
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2685 Session of
1990

INTRODUCED BY VEON, McNALLY, LEVDANSKY, PISTELLA, MELIO,
BROUJOS, COLAFELLA, LAUGHLIN, PETRONE, TIGUE, DeLUCA, PESCI,
TANGRETTI, HOWLETT, CAPPABIANCA, FREEMAN, TRELLO, GODSHALL,
ANGSTADT AND RYBAK, JUNE 13, 1990

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, JUNE 13, 1990

AN ACT

1 Amending Title 15 (Corporations and Unincorporated Associations)
2 of the Pennsylvania Consolidated Statutes, providing for
3 shareholder approval of golden parachute plans and other
4 fringe benefits.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Chapter 17 of Title 15 of the Pennsylvania
8 Consolidated Statutes is amended by adding a subchapter to read:

9 CHAPTER 17

10 OFFICERS, DIRECTORS AND SHAREHOLDERS

11 * * *

12 SUBCHAPTER B.1

13 ESTABLISHMENT OF GOLDEN PARACHUTES

14 AND FRINGE BENEFITS

15 Sec.

16 1736. Definitions.

17 1737. Scheduling of shareholder vote.

18 1738. Information statement by board of directors.

1 1739. Voting on golden parachutes or fringe benefits by
2 shareholders.

3 1740. Civil remedies.

4 § 1736. Definitions.

5 The following words and phrases when used in this subchapter
6 shall have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Fringe benefits." Any corporate program, incentive or plan
9 other than salaries, wages or pay that is provided to an
10 individual for services rendered.

11 "Golden parachute." Any form of compensation, bonus,
12 payment, commission, property transfer, stock option or
13 corporate incentive over and above those that a director or
14 manager would otherwise receive upon a change of control of the
15 corporation or his termination, retirement or dismissal.

16 § 1737. Scheduling of shareholder vote.

17 (a) General rule.--During the next annual shareholder's
18 meeting or special meeting called by the board of directors, the
19 votes shall be cast regarding the establishment of golden
20 parachutes and fringe benefits in accordance with this
21 subchapter.

22 (b) Date of vote.--The vote shall be taken on the date set
23 by the board of directors but no later than one year after the
24 effective date of this section.

25 § 1738. Information statement by board of directors.

26 (a) Delivery of information statement.--The board of
27 directors shall send to each shareholder of record an
28 information statement which contains all of the following:

29 (1) The identity of the board members and managers who
30 have golden parachutes and fringe benefits in their

1 employment contracts or who will receive any proposed golden
2 parachute or fringe benefits.

3 (2) A description, including monetary value, of the
4 golden parachutes or fringe benefits to be voted on by the
5 shareholders and those already available to board of
6 directors and managers.

7 (3) A financial analysis of the costs to the corporation
8 for providing the golden parachutes or fringe benefits to
9 board of directors and managers, including a per share cost
10 assessment. The analysis must contain the source of moneys to
11 pay for the golden parachutes or fringe benefits.

12 (4) A statement presenting the terms, conditions,
13 application, procedures and legal obligations of the golden
14 parachutes and fringe benefits.

15 (5) A concise report on the necessity for establishing
16 golden parachutes or fringe benefits in regard to the
17 operation and profitability of the corporation.

18 (6) The shareholder meeting place, date and time and an
19 explanation of the provisions of this subchapter for voting
20 on the establishment of golden parachutes or fringe benefits
21 for board of directors and managers.

22 (b) Time for delivery.--The information statement must be
23 provided to the shareholders of the corporation at least one
24 month prior to the date set by the board to vote on the golden
25 parachutes or fringe benefits.

26 § 1739. Voting on proposed golden parachutes or fringe benefits
27 by shareholders.

28 Any golden parachute or fringe benefits proposed by the board
29 of directors as part of their, or management's, contracts must
30 be agreed to by a two-thirds vote of the shareholders of the

1 corporation.

2 § 1740. Civil remedies.

3 (a) Authority to bring civil action.--In the event a golden
4 parachute or fringe benefit is established in violation of this
5 subchapter, any shareholder may, in addition to all other
6 remedies available at law or in equity, commence a civil action
7 on his own behalf or on the behalf of other shareholders, in any
8 court of competent jurisdiction, to prohibit the establishment
9 of the golden parachute or fringe benefit.

10 (b) Costs.--If a judgment requiring the termination of any
11 golden parachute or fringe benefit is entered, the party
12 bringing such action shall recover all costs, including
13 reasonable attorney fees, in connection with enforcement of this
14 subchapter.

15 Section 2. This act shall take effect immediately.