

No. 2006-6

AN ACT

SB 595

Amending Title 15 (Corporations and Unincorporated Associations) of the Pennsylvania Consolidated Statutes, further providing for removal of directors, for control persons and for qualifications of directors.

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

Section 1. Section 1726(a)(1) of Title 15 of the Pennsylvania Consolidated Statutes is amended to read:

§ 1726. Removal of directors.

(a) Removal by the shareholders.—

(1) Unless otherwise provided in a bylaw adopted by the shareholders, the entire board of directors, or a class of the board where the board is classified with respect to the power to select directors, or any individual director of a business corporation may be removed from office without assigning any cause by the vote of shareholders, or of the holders of a class or series of shares, entitled to elect directors, or the class of directors. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting. Notwithstanding the first sentence of this paragraph, unless otherwise provided in the articles *by a specific and unambiguous statement that directors may be removed from office without assigning any cause*, the entire board of directors, or any class of the board, or any individual director of a corporation having a board classified as permitted by section 1724(b) (relating to classified board of directors), may be removed from office by vote of the shareholders entitled to vote thereon only for cause, if such classification has been effected *in the articles or* by a bylaw adopted by the shareholders.

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Section 2. Section 2543(b)(2) of Title 15 is amended by adding a subparagraph to read:

§ 2543. Controlling person or group.

* * *

(b) Exceptions generally.—Notwithstanding subsection (a):

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(2) No person or group shall be deemed to be a controlling person or group at any particular time if voting power over any of the following voting shares is required to be counted at such time in order to meet the 20% minimum:

* * *

(vii) Shares acquired directly from the corporation in a transaction exempt from the registration requirements of the Securities Act of 1933.

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Section 3. Section 5722 of Title 15 is amended to read:

§ 5722. Qualifications of directors.

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

(b) Advisory committee.—*A nonprofit corporation organized primarily for recreational or youth development and delinquency prevention purposes for the benefit of individuals 18 years of age or younger may amend its articles of incorporation to establish an advisory committee to its board, composed of members who may include individuals who are 16 or 17 years of age. If a nonprofit corporation amends its articles of incorporation to establish an advisory committee under this subsection, the total number of advisory committee members may not exceed the total number of directors required for a quorum for the transaction of business.*

Section 4. This act shall take effect as follows:

- (1) The amendment of 15 Pa.C.S. § 5722 shall take effect in 60 days.
- (2) The remainder of this act shall take effect immediately.

APPROVED—The 10th day of February, A.D. 2006.

EDWARD G. RENDELL