

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 595 Session of
2005

INTRODUCED BY PRIME SPONSOR WITHDREW, BOSCOLA, THOMPSON,
KITCHEN, TOMLINSON, COSTA, ORIE, O'PAKE, C. WILLIAMS,
BRIGHTBILL, LEMMOND, RHOADES AND BROWNE, APRIL 1, 2005

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
FEBRUARY 1, 2006

AN ACT

1 Amending Title 15 (Corporations and Unincorporated Associations)
2 of the Pennsylvania Consolidated Statutes, further providing
3 FOR REMOVAL OF DIRECTORS, FOR CONTROL PERSONS AND for <—
4 qualifications of directors.

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

7 ~~Section 1. Section 5722 of Title 15 of the Pennsylvania~~ <—
8 ~~Consolidated Statutes is amended to read:~~

9 SECTION 1. SECTION 1726(A)(1) OF TITLE 15 OF THE <—
10 PENNSYLVANIA CONSOLIDATED STATUTES IS AMENDED TO READ:
11 § 1726. REMOVAL OF DIRECTORS.

12 (A) REMOVAL BY THE SHAREHOLDERS.--

13 (1) UNLESS OTHERWISE PROVIDED IN A BYLAW ADOPTED BY THE
14 SHAREHOLDERS, THE ENTIRE BOARD OF DIRECTORS, OR A CLASS OF
15 THE BOARD WHERE THE BOARD IS CLASSIFIED WITH RESPECT TO THE
16 POWER TO SELECT DIRECTORS, OR ANY INDIVIDUAL DIRECTOR OF A
17 BUSINESS CORPORATION MAY BE REMOVED FROM OFFICE WITHOUT

1 ASSIGNING ANY CAUSE BY THE VOTE OF SHAREHOLDERS, OR OF THE
2 HOLDERS OF A CLASS OR SERIES OF SHARES, ENTITLED TO ELECT
3 DIRECTORS, OR THE CLASS OF DIRECTORS. IN CASE THE BOARD OR A
4 CLASS OF THE BOARD OR ANY ONE OR MORE DIRECTORS ARE SO
5 REMOVED, NEW DIRECTORS MAY BE ELECTED AT THE SAME MEETING.
6 NOTWITHSTANDING THE FIRST SENTENCE OF THIS PARAGRAPH, UNLESS
7 OTHERWISE PROVIDED IN THE ARTICLES BY A SPECIFIC AND
8 UNAMBIGUOUS STATEMENT THAT DIRECTORS MAY BE REMOVED FROM
9 OFFICE WITHOUT ASSIGNING ANY CAUSE, THE ENTIRE BOARD OF
10 DIRECTORS, OR ANY CLASS OF THE BOARD, OR ANY INDIVIDUAL
11 DIRECTOR OF A CORPORATION HAVING A BOARD CLASSIFIED AS
12 PERMITTED BY SECTION 1724(B) (RELATING TO CLASSIFIED BOARD OF
13 DIRECTORS), MAY BE REMOVED FROM OFFICE BY VOTE OF THE
14 SHAREHOLDERS ENTITLED TO VOTE THEREON ONLY FOR CAUSE, IF SUCH
15 CLASSIFICATION HAS BEEN EFFECTED IN THE ARTICLES OR BY A
16 BYLAW ADOPTED BY THE SHAREHOLDERS.

17 * * *

18 SECTION 2. SECTION 2543(B)(2) OF TITLE 15 IS AMENDED BY
19 ADDING A SUBPARAGRAPH TO READ:

20 § 2543. CONTROLLING PERSON OR GROUP.

21 * * *

22 (B) EXCEPTIONS GENERALLY.--NOTWITHSTANDING SUBSECTION (A):

23 * * *

24 (2) NO PERSON OR GROUP SHALL BE DEEMED TO BE A
25 CONTROLLING PERSON OR GROUP AT ANY PARTICULAR TIME IF VOTING
26 POWER OVER ANY OF THE FOLLOWING VOTING SHARES IS REQUIRED TO
27 BE COUNTED AT SUCH TIME IN ORDER TO MEET THE 20% MINIMUM:

28 * * *

29 (VII) SHARES ACQUIRED DIRECTLY FROM THE CORPORATION
30 IN A TRANSACTION EXEMPT FROM THE REGISTRATION

1 REQUIREMENTS OF THE SECURITIES ACT OF 1933.

2 * * *

3 SECTION 3. SECTION 5722 OF TITLE 15 IS AMENDED TO READ:

4 § 5722. Qualifications of directors.

5 (a) General rule.--Each director shall be a natural person
6 of full age except as provided in subsection (b) who, unless
7 otherwise restricted in the bylaws, need not be a resident of
8 this Commonwealth or a member of the corporation. Except as
9 otherwise provided in this section, the qualifications of
10 directors may be prescribed in the bylaws.

11 (b) ~~Directors not of full age~~ ADVISORY COMMITTEE.-- <—
12 nonprofit corporation organized primarily for recreational or
13 youth development and delinquency prevention purposes for the
14 benefit of individuals 18 years of age or younger may amend its
15 articles of incorporation to include one or more directors on <—
16 its board who are 16 or 17 years of age. If a nonprofit
17 corporation amends its articles of incorporation to include
18 directors who are 16 or 17 years of age:

19 (1) The total number of such directors may not exceed
20 one half of the total number of directors required for a
21 quorum for the transaction of business.

22 (2) Such directors may not become officers of the board.
23 INCORPORATION TO ESTABLISH AN ADVISORY COMMITTEE TO ITS <—
24 BOARD, COMPOSED OF MEMBERS WHO MAY INCLUDE INDIVIDUALS WHO
25 ARE 16 OR 17 YEARS OF AGE. IF A NONPROFIT CORPORATION AMENDS
26 ITS ARTICLES OF INCORPORATION TO ESTABLISH AN ADVISORY
27 COMMITTEE UNDER THIS SUBSECTION, THE TOTAL NUMBER OF ADVISORY
28 COMMITTEE MEMBERS MAY NOT EXCEED THE TOTAL NUMBER OF
29 DIRECTORS REQUIRED FOR A QUORUM FOR THE TRANSACTION OF
30 BUSINESS.

~~1 Section 2. This act shall take effect in 60 days.~~

2 SECTION 4. THIS ACT SHALL TAKE EFFECT AS FOLLOWS:

3 (1) THE AMENDMENT OF 15 PA.C.S. § 5722 SHALL TAKE EFFECT
4 IN 60 DAYS.

5 (2) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT
6 IMMEDIATELY.