

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



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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.