005, 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, 12,726,846; shares held in accounts owned by the partners and their families, 5,977,232, and shares held in the profit-sharing plan, 189,894. According to the Schedule 13G, Gilder, Gagnon, Howe & Co. has the sole voting power over 189,894 shares and shared dispositive power over 18,893,972 shares of the shares reported as beneficially owned.

## 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.

On April 5, 2005, the board of directors was informed of the unexpected death of director Robert C. Beck, who passed away on April 5, 2005. Mr. Beck served as a director of Commerce NJ since 1973 and Bancorp since 1982 and was a member of both the Audit and Oversight Committees of Bancorp. The board of directors has made no decision as to the resulting vacant director seat at this time. As a result, twelve persons have been designated to be nominees for election as directors. Proxies cannot be voted for a greater number of persons than the twelve nominees named herein.

Pursuant to the NJBCA, the election of directors will be determined by a plurality vote and the twelve 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 twelve persons listed below to be nominees for election as directors. Eleven of the twelve nominees are currently members of the board, and each of the nominees 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 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.

| <b>Name</b>              | <b>Age</b> | <b>Positions with Bancorp and Subsidiaries</b>  |
|--------------------------|------------|---|
| Vernon W. Hill, II       | 59         | Chairman and President of Bancorp; Chairman and President of Commerce NJ; Chairman of Commerce PA, Commerce North and Commerce Delaware |
| Jack R Bershad           | 74         | Director of Bancorp and Commerce NJ   |
| Joseph E. Buckelew       | 76         | Director of Bancorp and Commerce NJ; Vice Chairman of Commerce Insurance Services, Inc.   |
| Donald T. DiFrancesco    | 60         | Director of Bancorp and Commerce NJ   |
| Morton N. Kerr           | 74         | Director of Bancorp and Commerce NJ   |
| Steven M. Lewis          | 55         | Director of Bancorp and Commerce NJ   |
| John K. Lloyd            | 59         | Director of Bancorp and Commerce NJ   |
| George E. Norcross, III  | 49         | Director of Bancorp and Commerce NJ; Chairman and Chief Executive Officer of Commerce Insurance Services, Inc.                          |
| Daniel J. Ragone         | 77         | Director of Bancorp and Commerce NJ   |
| William A. Schwartz, Jr. | 64         | Director of Bancorp and Commerce NJ   |
| Joseph T. Tarquini, Jr.  | 69         | Director of Bancorp and Commerce NJ   |
| Joseph S. Vassalluzzo    | 57         | Nominee for Director of Bancorp and Commerce NJ   |

Joseph J. Plumeri, II served as a director of Bancorp since January 2004 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 North since January 1997 and Chairman of Commerce Delaware since October 1999.

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 and Commerce NJ since June 1997, has been Vice Chairman of Commerce Insurance Services, Inc. since November 2000. 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. 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.

Mr. Lloyd, a director of Bancorp and Commerce NJ since October 2004, has been President and CEO of Meridian Health, a leading integrated health system, since 1997. Mr. Lloyd was the President and CEO of Jersey Shore Medical Center from 1992 to 1997.

Mr. Norcross, a director of Bancorp and Commerce NJ since March 2002, has been 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. Ragone, a director of Commerce NJ since 1981 and Bancorp since 1982, was the former Chairman and/or President of Ragone, Raible, Lacatena & Beppel, 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, and 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.

Mr. Vassalluzzo has been Vice Chairman of Staples, Inc., Framingham, Massachusetts, an office products retailer, since 2000. Bancorp's Nominating and Governance Committee and the board of directors recommended Mr. Vassalluzzo as a nominee for director of Bancorp and Commerce NJ. Mr. Vassalluzzo is also a director of iParty Corporation and Federal Realty Investment Trust.

## Independence

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 and nominees, constituting a majority of the members of the board, are independent as defined in the applicable NYSE rules: Jack R Bershad, Donald T. DiFrancesco, Morton N. Kerr, John K. Lloyd, Daniel J. Ragone, William A. Schwartz, Jr., Joseph T. Tarquini, Jr. and Joseph S. Vassalluzzo. 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:

- 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.
- 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 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.
- 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 revenues for the most recently ended fiscal year for which total revenue information is available.
- 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.
- 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 \$30,000 plus \$1,000 for each meeting of the board of directors and committee meeting attended in 2004 and will be paid an annual fee of \$35,000 and a meeting fee of \$1,500 for each meeting of the board of directors and committee meeting attended in 2005. 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 2004, the Chairman of the Audit Committee and the Chairman of the Nominating and Governance Committee each received an additional annual fee of \$30,000 and will receive the same annual fee in 2005, and, in 2004, the Chairman of the Compensation Committee received an additional annual fee of \$15,000 and will receive the same annual fee in 2005. Directors of Commerce PA, Commerce North and Commerce Delaware were paid a fee of \$500 for each meeting of the board of directors and committee meeting attended in 2004 and will be paid the same meeting fee for each meeting of the board of directors and committee meeting attended in 2005. No fees are paid to directors who are also officers of Bancorp or its subsidiaries. Outside directors of Bancorp are 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