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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
COMMITTEE ON JUDICIARY

In Re: Senate Bill 215

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Stenographic record of hearing held in  
Room 205, Speaker Matthew J. Ryan Building,  
Harrisburg, Pennsylvania,

Wednesday,  
May 9, 2001  
10:00 a.m.

\* \* \* \* \*

HON. THOMAS P. GANNON, CHAIRMAN

MEMBERS OF COMMITTEE ON JUDICIARY

- |                    |                           |
|--------------------|---------------------------|
| Hon. Kevin Blaum   | Hon. Kate Harper          |
| Hon. Craig Dally   | Hon. Timothy F. Hennessey |
| Hon. Brett Feese   | Hon. Kathy Manderino      |
| Hon. William Gabig | Hon. Don Walko            |

Also Present:

- Michael Schwoyer, Esquire, Majority Chief Counsel
- Beryl Kuhr, Esquire, Minority Chief Counsel
- Judy Sedessee, Majority Administrative Assistant

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1                   CHAIRMAN GANNON: The House Judiciary Committee  
2 will come to order. Today's hearing is on Senate Bill 215,  
3 which makes revisions and corrections, additions, and  
4 repeals to Title 54 involving corporations and  
5 unincorporated associations.

6                   Our first witness is Mr. William H. Clark,  
7 Esquire, of Drinker, Biddle & Reath, and chair of the  
8 Business Law Section of the Pennsylvania Bar Association.  
9 Any written testimony offered by Mr. Clark will be appended  
10 to the transcript of this hearing and made part of the  
11 official record.

12                   Mr. Clark, you may begin when you're ready.

13                   MR. CLARK: Thank you, Mr. Chairman. It's a  
14 pleasure to be here.

15                   As the Chair noted, I am here at least partially  
16 in official capacity as the chair of the Business Law  
17 Section of the Pennsylvania Bar Association. Both that  
18 section of the Bar Association and the full Pennsylvania  
19 Bar Association have endorsed Senate Bill 215, and I am  
20 here today on behalf of the Pennsylvania Bar Association to  
21 express its support for Senate Bill 215 and in addition to  
22 urge the enactment of Senate Bill 215 before the General  
23 Assembly recesses for the summer.

24                   I'd like to use my testimony this morning to  
25 give the committee a general introduction both to Title 15

1 of the Pennsylvania Consolidated Statutes and also in  
2 particular to Senate Bill 215. If you've had a chance to  
3 look at the bill at all you realize that it's a very large  
4 piece of legislation. It's a collection of discrete  
5 amendments to a wide variety of provisions of Title 15.  
6 It's a little bit difficult to summarize, and frankly and  
7 confessedly it's a little bit dry, so we'll do what we can  
8 to at least give you an overview and feel for what's in the  
9 bill and a little bit about its history.

10 The story of Senate Bill 215 actually goes back  
11 into the 1980s, and we need to begin with a previous  
12 overview and history of Title 15 itself. In 1988, the  
13 General Assembly passed a very large piece of legislation  
14 called the General Association Act. It enacted what is now  
15 current Title 15. I believe it was probably the longest  
16 single substantive piece of legislation ever enacted in the  
17 history of the Commonwealth. It was about 500 or 600 pages  
18 long in the laws of Pennsylvania, and it really set up the  
19 new structure of Title 15, the outline of Title 15 and what  
20 is in it. Among other things, it enacted an entirely new  
21 Business Corporation Law, and in addition enacted an  
22 entirely new Limited Partnership Law. The prior Business  
23 Corporation Law dated to 1933. Prior to 1988 it had last  
24 been amended in 1968, so it was way overdue for amendment.

25 The Limited Partnership Law was based on a

1 uniform law that had been promulgated in 1976, so it took  
2 Pennsylvania 12 years to get around to doing it. But those  
3 are two of the more important parts of what was done in  
4 1988.

5 Then in 1990, a series of major amendments to  
6 what had been done in 1988 was passed. That was at least  
7 partially a result of people now beginning to work with new  
8 law and identifying a number of minor things that needed to  
9 be changed, but in addition there were two fairly  
10 interesting additional sets of provisions that were enacted  
11 in 1990.

12 First of all, provisions were enacted which made  
13 insurance companies subject to the Business Corporation  
14 Law. Prior 1990, insurance companies were actually  
15 incorporated under the 1921 Insurance Company Law. They  
16 are still regulated by the insurance laws, but for issues  
17 involving simply the formation of the company, how it  
18 conducts meetings of its shareholders, various internal  
19 governance issues, those issues were moved over to the  
20 Business Corporation Law. So insurance companies now are  
21 actually subject both to BCL and to insurance laws. And  
22 then in addition to 1990, the Credit Union Act was  
23 completely recodified. That was not put into Title 15, but  
24 the same legislation which amended Title 15 actually  
25 enacted a new Title 17 dealing with credit unions.

1                   Following the 1990 amendments, an additional  
2 series of miscellaneous amendments were enacted in 1992,  
3 and then in 1994 Title 15 was again enacted to add  
4 provisions dealing with what are referred to as LLCs, LLPs.  
5 Those are limited liability companies and limited liability  
6 partnerships. They were new forms of entities that were  
7 first authorized in Pennsylvania in 1994.

8                   One of the reasons that I wanted to go through  
9 this history with you very briefly is because you see a  
10 pattern emerging of fairly significant amendments to Title  
11 15, an attempt to keep Title 15 up to date occurring every  
12 two years, basically. The goal was every term of the  
13 General Assembly to have Title 15 revisited and kept up to  
14 date. What we were trying to do was take a page out of the  
15 book of our neighboring State of Delaware, which constantly  
16 is amending its corporation law in order to provide a  
17 business friendly environment for businesses in Delaware,  
18 and, frankly, Delaware is the national model, and that's  
19 what we would like to try to do.

20                   So that brings us now much more directly to the  
21 history of Senate Bill 215 itself. In 1995, additional  
22 amendments to Title 15 were introduced. They were found as  
23 Senate Bill No. 1128 at the time. That bill passed the  
24 Senate by a vote of 48 to 0. Unfortunately, it came over  
25 here to the House toward the end of that term. There was

1 not enough time to get it passed, and unfortunately it died  
2 at the end of that session. It was reintroduced, however,  
3 in 1997 as Senate Bill No. 1157. That bill again passed  
4 the Senate by a vote of 47 to 0, came over here to the  
5 House, and at that point this set of amendments got  
6 enmeshed in a fairly substantial political issue, it was  
7 the time of the attempted takeover of AMP by Allied Signal.  
8 Some of you who were here will undoubtedly remember that.  
9 At the time that the House considered Senate Bill No. 1157,  
10 you were meeting down in the basement of the East Wing.  
11 You probably remember the night where AMP brought a lot of  
12 its employees and their families late at night to watch  
13 your session down in the basement. It was quite an  
14 interesting time.

15           During that debate, a variety of amendments were  
16 added to Senate Bill No. 1157 to deal the AMP/Allied Signal  
17 takeover, and in addition a number of other changes were  
18 made at the time. I must confess that at this point I was  
19 working for Allied Signal, so I was actually hired to lobby  
20 against my own handiwork. And unfortunately in some sense  
21 I was successful, because Senate Bill No. 1157 did not  
22 pass, it was loaded up with a lot of amendments here in the  
23 House, and when it got back to the Senate, the Senate, in  
24 its wisdom, decided not to consider the bill on concurrence  
25 and it died at that time.

1           Having gotten past the AMP/Allied Signal battle,  
2           it was time to reintroduce the bill. So beginning in the  
3           next session we took the bill and we deleted all of the  
4           changes that had been made in the House as a result of the  
5           AMP/Allied Signal battle and various other provisions that  
6           were put into the bill and the bill was reintroduced in  
7           1999 as Senate Bill 393. Senate Bill 393 again passed the  
8           Senate by an overwhelming vote, came over here the end of  
9           last year again too late, and the House did not have an  
10          opportunity to take up the bill.

11                 So that brings us then to today, where the bill  
12          is back for the fourth time. It is essentially identical  
13          to Senate Bill 393 except for changes in effective dates.  
14          And 393 was essentially identical to 1157 minus the AMP/  
15          Allied Signal takeover battle changes.

16                 The net result of all that, if you think about  
17          it, is that the Senate has passed every single provision in  
18          Senate Bill 215 twice, and the House has approved every  
19          provision that's now in 215 as well because at the time it  
20          voted on 1157 in 1997, everything that's in 215 today was  
21          there at that time. So the bill has passed both houses in  
22          the past but unfortunately has never made it through to  
23          final enactment. Obviously, we are hoping that we're now  
24          in a position where we can get to that result.

25                 So that's a little bit of a brief history of



1 Senate Bill 215 and how we come to be here this morning.  
2 Let me now give you a brief overview of Title 15 and what  
3 is in it. And you will probably find this to be a somewhat  
4 daunting list of contents, although when I'm finished  
5 quickly running through this with you I'll summarize and  
6 give you I think a little bit easier overview to understand  
7 what Title 15 is all about.

8 First thing obviously that Title 15 deals with  
9 is business corporations. It has as one of its major  
10 pieces the Business Corporation Law. We already noted the  
11 fact that that includes insurance companies. It also  
12 includes a variety of other corporations such as  
13 professional corporations, those entities that are used by  
14 professionals to conduct their professional practice, such  
15 as doctors, lawyers, and accountants. It has the nonprofit  
16 corporation law in it. It has a series of provisions that  
17 deal with cooperative corporations. Among other things it  
18 includes the provisions dealing with electric cooperative  
19 corporations. They are not involved in Senate Bill 215,  
20 although it's interesting to note that included in Title 15  
21 is a piece of electricity deregulation, because the  
22 deregulation provisions dealing with electric cooperatives  
23 ended up in Title 15 but have not been amended since and  
24 are not in Senate Bill 215. It also includes cooperative  
25 agricultural associations. These are co-ops used by

1 farmers to market their products, in particular. And it  
2 also includes workers' cooperative corporations, which is a  
3 form of entity designed to permit workers in a business to  
4 actually acquire their business and to run it on a  
5 cooperative basis.

6 Title 15 also includes, as I noted in connection  
7 with the 1994 legislation, limited liability partnerships.  
8 It also includes a variety of other partnerships: General  
9 partnerships, limited partnerships, electing partnerships,  
10 limited liability companies, it has provisions on  
11 unincorporated nonprofit associations, which are entities  
12 that are essentially nonprofit partnerships. They are  
13 people joined together in a common activity which has not  
14 chosen to incorporate but are acting on a nonprofit basis.  
15 It includes an old form of entity called professional  
16 associations, which is what doctors, lawyers, and  
17 accountants had to use prior to the authorization of  
18 professional corporations in the 1970s, and finally, Title  
19 15 also includes a set of provisions on business trusts.

20 So, in effect, what you have in Title 15 is a  
21 collection of all the Pennsylvania laws on how to organize  
22 any form of private entity that will be conducting a  
23 business for profit or also conducting a nonprofit  
24 activity.

25 Now, having said that, let's actually step back

1 and look at what the common themes are that run through all  
2 of these laws. What you have in Title 15 in each of these  
3 statutes is Pennsylvania law on regulating what we call the  
4 internal affairs of an entity. Included in this notion of  
5 internal affairs are a number of general topics. First of  
6 all, each of the statutes that I previously listed for you  
7 tells you how to form one of these entities. So the  
8 Business Corporation Law has provisions on how you  
9 incorporate a business, the Limited Partnership Law tells  
10 you how to file a certificate of limited partnership and  
11 create a limited partnership. Each of these laws, whether  
12 dealing with corporations, partnerships, business trusts,  
13 or some other form of entity, tell you what the rules are  
14 for managing the entity. So they set forth the duties of  
15 directors, they set forth the duties of partners in a  
16 partnership. They tell you what the responsibilities are  
17 of the people who run the entity, and in particular, what  
18 their responsibilities are to the owners, what they are  
19 required to do to benefit the owners and to take care of  
20 the conduct of the business of the entity.

21 Then there's a series of provisions on ownership  
22 issues. Each of these statutes tell you how the owners get  
23 to vote for the people that manage their business, what  
24 their rights to information are, and generally what their  
25 relationship to the entity is. And then finally, each of

1 the statutes in Title 15 tells you how to conduct certain  
2 types of fundamental transactions, by which we mean how do  
3 you amend the basic paperwork of the entity? How do you  
4 amend articles of incorporation or its bylaws? How does a  
5 partnership amend its partnership agreement? Those kinds  
6 of issues. Fundamental transactions would also include how  
7 each of these entities is able to merge with another entity  
8 and what are the procedures under which it can dissolve and  
9 go out of business. So running through all of Title 15 in  
10 each of its individual statutes are these kinds of entities  
11 dealing with the internal affairs of the business.

12           What's important to understand, however, is that  
13 that's really all that Title 15 deals with. And I just  
14 want to emphasize for you what we're not talking about this  
15 morning when we talk about Title 15, because there's a  
16 variety of issues that you see all the time in the  
17 political process which do not involve Title 15, such as,  
18 for example, anything having to do with the environment,  
19 anything having to do with labor relations. Title 15  
20 doesn't deal with the employees of a business, so it has  
21 nothing to do with fringe benefits, when you can hire and  
22 fire, any kind of discrimination. Issues like that are not  
23 dealt with in Title 15 and have nothing to do with what  
24 we're talking about today. There's nothing in Title 15  
25 that would deal, for example, with workplace safety,

1 nothing in Title 15 that deals with the social  
2 responsibilities of business, nothing in Title 15 that  
3 would deal with consumer issues, nothing dealing with  
4 products liability.

5           Having emphasized that point, I think it helps  
6 you to understand why I would predict that many of the  
7 members of this committee of the General Assembly are not  
8 that familiar with Title 15, because as a rule it tends to  
9 involve issues that are not highly charged politically. It  
10 tends to involve issues on which there are not identified  
11 constituencies, there's not a lot of controversy, not a lot  
12 of attention that's paid to Title 15. However, as I think  
13 you'll hear today, it's an important set of statutes  
14 because it does provide the underpinnings under which  
15 businesses in Pennsylvania are organized, and it provides  
16 kind of the foundation for organizing entities in  
17 Pennsylvania that are very important to our economy.

18           So that's a general overview both of Title 15  
19 and Senate Bill 215. I am happy to take questions both now  
20 and afterwards or at any other time during the hearing, but  
21 that's the introduction to the subject today.

22           CHAIRMAN GANNON: Thank you very much, Mr.  
23 Clark.

24           Just one question. With these changes to Title  
25 15, will this make Pennsylvania more competitive with other

1 States with respect to the internal formation, workings of  
2 these entities?

3 MR. CLARK: Yes. In fact, it's designed to do  
4 exactly that. We as lawyers in Pennsylvania in particular  
5 are very conscious of Delaware. I, for example, who  
6 practice in Philadelphia, know that Delaware is only half  
7 an hour away over the State line, and Delaware has tended  
8 to set the national model for these laws, as I said earlier  
9 in my testimony. Frankly, I believe that with the passage  
10 of 215 we will have in Pennsylvania better laws than  
11 Delaware has, and I believe that they will be the choice  
12 under which to organize businesses, although I should say  
13 it's not really the subject of today's hearing but it's  
14 worth noting that one of the attractions of Delaware that  
15 we're not dealing with today is the established court  
16 system that it has for dealing with these issues. That  
17 issue is not involved in Senate Bill 215, but it's  
18 something that as the House Judiciary Committee would be  
19 worth our pursuing at a later date, but it's not involved  
20 in this.

21 As a matter of statutory law, Senate Bill 215  
22 will make Pennsylvania I believe better than Delaware, and  
23 you will have representatives of Pennsylvania companies  
24 here today that you can ask that same question of.

25 CHAIRMAN GANNON: Thank you.

1 Are there any questions?

2 Representative Manderino.

3 REPRESENTATIVE MANDERINO: Thank you.

4 Good morning. I listened very carefully and I  
5 very much appreciate your overview. The one point that I  
6 would like you to address is I see a potential other  
7 interest group out there that I don't know how the proposed  
8 changes are affecting, but I would suspect they were not at  
9 the table with regard to the Business Law Section and the  
10 other corporate entities that looked at this. Can you  
11 explain to me the changes in provisions that we are doing  
12 in Senate Bill 215 as it would affect shareholder rights  
13 and the rights of shareholders in corporations to petition  
14 the corporation and timeframes and all those kinds of  
15 things that I guess technically they are owners of a  
16 business but on the other hand I don't think they are what  
17 we traditionally think of as the owners of a business so I  
18 might tend to want to put them almost over here in a  
19 consumer category just as much as I want to put them in an  
20 ownership category?

21 MR. CLARK: Sure. Actually, there are two  
22 responses that I would like to give to that. First of all,  
23 about I think it was five years ago, at the request of  
24 Senator Fumo, this bill was looked at by the trial lawyers.  
25 And Cliff Reeder, from up in Williamsport, who is one of

1 the leading members of the Pennsylvania Trial Lawyers  
2 Association, looked through the bill from the perspective  
3 of shareholder litigation. I had an interesting series of  
4 discussions with Cliff. We actually made a few changes to  
5 the bill, and that was essentially the end of the  
6 discussion. Cliff sent it around to a variety of other  
7 people, and since it hasn't changed in the last four years,  
8 we haven't heard from him. So first of all, I feel there's  
9 some insurance that you would not find significant  
10 objection or a feeling that anything was being done that  
11 would injure shareholders.

12 The second point though I think is worth kind of  
13 emphasizing for you, this bill was prepared by a task force  
14 of the Pennsylvania Bar Association, which includes not  
15 only people like myself who are in private practice but a  
16 number of people who teach in law schools. We also have on  
17 the committee, or at least participating in its  
18 deliberations, people from the Department of State, and if  
19 you had the opportunity to attend the various meetings of  
20 the task force, you would find that most of the people  
21 there come with what I believe is a fairly balanced  
22 perspective. And the reason why is that many of the people  
23 on the task force have the same kind of practice I do,  
24 where certainly my firm represents a lot of big  
25 corporations and represents management in a number of



1 cases, but we also have a number of large businesses that  
2 invest in other businesses, that take minority positions in  
3 other businesses. We have a number of clients who, for  
4 example, are venture capitalists who tend to take minority  
5 positions who are very concerned about what their rights  
6 are, what their voting rights are, what their rights are to  
7 information.

8           So I don't think you could say that the  
9 perspective of the people working on the task force is  
10 simply the one-sided management view, because at least half  
11 of my clients are, in a sense, on the other side because  
12 they're minority shareholders, they've made a fairly  
13 substantial investment, a 20-percent investment in a  
14 business, for example, so they care what their rights are  
15 and they don't want management to just be able to run  
16 roughshod over their rights, because it's very important  
17 for their investment.

18           I think you will find if you ask the  
19 representatives from businesses who are here today, they  
20 will tell you that they enter into joint ventures, they are  
21 often in situations where if not minority shareholders,  
22 certainly they have to worry about their rights as  
23 shareholders. So I would hope that there's a fairly  
24 balanced perspective, and my own view is that having had  
25 the dialogue of the trial lawyers five years ago and having

1 not heard from them since, that I'm not particularly  
2 worried about what's in here, although if any questions  
3 come up at any point, I would be happy to address those  
4 individual sections.

5 REPRESENTATIVE MANDERINO: I'm sorry, just a  
6 quick follow-up. Now that I have a better perspective of  
7 who was on it and the balance, I still would like to know  
8 the answer to the question, which is what provisions are  
9 you proposing to change, if any, in 215 that would have an  
10 impact, and what would that impact be on shareholder  
11 rights?

12 MR. CLARK: I don't believe that what's in 215  
13 would have an impact on shareholder rights, if you go  
14 through the various provisions. I don't think so.  
15 Obviously, that's a matter of opinion, but that's my view.

16 CHAIRMAN GANNON: Mr. Clark, your time has  
17 expired and we want to thank you for appearing before the  
18 committee today and offering the information insights into  
19 Senate Bill 215. Thank you very much, sir.

20 MR. CLARK: Thank you.

21 CHAIRMAN GANNON: Our next witnesses are Ann  
22 Mule, Assistant General Counsel and Corporate Secretary of  
23 Sunoco, Inc., and Elizabeth Stevens Duane, Senior Counsel,  
24 PPL services Corporation appearing on behalf of PPL  
25 Corporation.

1 Welcome, and you may proceed when you're ready.

2 MS. MULE: Good morning. I am Ann Mule, with  
3 Sunoco, and I appreciate this opportunity to support Senate  
4 Bill 215 and want to thank Chairman Gannon and his staff  
5 for this work on the legislation.

6 Sunoco has conducted business in Pennsylvania  
7 for over 100 years, and we recently acquired Aristech  
8 Chemical Corporation, which is Pittsburgh based, so now we  
9 have a great presence not only in the Philadelphia region  
10 but also in Pittsburgh. So I think we're one of the larger  
11 companies in this State and have been for many, many years.

12 It's also important to note that unlike many  
13 companies that do business in Pennsylvania, we actually are  
14 incorporated in Pennsylvania. As Bill said earlier, a lot  
15 of the companies that actual do business in Pennsylvania  
16 are incorporated in Delaware, in large part because  
17 Delaware does keep their Business Corporation Law up to  
18 date on an ongoing basis and sort of state of the art.

19 Sunoco is very pleased with a lot of the things  
20 that this administration and the General Assembly have done  
21 in terms of business incentives and tax cuts, and a lot of  
22 changes that have improved the competitiveness of  
23 corporations to your point that you made earlier, Mr.  
24 Chairman. But part of that would be to continue to have an  
25 up-to-date and modern corporation law, and as you heard

1 from Bill Clark, the last time that we really amended it  
2 was quite a number of years ago. So it's just sort of a  
3 little old.

4 One of the -- a lot of things are sort of pro  
5 forma, as Bill said, but one of the sets of amendments that  
6 we feel would be important not just to corporations but  
7 also to shareholders, and that is the amendments that would  
8 allow and authorize electronic proxies and shareholder  
9 voting methods. Senate Bill 215 validates the use of the  
10 Internet for shareholders to vote and makes clear that  
11 modern electronic communications technology can be used by  
12 shareholders, as well as directors. And as a publically  
13 traded company with thousands of shareholders, we really  
14 need to use modern technologies like the Internet to help  
15 our shareholders, as well as the company.

16 And I want to say that the legislature has taken  
17 many positive steps in the electronic area. However, the  
18 corporation law lags behind. And so again, we want to give  
19 our support for Senate Bill 215, and we support prompt  
20 action by this committee and the full House so hopefully  
21 that the bill can finally get enacted. Thank you.

22 CHAIRMAN GANNON: Thank you.

23 Ms. Stevens Duane, do you have any comments? I  
24 should have said this at the beginning, if you have any  
25 written testimony, we would like to incorporate it into the

1 transcript to make it part of the official report. I'm  
2 sorry. You may proceed.

3 MS. DUANE: Thank you, Mr. Chairman. I am  
4 Elizabeth Stevens Duane. I am Senior Counsel and I serve  
5 as Corporate Secretary for most of our subsidiaries, and  
6 PPL Corporation, as Sunoco, is both incorporated and  
7 headquartered in Pennsylvania and are very interested in  
8 maintaining the rules of the Business Corporation Law to be  
9 competitive, because although we're a global company, we  
10 are in Pennsylvania and want to serve Pennsylvanians. And  
11 we believe it's very important, as Delaware has done, to be  
12 up to speed both in technology and also what the rights are  
13 of shareholders, directors, and what you have to do clearly  
14 to do business from day to day on corporate governance.

15 I believe, as does Ann, that it's very important  
16 on the Internet voting rights, that we hear from  
17 shareholders all the time that they want the ability to  
18 vote by Internet, they would like to receive information by  
19 Internet because it's very easy for them. So that's a very  
20 important piece. And I would say a bulk of the rest of the  
21 amendments are housekeeping issues, bringing it up to speed  
22 in line with what other States are doing, particularly in  
23 Delaware, and PPL Corporation would just like to note that  
24 we add our support for this and feel that it's a good thing  
25 for Pennsylvania to do. Thank you.

1                   CHAIRMAN GANNON: On the Internet issue, you  
2                   said this would enable shareholders to vote on the  
3                   Internet. Would it also enable shareholders to give  
4                   proxies by the Internet?

5                   MS. DUANE: That's right.

6                   MS. MULE: Yes.

7                   CHAIRMAN GANNON: From a historical perspective,  
8                   a couple times both witnesses or the witnesses have said  
9                   that Delaware is always on the leading edge, they are  
10                  constantly changing their corporate law. From your  
11                  perspective of Pennsylvania, have we always done it like  
12                  this where we have a bill that's a couple, almost 200 pages  
13                  long, we do it every millennium as opposed to doing it on a  
14                  regular basis to keep the corporation law current and on  
15                  the leading edge? Has that been the historical precedent  
16                  in Pennsylvania?

17                  MS. MULE: I can't really speak to that, you  
18                  know, just practicing in the State, but one of the things I  
19                  would like to see, if possible, is maybe we could set up  
20                  some kind of system so that it does automatically happen  
21                  every two years, and then you wouldn't have a big pile-up  
22                  of all the housekeeping, you could just kind of keep a  
23                  balance. I'm not really sure how to do that, but that  
24                  might be something we want to explore.

25                  CHAIRMAN GANNON: I mean, the ideal, from my

1 perspective, would be for all those Delaware corporations  
2 to look and say, gees, we're moving to Pennsylvania.

3 MS. MULE: Yeah, exactly, but I think one way  
4 that they could do that, in addition to all the other  
5 business incentives, is to keep your law up to date.

6 CHAIRMAN GANNON: And you may not be able to  
7 answer this question, but it's something that intrigues me  
8 a little bit because I hear a lot about it on the media,  
9 and that is the Nevada corporation. Are you familiar at  
10 all with that? I don't know anything about Nevada, but I  
11 hear these folks saying we're going to form a corporation  
12 in Nevada because of what they do. I don't know what it's  
13 about. I thought there was some comparison, but Delaware  
14 is our sister State, so that's probably where we look.

15 Any questions from members of the committee?

16 Representative Gabig.

17 REPRESENTATIVE GABIG: Thank you, Mr. Chairman.  
18 Sorry I was late, I was at another committee meeting  
19 talking about taxing the Internet.

20 I'm sorry, I came in late and I apologize, but  
21 when you say updating it makes it good, and I know I got a  
22 C in corporate law when I was in law school and decided not  
23 to go into that area, for various reasons, including my  
24 grades, but why does updating it make it good? I mean, you  
25 see what I'm saying? What are the advantages, the

1 competitive advantages that are from keeping us updated to  
2 Delaware that will keep corporations here and jobs here and  
3 bring people into here, so that when I go back home and say  
4 why this is such a great thing, what are the one, two,  
5 three's I can relate to a layman voter what is good about  
6 this bill?

7 MS. DUANE: In simplistic terms, one of the good  
8 things about the housekeeping updates is that in order for  
9 a company to do business from day to day, it makes it much  
10 easier if there are straightforward ways of merging, of  
11 acquiring, of dissolving, of creating new companies, and I  
12 think that in the past Pennsylvania has been a little more  
13 archaic in the number of steps of what you have to do, who  
14 you have to notify, that kind of thing.

15 REPRESENTATIVE GABIG: So it's more efficient  
16 then.

17 MS. DUANE: It's more efficient to a good extent  
18 and it's simplified and it's also in line with Delaware  
19 makes it very simple in a lot of ways, and so that's one of  
20 the reasons that companies are attracted--

21 REPRESENTATIVE GABIG: So it streamlines and  
22 makes it more efficient. Is anybody disadvantaged or is  
23 there more occasion for fraud or anything because of this  
24 efficiency?

25 MS. DUANE: I don't know that I can really speak



1 to that in informed terms. I think I would have to defer  
2 to Bill on that, but I'm not aware of any from my view.

3 REPRESENTATIVE GABIG: So it's a good thing for  
4 Pennsylvania business and Pennsylvania consumers and  
5 taxpayers, is that right?

6 MS. DUANE: I believe so.

7 REPRESENTATIVE GABIG: Okay, thanks. I'm for it  
8 then.

9 CHAIRMAN GANNON: Well, we're not voting today.  
10 Representative Manderino.

11 REPRESENTATIVE MANDERINO: Thank you, Mr.  
12 Chairman.

13 I'll ask the question, and if you don't have the  
14 answer, maybe Mr. Clark could respond after the fact.  
15 That's fine. But when I was reading, Ms. Duane, your  
16 written testimony, it's the first time anybody, and you did  
17 it just in a short list, said the specifics of what some of  
18 the changes are, and you do it when you talk about  
19 amendments clarify certain practices concerning a  
20 director's right to act, access to books and records,  
21 business combination, dissenter's rights, beneficial  
22 ownership, et cetera, advances for litigation expenses. I  
23 mean, those are, you just alluded to the fact that it will  
24 make mergers streamlined and not have as many hoops that  
25 you jump through, and that brought to mind the fact that I

1 know we have plant closure legislation in Pennsylvania, at  
2 least we had in the past, so is this going to affect the  
3 current obligations under law for notification to workers  
4 in case of a plant closing? When we talk about dissenter's  
5 rights, what exactly are we doing? Are we actually making  
6 it clear the path that dissenters can take if they want to  
7 dissent to a decision of the company as a shareholder, or  
8 are we actually making changes that will shorten their  
9 timeframe, make it more difficult to get them information?  
10 That's the kind of substance that I would like to  
11 understand.

12 MS. DUANE: I don't know that I'm qualified to  
13 go into entire details of each of those, but I would say in  
14 general terms, most of these changes are clarifications  
15 either codifying existing case law to explain so it makes  
16 it clear what corporations are to do. None of it is really  
17 changing the law, so to speak, to make it controversial. I  
18 wouldn't say that any of these provisions are  
19 controversial. It just clarifies what it is that you do.  
20 It doesn't shorten time, it doesn't lengthen time; that  
21 sort of thing. So I would say in general terms that's how  
22 I believe the statute is written.

23 REPRESENTATIVE MANDERINO: Thank you.

24 Thank you, Mr. Chairman.

25 CHAIRMAN GANNON: Representative Hennessey.

1                   REPRESENTATIVE HENNESSEY: Thank you, Chairman  
2 Gannon.

3                   Ladies, 1704 on page 27 talks about the use of  
4 the Internet for corporate meetings. The way I would  
5 envision this normally happening would be somebody gets  
6 together like we are today, has their corporate meeting and  
7 it's then made available visibly on the Internet to the  
8 other shareholders who couldn't attend. But the last  
9 sentence, almost the last clause, says, "the meeting need  
10 not be held at a particular geographic location," which  
11 conjures up in my mind the idea of the board meeting  
12 electronically from all over the State somehow being  
13 patched together and creating a meeting at that point, in  
14 that way. Is that really where we're headed here? Are we  
15 going to have meetings where the directors of corporations  
16 can actually be in different places and still get together  
17 and cast their votes for whatever, do everything, so that  
18 there's no real interchange of ideas in terms of at least  
19 the board meeting in a particular place? That's how I  
20 would read the end of that paragraph.

21                   MS. MULE: I think we should defer to Mr. Clark  
22 on that.

23                   MR. CLARK: That provision is copied from  
24 Delaware, which has recently enacted that, and what it's  
25 intended to say is that for shareholder meetings, the

1       shareholders can actually participate over the Internet.  
2       So there is no place where the shareholders would actually  
3       come to sit in a room. At the moment, the corporation law  
4       has, for 20 years, said that you can hold meetings by  
5       telephone, but it's never been clear that having said you  
6       can use the telephone that that would include the Internet,  
7       although some people argue that it really does because the  
8       way you log on to the Internet is through the phone system.  
9       So there's at least some argument that you do it already,  
10       but Delaware having said it expressly, we're doing the same  
11       thing. But it's why you'll see that there are provisions  
12       in that provision that say that everybody has to be able to  
13       hear what's going on and they have to be able to ask  
14       questions, because we didn't want to have a system in which  
15       it's a meeting but it's not really a meeting because you  
16       don't get to participate.

17                 REPRESENTATIVE HENNESSEY: It would seem to me  
18       that there are still people out there like myself who are  
19       to some extent computer dinosaurs and don't feel  
20       comfortable in that setting, and it would also seem maybe a  
21       step in the wrong direction if we were to say that the  
22       board of directors never had to sit together in a place and  
23       face, physically face the angry grouping of their  
24       shareholders, that they could divorce themselves from that  
25       by saying, well, we're going to meet electronically. I'm

1 going to be in Altoona and somebody else is going to be in  
2 Pittsburgh and somebody else is going to be in Carlisle,  
3 and how are the shareholders ever going to get a chance to  
4 confront, you know, hostile shareholders get a chance to  
5 confront board members and uphold them to some level of  
6 responsibility for their actions? If I'm the offending  
7 board member and I can flip my Internet off or walk away  
8 and get coffee, it seems to me at that point that you might  
9 build in some level of frustration in meetings if they go  
10 to the extreme which almost is suggested by the end of  
11 1704.

12 MR. CLARK: I understand exactly what you're  
13 saying, and the interesting point to repeat is that  
14 Delaware already has this.

15 REPRESENTATIVE HENNESSEY: For how long, and how  
16 effective has it been?

17 MR. CLARK: They put it in about two years ago.

18 REPRESENTATIVE HENNESSEY: So we really don't  
19 know.

20 MR. CLARK: No one has used it yet, but the  
21 question that we have in Pennsylvania is since there's  
22 nothing that stops Pennsylvania companies from  
23 reincorporating in Delaware, there's no way for us to force  
24 Pennsylvania companies to follow Pennsylvania law in these  
25 matters, do we want to have a set of laws on the books that

1 are perceived as not being up to date because we think it's  
2 the right policy but have no way to use them, or do we want  
3 to have a law that we could say with a straight face is as  
4 good as Delaware, don't move to Delaware, we will do what  
5 we can to keep Pennsylvania up to date. That's a policy  
6 decision for you people to make.

7 REPRESENTATIVE HENNESSEY: Yeah, I understand,  
8 but I don't know that saying that we have a law that says  
9 the board of directors must occasionally face in someplace  
10 hostile shareholders or the general body of shareholders to  
11 answer questions physically is a bad thing that people  
12 would say, well, gee, we're better off going to Delaware  
13 because we never have to meet with our shareholders except  
14 over the Internet. It seems to me that we're painting a  
15 picture that facing the shareholders and being responsible  
16 for the actions that you take as a board member is a bad  
17 thing, and it seems to me quite the opposite, that we ought  
18 to be creating a public policy that says there ought to be  
19 someplace where people can actually come who are either  
20 unfamiliar with the Internet or who simply want to be there  
21 and sit and watch somebody answer questions that are  
22 opposed to them face to face, and the last clause would  
23 suggest that that might never happen, and I think maybe we  
24 want to -- I want to look at that as it comes before the  
25 House.

1           MR. CLARK: The problem is you can do that at  
2 the national level. The Securities and Exchange Commission  
3 could adopt a rule that says if you're a publicly traded  
4 company you must have a meeting in a particular place, and  
5 that would be nationwide and you could make that work. The  
6 problem is that for Pennsylvania to say this is the rule,  
7 anybody that doesn't like the rule simply moves to another  
8 State. So I understand your concern, but it's not  
9 something that we here in Pennsylvania can effectively make  
10 work, unlike the Securities and Exchange Commission and the  
11 stock exchanges that could make it work because you  
12 couldn't run away from it.

13           REPRESENTATIVE HENNESSEY: Except that in  
14 Pennsylvania today we require a meeting in a physical place  
15 where shareholders can show up and ask questions. This  
16 would take us, at least create the possibility to move away  
17 from that and totally isolate the board, insulate them by  
18 means of electronic communications, never have to show up  
19 at a place to face shareholders.

20           MS. MULE: I just want to make a comment, and  
21 I'm not positive on this but I think it's right, that even  
22 now directors don't have to physically be at the annual  
23 meeting.

24           MR. CLARK: That's correct.

25           REPRESENTATIVE HENNESSEY: Who does?

1 MS. MULE: Just the chair of the meeting who's  
2 normally the chairman of the corporation and the corporate  
3 secretary. We at Sunoco feel it's really important that  
4 our directors go, so we have our directors there every  
5 year. But even right now the state of the law is that, and  
6 many companies in fact don't have their directors there.  
7 So I don't think, to your point, I don't think that that  
8 changes that.

9 And actually, on another point I wanted to make  
10 in terms of using the Internet is because of Regulation FC,  
11 which is a Federal securities law regulation that was  
12 adopted last October, a lot of shareholders are now tuning  
13 in to the analysts' conference calls that companies always  
14 had quarterly with the financial analysts and companies now  
15 are more or less required to broadcast those analyst  
16 conference calls over the Internet, and so what's great  
17 about that from a shareholder perspective is now all the  
18 shareholders are able to listen in, whereas before they  
19 weren't getting that information. And that's where a lot  
20 of the substantive information is discussed, honestly,  
21 rather than the annual meeting.

22 REPRESENTATIVE HENNESSEY: But in that situation  
23 I'm listening, I'm not asking questions, right, as a  
24 shareholder?

25 MS. MULE: That is true.



1 REPRESENTATIVE HENNESSEY: Thank you.

2 CHAIRMAN GANNON: Representative Harper.

3 REPRESENTATIVE HARPER: I know each of you has a  
4 company that does business inside Pennsylvania and outside  
5 Pennsylvania. Do you have, off the top of your head, a  
6 rough guesstimate of the number of Pennsylvanians employed  
7 in your businesses? And I know that you have subsidiaries  
8 and things like that. Do you happen to know that?

9 MS. MULE: I looked to someone else in the  
10 audience and I think it's roughly 5,000 employees in  
11 Pennsylvania.

12 REPRESENTATIVE HARPER: That would be for  
13 Sunoco.

14 MS. MULE: For the Sunoco Consolidated Group,  
15 yes.

16 REPRESENTATIVE HARPER: And how about for PPL?

17 MS. DUANE: We think at least 6,000-plus.  
18 That's off the top of my head.

19 CHAIRMAN GANNON: It would seem to me that the  
20 dialogue that we had about the Internet and the  
21 face-to-face confrontation with directors, now maybe some  
22 directors don't show up at the meetings because they don't  
23 want to deal with that, but it would seem to me that with  
24 the technology where it is today and where we see it going,  
25 that in fact you could have hostile shareholders attend a

1 meeting via the Internet and fully express their views, get  
2 full responses from the directors and officers, with one  
3 element missing, and that's the intimidation which you  
4 frequently see in corporate meetings where there are  
5 hostile shareholders and directors.

6 Your time has expired. I want to thank you for  
7 appearing before the committee today and offering your  
8 testimony and information about Senate Bill 215. Thank you  
9 very much. Appreciate it.

10 Our next witness is Mr. Harvey Danowitz, CPA,  
11 with the Pennsylvania Institute of Certified Public  
12 Accountants. Mr. Danowitz, thank you, and you may begin  
13 when you want. If you have official testimony, it will be  
14 incorporated in the transcript and made an official part of  
15 this hearing.

16 MR. DANOWITZ: Good morning, Mr. Chairman,  
17 members of the House Judiciary Committee. My name is  
18 Harvey Danowitz, and I'm a CPA with the firm of Barley,  
19 Snyder, Senft & Cohen here in Harrisburg. We thank you for  
20 the opportunity to speak to you today in support of Senate  
21 Bill 215. I am representing the Pennsylvania Institute of  
22 CPAs' Committee on State Taxation. Our organization is a  
23 19,000-member strong professional organization whose  
24 mission is to further the well-being of its members while  
25 upholding the public interest by servicing as an advocate

1 for, and promoting the public image of, CPAs. The PICPA  
2 supports the changes proposed by Senate Bill 215 not  
3 because they directly benefit our members, but because the  
4 amendments will assist your constituents and our clients.

5 On December 7, 1994, then Governor Bob Casey  
6 signed into law the Limited Liability Company Act, which  
7 provided for the organization under Pennsylvania law of  
8 limited liability companies, which are commonly known as  
9 LLCs, and limited liability partnerships, which are  
10 commonly known as LLPs. The PICPA was a major component of  
11 that legislation. The act went into effect on February 5,  
12 1995. Senate Bill 215 makes the latest changes needed to  
13 update Titles 15 and 54 of the Pennsylvania Consolidated  
14 Statutes as they related to limited liability companies and  
15 limited liability partnerships. Other than the changes  
16 enacted by Act 7 of 1997, which changed the State tax  
17 treatment of LLCs to conform to Federal law, there have  
18 been no amendments adopted to the law since it first went  
19 into effect in 1995.

20 Keeping Pennsylvania's corporate and business  
21 tax laws current with other competing States is critical to  
22 the Commonwealth's economic stability and its viability.  
23 In order to keep businesses and the jobs they create, while  
24 creating opportunities for new ones, we need to maintain a  
25 tax structure that serves as a catalyst for economic

1 development. I believe that Governor Ridge and the General  
2 Assembly have made great strides over the last several  
3 years to create a positive business environment here in  
4 Pennsylvania. Passage of Senate Bill 215 is another step  
5 in that direction.

6           Generally, LLCs are entities that provide  
7 limited liability for their owners and are taxed as  
8 partnerships by the Federal and State governments.  
9 Businesses, including CPA firms, find LLCs and LLPs  
10 beneficial in terms of increased protection from tort and  
11 contract claims and also the limited tax liability. LLPs  
12 may limit liability of innocent partners for acts and  
13 omissions of other partners though the liability protection  
14 provided by LLP status is significantly more limited than  
15 that provided by a corporation or an LLC, but in general  
16 the members of the LLC are not personally liable for debts  
17 of the LLC.

18           There are three important changes that we, the  
19 PICPA, see in Senate Bill 215 that I would like to briefly  
20 discuss with you. First, Section 8206 changes the current  
21 requirement that an LLP carry a certain minimum amount of  
22 insurance. Less than one-third of the States have a  
23 similar insurance requirement for LLPs, and insurance is  
24 not required for any other form of association authorized  
25 in Title 15, including those entities that provide greater

1 protection from liability for their owners. This provision  
2 simply adds to the cost of doing business in the  
3 Commonwealth of Pennsylvania. The PICPA believes that this  
4 provision is unnecessary and should be repealed.

5 Secondly, Senate Bill 215 makes technical  
6 changes to test for corporate name availability and the  
7 decennial filing requirement. The test for when a name may  
8 be used by a corporation or other association was changed  
9 during the 2000 session from a standard of not being  
10 "confusingly similar" to another name, to a new test which  
11 permits a name to be used as long as it is "distinguishable  
12 upon the records" of the Department of State from other  
13 names.

14 Third, the legislation makes a variety of  
15 amendments to the Business Corporation Law to permit  
16 corporations to distribute meeting notices electronically,  
17 validate electronic proxies and permit electronic voting  
18 procedures generally.

19 We believe that Senate Bill 215 represents the  
20 latest update to Pennsylvania's business organization laws  
21 and the PICPA urges you to pass it.

22 Again, thank you for the opportunity to appear  
23 before you today, and I would be glad to answer any  
24 questions that you may have.

25 CHAIRMAN GANNON: Thank you, Mr. Danowitz.

1           Mr. Danowitz, what exactly is a limited  
2 liability partnership and a limited liability company?

3           MR. DANOWITZ: Well, okay, a limited liability  
4 company is basically a company that elects to be taxed,  
5 out-of-State corporation, and basically would go into what  
6 we call check the box as far as Federal law goes, and they  
7 collect the tax in any manner they so choose. Limited  
8 liability partnership is, again, like a partnership, a tax  
9 on the partnership, and they have certain restrictions and  
10 certain requirements if they do elect to come within this  
11 law.

12           CHAIRMAN GANNON: So what you're saying like a  
13 limited liability company, it is not a corporation but it's  
14 elected to be taxed like a corporation?

15           MR. DANOWITZ: It can elect to be taxed as a  
16 corporation, it can elect to be taxed as a partnership.  
17 Pennsylvania changed their law several years ago, and  
18 basically they're following the Federal law, which I think  
19 was a big step forward, that you don't have a corporation  
20 or a company taxed one way for Federal and another way for  
21 Pennsylvania. So I think Pennsylvania, to that extent, by  
22 following the Federal law basically has jumped -- not  
23 jumped on the bandwagon, but is being very progressive. So  
24 as long as a corporation, whatever they elect for Federal,  
25 they can then also file the same way for Pennsylvania.

1                   CHAIRMAN GANNON: Just a little bit off the  
2 subject, but in terms of a Subchapter S, that's not the  
3 case. I mean, you have to elect under both.

4                   MR. DANOWITZ: Right. We were very instrumental  
5 in that also, that Pennsylvania now follows the Federal law  
6 for Subchapter S. That basically is a corporation, and you  
7 elect, you're correct, Mr. Chairman, that you must select  
8 for Pennsylvania to be a Subchapter S if you are a Federal  
9 -- the first requirement is that you must be a Federal  
10 Subchapter S, and then you can elect to be a Pennsylvania  
11 Subchapter S corporation.

12                  CHAIRMAN GANNON: You may not know the answer to  
13 this, but would this particular legislation be amenable to  
14 amendment that would provide that if you elect Federal  
15 Subchapter S you automatically would be considered a  
16 Subchapter S under Pennsylvania law?

17                  MR. DANOWITZ: I don't think so.

18                  MR. CLARK: Tax Reform Code.

19                  MR. DANOWITZ: Tax Reform Code.

20                  CHAIRMAN GANNON: Okay. That shows you how much  
21 I know about it.

22                  Any questions from members?

23                  Representative Hennessey.

24                  REPRESENTATIVE HENNESSEY: Thank you, Mr.  
25 Chairman.

1           Mr. Danowitz, on page 3 you talk about Section  
2           8206, making changes. Is that the right part?

3           REPRESENTATIVE MANDERINO: I said we can't find  
4           it either.

5           REPRESENTATIVE HENNESSEY: Is that a right  
6           citation or correct citation, or is there a different  
7           number that you want to refer to, because I can't find 8206  
8           in this. Do you have a copy of the act in front of you?

9           MR. DANOWITZ: No.

10          REPRESENTATIVE HENNESSEY: Rather than holding  
11          you up or have you fish through your papers, do you want to  
12          just submit to the committee later on if you find it?  
13          Because maybe it's just a transposition of numbers.

14          MR. CLARK: No, that's the correct number.

15          REPRESENTATIVE HENNESSEY: Is that the correct  
16          number? Why isn't it in our pack?

17          MR. CLARK: It's repealed on page 193, line 29.

18          REPRESENTATIVE HENNESSEY: Okay. So the  
19          repealer is what you're -- you're telling us that the  
20          repealer is a good thing.

21          MR. CLARK: Yes.

22          MR. DANOWITZ: Correct, good for business.

23          REPRESENTATIVE HENNESSEY: Okay, thank you.

24          CHAIRMAN GANNON: Representative Gabig.

25          REPRESENTATIVE GABIG: I appreciate Mr.



1 Hennessey picking that up, that we were talking about that  
2 down here looking for 8206 also.

3 But I guess I always come back to the economics  
4 of this, to be honest with you. Is there arguments to be  
5 made from, and you're a CPA, is that correct, sir?

6 MR. DANOWITZ: Yes, sir.

7 REPRESENTATIVE GABIG: Are there arguments to be  
8 made, you have a company incorporated in Pennsylvania, a  
9 rather large corporation, as we've heard some testimony, or  
10 some of the smaller businesses that are incorporated in  
11 Pennsylvania, and they decide Delaware, we're going to  
12 switch and get incorporated down there because they just  
13 have better laws and it's going to be cheaper for us to  
14 operate and we'll be able to hire more people and do more  
15 business, even though they physically continue to operate  
16 here in Pennsylvania but they just shift their corporate  
17 identity down to Delaware, does that happen? I mean, is  
18 that what goes on?

19 MR. DANOWITZ: I think to a great extent it  
20 does, except for maybe your larger companies. Some of your  
21 smaller companies would shift down to Delaware.

22 REPRESENTATIVE GABIG: And does this act attempt  
23 to dissuade some of those companies from doing that; say,  
24 no, we're going to have a good corporate law, you're not  
25 going to have to go down to Delaware, and is that the idea

1 behind the law?

2 MR. DANOWITZ: I believe so. We're trying to be  
3 competitive with Delaware and basically keep the companies  
4 here rather than going down and reincorporating down in  
5 Delaware.

6 REPRESENTATIVE GABIG: You mentioned the  
7 repealer was brought up. Could you just give me an idea,  
8 what are the main elements of the current law that we are  
9 repealing?

10 MR. DANOWITZ: As far as the insurance part of  
11 it?

12 REPRESENTATIVE GABIG: Is that, I mean, what are  
13 the many parts of the current corp law that are being  
14 repealed by this, or that we're attempting to repeal by  
15 this, what are the main things that we're repealing?

16 MR. DANOWITZ: Well, that would probably be one  
17 of the main things that you're repealing. Most of the  
18 changes here are just, I won't say cosmetic, but basically  
19 they are to bring the bill more current, to bring the act  
20 more current.

21 REPRESENTATIVE GABIG: So the insurance area is  
22 the main area of repealing?

23 REPRESENTATIVE GABIG: In other words, you're  
24 forcing a limited liability partnership to take out this  
25 extra insurance, have this extra business expense.

1                   REPRESENTATIVE GABIG: So it's shifting risk to  
2 someone else then, is that right? Shifting a liability  
3 risk?

4                   MR. DANOWITZ: I don't think it's really  
5 shifting a risk. I mean, they're still liable for certain  
6 things, but then in addition they have to buy this  
7 additional insurance to make sure they have certain  
8 coverage. They still, according to the act, they still are  
9 liable for certain acts.

10                  REPRESENTATIVE GABIG: Okay.

11                  Thank you, Mr. Chairman.

12                  CHAIRMAN GANNON: Representative Manderino.

13                  REPRESENTATIVE MANDERINO: Thank you, Mr.  
14 Chairman.

15                  I'm still on 8206 also, and I just have been  
16 handed I guess some annotations that Mr. Clark has prepared  
17 that we didn't have prior, and maybe if I have a chance to  
18 read that I will understand a little bit more what it is  
19 that we're repealing. But having said that, I guess my  
20 general question is, I mean, one-third of the States --  
21 two-thirds of the States don't have this, one-third of the  
22 States do have this. I cannot picture, because I don't  
23 understand this well, who was being protected or whose --  
24 what protections did the insurance, having been there, have  
25 and it won't be there now? I mean, obviously the

1 requirement for insurance, and I just don't understand the  
2 relationship, is this insurance with one of your other  
3 partners? Should one partner impinge on the rights of the  
4 others? Is this a client who was a result of an error of  
5 something that happened or was in some way harmed by an  
6 action of the LLP? Who was being protected by the  
7 insurance? And that will help me understand what we're  
8 taking away.

9 MR. DANOWITZ: Well, let me just, I think the  
10 insurance was part of the original bill that basically said  
11 if you want to be a limited liability partnership, you must  
12 have X number of dollars of insurance. It still does not  
13 change your liability to a client or somebody who gets  
14 injured. It still protects you from certain acts that your  
15 partners do that you're not held responsible but that the  
16 partner can be held responsible for those acts.

17 REPRESENTATIVE MANDERINO: So the insurance was  
18 insuring your potential liability vis-a-vis your other  
19 limited partners, and not for errors or omissions like a  
20 professionally liability policy would have.

21 MR. DANOWITZ: You still are liable. I think  
22 the insurance was just a requirement when the act was  
23 passed. They said for these limited liability  
24 partnerships, you had to have a certain amount of  
25 insurance.

1                   REPRESENTATIVE MANDERINO: What is that level of  
2 insurance?

3                   MR. CLARK: It's \$100,000 per owner, up to a  
4 maximum of a million dollars. So once you have an LLP with  
5 any substantial number of partners, you hit the cap of a  
6 million dollars. And it's not related, I think the point  
7 PICPA is making is that the insurance is not related to the  
8 business that's conducted. It makes a lot of sense to me  
9 for the General Assembly to say if you're going to, for  
10 example, be a doctor and conduct a medical practice, that  
11 you ought to have a certain minimum amount of malpractice  
12 insurance. Or if you're going to engage in some very risky  
13 business, demolition contractor, for example, it makes  
14 sense to say that anyone that does that kind of business  
15 should have this amount of insurance. Unfortunately, what  
16 Title 15 says simply if you happen to be an LLP, it doesn't  
17 matter what your business is, you're required to carry this  
18 insurance, where it may make sense in some times and not in  
19 others, and at the same time there's no requirement that an  
20 LLP that's organized in another State that does business in  
21 Pennsylvania has to carry that insurance. It's only  
22 limited liability partnerships organized under Pennsylvania  
23 law that are required to carried here.

24                   REPRESENTATIVE MANDERINO: Under Pennsylvania  
25 law and about--

1 MR. CLARK: One-third of the other States.

2 REPRESENTATIVE MANDERINO: --one-third of the  
3 other States. So I'm trying to understand the philosophy  
4 under what was the risk that was being insured.

5 MR. CLARK: I think it comes from a feeling that  
6 when LLPs were first enacted, they were very new, no one  
7 understood them, and there was a concern that by giving  
8 partnerships this new limited liability protection, there  
9 might be someone who was injured. And the insurance  
10 requirement was first imposed by the State of Texas, which  
11 was the second State, I believe, to pass an LLP statute,  
12 but when most other States looked at it they said, this  
13 really doesn't make sense to us. So although a third of  
14 the States, roughly, picked up the LLP insurance  
15 requirement, most States did not.

16 So you could, for example, conduct business in  
17 Pennsylvania today as an LLP in another State that doesn't  
18 have an insurance requirement, and the business right next  
19 door to you would be a Pennsylvania LLP that does have an  
20 insurance requirement, and it makes no sense. Because what  
21 we're doing is saying one business has to spend money on  
22 insurance that they may not need or may not want to carry,  
23 but they can simply just reorganize under a different  
24 State's law, continue to conduct business in Pennsylvania  
25 and not have to carry the insurance requirement.

1                   So it's a very strange, anomalous provision.

2                   CHAIRMAN GANNON: Mr. Danowitz, your time has  
3 expired. Thank you very much for appearing before the  
4 committee and presenting your testimony in connection with  
5 Senate Bill 215.

6                   We have been sent to the committee a letter from  
7 the Philadelphia Bar Association under date of May 8, 2001,  
8 from Mr. Carl Primavera, Esquire, Chancellor of the  
9 Philadelphia Bar Association. We would like to append that  
10 to the transcript and make it a part of the official record  
11 of the committee hearing.

12                   (Copy of letter can be found in the Appendix.)

13                   CHAIRMAN GANNON: And we also have a letter  
14 under date of May 8, 2001, from Kim Pizzingrilli, Secretary  
15 of the Commonwealth of Pennsylvania, concerning Senate Bill  
16 215, and we would like to incorporate that into the  
17 transcript and make it an official part of the record.

18                   (Copy of letter can be found in the Appendix.)

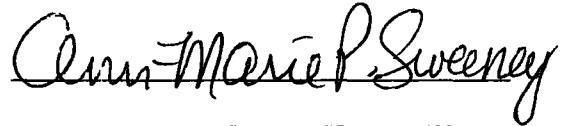
19                   CHAIRMAN GANNON: There being no further  
20 witnesses and other business to be brought before this  
21 committee, this hearing is adjourned. Thank you.

22                   (Whereupon, the proceedings were concluded at  
23 11:13 a.m.)

24

25

1 I hereby certify that the proceedings  
2 and evidence are contained fully and accurately in the  
3 notes taken by me during the hearing of the within cause,  
4 and that this is a true and correct transcript of the same.

5  
6 

7 ANN-MARIE P. SWEENEY  
8  
9

10 THE FOREGOING CERTIFICATION DOES NOT APPLY TO  
11 ANY REPRODUCTION OF THE SAME BY ANY MEANS UNLESS UNDER THE  
12 DIRECT CONTROL AND/OR SUPERVISION OF THE CERTIFYING  
13 REPORTER.  
14  
15  
16

17 Ann-Marie P. Sweeney  
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23  
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25



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF STATE  
HARRISBURG, PENNSYLVANIA  
17120

SECRETARY OF THE COMMONWEALTH

May 8, 2001

Honorable Thomas P. Gannon  
*Chairman*  
Judiciary Committee  
House Box 202020  
Harrisburg, PA 17120-2020

Dear Representative Gannon:

I am writing to you in *support* of Senate Bill 215. This legislation amends Titles 15 (Corporations and Unincorporated Associations) and 54 (Names) of the Pennsylvania Consolidated Statutes, relating to associations; making revisions, corrections and additions, and making repeals.

This support is based on our careful analysis and review of the Senate Bill 215. Legal counsel for the Corporation Bureau within our Department has worked closely with the Pennsylvania Bar Association's Title 15 Task Force for several years on this important legislation. It is our understanding that the Department of Revenue has also been working with the Task Force on additional technical amendments to the bill that we also support.

We believe Senate Bill 215 makes technical corrections that allow the Corporation Bureau to more easily fulfill its administrative duties under the Associations Code. In addition, the substantive provisions in the proposed legislation make necessary changes in Title 15, which will help our Commonwealth, remain competitive in today's business climate.

Thank you for your consideration.

Sincerely,



Kim Pizzingrilli  
Secretary of the Commonwealth

CC. Members of the Judiciary Committee

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**Testimony of  
William H. Clark, Jr. on  
Senate Bill 215 (P.N. 656)**

**Before the House Judiciary Committee**

**May 9, 2001**

**Introduction**

Good morning. My name is William H. Clark, Jr. I am a partner in the law firm of Drinker Biddle & Reath LLP, where I practice corporate and general business law in the firm's Philadelphia office.

I am the Chair of the Business Law Section of the Pennsylvania Bar Association. Both that section and the full bar association have endorsed Senate Bill 215. I am here today on behalf of the Pennsylvania Bar Association to express its support for Senate Bill 215 and to urge the enactment of Senate Bill 215 before the General Assembly recesses for the summer.

I am also the Draftsman for the Title 15 Task Force of the Business Law Section, which prepared Senate Bill 215. Having been intimately involved in the preparation of Senate Bill 215, I would be happy to answer any questions the Committee may have about any of the particular provisions in the bill.

Finally, I should note that I am one of 24 appointed members of the Corporate Laws Committee of the ABA Business Law Section, which is responsible for revising and updating the Model Business Corporation Act. I also am the draftsman for a special task force of the ABA Business Law Section, which is preparing a complete revision of the Model Nonprofit Corporation Act. Thus, I have a national perspective on corporation law and the issues dealt with in Senate Bill 215.

My testimony this morning is intended to provide a general introduction both to Title 15 of the Pennsylvania Consolidated Statutes and also to Senate Bill 215.

**History of Senate Bill 215**

Senate Bill 215 is the latest update of Pennsylvania's business organization laws prepared by the Title 15 Task Force. Title 15 of the Pennsylvania Consolidated Statutes was completely revised in 1988. Important parts of the 1988 legislation were the entirely

*Established*  
1849

new Business Corporation Law of 1988 and the new Revised Uniform Limited Partnership Act, as well as substantial revisions to other provisions of Title 15. The 1988 legislation was followed by amendments to Title 15 in 1990, 1992 and 1994.

Senate Bill 215 is based on the texts of bills considered in the past three terms of the General Assembly:

- 1995 Senate Bill 1128 passed the Senate by a vote of 48 to 0, but was not considered by the House of Representatives because of a lack of time at the end of the legislative session. Senate Bill 1128 was reintroduced as 1997 Senate Bill 1157.
- 1997 Senate Bill 1157 passed the Senate by a vote of 47 to 0, and also passed the House of Representatives. The bill was never finally enacted, however, because the Senate did not concur in the amendments added to Senate Bill 1157 in the House in connection with the AMP/AlliedSignal takeover battle. The amendments to Senate Bill 1157 added during the AMP/AlliedSignal debate were not included when the legislation was reintroduced as 1999 Senate Bill 393. (Thus those amendments are also not included in Senate Bill 215.)
- 1999 Senate Bill 393 passed the Senate by a vote of 46 to 1, but was not considered by the House of Representatives because of a lack of time at the end of the legislative session. Senate Bill 393 was reintroduced as 2001 Senate Bill 215.

Printer's Number 656 of Senate Bill 215 is identical to Senate Bill 393 except for changes in the various effective dates included in the bill and the deletion of an amendment to one section of Title 15. Thus, all of the provisions in Senate Bill 215 have passed the Senate twice (in Senate Bills 1157 and 393) and the House once (in Senate Bill 1157).

## **Overview of Title 15**

### **What is included in Title 15**

Title 15 includes the following provisions:

- introductory provisions (chapter 1)
- corporations generally (chapter 5)
- Business Corporation Law of 1988 (chapters 11 through 41)
- Nonprofit Corporation Law of 1988 (chapters 51 through 61)
- Cooperative Corporation Law of 1988 (chapters 71 through 75)
- Electric Cooperative Law of 1990 (chapter 73)

- Cooperative Agricultural Association Law of 1990 (chapter 75)
- Workers' Cooperative Corporation Law of 1988 (chapter 77)
- partnerships generally (chapter 81)
- the law on limited liability partnerships (chapter 82)
- Uniform Partnership Act (chapter 83)
- Revised Uniform Limited Partnership Act (chapter 85)
- the law on electing partnerships (chapter 87)
- Limited Liability Company Law of 1994 (chapter 89)
- the law on unincorporated associations (chapter 91)
- Professional Association Act of 1988 (chapter 93)
- the law on business trusts (chapter 95)

Senate Bill 215 includes amendments to the following provisions from the above list:

- introductory provisions (chapter 1)
- Business Corporation Law of 1988
- Nonprofit Corporation Law of 1988
- partnerships generally (chapter 81)
- limited liability partnerships (chapter 82)
- Uniform Partnership Act (chapter 83)
- Revised Uniform Limited Partnership Act (chapter 85)
- Limited Liability Company Law of 1994 (chapter 89)
- business trusts (chapter 95)

Senate Bill 215 also includes some minor amendments to Title 54 dealing with fictitious names. The fictitious name provisions of Title 54 have traditionally been included in Title 15 legislation because both statutes are administered by the Corporation Bureau of the Department of State and the names provisions of both titles are related to each other.

The subject matter of each of the entity organizational laws included in Title 15 can be broadly described as the "internal affairs" of the entity. The various statutes each deal with the following types of issues:

- how the entity is formed
- who has the responsibility to manage its affairs
- the rights and duties of the persons who manage its affairs
- who has authority to sign contracts and incur obligations
- who are the owners of the entity

- what the rights of the owners are to information about the entity and to vote on various issues
- the procedures for fundamental transactions such as a merger or dissolution of the entity

#### **What is not included in Title 15**

Aside from unique events such as the attempted takeover of AMP by AlliedSignal, the subjects addressed in Title 15 generally are not controversial and thus do not generate much attention in the legislative process. The various laws included in Title 15 do not deal, for example, with issues such as

- environmental concerns
- labor relations and collective bargaining
- employment concerns, such as fringe benefits, or discriminatory hiring or firing
- workplace safety, such as workers' compensation or occupational health
- the social responsibilities of businesses
- consumer issues

#### **Preparation of Senate Bill 215**

As I mentioned at the beginning of my testimony, Senate Bill 215 was prepared by the Title 15 Task Force of the Business Law Section of the Pennsylvania Bar Association. While the membership of the Task Force has changed over the years, since the middle of the 1980s it has always included at least one person on the payroll of the Department of State, at least one law school professor and at least three in-house lawyers from different Pennsylvania corporations. There has always been a conscious effort to ensure that the members of the task force in private practice are distributed throughout the state.

Beginning with the enactment of the 1988 Business Corporation Law, and continuing with the 1990, 1992 and 1994 amendments to Title 15, the Task Force has prepared a detailed commentary on the sections of Title 15 that were proposed for revision. That commentary is published in Purdon's Statutes and other editions of Title 15, and has been a helpful guide for practicing lawyers and judges. The commentary that accompanies Senate Bill 215, which is almost 300 pages long, has been supplied to the staff of the Committee for its information in reviewing the bill.

Over the years the Task Force has monitored developments around the country on an on-going basis in an effort to keep Title 15 up-to-date. Two examples from Senate Bill 215 will illustrate how the Task Force has borrowed from other sources:

- Section 1709 is a new provision that deals with the conduct of shareholder meetings. There is currently no statutory law on this subject. It is hoped that the new section will bring helpful clarity and certainty to this area. Section 1709 is based on a provision that was added to the Model Business Corporation Act in 1996.
- Section 1924(b)(4) is a new provision that permits a corporation to reorganize into a holding company system so long as the rights of its shareholders are not affected. A similar result can be achieved under the existing law but it requires engaging in a merger. The new provision will eliminate the need for the merger. Section 1924(b)(4) is based on Section 251(g) of the Delaware General Corporation Law.



**Testimony of Ann C. Mule**  
**Corporate Secretary – Sunoco**

Pennsylvania House Judiciary Committee  
Wednesday, May 9, 2001  
Senate Bill 215

Sunoco, Inc.  
212 North 3rd St-Suite 101  
Harrisburg PA 17101  
717 232 5634  
Fax 717 232 0691

I am Ann C. Mule, Assistant General Counsel and Corporate Secretary for Sunoco, Inc. I appreciate this opportunity to support Senate Bill 215 and want to thank Chairman Gannon and his staff for their work on this legislation.

Sunoco has conducted business in Pennsylvania for more than one hundred years. While we are proud of our long history in the Commonwealth, we are more excited about the future. We are growing in Pennsylvania and recently made a significant new investment in the state through our purchase of Pittsburgh-based Aristech Chemicals. We are a major employer and a responsible corporate citizen that is well known for community leadership. Unlike many companies that do business in Pennsylvania, it is important for you to know that we are incorporated here.

This General Assembly and the Ridge Administration have assembled an impressive record of tax cuts, business incentives, and other changes that have improved the business climate in our state. Sunoco is pleased to see those positive steps and supports continued effort to maintain a competitive business atmosphere. Part of that effort must be a modern and up-to-date corporation law.

Pennsylvania set a national standard with passage of the 1988 Business Corporation Law. The state continued that commitment when subsequent amendments were enacted in 1990 and 1992. Unfortunately, no further revisions have been passed in the last nine years. Delaware routinely amends its corporation law every two years and

has made its corporate code an important competitive advantage in their economic development efforts

I would like to focus your attention on just one set of amendments in Senate Bill 215 that demonstrate the importance of this bill and the reason why periodic updates are necessary in a changing business environment. Those amendments relate to electronic proxies and shareholder voting methods. Senate Bill 215 validates the use of the Internet for shareholders to vote and makes clear that modern electronic communications technology can be used by shareholders and directors. As a publicly traded company with thousands of shareholders, we need to use modern technologies like the Internet to assist our shareholders.

This legislature has taken positive steps in many areas of electronic commerce. However, the corporation law lags behind. When these changes were first proposed in 1996, they were innovative and not even found in the Delaware law. Now, it is important for our state to keep up and remain an attractive place to incorporate.

This is a large bill and I have just talked about one provision. There are many meaningful and timely improvements and updates throughout this legislation. Sunoco fully supports prompt action by this committee and the full House so that the Governor can sign this bill as soon as possible.



**TESTIMONY**  
**OF**  
**ELIZABETH STEVENS DUANE**  
**(Senate Bill No. 215)**

Senior Counsel  
PPL Services Corporation,  
on behalf of PPL Corporation

May 9, 2001  
10:00 a.m.

Before the  
  
Judiciary Committee  
Thomas P. Gannon, Chairman  
Pennsylvania House of Representatives

## Testimony of Elizabeth Stevens Duane

I am Elizabeth Stevens Duane and I serve as Senior Counsel to PPL Corporation and am Corporate Secretary for most of its subsidiaries. I appreciate this opportunity to support Senate Bill 215 and want to thank Chairman Gannon and his staff for their work on this legislation.

PPL Corporation is headquartered in Allentown, Pennsylvania where its subsidiary, PPL Electric Utilities Corporation, began operations over 80 years ago as Pennsylvania Power & Light Company. Besides hosting our headquarters and primary energy trading operation, Pennsylvania is home to nine of our generating plants, which produce more than 8,500 megawatts of electricity. PPL also plans to invest \$700 million by 2004 to build six new facilities and upgrade an existing plant in Pennsylvania for additional 1,590 megawatts. As we continue to grow, we need corporation laws that are in step with the times.

While PPL Corporation is a global company, we are also incorporated in Pennsylvania and are committed to serving Pennsylvanians. PPL supports all efforts to maintain a competitive business climate and believes that the proposed amendments to Senate Bill 215 are necessary to attract new companies and to retain existing companies in the Commonwealth. It has been nine years since revisions have been made to the Business Corporation Law

These amendments bring the corporation law in line with what is necessary in today's business environment. To be competitive, companies need to keep up with emerging technologies and be responsive to their customers and their

shareholders. Senate Bill 215 confirms the use of the Internet by companies to deliver annual financial information, by shareholders to vote and to allow a variety of notices and other communications by electronic means. The amendments also clarify certain practices concerning a director's access to books and records of the company, business combinations, dissenters' rights, beneficial ownership, advances for litigation expenses, and a range of other amendments concerning corporate governance.

As a Pennsylvania company, PPL Corporation believes that it is necessary and desirable to update the corporation law on a regular basis. PPL Corporation supports Senate Bill 215 and believes it is in the best interest of Pennsylvania companies, their customers and their shareholders.

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*Pennsylvania Institute of  
Certified Public Accountants*

House Judiciary Committee

Hearing on Senate Bill 215

Testimony of Harvey Danowitz, CPA

Pennsylvania Institute of Certified Public Accountants

May 9, 2001



The CPA Never Underestimate The Value<sup>®</sup>

Good morning. Mr. Chairman and members of the House Judiciary Committee my name is Harvey Danowitz, and I'm a CPA with the firm Barley Snyder Senft & Cohen here in Harrisburg. Thank you for the opportunity to speak to you today in support of Senate Bill 215. I am here representing the Pennsylvania Institute of CPA's (PICPA) Committee on State Taxation. The PICPA is a 19,000-member strong professional organization whose mission is to further the well-being of its members, while upholding the public interest by servicing as an advocate for, and promoting the public image of, CPAs. The PICPA supports the changes proposed by Senate Bill 215 not because they will directly benefit CPAs, but because these amendments will assist your constituents and our clients.

On December 7, 1994, then Governor Robert Casey signed into law the Limited Liability Company Act, which provided for the organization under Pennsylvania law of limited liability companies (LLCs) and limited liability partnerships (LLPs). The PICPA was

a major proponent of that legislation. The act went into effect February 5, 1995. Senate Bill 215 makes the latest changes needed to update Titles 15 and 54 of the Pennsylvania Consolidated Statutes as they relate to limited liability partnerships and limited liability companies (LLP/LLC). Other than the changes enacted by Act 7 of 1997, which changed the state tax treatment of LLCs to conform to federal law, there have been no amendments adopted to the law since it first went into effect in 1995.

Keeping Pennsylvania's corporate and business tax laws current with other competing states is critical to the Commonwealth's economic stability and its viability. In order to keep businesses and the jobs they create, while creating opportunities for new ones, we need to maintain a tax structure that serves as a catalyst for economic development. Governor Ridge and the General Assembly have made great strides over the last several years to create a positive business environment. Passage of Senate Bill 215 is another step in that direction.

Generally, LLCs are entities that provide limited liability for their owners and are taxed as partnerships by the federal and state governments. Businesses, including CPA firms, find LLCs and LLPs beneficial in terms of increased protection from tort and contract claims and also the limited tax liability. LLPs may limit liability of innocent partners for acts and omissions of other partners, though the liability protection provided by LLP status is significantly more limited than that provided by a corporation or an LLC. And, in general, the members of an LLC are not personally liable for the debts of the LLC.

There are three important changes in SB 215 that I'd like to briefly discuss with you.

First, Section 8206 changes the current requirement that an LLP carry a certain minimum amount of insurance. Less than one-third of the states have a similar insurance requirement for LLPs, and

insurance is not required for any other form of association authorized in Title 15, including those entities that provide greater protection from liability for their owners. This provision simply adds to the cost of doing business in the Commonwealth of Pennsylvania. The PICPA believes this provision is unnecessary and should be repealed

Second, Senate Bill 215 makes technical changes to the test for corporate name availability and the decennial filing requirement. The test for when a name may be used by a corporation or other association was changed during the 2000 session from a standard of not being “confusingly similar” to another name, to the new test which permits a name to be used so long as it is “distinguishable upon the records” of the Department of State from other names.

Third, the legislation makes a variety of amendments to the Business Corporation Law to permit corporations to distribute



meeting notices electronically, validate electronic proxies and permit electronic voting procedures generally.

Senate Bill 215 represents the latest update to Pennsylvania's business organization laws and the PICPA urges you to pass it.

Again, thank you for the opportunity to appear before you today. I will gladly answer your questions.



May 8, 2001

The Honorable Thomas P. Gannon  
PA House of Representatives  
49 East Wing  
Harrisburg, PA 17120

Dear Representative Gannon:


On behalf of the 14,000 members of the Philadelphia Bar Association, I am writing to you to express the Philadelphia Bar Association's support for Senate Bill 215, Printer's Number 656. The full Senate has overwhelmingly passed this legislation in prior legislative sessions, including the last three in 1995, 1997 and 1999.

Senate Bill 215, Printer's Number 656, would make important changes to Pennsylvania Corporate Law as found in Titles 15 and 54 of the Pennsylvania Consolidated Statutes. Some of these changes in Senate Bill 215 are as follows.

- Test for name availability and decennial filing requirement. The test for when a name may be used by a corporation or other association was changed during the 2000 session of the General Assembly from the prior test which required that a name not be "confusingly similar" to another name, to the new test which permits a name to be used so long as it is "distinguishable upon the records" of the Department of State from other names. The purpose of this change was to make more names available. S B. 215 makes technical changes to correct certain errors in the prior legislation (such as the omission to apply the new test to names of nonprofit corporations). The prior legislation also delayed for one year when a decennial filing to protect a corporate name must be made. S B. 215 makes technical changes to correct certain errors in the decennial filing provisions of Title 54.
- Use of electronic procedures. A variety of amendments are made to the Business Corporation Law to permit corporations to distribute meeting notices electronically, validate electronic proxies and permit electronic voting procedures generally. For example, a shareholder meeting will no longer need to be held at a geographic location if it is held using the Internet.

The Corporate Code changes found in Senate Bill 215 will continue to permit Pennsylvania to be a leader in the nation in Corporate Law I strongly encourage you to support final passage of this most important legislation

Very Truly Yours,

A handwritten signature in black ink that reads "Carl Primavera". The signature is written in a cursive style with a large, looping initial "C".

Carl Primavera, Esq.  
Chancellor of the Philadelphia Bar  
Association

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF STATE  
HARRISBURG, PENNSYLVANIA  
17120

SECRETARY OF THE COMMONWEALTH

May 8, 2001

Honorable Thomas P. Gannon  
Chairman  
Judiciary Committee  
House Box 202020  
Harrisburg, PA 17120-2020

Dear Representative Gannon

I am writing to you in support of Senate Bill 215. This legislation amends Titles 15 (Corporations and Unincorporated Associations) and 54 (Names) of the Pennsylvania Consolidated Statutes, relating to associations; making revisions, corrections and additions; and making repeals.

This support is based on our careful analysis and review of the Senate Bill 215. Legal counsel for the Corporation Bureau within our Department has worked closely with the Pennsylvania Bar Association's Title 15 Task Force for several years on this important legislation. It is our understanding that the Department of Revenue has also been working with the Task Force on additional technical amendments to the bill that we also support.

We believe Senate Bill 215 makes technical corrections that allow the Corporation Bureau to more easily fulfill its administrative duties under the Associations Code. In addition, the substantive provisions in the proposed legislation make necessary changes in Title 15, which will help our Commonwealth, remain competitive in today's business climate.

Thank you for your consideration

Sincerely,



Kim Pizzigrilli  
Secretary of the Commonwealth

CC: Members of the Judiciary Committee