

No. 271

AN ACT

SB 891

Amending the act of November 25, 1970 (No. 230), entitled "An act codifying and compiling a part of the law of the Commonwealth," adding provisions relating to burial grounds, corporations, including corporations not-for-profit, educational institutions, private police, certain charitable or eleemosynary institutions, certain nonprofit insurers, service of process on certain nonresident persons, names, prescribing penalties and making repeals.

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

Section 1. Titles 9, 15, 22, 40, 42, 54 and 67, act of November 25, 1970 (No. 230), known as the "Consolidated Pennsylvania Statutes," are amended to read:

## TITLE 9 BURIAL GROUNDS

### Chapter

1. General Provisions
3. Regulation of Cemetery Companies

## CHAPTER 1 GENERAL PROVISIONS

Sec.

101. Definitions.

### § 101. Definitions.

Subject to additional definitions contained in subsequent provisions of this title which are applicable to specific chapters or other provisions of this title, the following words and phrases when used in this title shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

"Cemetery." A place for the disposal or burial of deceased human beings, by cremation or in a grave, mausoleum, vault, columbarium or other receptacle, but the term does not include a private family cemetery.

"Cemetery company." Any person who offers or sells to the public the ownership, or the right to use, any cemetery lot.

"Department." The Department of State acting through the Commissioner of Professional and Occupational Affairs.

"Institutional trustee." Any bank and trust company, trust company or national banking association having fiduciary powers.

"Lot." Includes a lot, plot or part of a cemetery.

"Permanent lot care fund." The permanent lot care fund required by the provisions of Chapter 3 of this title (relating to regulation of cemetery companies).

“Qualified trustee.” An institutional trustee or an incorporated cemetery company when acting pursuant to the authority conferred by section 309 of this title (relating to incorporated cemetery company as qualified trustee).

## CHAPTER 2

(Reserved)

## CHAPTER 3

### REGULATION OF CEMETERY COMPANIES

Sec.

- 301. Initial deposits by newly-organized cemetery companies.
- 302. Initial deposits by existing cemetery companies.
- 303. Periodic deposits.
- 304. Filing affidavit of compliance.
- 305. Use of permanent lot care fund.
- 306. Status and readjustment of permanent lot care fund.
- 307. Investment and operation of fund.
- 308. Accounts of qualified trustee.
- 309. Incorporated cemetery company as qualified trustee.
- 310. Penalties.
- 311. Effect of chapter on articles of existing incorporated cemetery companies.

#### § 301. Initial deposits by newly-organized cemetery companies.

(a) General rule.—No cemetery company shall establish a cemetery, or dispose or make sale of any lot therein, without first causing to be deposited with a qualified trustee a sum of not less than \$25,000 as a permanent lot care fund.

(b) Exceptions.—The provisions of subsection (a) of this section shall not apply to any bona fide church or religious congregation or any association created by any such bona fide church or religious congregation.

#### § 302. Initial deposits by existing cemetery companies.

(a) General rule.—No cemetery company specified in subsections (b) or (c) of this section shall dispose or make any sale of any lot situated in the cemetery of such cemetery company, without first causing to be deposited with a qualified trustee a sum of not less than \$25,000 as a permanent lot care fund.

(b) Unincorporated companies.—The provisions of subsection (a) of this section shall apply to every unincorporated cemetery company:

- (1) which established a cemetery on or after October 2, 1959; or
- (2) which extended or enlarged its cemetery or acquired additional lands for such purposes on or after October 2, 1959.

(c) Incorporated companies.—The provisions of subsection (a) of this section shall apply to:

- (1) a corporation not-for-profit incorporated on or after November 18, 1961; or
- (2) a corporation for profit incorporated on or after January 19, 1952.

**§ 303. Periodic deposits.**

Every cemetery company shall set aside annually and deposit into a permanent lot care fund a sum equal to at least 15% of the gross amount of the funds arising from the sale of lots in the cemetery of such cemetery company or a sum equal to at least 40 cents per square foot of each lot sold, whichever is greater.

**§ 304. Filing affidavit of compliance.**

Every cemetery company subject to the provisions of section 301 of this title (relating to initial deposits by newly-organized cemetery companies) or section 302 of this title (relating to initial deposits by existing cemetery companies) shall, before disposing of any lot in its cemetery, cause to be filed in the Department of State an affidavit signed by a member or officer of the cemetery company stating that it has complied with the applicable section of this title, to which affidavit shall be attached an acceptance by a qualified trustee, acknowledging its acceptance of the trusteeship. The affidavit shall contain such other information as the department may require.

**§ 305. Use of permanent lot care fund.**

The permanent lot care fund established by the deposits required by section 301 of this title (relating to initial deposits by newly-organized cemetery companies) through section 303 of this title (relating to periodic deposits) shall be used for the perpetual care, maintenance and preservation of the lots and grounds, and the repair and renewal of the buildings and property connected with and forming a part of the cemetery.

**§ 306. Status and readjustment of permanent lot care fund.**

(a) Single fund.—The permanent lot care fund established by the deposits required by section 301 of this title (relating to initial deposits by newly-organized cemetery companies) through section 303 of this title (relating to periodic deposits) shall constitute a single fund with respect to any cemetery and nothing contained in this chapter shall be construed to mean that two separate funds must be created.

(b) Readjustment of fund.—Whenever there shall be deposited in a permanent lot care fund pursuant to section 303 of this title (relating to periodic deposits) a sum equal to the amount of money required to be initially deposited therein pursuant to section 301 of this title (relating to initial deposits by newly-organized cemetery companies) or section 302 of this title (relating to initial deposits by existing cemetery companies) and proof of such fact is submitted to the qualified trustee, it shall be the duty

of the qualified trustee thereupon to pay over to the cemetery company the amount so initially deposited by it in the permanent lot care fund free and clear of the restrictions and limitations of this chapter.

**§ 307. Investment and operation of fund.**

The permanent lot care fund shall be invested by the qualified trustee in the manner authorized for fiduciaries by the Fiduciaries Investment Act of 1949, and the qualified trustee, if an institutional trustee, shall pay semi-annually the net income of the fund to the cemetery company for the purposes set forth in this chapter.

**§ 308. Accounts of qualified trustee.**

(a) Institutional trustee.—The qualified trustee, if an institutional trustee, shall file accounts in the court of common pleas of the county in which the cemetery, or any part thereof, is situate, which accounts shall be filed triennially and at such other times as the court may direct, and which accounts shall be audited, adjudicated and confirmed by the court upon such notice to the parties in interest as the court may determine.

(b) Cemetery company as trustee.—The court of common pleas of the county in which the cemetery, or any part thereof, is situated shall have jurisdiction in the discretion of said court to compel any incorporated cemetery company acting as a qualified trustee under section 309 of this title (relating to incorporated cemetery company as qualified trustee) to file accounts of any funds deposited in the permanent lot care fund.

**§ 309. Incorporated cemetery company as qualified trustee.**

(a) General rule.—Every incorporated cemetery company may act as qualified trustee of the permanent lot care fund required by this chapter and may be appointed the original trustee, or, when for any reason a vacancy may occur in a trusteeship, substituted or successor trustee, and as such may receive devises, or gifts, the principal of which is to be held, in trust, in perpetuity or for a lesser period of time, for the care, maintenance, preservation, ornamentation or benefit of its cemetery, or the cemetery lots therein, upon giving its own bond without surety. The directors of any such corporation are hereby made trustees of any such funds so deposited or received, and neither such funds nor the income derived therefrom shall be used by such trustees for any purpose other than the purpose for which they were deposited, devised, donated, or otherwise acquired. The directors of such corporation shall cause accurate accounts to be kept of such trust funds separate and apart from the other funds of the corporation. Any such corporation may combine and merge the principal of two or more such trust funds and any funds so set aside in an omnibus fund for the purposes of investment of the same.

(b) Transfers to institutional fiduciary.—Any incorporated cemetery company may, by appropriate action of its stockholders or members and board of directors and with the approval of the court of common pleas of the county in which the cemetery, or any part thereof, is situated, transfer any of such funds to one or more institutional trustees, and with like

investment restrictions, such transfer to be either revocable, or absolute and irrevocable, and upon the transfer of any such funds, the incorporated cemetery company and its directors shall be relieved of all liability for the investment and reinvestment thereof.

**§ 310. Penalties.**

Any officer of any incorporated cemetery company or any member of any unincorporated cemetery company conducting or maintaining a cemetery or knowingly permitting the same to be conducted or maintained in violation of the provisions of this chapter, shall be guilty of a misdemeanor, and shall, upon conviction thereof, be sentenced to pay a fine of not more than \$1,000 or to undergo imprisonment for not more than one year, or both.

**§ 311. Effect of chapter on articles of existing incorporated cemetery companies.**

(a) Statutory amendment.—The articles of incorporation or charters of all existing incorporated cemetery companies shall be deemed to be amended to the extent necessary to give effect to the provisions of this chapter and to conform thereto.

(b) Deletion of unnecessary matter.—An existing incorporated cemetery company may by proper corporate proceedings delete from its articles of incorporation all or any part of any regulatory restrictions or limitations within the scope of this chapter.

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**TITLE 15**

**CORPORATIONS AND UNINCORPORATED ASSOCIATIONS**

**Part**

- I. Corporations Generally
- II. Corporations for Profit
- III. Corporations Not-for-profit
- IV. Cooperative Corporations
- V. Unincorporated Associations

**PART I**

**CORPORATIONS GENERALLY**

**Chapter**

- 1. General Provisions

**CHAPTER 1**

**GENERAL PROVISIONS**

**Subchapter**

- A. Preliminary Provisions
- B. Functions and Powers of Department of State

SUBCHAPTER A  
PRELIMINARY PROVISIONS

Sec.

- 101. Application of title.
- 102. Definitions.
- 103. Subordination of title to regulatory laws.
- 104. Jurisdiction of courts.
- 105. Fees.
- 106. Power to revoke, amend or repeal reserved.
- 107. Certificates and certified copies of certain documents to be received in evidence.
- 108. Effect of filing papers required to be filed.
- 109. Validation of certain defective corporations.
- 110. Validation of certain defective corporate acts.
- 111. Form of records.
- 112. Change in location of commercial registered office.

**§ 101. Application of title.**

(a) General rule.—Except as otherwise limited in subsections (b) or (c) of this section or in the scope provisions of subsequent parts, articles, chapters or other provisions of this title, this title shall apply to, and the word “corporation” in this title shall mean:

- (1) a domestic or foreign corporation for profit; and
- (2) a domestic or foreign corporation not-for-profit.

(b) Exclusions.—Except as otherwise expressly provided in this title, no provision of this title shall apply to, and the word “corporation” in this title shall not include:

- (1) A banking institution.
- (2) A domestic or foreign business corporation.
- (3) A cooperative corporation which is a corporation for profit.
- (4) A domestic or foreign insurance corporation.
- (5) A savings association.
- (6) An unconsolidated utility corporation.

(c) Corporations claiming exemption from power of the General Assembly.—Any provision of this title otherwise applicable to a corporation listed on the register established by the act of January 18, 1966 (No. 521) shall be inapplicable to such corporation to the extent, and only to the extent, required by the Constitution of the United States or the Constitution of Pennsylvania, or both.

**§ 102. Definitions.**

Subject to additional definitions contained in subsequent provisions of this title which are applicable to specific parts, articles, chapters or other provisions of this title, the following words and phrases when used in this title shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Banking institution” or “domestic banking institution.” A domestic corporation for profit which is an institution as defined in the Banking Code of 1965.

“Business corporation” or “domestic business corporation.” A business corporation as defined in the Business Corporation Law.

“Cooperative corporation” or “domestic cooperative corporation.” A corporation incorporated under one of the following statutes or which, if not existing, would be required to incorporate under one of such statutes:

(1) The act of June 7, 1887 (No. 252) relating to productive and distributive associations.

(2) The act of May 25, 1933 (No. 236) relating to agricultural credit associations having capital stock.

(3) The Electric Cooperative Corporation Act.

(4) The Credit Union Act.

(5) The Cooperative Agricultural Association Act.

“Corporation for profit.” A corporation incorporated for a purpose or purposes involving pecuniary profit, incidental or otherwise, to its shareholders or members.

“Corporation not-for-profit.” A corporation not incorporated for a purpose or purposes involving pecuniary profit, incidental or otherwise, to its members or shareholders.

“Court.” The court of common pleas of the county where the registered office of the corporation is or is to be located.

“Department.” The Department of State of the Commonwealth.

“Domestic corporation for profit.” A corporation for profit incorporated under the laws of this Commonwealth.

“Domestic corporation not-for-profit.” A corporation not-for-profit incorporated under the laws of this Commonwealth.

“Foreign business corporation.” A foreign business corporation as defined in the Business Corporation Law.

“Foreign corporation for profit.” A corporation for profit incorporated under any laws other than those of this Commonwealth.

“Foreign corporation not-for-profit.” A corporation not-for-profit incorporated under any laws other than those of this Commonwealth.

“Foreign insurance corporation.” A corporation for profit incorporated under any laws other than those of this Commonwealth which is qualified to do business in this Commonwealth under The Insurance Company Law of 1921.

“Insurance corporation” or “domestic insurance corporation.” A domestic corporation for profit which is incorporated under or subject to The Insurance Company Law of 1921 or any statute relating to the incorporation or reincorporation of limited life insurance companies.

“Nonprofit corporation” or “domestic nonprofit corporation.” A nonprofit corporation as defined in section 7302 of this title (relating to application of article).

“Savings association” or “domestic savings association.” An association as defined in the Savings Association Code of 1967.

“Officially publish.” Publish in two newspapers published in the English language in the county in which the registered office of the corporation is, or in the case of a proposed corporation is to be, located, one of which shall be a newspaper of general circulation and the other the legal newspaper, if any, designated by the rules of court for the publication of legal notices; or if there is no such legal newspaper, in two newspapers of general circulation published in the county. When there is but one newspaper of general circulation published in any county, advertisement in such newspaper shall be sufficient. Where no other frequency is specified the notice shall be published one time in the appropriate newspaper or newspapers.

“Unconsolidated utility corporation” or “domestic unconsolidated utility corporation.” A domestic corporation for profit excluded from the scope of the Business Corporation Law by reason of section 4A(2) of that statute.

“Written.” Includes printed, typewritten, engraved, lithographed, telegraphed, cabled, radiogrammed, photographed, photostated, telephotographed, or other form of recordation.

**§ 103. Subordination of title to regulatory laws.**

(a) Regulatory laws unaffected.—This title is not intended to authorize any corporation to do any act prohibited by any statute regulating the business of the corporation, or by any rule or regulation validly promulgated thereunder by any department, board or commission of this Commonwealth. Except as otherwise provided by the statutes and rules and regulations promulgated thereunder applicable to the business of the corporation, the issuance by the Department of State of any certificate evidencing the incorporation or qualification of a corporation under this title or any amendment to its articles or other change in its corporate status shall not be effective to exempt the corporation from any of the requirements of any such statutes or rules and regulations.

(b) Compliance with regulatory laws condition precedent to effectiveness of corporate action.—Any document filed in the Department of State or any bylaw adopted or other corporate action taken under the authority of this title or other action pursuant thereto in violation of any statutes or rules or regulations regulating the business of the corporation shall be ineffective as against the Commonwealth, including the departments, boards and commissions thereof, unless and until such violation is cured.

(c) Corporate provisions in regulatory statutes controlling.—If and to the extent a statute regulating the business of a corporation shall set forth provisions relating to the government and regulation of the affairs of corporations which are inconsistent with the provisions of this title on the same subject, the provisions of such other statute shall control.

**§ 104. Jurisdiction of courts.**

(a) Equity jurisdiction.—Except in cases where a statutory remedy is



provided by this title, the court shall have the jurisdiction and powers of a court of chancery so far as relates to the supervision and control of corporations.

(b) Appellate jurisdiction of Commonwealth Court.—

(1) Except as provided in paragraph (2) of this subsection or as otherwise provided in this title, the Commonwealth Court shall have exclusive jurisdiction of appeals from final orders of the courts of common pleas in any of the following classes of cases:

(i) All actions or proceedings arising under this title or where is drawn in question the application, interpretation or enforcement of any provision of the Constitution, treaties or laws of the United States, or the Constitution of Pennsylvania or any statute, regulating in any such case the corporate affairs of any corporation subject to this title or the affairs of the members, security holders, directors, officers, employees or agents thereof, as such.

(ii) All actions or proceedings otherwise involving the corporate affairs of any corporation subject to this title, or the affairs of the members, security holders, directors, officers, employees or agents thereof, as such.

(2) Paragraph (1) of this subsection shall not affect the right of direct appeal to the Supreme Court as provided by law, except that actions or proceedings in equity within the scope of subparagraphs (1)(i) or (1)(ii) of this subsection shall not be appealable directly to the Supreme Court under section 202(4) of the Appellate Court Jurisdiction Act of 1970.

**§ 105. Fees.**

Any department, board, commission, or officer of this Commonwealth shall be entitled to receive for services performed, as required by this title, such fees as are or may be lawfully charged for those or similar services.

**§ 106. Power to revoke, amend or repeal reserved.**

The General Assembly may revoke, amend or repeal any provision of this title or the articles of any domestic corporation subject to this title or the authority to do business in this Commonwealth of any foreign corporation subject to this title.

**§ 107. Certificates and certified copies of certain documents to be received in evidence.**

(a) Department of State certificate.—All certificates issued by the Department of State in accordance with the provisions of this title, or of any statute hereby supplied or repealed, and all originals or copies of articles, papers, and other documents filed with the Department of State in accordance with the provisions of this title, or of any statute hereby supplied or repealed, when certified by the department, shall be taken and received by all courts, public officers and official bodies as prima facie evidence of the facts therein stated. A certificate by the department, under the seal of the Commonwealth, as to the existence or nonexistence of facts relating to corporations which would not appear from the

foregoing documents or certificates, shall be taken and received by all courts, public officers and official bodies as prima facie evidence of the existence or nonexistence of the facts therein stated.

(b) Recorder of deeds certificate.—Copies of all articles, papers, and other documents filed in the office of any recorder of deeds in accordance with the provisions of this title, or of any statute hereby supplied or repealed, when certified by the recorder of deeds, shall be taken and received by all courts, public officers and official bodies as prima facie evidence of the facts therein stated.

**§ 108. Effect of filing papers required to be filed.**

The filing of articles, or of any other papers or documents, pursuant to the provisions of this title, is required for the purpose of affording all persons the opportunity of acquiring knowledge of the contents thereof, but no person shall be charged with constructive notice of the contents of any such articles, papers, or documents by reason of such filing.

**§ 109. Validation of certain defective corporations.**

Where heretofore or hereafter any act has been or may be done or any transfer or conveyance of any property has been or may be made to or by any corporation created or intended to be created under any statute hereby supplied or repealed, in good faith, after the approval of the articles or application for a charter or issuance of letters patent but without the actual recording of the original papers with the endorsements thereon, or a certified copy thereof, in the office of any recorder of deeds, as provided in such statutes then in force, such acts, transfers, and conveyances shall nevertheless be deemed and taken to be valid and effectual for all purposes, regardless of the omission to record such original papers with the endorsements thereon, or a certified copy thereof, as heretofore required by such statutes. Every such corporation shall be deemed and taken to have been incorporated on the date of approval of its articles or application for a charter or on the date of issuance of its letters patent, whichever event shall have last occurred.

**§ 110. Validation of certain defective corporate acts.**

Where any corporation governed by this title or created or intended to be created or governed by any statute hereby supplied or repealed has, in good faith, extended its territory or term of existence, changed its name, merged, consolidated or otherwise altered or amended its charter or articles under any statute hereby supplied or repealed but without the actual recording of a document or documents evidencing such corporate action in the office of any recorder of deeds, as provided in such statutes then in force, and a record of such corporate action is on file in the office of the prothonotary of any court of this Commonwealth or in the Department of State, such corporate action shall nevertheless be deemed and taken to be valid for all purposes, regardless of the omission to record such document or documents as heretofore required by such statutes, and every such corporate action shall be deemed and taken to have been

effected upon the filing of such corporate action in the office of the prothonotary of any court or in the Department of State, or upon the approval of such action, if required, by a court, or by the Governor, Secretary of the Commonwealth, or other officer performing corresponding functions with respect to corporate affairs, whichever event shall have last occurred.

**§ 111. Form of records.**

Any records maintained by a corporation in the regular course of its business, including shareholder or membership records, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic storage media, photographs, microphotographs, or any other information storage device if the records so kept can be converted into reasonably legible written form within a reasonable time. Any corporation shall so convert any records so kept upon the request of any person entitled to inspect such records. Where records are kept in such manner, a reasonably legible written form produced from the information storage device which accurately portrays the record shall be admissible in evidence, and shall be accepted for all other purposes, to the same extent as an original-written record of the same information would have been.

**§ 112. Change in location of commercial registered office.**

(a) General rule.—Where the registered office of a corporation is stated to be in care of or is in fact in care of a person engaged in the business of maintaining registered offices for corporations and such person changes the location of its office in a county from one address to another within such county, such person may, in the manner provided in this section, effect a corresponding change in the registered office address of each corporation represented by it. Such person shall execute and file in the Department of State with respect to each corporation represented by it a statement of change of registered office by agent, setting forth:

(1) The name of the corporation represented.

(2) The address, including street and number, if any, of its then registered office.

(3) The address, including street and number, if any, to which the registered office of the corporation is to be changed.

(4) The name of the person in care of such office and a statement that such person has been designated in fact as the agent in care of the registered office of the corporation in this Commonwealth and that such change in registered office reflects the removal of the place of business of such person to a new location within the county.

(b) Action by and notice to corporation.—It shall not be necessary for the corporation to take any action in order to effect a change of registered office under this section, but the person representing such corporation shall furnish the corporation with a copy of the statement of change of registered office by agent as filed in the Department of State.

(c) Scope.—This section shall apply to domestic and foreign

corporations not-for-profit, domestic and foreign business corporations, cooperative corporations which are corporations for profit and unconsolidated utility corporations.

SUBCHAPTER B  
FUNCTIONS AND POWERS OF DEPARTMENT OF STATE

Sec.

131. Functions of Department of State.

132. Powers of Department of State.

133. Requirements to be met by filed documents.

134. Processing of documents by Department of State.

135. Commonwealth Court to pass upon rejection of documents by Department of State.

136. Certificate of correction.

**§ 131. Functions of Department of State.**

(a) General rule.—The function of the Department of State under this title is to act in a manner comparable to the offices of recorder of deeds under former provisions of law as an office of public record wherein articles and other papers relating to corporate affairs may be filed to establish the permanent and definitive text thereof and to afford all persons the opportunity of acquiring knowledge of the contents thereof.

(b) Corporate names.—The department shall supervise and administer the provisions of this title and other applicable statutory provisions relating to the use of corporate names.

(c) Collection of taxes and charges imposed by statute.—Nothing in this subchapter shall limit the power and duty of the department to assess and collect taxes and charges now or hereafter imposed or authorized by statute.

**§ 132. Powers of Department of State.**

(a) General rule.—The Department of State shall have the power and authority reasonably necessary to enable it to administer this subchapter efficiently and to perform the functions specified in section 131 of this title (relating to functions of Department of State).

(b) Language and content of documents.—Except to the extent required in order to determine whether the document complies with section 133 of this title (relating to requirements to be met by filed documents), the Department of State shall not examine articles and other documents authorized or required to be filed in the department under this title to determine whether the language or content thereof conforms to the provisions of this title.

(c) Meaning of term “conform to law.”—A document delivered to the Department of State for the purpose of filing in the department shall be deemed to be in accordance with law and to conform to law, as those terms are used in existing statutes relating to the powers and duties of the

department, if the document conforms to section 133 of this title.

(d) Physical characteristics of documents.—All articles and other documents authorized or required to be filed in the department under this title shall be in such format as to size, shape and other physical characteristics as shall be prescribed by regulations promulgated by the department. All formats promulgated by the department for use under this title shall be published in the Pennsylvania Code.

**§ 133. Requirements to be met by filed documents.**

A document shall be accepted for filing by the Department of State if it satisfies the following requirements:

(1) The document purports on its face to relate to matters authorized or required to be filed under this title or contains a caption indicating such relationship and contains sufficient information to permit the department to prepare a docket record entry:

(i) Identifying the names of the corporation or corporations to which the document relates.

(ii) Identifying the corporation or corporations, if any, the corporate existence of which is to be created, extended, limited or terminated by reason of the filing and the duration of existence of any such corporation.

(iii) Specifying the date upon which the creation or termination of existence, if any, of the corporation or corporations effected by the filing shall take effect.

(2) The document complies with any regulations promulgated by the department pursuant to section 132(d) of this title (relating to physical characteristics of documents).

(3) In the case of a document which creates a new corporation or effects or reflects a change in corporate name:

(i) the document is accompanied by evidence that the proposed corporate name has been reserved by or on behalf of the applicant; or

(ii) the proposed name is available for corporate use under the applicable standard established by this title and any other applicable provision of law.

(4) Proof of publication, if required by the applicable provisions of this title, has been tendered therewith.

(5) All fees, taxes and certificates relating thereto required by statute have been tendered therewith.

(6) All certificates and other instruments required by statute evidencing the consent or approval of any department, board, commission or other agency of this Commonwealth as a prerequisite to the filing of the document in the Department of State have been incorporated into, attached to or otherwise tendered with such document.

**§ 134. Processing of documents by Department of State.**

(a) Filing of documents.—If a document conforms to section 133 of this title (relating to requirements to be met by filed documents) the Department of State shall forthwith or on such date as is requested by the person delivering the document, whichever is later, file such document, certify that such document has been filed by endorsing upon such document the fact and date of filing, make and retain a copy thereof, and return the document or a copy thereof so endorsed to or upon the order of the person who delivered the document to the department.

(b) Immediate certified copy.—

(1) If a duplicate copy, which may be either a signed or conformed copy, of any articles or other document authorized or required by this title to be filed in the Department of State is delivered to the department with the original signed document, the department shall compare the duplicate copy with the original signed document, and if it finds that they are identical, shall certify the duplicate copy by making upon it the same endorsement which is required to appear upon the original, together with a further endorsement that the duplicate copy is a true copy of the original signed document, and return such duplicate copy to the person who delivered it to the department. If the duplicate copy is delivered by hand to the office of the department at the seat of government at least four hours before the close of business on any day not a holiday, the department before the close of business on such day shall either:

(i) certify the duplicate copy as required by this subsection and make such certified copy available at the office of the department to or upon the order of the person who delivered it to the department;

or

(ii) make available at the office of the department to or upon the order of the person who delivered it to the department a brief statement in writing of the reasons of the department for refusing to certify such duplicate copy.

(2) In lieu of comparing the duplicate copy with the original signed document as provided in paragraph (1) of this subsection, the department may make a copy of the original signed document at the cost of the person who delivered it to the department.

(c) Effective date.—Except as otherwise provided in this title, a document shall become effective upon the filing thereof in the department.

(d) Copies.—The Department of State may make a copy, on microfilm or otherwise, of any document filed in, with or by it pursuant to this title, or any statute hereby supplied or repealed, and thereafter destroy such document or return it to or upon the order of the person who delivered the document to the department.

**§ 135. Commonwealth Court to pass upon rejection of documents by Department of State.**

(a) General rule.—Whenever the Department of State rejects a document delivered for filing under this title or fails to make available a certified duplicate copy within the time prescribed by section 134(b) of this title (relating to immediate certified copy):

- (1) the original document or copies thereof;
- (2) the statement, if any, of the department made under section 134(b)(1)(ii) of this title; and
- (3) any other papers relating thereto;

may be delivered to the Prothonotary of the Commonwealth Court. Immediately the prothonotary shall transmit such papers to the Commonwealth Court without formality or expense to the person who delivered the original document to the department. The question of the eligibility of the document for filing in the department shall thereupon, at the earliest possible time, be heard by a judge of such court, without jury, in the court or in chambers, during term or in vacation, as the case may be. The finding of the court, or any judge thereof, that the document is eligible for filing in the department shall be final, and the Department of State shall act in accordance therewith. The true intent of this section is to secure for applicants an immediate hearing in the Commonwealth Court without delay or expense on the part of the applicants.

(b) Appeal from order of Commonwealth Court.—The corporation or any incorporator of a proposed corporation may petition for allowance of an appeal from an adverse order of the Commonwealth Court within the time and in the manner provided by law. The Department of State shall not have any right in the exercise of its functions under this title to petition for allowance of an appeal from an order of the Commonwealth Court and the General Assembly hereby waives any such right which the department might otherwise enjoy under the Constitution of Pennsylvania or otherwise, but any department, board or commission of the Commonwealth which contends that the document fails to comply with section 133(6) of this title (relating to requirements to be met by filed documents) may petition for allowance of an appeal from such an order.

(c) Exceptions.—Nothing in this section shall impair the right of any person to proceed under section 136 of this title (relating to certificate of correction) or of the Attorney General to institute proceedings under section 7990 of this title (relating to actions to revoke corporate franchises).

**§ 136. Certificate of correction.**

(a) Filing of certificate.—Whenever any document authorized or required to be filed in the Department of State by any provision of this title has been so filed and is an inaccurate record of the corporate action therein referred to, or was defectively or erroneously executed, such document may be corrected by filing in the department a certificate of correction of such document. The certificate of correction, except as provided in subsection (c) of this section, shall be executed under the seal

of the corporation by two duly authorized officers thereof and shall set forth:

(1) The name and location of the registered office of the corporation, including street and number, if any.

(2) The statute by or under which the corporation was incorporated.

(3) The inaccuracy or defect to be corrected.

(4) The portion of the document requiring correction in corrected form, or if the document was erroneously executed, a statement that the original document shall be deemed reexecuted or stricken from the records of the department, as the case may be.

(b) Effect of filing.—

(1) The corrected document shall be effective:

(i) upon filing in the Department of State as to those persons who are substantially and adversely affected by the correction; and

(ii) as of the date the original document was effective, as to all other persons.

(2) No filing under this section shall have the effect of causing original articles of incorporation to be stricken from the records of the department, but such articles may be corrected under this section.

(c) Filing pursuant to court order.—If the corporation refuses to file an appropriate certificate of correction under this section within ten business days after any person adversely affected has made a written demand therefor, such person may apply to the court for an order to compel such filing. If the court finds that a document on file in the Department of State is inaccurate or defective, it may direct the officers of the corporation to file an appropriate certificate of correction in the department or it may order the prothonotary to execute such a certificate under the seal of the court and cause such certificate to be filed in the department. In the absence of fraud, an application may not be made to a court under this subsection with respect to a document more than one year after the date on which it was originally filed in the department.

**PART II**  
**CORPORATIONS FOR PROFIT**  
(Reserved)

**PART III**  
**CORPORATIONS NOT-FOR-PROFIT**

**Article**

A. Preliminary Provisions

B. Domestic Nonprofit Corporations

C. Foreign Corporations Not-for-profit



ARTICLE A  
PRELIMINARY PROVISIONS

## Chapter

## 71. General Provisions

CHAPTER 71  
GENERAL PROVISIONS

## Sec.

- 7101. Short title of part.
- 7102. Application of part.
- 7103. Definitions.
- 7104. Saving clause.
- 7105. Limited uniform application of part.
- 7106. Subordination of part to canon law.
- 7107. Limitation on incorporation.

**§ 7101. Short title of part.**

This part shall be known, and may be cited as, the "Corporation Not-for-profit Code."

**§ 7102. Application of part.**

Except as otherwise provided in the scope provisions of subsequent articles, chapters or other provisions of this part, this part shall apply to and the word "corporation" in this part shall mean a domestic or foreign corporation not-for-profit.

**§ 7103. Definitions.**

Subject to additional definitions contained in subsequent provisions of this part which are applicable to specific articles, chapters or other provisions of this part, the following words and phrases, when used in this part shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

"Articles." The original articles of incorporation, all amendments thereto, articles of merger and consolidation, and any other articles, statements or certificates permitted or required to be filed by this part or by Chapter 1 of this title (relating to general provisions), and including what have heretofore been designated by law as certificates of incorporation or charters. If an amendment or articles of merger, division or conversion made in the manner permitted by this part restates articles in their entirety or if there are articles of consolidation, thenceforth the "articles" shall not include any prior documents and any certificate issued by the Department of State with respect thereto shall so state.

"Board of directors" or "board." The group of persons vested with the management of the business and affairs of the corporation irrespective of the name by which such group is designated. The term does not include an other body. The term, when used in any provision of this part relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive

or other committee of the board. Any provision of this part relating or referring to action to be taken by the board of directors or the procedure required therefor shall be satisfied by the taking of corresponding action by a committee of the board of directors to the extent authority to take such action has been delegated to such committee pursuant to section 7731 of this title (relating to executive and other committees of the board).

“Business.” In the case of a domestic corporation not-for-profit, any or all of the activities for which it has been incorporated, and, in the case of a foreign corporation not-for-profit, any or all of the activities in which its certificate of authority authorizes it to engage within this Commonwealth.

“Bylaws.” The code or codes of rules adopted for the regulation or management of the business and affairs of the corporation irrespective of the name or names by which such rules are designated.

“Charitable purposes.” The relief of poverty, the advancement of education, the advancement of religion, the promotion of health, governmental or municipal purposes, and other purposes the accomplishment of which is beneficial to the community.

“Common trust fund.” A fund maintained by the corporation for the collective investment and reinvestment of trust assets, and any other funds contributed thereto by such corporation, as fiduciary or otherwise.

“Directors.” Persons designated, elected or appointed, by that or any other name or title, to act as directors, and their successors. The term does not include a member of an other body, as such. The term, when used in relation to any power or duty requiring collective action, shall be construed to mean “board of directors.”

“Entitled to vote.” Those persons entitled to vote on the matter under either the bylaws of the corporation or any applicable controlling provision of law.

“Full age.” Of the age of 18 years or over.

“Incorporator.” A signer of the original articles of incorporation.

“Member.” One having membership rights in a corporation in accordance with the provisions of its bylaws. The term, when used in relation to the taking of corporate action includes:

(1) the proxy of a member, if action by proxy is permitted under the bylaws of the corporation; and

(2) a delegate to any convention or assembly of delegates of members established pursuant to any provision of this part.

If and to the extent the bylaws confer rights of members upon holders of securities evidencing indebtedness or governmental or other entities pursuant to any provision of this part the term shall be construed to include such security holders and governmental or other entities. The term shall be construed to include “shareholder” if the corporation issues shares of stock.

“Nonprofit corporation” or “domestic nonprofit corporation.” A

domestic corporation not-for-profit incorporated under Article B of this part (relating to domestic nonprofit corporations) or heretofore or hereafter incorporated or domesticated in this Commonwealth, which is not excluded from the scope of Article B of this part by section 7302 of this title (relating to application of article).

“Nonqualified foreign corporation.” A foreign corporation not-for-profit which is not a qualified foreign corporation, as defined in this section.

“Other body.” A term employed in this part to denote a person or group, other than the board of directors or a committee thereof, who pursuant to authority expressly conferred by this part may be vested by the bylaws of the corporation with powers which, if not vested by the bylaws in such person or group, would by this part be required to be exercised by either:

- (1) the membership of a corporation taken as a whole;
- (2) a convention or assembly of delegates of members established pursuant to any provision of this part; or
- (3) the board of directors.

Except as otherwise provided in this part a corporation may establish distinct persons or groups to exercise different powers which this part authorizes a corporation to vest in an other body.

“Qualified foreign corporation.” A foreign corporation not-for-profit authorized under Article C of this part (relating to foreign corporations not-for-profit) to do business in this Commonwealth.

“Registered office.” That office maintained by a corporation in this Commonwealth, the address of which is filed in the Department of State or which was recorded in the office of the recorder of deeds in the manner formerly required by statute.

“Representative.” When used with respect to a corporation, partnership, joint venture, trust or other enterprise, means a director, officer, employee or agent thereof.

“Trust instrument.” Any lawful deed of gift, grant, will or other document by which the donor, grantor or testator shall give, grant or devise any real or personal property or the income therefrom in trust for any charitable purpose.

“Unless otherwise provided.” When used to introduce a rule implies that the alternative provisions contemplated may either relax or restrict the stated rule.

“Unless otherwise restricted.” When used to introduce a rule implies that the alternative provisions contemplated may further restrict, but may not relax, the stated rule.

**§ 7104. Saving clause.**

(a) General rule.—Except as otherwise provided in subsection (b) of this section, this part and its amendments shall not impair or affect any act done, offense committed, or substantial right accruing, accrued, or

acquired, or liability, duty, obligation, penalty, judgment or punishment incurred prior to the time this part or any amendment thereto takes effect, but the same may be enjoyed, asserted, enforced, prosecuted, or inflicted as fully and to the same extent as if this part or any amendment thereto had not been enacted.

(b) Exception.—A member shall not have any right to claim the right to valuation of and payment for his membership interest or shares because of any proposed plan or amendment of articles authorized under any provision of this part, or to obtain, in the absence of fraud or fundamental unfairness, an injunction against any such plan or amendment.

**§ 7105. Limited uniform application of part.**

(a) General rule.—Except as provided in subsection (b) of this section this part and its amendments are intended to provide uniform rules for the government and regulation of the affairs of corporations and of their officers, directors and members, regardless of the date or manner of incorporation or qualification, or of the issuance of any evidences of membership in or shares thereof.

(b) Exceptions.—

(1) Unless expressly provided otherwise in any amendment to this part any such amendment shall take effect only prospectively.

(2) Any existing corporation lawfully using a name, or as a part of its name a word, which could not be used as or included in the name of a corporation hereafter incorporated or qualified under this part, may continue to use such name, or word as part of its name, provided the use or inclusion of such word or name was lawful when first adopted by the corporation in this Commonwealth.

(3) Nothing in subsection (a) of this section shall adversely affect the rights saved by the general terms of section 7104 of this title (relating to saving clause).

**§ 7106. Subordination of part to canon law.**

If and to the extent canon law applicable to a corporation incorporated for religious purposes shall set forth provisions relating to the government and regulation of the affairs of the corporation which are inconsistent with the provisions of this part on the same subject, the provisions of canon law shall control to the extent, and only to the extent, required by the Constitution of the United States or the Constitution of Pennsylvania, or both.

**§ 7107. Limitation on incorporation.**

No corporation which might be incorporated under Article B of this part (relating to domestic nonprofit corporations) shall hereafter be incorporated except under the provisions of such article.

ARTICLE B  
DOMESTIC NONPROFIT CORPORATIONS

## Chapter

- 73. Application of Article; Incorporation
- 75. Corporate Powers, Duties and Safeguards
- 77. Officers, Directors and Members
- 79. Fundamental Changes

CHAPTER 73  
APPLICATION OF ARTICLE; INCORPORATION

## Subchapter

- A. Short Title and Application of Article
- B. Incorporation Generally
- C. Special Procedures Applicable to Certain Corporations

SUBCHAPTER A  
SHORT TITLE AND APPLICATION OF ARTICLE

## Sec.

- 7301. Short title of article.
- 7302. Application of article.

**§ 7301. Short title of article.**

(a) Title of article.—This article shall be known, and may be cited as, the “Nonprofit Corporation Law of 1972.”

(b) Prior law.—The act of May 5, 1933 (No. 105) shall be known, and may be cited as, the “Nonprofit Corporation Law of 1933.”

**§ 7302. Application of article.**

(a) General rule.—Except as otherwise provided in subsections (b) and (c) of this section or in the scope provisions of subsequent chapters or other provisions of this article, this article shall apply to and the words “corporation” or “nonprofit corporation” in this article shall mean a “corporation” as defined in section 7102 of this title (relating to application of part).

(b) Foreign corporation exclusion.—Except as otherwise provided by Article C of this part (relating to foreign corporations not-for-profit) or as otherwise expressly provided by statute, no provision of this article shall apply to, and the word “corporation” in this article shall not include, any foreign corporation not-for-profit.

(c) Cooperative corporation exclusion.—Except as otherwise expressly provided by statute, no provision of this article shall apply to, and the word “corporation” in this article shall not include, any domestic cooperative corporation.

SUBCHAPTER B  
INCORPORATION GENERALLY

## Sec.

- 7311. Purposes.

- 7312. Number and qualifications of incorporators.
- 7313. Corporate name.
- 7314. Required name changes by senior corporations.
- 7315. Reservation of corporate name.
- 7316. Articles of incorporation.
- 7317. Advertisement.
- 7318. Filing of articles.
- 7319. Effect of filing of articles of incorporation.
- 7320. Organization meeting.
- 7321. Filing of certificate of summary of record by corporations incorporated prior to 1972.

**§ 7311. Purposes.**

Corporations may be incorporated under this article for any lawful purpose or purposes, including, but not limited to, any one or more of the following or similar purposes: athletic; any lawful business purpose to be conducted on a not-for-profit basis; beneficial; benevolent; cemetery; charitable; civic; control of fire; cultural; educational; encouragement of agriculture or horticulture; fraternal; fraternal benefit; health; literary; missionary; musical; mutual improvement; patriotic; political; prevention of cruelty to persons or animals; professional, commercial, industrial, trade, service or business associations; promotion of the arts; protection of natural resources; religious; research; scientific and social.

**§ 7312. Number and qualifications of incorporators.**

One or more corporations for profit or not-for-profit or natural persons of full age may incorporate a nonprofit corporation under the provisions of this article.

**§ 7313. Corporate name.**

(a) General rule.—The corporate name may be in any language, but must be expressed in English letters or characters and shall not contain the word “cooperative” or an abbreviation thereof. The corporate name shall not imply that the corporation is a governmental agency of the Commonwealth or of the United States, a bank, bank and trust company, savings bank, private bank or trust company, as defined in the Banking Code of 1965, an insurance company which might be incorporated under The Insurance Company Law of 1921, or a public utility as defined in the Public Utility Law.

(b) Duplicate use of names.—The corporate name shall not be the same as, or deceptively similar to:

(1) The name of any other domestic corporation for profit or not-for-profit, or of any foreign corporation for profit or not-for-profit authorized to do business in this Commonwealth, or the name of any nonprofit unincorporated association registered at any time under Chapter 5 of Title 54 (relating to corporate and association names), unless:

(i) where the name is the same or deceptively similar, such other corporation or nonprofit unincorporated association:

(A) is about to change its name, or to cease to do business, or is being wound up, or is a foreign corporation about to withdraw from doing business in this Commonwealth, and the written consent of such other corporation or nonprofit unincorporated association to the adoption of such name is filed in the Department of State;

(B) has filed with the Department of Revenue a certificate of out of existence, or has failed for a period of three successive years to file with the Department of Revenue a report or return required by law, and such failure to file with the Department of Revenue has been certified by the Department of Revenue to the Department of State; or

(C) has had the registration of its name under Chapter 5 of Title 54 terminated and, if the termination was effected by operation of 54 Pa. S. § 504 (relating to effect of failure to make decennial filings), the application for the use of such name is accompanied by an affidavit stating that at least 30 days' written notice of intention to appropriate such name was given to the delinquent corporation or association at its registered office and that after diligent search by the affiant the affiant believes the corporation or association to be out of existence; or

(ii) where the name is deceptively similar, the consent of such other corporation or nonprofit unincorporated association to the adoption of such name is filed in the Department of State.

The consent of the corporation or nonprofit unincorporated association shall be evidenced by a certificate to that effect executed under the seal, if any, of the corporation or association and signed by two duly authorized officers thereof.

(2) The name of any administrative department, board, or commission, or other agency of this Commonwealth.

(3) A name the exclusive right to which is at the time reserved by any other person whatsoever in the manner provided by statute. A name shall be rendered unavailable for corporate use by reason of the filing in the Department of State of any assumed or fictitious name required by statute to be filed in the department only if and to the extent expressly so provided by such statute.

(c) Required approvals or conditions.—

(1) The corporate name shall not contain the word "college," "university" or "seminary" when used in such a way as to imply that it is an educational institution conforming to the standards and qualifications prescribed by the State Board of Education, unless there is submitted a certificate from the Department of Education certifying that the corporation or proposed corporation is entitled to use such designation.

(2) The corporate name shall not contain the words “engineer” or “engineering” or “surveyor” or “surveying” or any other word implying that any form of the practice of engineering or surveying as defined in the Professional Engineers Registration Law is provided unless at least one of the incorporators of a proposed corporation or the directors of the existing corporation has been properly registered with the State Registration Board for Professional Engineers in the practice of engineering or surveying and there is submitted to the department a certificate from the board to that effect.

(3) The corporate name shall not contain the words “Young Men’s Christian Association” or any other words implying that the corporation is affiliated with the State Young Men’s Christian Association of Pennsylvania unless the corporation is incorporated for the purpose of the improvement of the spiritual, mental, social and physical condition of young people, by the support and maintenance of lecture rooms, libraries, reading rooms, religious and social meetings, gymnasiums, and such other means and services as may conduce to the accomplishment of that object, according to the general rules and regulations of such State association.

(d) Other rights unaffected.—Nothing in this section shall abrogate or limit the law as to unfair competition or unfair practices, nor derogate from the common law, the principles of equity, or the statutes of this Commonwealth with respect to the right to acquire and protect trade names.

(e) Remedies for violation of section.—The use of a name in violation of this section shall not vitiate or otherwise affect the corporate existence, but the Commonwealth Court may, upon the application of the Attorney General, acting on his own motion or at the instance of any administrative department, board, or commission of this Commonwealth, and the court of common pleas of any county having jurisdiction over the corporation may, upon the application of any person adversely affected, enjoin the corporation from using or continuing to use a name in violation of this section.

**§ 7314. Required name changes by senior corporations.**

(a) Adoption of new name upon reactivation.—Where a corporate name is made available on the basis that the corporation or nonprofit unincorporated association which formerly registered such name has failed to file with the Department of Revenue or in the Department of State a report or a return required by law or where the corporation or nonprofit unincorporated association has filed with the Department of Revenue a certificate of out of existence, such corporation or association shall cease to have by virtue of its prior registration any right to the use of such name, and such corporation or association, upon withdrawal of the certificate of out of existence or upon the removal of its delinquency in the filing of the required reports or returns, shall make inquiry with the



Department of State with regard to the availability of its name, and if such name has been made available to another domestic or foreign corporation for profit or not-for-profit by virtue of the above conditions, shall adopt a new name in accordance with law before resuming its activities.

(b) Enforcement of undertaking to release name.—If a corporation has used a name the same as, or deceptively similar to, the name of another corporation or nonprofit unincorporated association as permitted by section 7313(b)(1)(i) of this title (relating to duplicate use of names) and the other corporation or nonprofit unincorporated association continues to use its name in this Commonwealth and does not change its name, cease to do business, be wound up, or withdraw as it proposed to do in its consent or change its name as required by subsection (a) of this section, the Commonwealth Court may, upon the application of the Attorney General, acting on his own motion or at the instance of any administrative department, board or commission of this Commonwealth, and the court of common pleas of any county having jurisdiction over the other corporation or nonprofit unincorporated association may, upon the application of any person adversely affected, enjoin the other corporation or association from continuing to use its name or a name deceptively similar thereto.

**§ 7315. Reservation of corporate name.**

(a) General rule.—The exclusive right to the use of a corporate name may be reserved by any person. Such reservation shall be made by delivering to the department an application to reserve a specified corporate name, executed by the applicant. If the department finds that the name is available for corporate use, it shall reserve the name for the exclusive use of the applicant for a period of 60 days.

(b) Transfer of reservation.—The right to exclusive use of a specified corporate name reserved under subsection (a) of this section may be transferred to any other person by delivering to the department a notice of such transfer, executed by the person for whom the name was reserved, and specifying the name and address of the transferee.

**§ 7316. Articles of incorporation.**

(a) General rule.—Articles of incorporation shall be signed by each of the incorporators, and shall set forth, in the English language:

(1) The name of the corporation, unless the name is in a foreign language, in which case it shall be set forth in English letters or characters.

(2) The address, including street and number, if any, of its initial registered office in this Commonwealth.

(3) A brief statement of the purpose or purposes for which the corporation is incorporated.

(4) A statement that the corporation is one which does not contemplate pecuniary gain or profit, incidental or otherwise.

(5) The term for which it is to exist, which may be perpetual.

(6) A statement whether the corporation is to be organized upon a nonstock basis or a stock share basis, and, if it is to be organized on a stock share basis:

(i) The aggregate number of shares which the corporation shall have authority to issue, and, if the shares are to consist of one class only, the par value of each of the shares or a statement that all of the shares are without par value, or if the shares are to be divided into classes, the number of shares of each class, if any, that are to have a par value and the par value of each share of each class and the number of shares of each class, if any, that are to be without par value. It shall not be necessary to set forth in the original articles the designations of the classes of shares of the corporation.

(ii) A statement of the designations, preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of any class the fixing of which by the articles of incorporation is desired.

(iii) A statement of such authority as it may then be desired to vest in the members, board of directors or other body to fix by provision in the bylaws any designations, preferences, qualifications, limitations, restrictions, and special or relative rights of any class that may be desired but which shall not be fixed in the articles.

(7) If the corporation is to have no members, a statement to that effect.

(8) The name and address, including street and number, if any, of each of the incorporators.

(9) Any other provisions which the incorporators may choose to insert if:

(i) any provision of this article authorizes or requires provisions pertaining to the subject matter thereof to be set forth in the articles or bylaws of a nonprofit corporation or in an agreement or other instrument; or

(ii) such provisions, whether or not specifically authorized by this article, relate to the regulation of the internal affairs or business of the corporation, or to the rights, powers or duties of its members, security holders, directors or officers.

(b) Written consent to naming directors.—The naming of directors in articles of incorporation shall constitute an affirmation that such directors have consented in writing to serve as such.

**§ 7317. Advertisement.**

The incorporators or the corporation shall officially publish a notice of intention to file or of the filing of articles of incorporation. The notice may appear prior to or after the day the articles of incorporation are filed in the Department of State, and shall set forth briefly:

(1) The name of the proposed corporation.

(2) A statement that the corporation is to be or has been incorporated under the provisions of this article.

(3) A brief summary of the purpose or purposes of the corporation.

(4) A date on or before which the articles will be filed in the Department of State or the date the articles were filed.

**§ 7318. Filing of articles.**

The articles of incorporation shall be filed in the Department of State.

**§ 7319. Effect of filing of articles of incorporation.**

Upon the filing of the articles of incorporation in the Department of State, the corporate existence shall begin. Subject to the provisions of section 7990 of this title (relating to actions to revoke corporate franchises), the articles of incorporation filed in the Department of State, or approved by the court and recorded in the office of the recorder of deeds under the former provisions of law, shall be conclusive evidence of the fact that the corporation has been incorporated.

**§ 7320. Organization meeting.**

(a) General rule.—After the filing of the articles of incorporation, an organization meeting of the initial directors, or if directors are not named in the articles, of the incorporator or incorporators, shall be held, within or without this Commonwealth, for the purpose of adopting bylaws, which they shall have authority to do at such meeting, of electing directors to hold office as provided in the bylaws, if directors are not named in the articles, and the transaction of such other business as may come before the meeting. A bylaw adopted at such meeting of directors or incorporators shall be deemed to be a bylaw adopted by the members for the purposes of this article and of any other provision of law.

(b) Call of and action at meeting.—The meeting may be held at the call of any director or, if directors are not named in the articles, of any incorporator, who shall give at least five days' written notice thereof to each other director or incorporator, which notice shall set forth the time and place of the meeting. For the purposes of this section an incorporator may act in person or by proxy signed by him or his attorney in fact.

(c) Death or incapacity of directors or incorporators.—If a designated director or an incorporator dies or is for any reason unable to act at the meeting, the other or others may act. If there is no other designated director or incorporator able to act, any person for whom an incorporator was acting as agent may act in his stead.

**§ 7321. Filing of certificate of summary of record by corporations incorporated prior to 1972.**

(a) General rule.—Any nonprofit corporation which was not incorporated under this article and which desires to file any document in the Department of State under any other provision of this article or which desires to secure from the department any certificate to the effect that the corporation is a corporation duly incorporated and existing under the laws of this Commonwealth or a certified copy of the articles of the corporation shall file in the department a certificate of summary of record, which shall

be executed under the seal of the corporation by two duly authorized officers thereof and shall set forth:

(1) The name of the corporation and the location, including street and number, if any, of its registered office.

(2) The statute by or under which the corporation was incorporated.

(3) The name under which, the manner in which and the date on which the corporation was originally incorporated, including the date when and the place where the original articles were recorded.

(4) The place or places, including volume and page numbers or their equivalent, where the documents constituting the currently effective articles are filed or recorded, the date or dates of each such filing or recording, and the text of such currently effective articles. The information specified in this paragraph may be omitted in a certificate of summary of record which is delivered to the department contemporaneously with amended and restated articles of the corporation filed under this article.

(5) Each name by which the corporation was known, if any, other than its original name and its current name, and the date or dates on which each change of name of the corporation became effective.

A corporation shall be required to make only one filing under this subsection.

(b) Validation of prior defects in incorporation.—Upon the filing of a certificate under this section the corporation named in the certificate shall be deemed to be a validly subsisting corporation to the same extent as if it had been duly incorporated and was existing under this article and the Department of State shall so certify regardless of any absence of or defect in the prior proceeding relating to incorporation.

### SUBCHAPTER C SPECIAL PROCEDURES APPLICABLE TO CERTAIN CORPORATIONS

Sec.

7341. Unincorporated associations.

§ 7341. **Unincorporated associations.**

In the case of the incorporation as a nonprofit corporation under this article of an unincorporated association the articles of incorporation shall contain, in addition to the provisions heretofore required in this chapter, a statement that the incorporators constitute a majority of the members of the committee authorized to incorporate such association by the requisite vote required by the organic law of the association for the amendment of such organic law.

CHAPTER 75  
CORPORATE POWERS, DUTIES AND SAFEGUARDS

## Subchapter

- A. General Provisions
- B. Financial Matters
- C. Common Trust Funds

SUBCHAPTER A  
GENERAL PROVISIONS

## Sec.

- 7501. Corporate capacity.
- 7502. General powers.
- 7503. Defense of ultra vires.
- 7504. Adoption and contents of bylaws.
- 7505. Persons bound by bylaws.
- 7506. Form of execution of instruments.
- 7507. Registered office.
- 7508. Corporate records; inspection.
- 7509. Bylaws and other powers in emergency.
- 7510. Establishment of subordinate units.

**§ 7501. Corporate capacity.**

Except as provided in section 103 of this title (relating to subordination of title to regulatory laws), a nonprofit corporation shall have the capacity of natural persons to act.

**§ 7502. General powers.**

(a) General rule.—Subject to the limitations and restrictions imposed by statute and, except as otherwise provided in paragraph (4) of this subsection, subject to the limitations and restrictions contained in its articles, every nonprofit corporation shall have power:

(1) To continue as a corporation for the time specified in its articles, subject to the power of the Attorney General under section 7990 of this title (relating to actions to revoke corporate franchises) and to the power of the General Assembly under the Constitution of Pennsylvania.

(2) To sue and be sued, complain and defend, in its corporate name.

(3) To have a corporate seal, which may be altered at pleasure, and to use the same by causing it or a facsimile thereof to be impressed or affixed, or in any manner reproduced.

(4) To acquire, own and dispose of any real or personal property, or any interest therein, wherever situated, regardless of any limitation set forth in its articles prior to January 1, 1972 as to the quantity or value of real or personal property which it may hold, or as to the amount of income derived therefrom.

(5) To sell and convey, lease away, exchange or otherwise dispose of all or any part of its property and assets, or any interest therein, wherever situated.

(6) To guarantee, become surety for, acquire, own and dispose of obligations, capital stock and other securities, and evidences of indebtedness.

(7) To borrow money, to issue its evidences of indebtedness, for labor done, or money or property, including shares of the corporation, if the corporation is organized on a stock share basis, properly acquirable by it, actually received and to secure any of its obligations by mortgage on or pledge of or security interest in all or any part of its property and assets, wherever situated, franchises or income, or any interest therein.

(8) To invest its surplus funds, to lend money and to take and hold real and personal property as security for the payment of funds so invested or loaned.

(9) To make contributions and donations for charitable purposes.

(10) To use abbreviations, words or symbols in connection with the registration of, and inscription of ownership or entitlement on certificates evidencing membership in the corporation or ownership of its securities and upon the other records of the corporation, and upon checks, proxies, notices and other instruments and documents relating to the foregoing, which abbreviations, words or symbols shall thereupon have the same force and effect as though the respective words and phrases for which they stand were set forth in full for the purposes of all statutes of this Commonwealth and all other purposes.

(11) To be a promoter, partner, member, associate or manager of any partnership, enterprise or venture or in any transaction, undertaking or arrangement which the participating corporation would have power to conduct itself, whether or not such participation involves sharing or delegation of control with or to others.

(12) To transact any lawful business which the board of directors or other body shall find to be in aid of governmental authority.

(13) To continue the salaries of such of its employees as may be serving in the armed forces of the United States, or in the national guard or any other organization established for the protection of the lives and property of citizens of the United States during the term of such service or during such part thereof as such employees, by reason of such service, may be unable to perform their duties as employees of the corporation.

(14) To grant allowances or pensions to its directors, officers and employees and, after their death, to their dependents or beneficiaries, whether or not such a grant was made during their lifetime.

(15) To conduct its business, carry on its operations, and have offices and exercise the powers granted by this article in any jurisdiction within or without the United States.

(16) To adopt, amend and repeal bylaws.

(17) To elect or appoint and remove officers, employees and agents of the corporation, define their duties, fix their reasonable

compensation and the reasonable compensation of directors, and to indemnify corporate personnel.

(18) To enter into any obligation appropriate for the transaction of its affairs.

(19) To have and exercise all of the powers and means appropriate to effect the purpose or purposes for which the corporation is incorporated.

(20) To dissolve and wind up.

(b) Enumeration unnecessary.—It shall not be necessary to set forth in the articles of the corporation the powers enumerated in subsection (a) of this section.

(c) Board to exercise.—Except as otherwise provided by statute or in the bylaws, the powers enumerated in this section and elsewhere in this article shall be exercised by the board of directors of the corporation.

**§ 7503. Defense of ultra vires.**

(a) General rule.—No limitation upon the business, purpose or purposes, or powers of a nonprofit corporation, expressed or implied in its articles or implied by law, shall be asserted in order to defend any action at law or in equity between the corporation and a third person, or between a member and third person, involving any contract to which the corporation is a party or any right of property or any alleged liability of whatsoever nature; but such limitation may be asserted:

(1) In an action by a member against the corporation to enjoin the doing of unauthorized acts or the transaction or continuation of unauthorized business. If the unauthorized acts or business sought to be enjoined are being transacted pursuant to any contract to which the corporation is a party, the court may, if all of the parties to the contract are parties to the action, and if it deems such action to be equitable, set aside and enjoin the performance of such contract, and in so doing shall allow to the corporation, or to the other parties to the contract, as the case may be, such compensation as may be equitable for the loss or damage sustained by any of them from the action of the court in setting aside and enjoining the performance of such contract, but anticipated profits to be derived from the performance of the contract shall not be awarded by the court as a loss or damage sustained.

(2) In any action by or in the right of the corporation to procure a judgment in its favor against an incumbent or former officer, director or member of an other body of the corporation for loss or damage due to his unauthorized acts.

(3) In a proceeding by the Commonwealth under section 7990 of this title (relating to actions to revoke corporate franchises), or in a proceeding by the Commonwealth to enjoin the corporation from the doing of unauthorized or unlawful business.

(b) Conveyances of property by or to a corporation.—No conveyance or transfer by or to a corporation of property, real or personal, of any kind

or description, shall be invalid or fail because in making such conveyance or transfer, or in acquiring the property, real or personal, the board of directors or other body or any of the officers of the corporation acting within the scope of the actual or apparent authority given to them by the board of directors or other body, have exceeded any of the purposes or powers of the corporation.

(c) Nonqualified foreign corporations.—The provisions of this section shall extend to contracts and conveyances made by nonqualified foreign corporations in this Commonwealth and to conveyances by nonqualified foreign corporations of real property situated in this Commonwealth.

**§ 7504. Adoption and contents of bylaws.**

(a) General rule.—The members shall have the power to adopt, amend and repeal the bylaws of a nonprofit corporation, but except as provided in subsection (b) of this section the authority to adopt, amend and repeal bylaws may be expressly vested by the bylaws in the board of directors or other body, subject to the power of the members to change such action. Unless the bylaws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the members in office of the board of directors or other body, or by the vote of members entitled to cast at least a majority of the votes which all members present are entitled to cast thereon, as the case may be, at any regular or special meeting duly convened after notice to the members, directors or members of such other body of that purpose. The bylaws may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with law or the articles.

(b) Exception.—Except as provided in section 7320(a) of this title (relating to organization meeting), the board of directors or other body shall not have the authority to adopt a bylaw on any subject which is committed exclusively to the members by any of the following provisions of this article:

- (1) Section 7721 (relating to management by board of directors).
- (2) Section 7725(b) (relating to selection of directors).
- (3) Section 7726(a) (relating to removal of directors by the members).
- (4) Section 7726(b) (relating to removal of directors by the board).
- (5) Section 7729 (relating to voting rights of directors).
- (6) Section 7751(a) (relating to classes and qualifications of members).
- (7) Section 7752(c) (relating to rights of shareholders).
- (8) Section 7754(a) (relating to members grouped in local units).
- (9) Section 7755(a) (relating to regular meetings).
- (10) Section 7756 (relating to quorum).
- (11) Section 7757 (relating to action by members).
- (12) Section 7758 (relating to voting rights of members).
- (13) Section 7759(a) (relating to voting and other action by proxy).



(14) Section 7760(a) (relating to voting in nonprofit corporation matters).

(15) Section 7762 (relating to judges of election).

(16) Section 7767(a) (relating to termination of membership).

(17) Section 7768 (relating to voting powers and other rights of certain security holders and other entities).

(18) Section 7967(c) (relating to winding up and distribution).

(c) Bylaw provisions in articles.—Where any provision of this part refers to a rule as set forth in the bylaws of a corporation such reference shall be construed to include and be satisfied by any rule on the same subject as set forth in the articles of the corporation.

**§ 7505. Persons bound by bylaws.**

The bylaws of a nonprofit corporation shall operate merely as regulations among the members of the corporation, and shall not affect contracts or other dealings with other persons, unless such persons have actual knowledge of such bylaws.

**§ 7506. Form of execution of instruments.**

(a) General rule.—Any form of execution provided in the bylaws to the contrary notwithstanding, any note, mortgage, evidence of indebtedness, contract, or other instrument in writing, or any assignment or endorsement thereof, executed or entered into between any nonprofit corporation and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the president or vice-president and secretary or assistant secretary or treasurer or assistant treasurer of such corporation, shall be held to have been properly executed for and in behalf of the corporation.

(b) Seal unnecessary.—Except as otherwise required by statute, the affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by a corporation of any instrument in writing.

(c) Nonqualified foreign corporations.—The provisions of this section shall extend to instruments in writing made or to be performed in this Commonwealth by a nonqualified foreign corporation and to instruments executed by nonqualified foreign corporations affecting real property situated in this Commonwealth.

**§ 7507. Registered office.**

(a) General rule.—Every nonprofit corporation shall have and continuously maintain in this Commonwealth a registered office which may, but need not, be the same as its place of business.

(b) Change.—After incorporation, a change of the location of the registered office may be authorized at any time by a majority vote of the members in office of the board of directors or other body. Before such change of location shall become effective, the corporation either shall amend its articles under the provisions of this article to reflect such change in location or shall file in the Department of State a statement executed

under the seal of the corporation and signed by two duly authorized officers of the corporation, setting forth:

- (1) The name of the corporation.
- (2) The address, including street number, if any, of its then registered office.
- (3) The address, including street number, if any, to which the registered office is to be changed.
- (4) A statement that such change was authorized by resolution duly adopted by at least a majority of the members in office of the board of directors or other body.

**§ 7508. Corporate records; inspection.**

(a) Required records.—Every nonprofit corporation shall keep an original or duplicate record of the proceedings of the members and the directors, and of any other body exercising powers or performing duties which under this article may be exercised or performed by such other body, the original or a copy of its bylaws, including all amendments thereto to date, certified by the secretary of the corporation, and an original or a duplicate membership register, giving the names of the members, and showing their respective addresses and the class and other details of the membership of each. Every such corporation shall also keep appropriate, complete and accurate books or records of account. The records provided for in this subsection shall be kept at either the registered office of the corporation in this Commonwealth or at its principal place of business wherever situated.

(b) Right of inspection.—Every member shall, upon written demand under oath stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the membership register, books and records of account, and records of the proceedings of the members, directors and such other body, and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of such person as a member. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the member. The demand under oath shall be directed to the corporation at its registered office in this Commonwealth or at its principal place of business wherever situated.

(c) Proceedings for the enforcement of inspection.—If the corporation, or an officer or agent thereof, refuses to permit an inspection sought by a member or attorney or other agent acting for the member pursuant to subsection (b) of this section or does not reply to the demand within five business days after the demand has been made, the member may apply to the court for an order to compel such inspection. The court shall determine whether or not the person seeking inspection is entitled

to the inspection sought. The court may summarily order the corporation to permit the member to inspect the membership register and the other books and records of the corporation and to make copies or extracts therefrom; or the court may order the corporation to furnish to the member a list of its members as of a specific date on condition that the member first pay to the corporation the reasonable cost of obtaining and furnishing such list and on such other conditions as the court deems appropriate. Where the member seeks to inspect the books and records of the corporation, other than its membership register or list of members, he shall first establish:

(1) that he has complied with the provisions of this section respecting the form and manner of making demand for inspection of such document; and

(2) that the inspection he seeks is for a proper purpose.

Where the member seeks to inspect the membership register or list of members of the corporation and he has complied with the provisions of this section respecting the form and manner of making demand for inspection of such documents, the burden of proof shall be upon the corporation to establish that the inspection he seeks is for an improper purpose. The court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other or further relief as the court may deem just and proper. The court may order books, documents and records, pertinent extracts therefrom, or duly authenticated copies thereof, to be brought within this Commonwealth and kept in this Commonwealth upon such terms and conditions as the order may prescribe.

**§ 7509. Bylaws and other powers in emergency.**

(a) General rule.—The board of directors or other body of any nonprofit corporation may adopt emergency bylaws, subject to repeal or change by action of the members, which shall, notwithstanding any different provisions of law or of the articles or bylaws, be operative during any emergency resulting from warlike damage or an attack on the United States or any nuclear or atomic disaster. The emergency bylaws may make any provision that may be practical and necessary for the circumstances of the emergency, including provisions that:

(1) A meeting of the board of directors or other body may be called by any officer or director or member of such other body in such manner and under such conditions as shall be prescribed in the emergency bylaws.

(2) The director or directors or the member or members of such other body in attendance at the meeting, or any other number fixed in the emergency bylaws, shall constitute a quorum.

(3) The officers or other persons designated on a list approved by the board of directors or other body before the emergency, all in such order of priority and subject to such conditions and for such period of

time, not longer than reasonably necessary after the termination of the emergency as may be provided in the emergency bylaws or in the resolution approving the list, shall, to the extent required to provide a quorum at any meeting of the board of directors or such other body, be deemed directors or members of such other body for such meeting.

(b) Lines of succession; head office.—The board of directors or such other body, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such an emergency any or all officers or agents of the corporation shall for any reason be rendered incapable of discharging their duties, and may, effective in the emergency, change the head offices or designate several alternative head offices or regional offices of the corporation, or authorize the officers so to do.

(c) Personnel not liable.—No officer, director, member of such other body, or employee acting in accordance with any emergency bylaws shall be liable except for wilful misconduct.

(d) Effect on regular bylaws.—To the extent not inconsistent with any emergency bylaws so adopted, the bylaws of the corporation shall remain in effect during any emergency, and upon its termination the emergency bylaws shall cease to be operative.

(e) Procedure in absence of emergency bylaws.—Unless otherwise provided in emergency bylaws, notice of any meeting of the board of directors or such other body during such an emergency shall be given only to such of the directors or members of such other body as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio. To the extent required to constitute a quorum at any meeting of the board of directors or such other body during such an emergency, the officers of the corporation who are present shall, unless otherwise provided in emergency bylaws, be deemed, in order of rank and within the same rank in order of seniority, directors or members of such other body, as the case may be, for such meeting.

**§ 7510. Establishment of subordinate units.**

A nonprofit corporation may establish and terminate local branches, chapters, councils, clubs, churches, lodges, parishes or other subordinate units regardless of their designation, form of government, incorporated or unincorporated status or relationship to the corporation or other supervising and controlling organization of which the corporation is a member or with which it is in allegiance and to which it is subordinate.

**SUBCHAPTER B  
FINANCIAL MATTERS**

Sec.

7541. Capital contributions of members.

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- 7543. Debt and security interests.
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**§ 7541. Capital contributions of members.**

(a) General rule.—A nonprofit corporation organized on a nonstock basis may provide in its bylaws that members, upon or subsequent to admission, shall make capital contributions. The amount shall be specified in, or fixed by the board of directors or other body pursuant to authority granted by, the bylaws. The requirement of a capital contribution may apply to all members, or to the members of a single class, or to members of different classes in different amounts or proportions.

(b) Consideration receivable.—The capital contribution of a member shall consist of money or other property, tangible or intangible, or labor or services actually received by or performed for the corporation or for its benefit or in its formation or reorganization, or a combination thereof. In the absence of fraud in the transaction, the judgment of the board of directors or other body as to the value of the consideration received by the corporation shall be conclusive.

(c) Evidence of contribution.—The capital contribution of a member shall be recorded on the books of the corporation and may be evidenced by a written instrument delivered to the member, but such instrument shall not be denominated a “share certificate” or by any other word or term implying that the instrument is a share certificate subject to section 7752 of this title (relating to organization on a stock share basis).

(d) Transferability of interest.—Unless otherwise provided in the bylaws, the capital contribution of a member shall not be transferable.

(e) Repayment of contribution.—The capital contribution of a member shall not be repaid by the corporation except upon dissolution of the corporation or as provided in this article. A corporation may provide in its bylaws that its capital contributions, or some of them, shall be repayable, in whole or in part, at the option of the corporation only, at such amount or amounts (not to exceed the amount of the capital contribution), within such period or periods, and on such terms and conditions, not inconsistent with this article, as are stated in, or fixed by the board of

directors or other body pursuant to authority granted by, the bylaws.

**§ 7542. Subventions.**

(a) **General rule.**—The bylaws may provide that the corporation shall be authorized by resolution of the board of directors or other body to accept subventions from members or nonmembers on terms and conditions not inconsistent with this article, and to issue certificates therefor. The resolution of the board or other body may provide that holders of subvention certificates shall be entitled to a fixed or contingent periodic payment out of the corporate assets equal to a percentage of the original amount or value of the subvention. The rights of holders of subvention certificates shall at all times be subordinate to the rights of creditors of the corporation.

(b) **Consideration receivable.**—A subvention shall consist of money or other property, tangible or intangible, actually received by the corporation or expended for its benefit or in its formation or reorganization, or a combination thereof. In the absence of fraud in the transaction, the judgment of the board of directors or other body as to the value of the consideration received by the corporation shall be conclusive.

(c) **Form of certificate.**—Each subvention certificate shall be signed by two duly authorized officers of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the corporation itself or its employees. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of issue. The fact that the corporation is a nonprofit corporation shall be noted conspicuously on the face or back of each certificate.

(d) **Transferability of subvention.**—Subvention certificates shall be nontransferable unless the resolution of the board of directors or other body shall provide that they shall be transferable either at will or subject to specified restrictions.

(e) **Redemption at option of corporation.**—The resolution of the board of directors or other body may provide that a subvention shall be redeemable, in whole or in part, at the option of the corporation at such price or prices (not to exceed the original amount or value of the subvention plus any periodic payments due or accrued thereon), within such period or periods, and on such terms and conditions, not inconsistent with this article, as are stated in the resolution.

(f) **Redemption at option of holders.**—The resolution of the board of directors or other body may provide that holders of all or some subvention certificates shall have the right to require the corporation after a specified period of time to redeem such certificates, in whole or in part, at a price or prices that do not exceed the original amount or value of the subvention

plus any periodic payments due or accrued thereon, upon an affirmative showing that the financial condition of the corporation will permit the required payment to be made without impairment of its operations or injury to its creditors. The right to require redemption may in addition be conditioned upon the occurrence of a specified event. For the purpose of enforcing their rights under this subsection, holders of subvention certificates shall be entitled to inspect the books and records of the corporation.

(g) **Rights of holders on dissolution.**—Holders of subvention certificates, upon dissolution of the corporation, shall be entitled, after the claims of creditors have been satisfied, to repayment of the original amount or value of the subvention plus any periodic payments due or accrued thereon, unless a lesser sum is specified in the resolution of the board of directors or other body concerning such subvention.

**§ 7543. Debt and security interests.**

(a) **General rule.**—No corporation shall issue bonds or other evidences of indebtedness except for money or other property, tangible or intangible, or labor or services actually received by or performed for the corporation or for its benefit or in its formation or reorganization, or a combination thereof. In the absence of fraud in the transaction, the judgment of the board of directors or other body as to the value of the consideration received by the corporation shall be conclusive.

(b) **Creation of lien on personal property.**—The board of directors or other body may authorize any mortgage or pledge of, or the creation of a security interest in, all or any part of the personal property of the corporation, or any interest therein. Unless otherwise restricted in the bylaws no vote or consent of the members shall be required to make effective such action by the board or other body.

**§ 7544. Usury not a defense.**

(a) **General rule.**—No nonprofit corporation shall plead or set up usury, or the taking of more than the lawful rate of interest, as a defense to any action brought against it to recover damages on, or to enforce payment of, or to enforce any other remedy on, any mortgage, bond, note or other obligation executed or effected by the corporation.

(b) **Nonqualified foreign corporations.**—The provisions of this section shall extend to all mortgages, bonds, notes or other obligations executed or effected in this Commonwealth by a nonqualified foreign corporation and to mortgages and other obligations executed by nonqualified foreign corporations affecting real property situated in this Commonwealth.

**§ 7545. Fees, dues and assessments.**

(a) **General rule.**—A nonprofit corporation may levy dues or assessments, or both, on its members, if authority to do so is conferred by the bylaws, subject to any limitations therein contained. Such dues or assessments, or both, may be imposed upon all members of the same class either alike or in different amounts or proportions, and upon a different

basis upon different classes of members. Members of one or more classes may be made exempt from either dues or assessments, or both, in the manner or to the extent provided in the bylaws.

(b) **Amount and method of collection.**—The amount of the levy and method of collection of such dues or assessments, or both, may be fixed in the bylaws, or the bylaws may authorize the board of directors or other body to fix the amount thereof from time to time, and make them payable at such time and by such methods of collection as the board of directors or other body may prescribe.

(c) **Enforcement of payment.**—A nonprofit corporation may make bylaws necessary to enforce the collection of such dues or assessments, including provisions for the termination of membership, upon reasonable notice, for nonpayment of such dues or assessments, and for reinstatement of membership.

**§ 7546. Income from corporate activities.**

A nonprofit corporation whose lawful activities involve among other things the charging of fees or prices for its services or products, shall have the right to receive such income and, in so doing, may make an incidental profit. All such incidental profits shall be applied to the maintenance and operation of the lawful activities of the corporation, and in no case shall be divided or distributed in any manner whatsoever among the members, directors, or officers of the corporation.

**§ 7547. Purchase, sale, mortgage and lease of real property.**

Except for an industrial development corporation whose articles or bylaws otherwise provide, no purchase of real property shall be made by a nonprofit corporation and no corporation shall sell, mortgage, lease away or otherwise dispose of its real property, unless authorized by the vote of two-thirds of the members in office of the board of directors or other body, except that if there are 21 or more directors or members of such other body, the vote of a majority of the members in office shall be sufficient. No application to or confirmation of any court shall be required and, unless otherwise restricted in the bylaws, no vote or consent of the members shall be required to make effective such action by the board or other body. If the real property is subject to a trust the conveyance away shall be free of trust and the trust shall be impinged upon the proceeds of such conveyance.

**§ 7548. Insolvency or bankruptcy.**

Unless otherwise provided in its bylaws, whenever a nonprofit corporation shall be insolvent or in financial difficulty, the board of directors or other body may, by resolution and without the consent of the members, authorize the officers of the corporation to execute a deed of assignment for the benefit of creditors, or file a voluntary petition in bankruptcy, or file an answer consenting to the appointment of a receiver upon an action in equity filed by creditors or members, or, if insolvent, file an answer to an involuntary petition in bankruptcy admitting the



insolvency of the corporation and its willingness to be adjudged a bankrupt on that ground.

**§ 7549. Authority to take and hold trust property.**

(a) General rule.—Every nonprofit corporation incorporated for a charitable purpose or purposes may take, receive and hold such real and personal property as may be given, devised to, or otherwise vested in such corporation, in trust, for the purpose or purposes set forth in its articles. The board of directors or other body of the corporation shall, as trustees of such property, be held to the same degree of responsibility and accountability as if not incorporated, unless a less degree or a particular degree of responsibility and accountability is prescribed in the trust instrument, or unless the board of directors or such other body remain under the control of the members of the corporation or third persons who retain the right to direct, and do direct, the actions of the board or other body as to the use of the trust property from time to time.

(b) Nondiversion of certain property.—Property committed to charitable purposes shall not, by any proceeding under Chapter 79 of this title (relating to fundamental changes) or otherwise, be diverted from the objects to which it was donated, granted or devised, unless and until the board of directors or other body obtains from the court an order under the Estates Act of 1947 specifying the disposition of the property.

**§ 7550. Investment of trust funds.**

(a) General rule.—Unless otherwise specifically directed in the trust instrument, the board of directors or other body of a nonprofit corporation incorporated for charitable purposes shall have power to invest any assets vested in the corporation by such instrument or the proceeds thereof separately or together with other assets of the corporation, in the manner authorized for fiduciaries by the Fiduciaries Investment Act of 1949, and to retain any investments heretofore so made. Any such nonprofit corporation may, by appropriate action of its board of directors or other body, keep any investments or fractional interests in any investments, held by it or made by it, in the name of the corporation or in the name of a nominee of the corporation.

(b) Use and management.—Except as otherwise permitted under the Estates Act of 1947, the board of directors or other body shall apply all assets thus received to the purposes specified in the trust instrument. The directors or other body shall keep accurate accounts of all trust funds, separate and apart from the accounts of other assets of the corporation.

(c) Determination of income.—

(1) With respect to any assets thus received (including any participation in any common trust fund) so much of the net realized capital gains as of the end of any fiscal year of the corporation as the directors or other body shall, within four months after the end of such year, in their sole discretion, allocate to income for such fiscal year shall be deemed income.

(2) The amount allocated under paragraph (1) of this subsection, when added to all other income derived by the corporation from the same assets or participation in a common trust fund for such fiscal year, shall not exceed 9% of the market value (as of the end of such fiscal year) of the principal remaining with respect to such assets or participation after allocation of such gain to income.

(3) Allocation to income of realized capital gains in a common trust fund may be made in accordance with the provisions of paragraphs (1) and (2) of this subsection without regard to whether the capital gains in question were realized before or after any particular trust or fund became a part of such common trust fund and without regard to whether the separate records maintained with respect to such particular trust or fund reflect the existence of a capital gain in such trust or fund.

(d) Scope of section.—This section shall apply to assets hereafter received pursuant to section 7549 of this title (relating to authority to take and hold trust property), to assets heretofore so received and held at the time when this article takes effect and to reinvestments of all such assets.

(e) Definition.—As used in subsection (c) of this section “net realized capital gains as of the end of any fiscal year” means the balance accumulated as of such date, since the inception of the trust or fund or common trust fund, as the case may be, of all realized gains less realized losses, computed in the manner provided in sections 1001 et seq. of the Internal Revenue Code of 1954 on the basis of actual cost, or in the case of property transferred to the fund or trust, on the basis of fair market value on the date of transfer.

**§ 7551. Transfer of trust or other assets to institutional trustee.**

(a) General rule.—Any nonprofit corporation holding or receiving assets under section 7549 of this title (relating to authority to take and hold trust property) may, by appropriate action of its board of directors or other body, transfer, which transfer may be either revocable or irrevocable, any such assets to a corporate trustee, which shall be a bank and trust company or a trust company incorporated under the laws of this Commonwealth or a national banking association having fiduciary powers and having its principal office in this Commonwealth, as trustee and with like investment restrictions. In like manner the corporation may transfer, which transfer shall be revocable, any other part of its assets to such a corporate trustee, subject to the same powers, restrictions and obligations with respect to investment as are applicable to the corporation itself.

(b) Relief from liability.—Upon such transfer the board of directors or other body of the corporation shall be relieved of all liability for the administration of such assets for as long as such assets are administered by the corporate trustee.

(c) Amount and frequency of payment.—Such corporate trustee shall pay, at least semi-annually or at more frequent intervals if so agreed, the

net income from such assets, which may include so much of the realized appreciation of principal as the board of directors or other body of the corporation may deem prudent, to the corporation for use and application to the purpose or purposes for which the assets were received by the corporation.

**§ 7552. Devises, bequests and gifts after certain fundamental changes.**

A devise, bequest or gift to be effective in the future, in trust or otherwise, to or for a nonprofit corporation which has:

- (1) changed its purposes;
- (2) sold, leased away or exchanged all or substantially all its property and assets;
- (3) been converted into a business corporation;
- (4) become a party to a consolidation or a division;
- (5) become a party to a merger which it did not survive; or
- (6) been dissolved;

after the execution of the document containing such devise, bequest or gift shall be effective only as a court having jurisdiction over the assets may order under the Estates Act of 1947 or other applicable provision of law.

**§ 7553. Dividends prohibited; compensation and certain payments authorized.**

(a) General rule.—A nonprofit corporation shall not pay dividends or distribute any part of its income or profits to its members, directors, or officers.

(b) Reasonable compensation for services.—A nonprofit corporation may pay compensation in a reasonable amount to members, directors, or officers for services rendered.

(c) Certain payments authorized.—A nonprofit corporation may confer benefits upon members or nonmembers in conformity with its purposes, may repay capital contributions, and may redeem its subvention certificates or evidences of indebtedness, as authorized by this article, except when the corporation is currently insolvent or would thereby be made insolvent or rendered unable to carry on its corporate purposes, or when the fair value of the assets of the corporation remaining after such conferring of benefits, payment or redemption would be insufficient to meet its liabilities. A nonprofit corporation may make distributions of cash or property to members upon dissolution or final liquidation as permitted by this article.

**§ 7554. Liabilities of members.**

(a) General rule.—The members of a nonprofit corporation shall not be personally liable for the debts, liabilities or obligations of the corporation.

(b) Obligations of member to corporation.—A member shall be liable to the corporation only to the extent of any unpaid portion of the capital contributions, membership dues or assessments which the corporation may have lawfully imposed upon him, or for any other indebtedness owed

by him to the corporation. No action shall be brought by any creditor of the corporation to reach and apply any such liability to any debt of the corporation until after final judgment shall have been rendered against the corporation in favor of the creditor and execution thereon returned unsatisfied, or the corporation shall have been adjudged bankrupt, or a receiver shall have been appointed with power to collect debts, and which receiver, on demand of a creditor to bring an action thereon, has refused to sue for such unpaid amount, or the corporation shall have been dissolved or ceased its activities leaving debts unpaid. No such action shall be brought more than three years after the happening of any one of such events.

**§ 7555. Annual report of directors or other body.**

(a) Contents.—The board of directors or other body shall present annually to the members a report, verified by the president and treasurer or by a majority of the directors or members of such other body, showing in appropriate detail the following:

(1) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year immediately preceding the date of the report.

(2) The principal changes in assets and liabilities including trust funds, during the year immediately preceding the date of the report.

(3) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the year immediately preceding the date of the report, including separate data with respect to each trust fund held by or for the corporation.

(4) The expenses or disbursements of the corporation, for both general and restricted purposes, during the year immediately preceding the date of the report, including separate data with respect to each trust fund held by or for the corporation.

(5) The number of members of the corporation as of the date of the report, together with a statement of increase or decrease in such number during the year immediately preceding the date of the report, and a statement of the place where the names and addresses of the current members may be found.

(b) Place of filing.—The annual report of the board of directors or other body shall be filed with the minutes of the meetings of members.

(c) Report in absence of meeting of members.—The board of directors or other body of a corporation having no members shall direct the president and treasurer to present at the annual meeting of the board or of such other body a report in accordance with subsection (a) of this section, but omitting the requirement of paragraph (5) thereof. Such report shall be filed with the minutes of the annual meeting of the board or of such other body.

SUBCHAPTER C  
COMMON TRUST FUNDS

Sec.

7581. Establishment or use of common trust funds authorized.

7582. Restrictions on investments.

7583. Determination of interests.

7584. Amortization of premiums on securities held.

7585. Records; ownership of assets.

**§ 7581. Establishment or use of common trust funds authorized.**

(a) General rule.—Every nonprofit corporation may establish and maintain one or more common trust funds, the assets of which shall be held, invested and reinvested by the corporation itself or by a corporate trustee to which the assets have been transferred pursuant to section 7551 of this title (relating to transfer of trust or other assets to institutional trustee). Upon the payment by the corporate trustee to the nonprofit corporation of the net income from such assets, for use and application to the several participating interests in such common trust fund, the proportionate participation of each interest in such net income shall be designated by the corporate trustee. The nonprofit corporation may, at any time, withdraw the whole or part of any participating interest in such common trust fund for distribution by it as provided in this subchapter.

(b) Limitations in trust instrument.—Nothing contained in this section shall be construed to authorize the corporation to invest assets of a trust or fund in any such common trust fund contrary to any specific limitation or restriction contained in the trust instrument, nor to limit or restrict the authority conferred upon the corporation with respect to investments by any such trust instrument.

(c) Effect of good faith mistakes.—No mistakes made in good faith, and in the exercise of due care and prudence, in connection with the administration of any such common trust fund, shall be held to exceed any power granted to or violate any duty imposed upon the corporation, if, promptly after the discovery of the mistake, the corporation takes such action as may be practicable under the circumstances to remedy the mistake.

**§ 7582. Restrictions on investments.**

(a) Legal investments.—If the trust instrument shall limit or restrict the investment of such assets to investments of the class authorized by law as legal investments, the corporation may invest and reinvest the assets of the trust or fund in any such common trust fund maintained by the corporation, provided the investments composing such fund consist solely of investments of the class authorized by the Fiduciaries Investment Act of 1949 to be held by fiduciaries.

(b) Other than legal investments.—If the trust instrument shall not limit or restrict the investment of such assets to investments of the class authorized by law as legal investments, the corporation may invest and

reinvest the assets of the trust or fund in any such common trust fund maintained by the corporation, composed of such investments as in the honest exercise of the judgment of the directors or other body of the corporation they may, after investigation, determine to be safe and proper investments.

**§ 7583. Determination of interests.**

A nonprofit corporation shall invest the assets of a trust or fund in a common trust fund authorized by this subchapter by adding such assets thereto, and by apportioning a participation therein to such trust or fund in the proportion that the assets of the trust or fund added thereto bears to the aggregate value of all the assets of such common trust fund at the time of such investment, including in such assets the assets of the trust or fund so added. The withdrawal of a participation from such common trust fund shall be on a basis of its proportionate interest in the aggregate value of all the assets of such common trust fund at the time of such withdrawal. The participating interest of any trust or fund in such common trust fund may from time to time be withdrawn, in whole or in part, by the corporation. Upon such withdrawals the corporation may make distribution in cash, or ratably in kind, or partly in cash and partly in kind. Participations in such common trust funds shall not be sold by the corporation to any other corporation or person, but this sentence shall not prevent a corporate trustee designated under section 7581 of this title (relating to establishment or use of common trust funds authorized) from investing the assets of such a common trust fund in any collective investment fund established and maintained by it in accordance with law and to which the assets comprising such a common trust fund are eligible contributions.

**§ 7584. Amortization of premiums on securities held.**

If a bond or other obligation for the payment of money is acquired as an investment for any common trust fund at a cost in excess of the par or maturity value thereof, the nonprofit corporation may, during (but not beyond) the period that such obligation is held as an investment in such fund, amortize such excess cost out of the income on such obligation, by deducting from each payment of income and adding to principal an amount equal to the sum obtained by dividing such excess cost by the number of periodic payments of income to accrue on such obligation from the date of such acquisition until its maturity date.

**§ 7585. Records; ownership of assets.**

The nonprofit corporation shall designate clearly upon its records the names of the trusts or funds on behalf of which such corporation, as fiduciary or otherwise, owns a participation in any common trust fund and the extent of the interest of the trust or fund therein. No such trust or fund shall be deemed to have individual ownership of any asset in such common trust fund, but shall be deemed to have a proportionate undivided interest in the common trust fund. The ownership of the individual assets

comprising any common trust fund shall be solely in the nonprofit corporation as fiduciary or otherwise.

CHAPTER 77  
OFFICERS, DIRECTORS AND MEMBERS

Subchapter

- A. Notice and Meetings Generally
- B. Directors, Officers and Members of An Other Body
- C. Indemnification
- D. Members
- E. Judicial Supervision of Corporate Action

SUBCHAPTER A  
NOTICE AND MEETINGS GENERALLY

Sec.

- 7701. Applicability of subchapter.
- 7702. Manner of giving notice.
- 7703. Optional procedures for giving of notice.
- 7704. Place and notice of meetings of board of directors or other body.
- 7705. Place and notice of meetings of members.
- 7706. Waiver of notice.
- 7707. Modification of proposal contained in notice.
- 7708. Exception to requirement of notice.
- 7709. Use of conference telephone and similar equipment.

**§ 7701. Applicability of subchapter.**

The provisions of this subchapter shall apply to every nonprofit corporation unless otherwise restricted:

- (1) by any other provision of this article; or
- (2) except with respect to section 7708 of this title (relating to exception to requirement of notice), in the bylaws.

**§ 7702. Manner of giving notice.**

(a) General rule.—Whenever written notice is required to be given to any person under the provisions of this article or by the articles or bylaws of any nonprofit corporation, it may be given to such person, either personally or by sending a copy thereof by first class mail, postage prepaid, or by telegram, charges prepaid, to his address appearing on the books of the corporation, or, in the case of directors or members of an other body, supplied by him to the corporation for the purpose of notice. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office for transmission to such person. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of this article.

(b) Adjourned meetings.—When a meeting is adjourned, it shall not

be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

**§ 7703. Optional procedures for giving of notice.**

(a) Notice by publication.—If the bylaws so provide, persons authorized or required to give notice of a meeting of members may, in lieu of any written notice of a meeting of members required to be given by this article, give notice of such meeting by causing notice of such meeting to be officially published. If 80% of the members of record entitled to vote at the meeting do not have addresses of record within the territory of general circulation of the newspapers required for official publication, the notice shall also be published in newspapers which have an aggregate territory of general circulation which includes the addresses of record of at least 80% of such members of record.

(b) Notice by public announcement.—In lieu of any written notice of a meeting of members required to be given by this article, persons authorized or required to give notice of a meeting of members of any church or other religious organization may give notice of such meeting by announcement at any two regular church or religious services held during different weeks within 30 days prior to the time at which such meeting of members will be held. In any case where notice of a meeting is given by announcement, notice shall be given at the last service preceding the meeting. In the event that two church or religious services are not held within such 30 day period, notice of a meeting of members shall be given as otherwise provided in this subchapter.

(c) Effect of notice pursuant to section.—For the purposes of this article notice given under this section shall be deemed to be written notice to every member of record entitled to vote at the meeting.

**§ 7704. Place and notice of meetings of board of directors or other body.**

(a) Place.—Meetings of the board of directors or other body may be held at such place within or without this Commonwealth as the board of directors or other body may from time to time appoint, or as may be designated in the notice of the meeting.

(b) Notice.—Meetings of the board of directors or other body may be held upon such notice as the bylaws may prescribe. Unless otherwise provided in the bylaws, written notice of every meeting of the board of directors or other body shall be given to each director or member of such other body at least five days before the day named for the meeting.

**§ 7705. Place and notice of meetings of members.**

(a) Place.—Meeting of members may be held at such place within or without this Commonwealth as may be provided in the bylaws or as may be fixed by the board of directors or other body pursuant to authority granted by the bylaws. Unless otherwise provided in the bylaws, all meetings of the members shall be held in this Commonwealth at the registered office of the corporation.



(b) Notice.—Written notice of every meeting of the members shall be given by, or at the direction of, the secretary or other authorized person, to each member of record entitled to vote at the meeting, at least five days prior to the day named for the meeting. If the secretary or such authorized person shall neglect or refuse to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting, the notice shall specify the general nature of the business to be transacted.

**§ 7706. Waiver of Notice.**

(a) Written waiver.—Whenever any written notice is required to be given under the provisions of this article or the articles or bylaws of any nonprofit corporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except as otherwise required by this subsection, neither the business to be transacted at nor the purpose of a meeting need be specified in the waiver of notice of such meeting. In the case of a special meeting of members such waiver of notice shall specify the general nature of the business to be transacted.

(b) Waiver by attendance.—Attendance of a person at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

**§ 7707. Modification of proposal contained in notice.**

Whenever the language of a proposed resolution is included in a written notice of a meeting, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

**§ 7708. Exception to requirement of notice.**

Wherever any notice or communication is required to be given to any person under the provisions of this article or by the articles or bylaws of any nonprofit corporation, or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action, and communication with such person is then unlawful, the giving of such notice or communication to such person shall not be required and there shall be no duty to apply for a license or other permission to do so. Any action or meeting which shall be taken or held without notice or communication to any such person shall have the same validity as if such notice or communication had been duly given. If the action taken is such as to require the filing of any document with respect thereto under any provision of law or any agreement or other instrument, it shall be sufficient, if such is the fact and if notice or communication is required, to state therein that notice or communication was given to all persons entitled to receive notice or communication except such persons with whom communication was unlawful.

**§ 7709. Use of conference telephone and similar equipment.**

One or more persons may participate in a meeting of the board, or of an other body, or of the members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

**SUBCHAPTER B****DIRECTORS, OFFICERS AND MEMBERS OF AN OTHER BODY**

Sec.

- 7721. Management by board of directors.
- 7722. Qualifications of directors.
- 7723. Number of directors.
- 7724. Term of office of directors.
- 7725. Selection of directors.
- 7726. Removal of directors.
- 7727. Quorum of and action by directors.
- 7728. Interested directors; quorum.
- 7729. Voting rights of directors.
- 7730. Compensation of directors.
- 7731. Executive and other committees of the board.
- 7732. Officers.
- 7733. Removal of officers and agents.
- 7734. Relation of directors and officers to corporation.
- 7735. Other body.

**§ 7721. Management by board of directors.**

Unless otherwise provided in a bylaw adopted by the members, the business and affairs of every nonprofit corporation shall be managed by a board of directors. If any such provision is made in the bylaws, the powers and duties conferred or imposed upon the board of directors by this subchapter shall be exercised or performed to such extent and by such other body as shall be provided in the bylaws.

**§ 7722. Qualifications of directors.**

Each director shall be a natural person of full age 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.

**§ 7723. Number of directors.**

The board shall consist of one or more members. Except as otherwise provided in this section, the number of directors shall be fixed by, or in the manner provided in, the bylaws; or if not so fixed the number of directors shall be the same as that stated in the articles or three if no number is so stated.

**§ 7724. Term of office of directors.**

Each director shall hold office until the expiration of the term for which he was selected and until his successor has been selected and qualified or until his earlier death, resignation or removal. Directors, other than those selected by virtue of their office or former office in the corporation or in any other entity or organization, shall be selected for the term of office provided in the bylaws. In the absence of a provision fixing the term, it shall be one year.

**§ 7725. Selection of directors.**

(a) General rule.—Except as otherwise provided in this section, directors, other than those named in the articles, if any, shall be elected by the members.

(b) Other methods.—If a bylaw adopted by the members so provides, directors may be elected, appointed, designated or otherwise selected by such person or persons or by such method or methods as shall be fixed by, or in the manner provided in, such bylaw.

(c) Vacancies.—Except as otherwise provided in the bylaws, vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, shall be filled by a majority of the remaining members of the board though less than a quorum, and each person so elected shall be a director to serve for the balance of the unexpired term unless otherwise restricted in the bylaws.

(d) Alternate directors.—If the bylaws so provide, a person or group of persons entitled to elect, appoint, designate or otherwise select one or more directors may select one or more alternates for each such director. In the absence of a director from a meeting of the board one of his alternates may, in the manner and upon such notice, if any, as may be provided in the bylaws, attend such meeting and exercise at the meeting such of the powers of the absent director as may be specified by, or in the manner provided in, the bylaws. When so exercising the powers of the absent director, such alternate shall be subject in all respects to the provisions of this article relating to directors.

**§ 7726. Removal of directors.**

(a) By the members.—Unless otherwise provided in a bylaw adopted by the members, 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, may be removed from office without assigning any cause by the vote of members entitled to cast at least a majority of the votes which all members present would be entitled to cast at any annual or other regular election of the directors or of such class of directors. In case the board or such a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting. If members are entitled to vote cumulatively for the board or a class of the board, no individual director shall be removed unless the entire board or class of the board is removed in case sufficient votes are cast against the

resolution for his removal, which, if cumulatively voted at an annual or other regular election of directors, would be sufficient to elect one or more directors to the board or to the class.

(b) By the board.—Unless otherwise provided in a bylaw adopted by the members, the board of directors may declare vacant the office of a director if he is declared of unsound mind by an order of court or is convicted of felony, or for any other proper cause which the bylaws may specify, or if, within 60 days, or such other time as the bylaws may specify, after notice of his selection, he does not accept such office either in writing or by attending a meeting of the board of directors, and fulfill such other requirements of qualification as the bylaws may specify.

(c) By the court.—The court may, upon petition of any member or director, remove from office any director in case of fraudulent or dishonest acts, or gross abuse of authority or discretion with reference to the corporation, or for any other proper cause, and may bar from office any director so removed for a period prescribed by the court. The corporation shall be made a party to such action.

**§ 7727. Quorum of and action by directors.**

(a) General rule.—Unless otherwise provided in the bylaws, a majority of the directors in office shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by written consent.—Unless otherwise restricted in the bylaws, any action which may be taken at a meeting of the directors may be taken without a meeting, if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors in office and shall be filed with the secretary of the corporation.

**§ 7728. Interested directors; quorum.**

(a) General rule.—No contract or transaction between a nonprofit corporation and one or more of its members, directors or officers or between a nonprofit corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for such reason, or solely because the member, director or officer is present at or participates in the meeting of the board of directors which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his relationship or interest and as to the

contract or transaction are disclosed or are known to the members entitled to vote thereon, if any, and the contract or transaction is specifically approved in good faith by vote of such members; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the members.

(b) **Quorum.**—Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a) of this section.

(c) **Applicability.**—The provisions of this section shall be applicable except as otherwise restricted in the bylaws.

**§ 7729. Voting rights of directors.**

(a) **General rule.**—Unless otherwise provided in a bylaw adopted by the members every director shall be entitled to one vote.

(b) **Multiple and fractional voting.**—The requirement of this article for the presence of or vote or other action by a specified percentage of directors shall be satisfied by the presence of or vote or other action by directors entitled to cast such specified percentage of the votes which all directors are entitled to cast.

**§ 7730. Compensation of directors.**

Except as otherwise restricted in the bylaws, the board of directors shall have the authority to fix the compensation of directors for their services as such, and a director may be a salaried officer of the corporation.

**§ 7731. Executive and other committees of the board.**

(a) **Establishment and powers.**—Unless otherwise restricted in the bylaws:

(1) The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws, shall have and may exercise all of the powers and authority of the board of directors, except that no such committee shall have any power or authority as to the following:

(i) The submission to members of any action requiring approval of members under this article.

(ii) The filling of vacancies in the board of directors.

(iii) The adoption, amendment or repeal of the bylaws.

(iv) The amendment or repeal of any resolution of the board.

(v) Action on matters committed by the bylaws or resolution of the board of directors to another committee of the board.

(2) The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members

thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member.

(b) Term.—Each committee of the board shall serve at the pleasure of the board.

(c) Effect on responsibility of board.—The establishment of any committee of the board of directors and the delegation thereto of power and authority shall not alone relieve any director of his duty to the corporation under section 7734 of this title (relating to relation of directors and officers to corporation).

**§ 7732. Officers.**

(a) General rule.—Every nonprofit corporation shall have a president, a secretary, and a treasurer, or persons who shall act as such, regardless of the name or title by which they may be designated, elected or appointed and may have such other officers and assistant officers as it shall authorize from time to time. The bylaws may prescribe special qualifications for such officers. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. Such officers and assistant officers shall be elected or appointed at such time, in such manner, and for such terms, as the bylaws shall prescribe. Unless otherwise restricted in the bylaws, it shall not be necessary for the officers to be directors and any number of offices may be held by the same person. Unless otherwise provided in the bylaws, the board of directors shall elect and fix the compensation of the officers and assistant officers. The board of directors or other body may secure the fidelity of any or all of such officers by bond or otherwise. Unless otherwise provided in the bylaws, the board of directors shall have power to fill any vacancies in any office occurring from whatever reason.

(b) Authority.—Unless otherwise provided in the bylaws, all officers of the corporation, as between themselves and the corporation, shall respectively have such authority and perform such duties in the management of the property and affairs of the corporation as may be provided in the bylaws, or, in the absence of controlling provisions in the bylaws, as may be determined by resolutions or orders of the board of directors or other body.

**§ 7733. Removal of officers and agents.**

Unless otherwise provided in the bylaws any officer or agent may be removed by the board of directors or other body whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights of any person so removed.

**§ 7734. Relation of directors and officers to corporation.**

Officers and directors shall be deemed to stand in a fiduciary relation to the corporation, and shall discharge the duties of their respective

positions in good faith and with that diligence, care and skill which ordinarily prudent men would exercise under similar circumstances.

**§ 7735. Other body.**

The limitations, safeguards and procedures of this subchapter applicable to the board of directors shall be applicable also to any "other body" as defined in section 7103 of this title (relating to definitions).

**SUBCHAPTER C  
INDEMNIFICATION**

Sec.

7741. Third party actions.

7742. Derivative actions.

7743. Mandatory indemnification.

7744. Procedure for effecting indemnification.

7745. Advancing expenses.

7746. Scope of subchapter.

7747. Power to purchase insurance.

7748. Application to surviving or new corporations.

**§ 7741. Third party actions.**

Unless otherwise restricted in its bylaws, a nonprofit corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a representative of the corporation, or is or was serving at the request of the corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

**§ 7742. Derivative actions.**

Unless otherwise restricted in its bylaws, a nonprofit corporation shall have power to indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit

by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a representative of the corporation, or is or was serving at the request of the corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

**§ 7743. Mandatory indemnification.**

Notwithstanding any contrary provision of its articles or bylaws, to the extent that a representative of a nonprofit corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in section 7741 of this title (relating to third party actions) or section 7742 of this title (relating to derivative actions) or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

**§ 7744. Procedure for effecting indemnification.**

Unless ordered by a court, any indemnification under section 7741 of this title (relating to third party actions) or section 7742 of this title (relating to derivative actions) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he has met the applicable standard of conduct set forth in such section. Such determination shall be made:

- (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding;
- (2) if such a quorum is not obtainable, or, even if obtainable a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion;
- (3) by such other body as may be provided in the bylaws; or
- (4) by the members.

**§ 7745. Advancing expenses.**

Expenses incurred in defending a civil or criminal action, suit or



proceeding may be paid by a nonprofit corporation in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors or other body in a specific case upon receipt of an undertaking by or on behalf of the representative to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this subchapter.

**§ 7746. Scope of subchapter.**

(a) General rule.—The indemnification provided by this subchapter shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any bylaw, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a representative and shall inure to the benefit of the heirs and personal representative of such a person.

(b) Trust property.—This subchapter shall not affect the liability of a representative with respect to the administration of assets held by the corporation pursuant to section 7549 of this title (relating to authority to take and hold trust property).

**§ 7747. Power to purchase insurance.**

Unless otherwise restricted in its bylaws, a nonprofit corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a representative of the corporation, or is or was serving at the request of the corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this subchapter. Such insurance is declared to be consistent with the public policy of this Commonwealth.

**§ 7748. Application to surviving or new corporations.**

For the purposes of this subchapter, references to “the corporation” include all constituent corporations absorbed in a consolidation, merger or division, as well as the surviving or new corporations surviving or resulting therefrom, so that any person who is or was a representative of such a constituent, surviving or new corporation, or is or was serving at the request of such constituent, surviving or new corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this subchapter with respect to the surviving or new corporation as he would if he had served the surviving or new corporation in the same capacity.

SUBCHAPTER D  
MEMBERS

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- 7751. Classes and qualifications of membership.
- 7752. Organization on a stock share basis.
- 7753. Membership certificates.
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- 7767. Termination and transfer of membership.
- 7768. Voting powers and other rights of certain security holders and other entities.

**§ 7751. Classes and qualifications of membership.**

(a) General rule.—Membership in a nonprofit corporation shall be of such classes, and shall be governed by such rules of admission, retention, suspension and expulsion, as bylaws adopted by the members shall prescribe, except that all such rules shall be reasonable, germane to the purpose or purposes of the corporation, and equally enforced as to all members of the same class. Unless otherwise provided by a bylaw adopted by the members, there shall be one class of members whose voting and other rights and interests shall be equal.

(b) Corporations without voting members.—Where the articles provide that the corporation shall have no members, as such, or where a nonprofit corporation has under its bylaws or in fact no members entitled to vote on a matter, any provision of this article or any other provision of law requiring notice to, the presence of, or the vote, consent or other action by members of the corporation in connection with such matter shall be satisfied by notice to, the presence of or the vote, consent or other action by the board of directors or other body of the corporation.

**§ 7752. Organization on a stock share basis.**

(a) General rule.—A nonprofit corporation may be organized upon either a nonstock basis or upon a stock share basis, as set forth in its articles.

(b) Form of certificates.—The shares of nonprofit corporations organized upon a stock share basis shall be of such denominations as the bylaws shall provide and shall be represented by share certificates. The

fact that the corporation is a nonprofit corporation shall be noted conspicuously on the face of each certificate.

(c) Rights of shareholders.—Unless otherwise provided in a bylaw adopted by the members, each share shall entitle the holder thereof to one vote. No dividends shall be directly or indirectly paid on any such shares, nor shall the shareholders be entitled to any portion of the earnings of such corporation derived through increment of value upon its property, or otherwise incidentally made, until the dissolution of any such corporation.

(d) Transferability of shares.—Unless otherwise provided in the bylaws, such shares shall not be transferable by operation of law or otherwise.

(e) Power to cancel shares.—A nonprofit corporation shall have power to exclude from further membership any shareholder who fails to comply with the reasonable and lawful bylaws of the corporation, and may cancel the shares of any such offending member without liability for an accounting, except as may be provided in the bylaws.

(f) Applicability of the Uniform Commercial Code.—The provisions of the Uniform Commercial Code shall not apply in any manner to the shares of a nonprofit corporation.

**§ 7753. Membership certificates.**

A nonprofit corporation organized upon a nonstock basis shall not issue shares of stock, but membership in such corporation may be evidenced by certificates of membership. The fact that the corporation is a nonprofit corporation shall be noted conspicuously on the face of each certificate.

**§ 7754. Members grouped in local units.**

(a) General rule.—The bylaws of a nonprofit corporation may provide that the members of the corporation shall be grouped in incorporated or unincorporated local units formed upon the basis of territorial areas, or such other basis as may be determined in the bylaws, for the purpose of election of delegates or representatives to represent the members of such local units at any regular or special meetings of such corporation. Unless otherwise provided in a bylaw adopted by the members, each local unit participating in a representative capacity by means of one or more delegates or otherwise at a meeting of the corporation shall have a number of votes equal to the total membership of the local unit.

(b) Voting at meetings of delegates.—The requirements of this article for action by or the consent of a specified number or percentage of the members shall be satisfied by action by or the consent of such number or percentage of votes of delegates or representatives of members selected pursuant to this section.

(c) Calling and holding meetings of delegates.—The provisions of this article relating to the manner of the calling and holding of and the taking of action at meetings of members shall be applicable to meetings of delegates or representatives of members.

(d) Incorporation of local units.—A local unit of an incorporated or

unincorporated parent body which is incorporated or organized for a purpose or purposes not involving pecuniary profit, incidental or otherwise, to its members, may be incorporated under this article by an incorporated parent body or by the members of such local unit.

**§ 7755. Time of holding meetings of members.**

(a) Regular meetings.—The bylaws of a nonprofit corporation may provide for the number and the time of meetings of members, but unless otherwise provided in a bylaw adopted by the members at least one meeting of the members of a corporation which has members, as such, entitled to vote, shall be held in each calendar year for the election of directors, at such time as shall be provided in or fixed pursuant to authority granted by the bylaws. Failure to hold the annual or other regular meeting at the designated time shall not work a dissolution of the corporation. If the annual or other regular meeting shall not be called and held within six months after the designated time, any member may call such meeting at any time thereafter.

(b) Special meetings.—Special meetings of the members may be called at any time by the board of directors, or members entitled to cast at least 10% of the votes which all members are entitled to cast at the particular meeting, or by such other officers or persons as may be provided in the bylaws. At any time, upon written request of any person who has called a special meeting, it shall be the duty of the secretary to fix the time of the meeting, which shall be held not more than 60 days after the receipt of the request. If the secretary shall neglect or refuse to fix the time of the meeting, the person or persons calling the meeting may do so.

(c) Adjournments.—Adjournments of any regular or special meeting may be taken, but any meeting at which directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding 15 days each, as the members present entitled to cast at least a majority of the votes which all members present and voting are entitled to cast shall direct, until such directors have been elected.

**§ 7756. Quorum.**

(a) General rule.—A meeting of members of a nonprofit corporation duly called shall not be organized for the transaction of business unless a quorum is present. Unless otherwise provided in a bylaw adopted by the members:

(1) The presence of members entitled to cast at least a majority of the votes which all members are entitled to cast on the matters to be acted upon at the meeting shall constitute a quorum.

(2) The members present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

(3) If a meeting cannot be organized because a quorum has not attended, those present may, except as otherwise provided in this article, adjourn the meeting to such time and place as they may determine.

(b) Exceptions.—Notwithstanding any contrary provision in the articles or bylaws:

(1) In the case of any meeting called for the election of directors those who attend the second of such adjourned meetings, although less than a quorum as fixed in this section, or in the articles or bylaws, shall nevertheless constitute a quorum for the purpose of election of directors.

(2) In the case of any meeting called for any other purpose those who attend the second of such adjourned meetings, although less than a quorum as fixed in this section, or in the articles or bylaws, shall nevertheless constitute a quorum for the purpose of acting upon any resolution or other matter set forth in the notice of the meeting, if written notice of such second adjourned meeting, stating that those members who attend shall constitute a quorum for the purpose of acting upon such resolution or other matter, is given to each member of record entitled to vote at such second adjourned meeting at least ten days prior to the day named for the second adjourned meeting.

**§ 7757. Action by members.**

(a) General rule.—Except as otherwise provided in this article or in a bylaw adopted by the members, the acts at a duly organized meeting of members present entitled to cast at least a majority of the votes which all members present and voting are entitled to cast shall be the acts of the members.

(b) Increased minimum vote.—Whenever in this article a specified number or percentage of votes of members or of a class of members is required for the taking of any action, a nonprofit corporation may prescribe in a bylaw adopted by the members that a higher number or percentage of votes shall be required for such action.

**§ 7758. Voting rights of members.**

(a) General rule.—Unless otherwise provided in a bylaw adopted by the members every member of a nonprofit corporation shall be entitled to one vote.

(b) Procedures.—If a bylaw adopted by the members provides a fair and reasonable procedure for the nomination of candidates for any office, only candidates who have been duly nominated in accordance therewith shall be eligible for election. The manner of voting may be by ballot, mail, or any reasonable means provided in a bylaw adopted by the members. Unless otherwise provided in such a bylaw, in elections for directors, voting shall be by ballot, and the candidates receiving the highest number of votes from each class or group or classes, if any, entitled to elect directors separately up to the number of directors to be elected by such class or group of classes shall be elected.

(c) Cumulative voting.—The members of a nonprofit corporation shall have the right to cumulate their votes for the election of directors only if and to the extent a bylaw adopted by the members so provides.

(d) Sale of votes.—No member shall sell his vote or issue a proxy for money or anything of value.

(e) Voting lists.—Upon request of a member, the books or records of membership shall be produced at any regular or special meeting of the corporation. If at any meeting the right of a person to vote is challenged, the presiding officer shall require such books or records to be produced as evidence of the right of the person challenged to vote, and all persons who appear by such books or records to be members entitled to vote may vote.

**§ 7759. Voting and other action by proxy.**

(a) General rule.—Voting by members of a nonprofit corporation shall be only in person unless a bylaw adopted by the members provides for voting by proxy. The presence of or vote or other action at a meeting of members, or the expression of consent or dissent to corporate action in writing, by a proxy of a member pursuant to such a bylaw shall constitute the presence of, or vote or action by, or written consent or dissent of such member for the purposes of this article.

(b) Minimum requirements.—Every proxy shall be executed in writing by the member or by his duly authorized attorney in fact and filed with the secretary of the corporation. A proxy shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the corporation. No unrevoked proxy shall be valid after 11 months from the date of its execution unless a longer time is expressly provided therein, but in no event shall a proxy be voted on after three years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker unless before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation.

**§ 7760. Voting by corporations.**

(a) Voting in nonprofit corporation matters.—Unless otherwise provided in a bylaw of a nonprofit corporation adopted by the members, any other corporation which is a member of such a nonprofit corporation may vote therein by any of its officers, unless some other person, by resolution of the board of directors of such other corporation, or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers shall have been filed with the secretary of the nonprofit corporation, shall be appointed its general or special proxy, in which case such person shall be entitled to vote therein.

(b) Voting by nonprofit corporations.—Shares of or memberships in a domestic or foreign corporation for profit or not-for-profit other than a nonprofit corporation, standing in the name of a shareholder or member which is a nonprofit corporation, may be voted by the persons and in the manner provided for in the case of nonprofit corporations by subsection

(a) of this section unless the laws of the jurisdiction in which the issuer of any such shares or memberships is incorporated shall require the shares or memberships to be voted by some other person or persons or in some other manner, in which case to the extent that such laws are inconsistent herewith this subsection shall not apply.

**§ 7761. Determination of members of record.**

(a) Fixing record date.—Unless otherwise restricted in the bylaws, the board of directors of a nonprofit corporation may fix a time, not more than 70 days prior to the date of any meeting of members or any adjournment thereof, as a record date for the determination of the members entitled to notice of, or to vote at, such meeting. In such case only members of record on the date so fixed shall so be entitled notwithstanding any increase or other change in membership on the books of the corporation after any record date fixed as aforesaid. Unless otherwise restricted in the bylaws, the board of directors may similarly fix a record date for the determination of members of record for any other purpose.

(b) Determination when no record date fixed.—Unless otherwise restricted in the bylaws, if no record date is fixed:

(1) The record date for determining members entitled to notice of or to vote at a meeting of members shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(2) The record date for determining members entitled to express consent or dissent to corporate action in writing without a meeting, when no prior action by the board of directors or other body is necessary, shall be the day on which the first written consent or dissent is expressed.

(3) The record date for determining members for any other purpose shall be at the close of business on the day on which the board of directors or other body adopts the resolution relating thereto.

**§ 7762. Judges of election.**

Unless otherwise provided in a bylaw adopted by the members:

(1) In advance of any meeting of members, the board of directors or other body may appoint judges of election, who need not be members, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of any such meeting may, and on the request of any member shall, make such appointment at the meeting. The number of judges shall be one or three. No person who is a candidate for office shall act as a judge.

(2) In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors or other body in advance of the convening of the meeting, or at the meeting by the presiding officer thereof.

(3) The judges of election shall determine the number of members

of record and the voting power of each, the members present at the meeting, the existence of a quorum, the authenticity, validity, and effect of proxies, if voting by proxy is permitted under the bylaws, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all members. The judges of election shall perform their duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(4) On request of the presiding officer of the meeting, or of any member, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

**§ 7763. Consent of members in lieu of meeting.**

Unless otherwise restricted in the bylaws, any action which may be taken at a meeting of the members or of a class of members may be taken without a meeting, if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the members who would be entitled to vote at a meeting for such purpose and shall be filed with the secretary of the corporation.

**§ 7764. Appointment of custodian of corporation on deadlock or other cause.**

(a) General rule.—The court, upon application of any member, may appoint one or more persons to be custodians of and for any nonprofit corporation when it is made to appear:

(1) that at any meeting for the election of directors the members are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon the qualification of their successors; or

(2) that any of the conditions specified in section 7981 of this title (relating to proceedings upon petition of member or director) exists with respect to the corporation.

(b) Power and title of custodian.—A custodian appointed under this section shall have all the power and title of a receiver appointed under Subchapter F of Chapter 79 of this title (relating to involuntary liquidation and dissolution), but the authority of the custodian shall be to continue the business of the corporation and not to liquidate its affairs and distribute its assets, except when the court shall otherwise order and except in cases arising under paragraphs (1) through (3) of section 7981 of this title (relating to proceedings upon petition of member or director).

**§ 7765. Actions by members to enforce a secondary right.**

(a) General rule.—Except as provided in subsection (b) of this section, in any action brought to enforce a secondary right on the part of one or



more members against any officer or director, or former officer or director, of a nonprofit corporation because such corporation refuses to enforce rights which may properly be asserted by it, the plaintiff or plaintiffs must aver and it must be made to appear, that the plaintiff or each plaintiff was a member of such corporation at the time of the transaction of which he complains.

(b) Exception.—Any member who, except for the provisions of subsection (a) of this section, would be entitled to maintain such an action and who does not meet such requirements, may, nevertheless in the discretion of the court, be allowed to maintain such action on preliminary showing to the court, by petition, and upon affidavits and depositions as may be required by the court, that there is a strong prima facie case in favor of the claim asserted on behalf of the corporation and that without such action serious injustice will result.

(c) Security for costs.—In any such action instituted or maintained by less than the smaller of 50 members of any class or 5% of the members of any class of such nonprofit corporation the corporation in whose right such action is brought shall be entitled at any stage of the proceedings to require the plaintiff or plaintiffs to give security for the reasonable expenses, including attorneys' fees, which may be incurred by it in connection therewith, for which it may become liable pursuant to section 7743 of this title (relating to mandatory indemnification) (but only insofar as relates to actions by or in the right of the corporation) to which security the corporation shall have recourse in such amount as the court having jurisdiction shall determine upon the termination of such action. The amount of such security may, from time to time, be increased or decreased in the discretion of the court having jurisdiction of such action upon showing that the security provided has or may become inadequate or excessive. Such security may be denied or limited in the discretion of the court upon preliminary showing to the court, by petition, and affidavits and depositions as may be required by the court, establishing prima facie that the requirement of security or full security would impose undue hardship on plaintiffs and serious injustice would result.

(d) Nonqualified foreign corporations.—The provisions of this section shall extend to nonqualified foreign corporations.

**§ 7766. Reduction of membership below stated number.**

Whenever the membership of a nonprofit corporation having a stated number of members shall be reduced below such number by death, withdrawal, or otherwise, the corporation shall not on that account be dissolved, but it shall be lawful for the surviving or continuing members to continue the corporate existence, unless otherwise restricted in the bylaws.

**§ 7767. Termination and transfer of membership.**

(a) General rule.—Membership in a nonprofit corporation shall be terminated in the manner provided in a bylaw adopted by the members.

If the membership in any such corporation is limited to persons who are members in good standing in another corporation, or in any lodge, church, club, society or other entity or organization, the bylaws shall in each case define such limitations, and may provide that failure on the part of any such member to keep himself in good standing in such other entity or organization shall be sufficient cause for expelling the member from the corporation requiring such eligibility.

(b) Expulsion.—

(1) No member shall be expelled from any nonprofit corporation without notice, trial and conviction, the form of which shall be prescribed by the bylaws.

(2) Paragraph (1) of this subsection shall not apply to termination of membership pursuant to section 7545 of this title (relating to enforcement of payment of fees, dues and assessments).

(c) Effect of termination of membership.—Unless otherwise provided in the bylaws, the right of a member of a nonprofit corporation to vote, and his right, title and interest in or to the corporation or its property, shall cease on the termination of his membership.

(d) Transfer of membership.—Unless otherwise provided in the bylaws, no member may transfer his membership or any right arising therefrom.

**§ 7768. Voting powers and other rights of certain security holders and other entities.**

Such power to vote in respect to the corporate affairs and management of a nonprofit corporation and other membership rights as may be provided in a bylaw adopted by the members may be conferred upon:

(1) Registered holders of securities evidencing indebtedness issued or to be issued by the corporation.

(2) The Commonwealth or any political subdivision thereof or other entity prohibited by law from becoming a member of a corporation.

## SUBCHAPTER E JUDICIAL SUPERVISION OF CORPORATE ACTION

Sec.

7781. Corporate action subject to subchapter.

7782. Proceedings prior to corporate action.

7783. Review of contested corporate action.

**§ 7781. Corporate action subject to subchapter.**

This subchapter shall apply to, and the term “corporate action” in this subchapter shall mean any of the following actions:

(1) The election, appointment, designation or other selection and the suspension, removal or expulsion of members, directors, members of an other body or officers of a nonprofit corporation.

(2) The taking of any action on any matter which is required under this article or under any other provision of law to be, or which under the bylaws may be, submitted for action to the members, directors, members of an other body or officers of a nonprofit corporation.

**§ 7782. Proceedings prior to corporate action.**

(a) General rule.—Where under law or the bylaws of a nonprofit corporation there has been a failure to hold a meeting to take corporate action and such failure has continued for 30 days after the date designated or appropriate therefor, the court may summarily order a meeting to be held upon the application of any person entitled, either alone or in conjunction with other persons similarly seeking relief under this section, to call a meeting to consider the corporate action in issue.

(b) Conduct of meeting.—The court may determine the right to vote at such meeting of persons claiming such right, may appoint a master to hold such meeting under such orders and powers as the court may deem proper, and may take such action as may be required to give due notice of the meeting and to convene and conduct the meeting in the interests of justice.

**§ 7783. Review of contested corporate action.**

(a) General rule.—Upon petition of any person whose status as, or whose rights or duties as, a member, director, member of <sup>1</sup>an other body, officer or otherwise of a nonprofit corporation are or may be affected by any corporate action, the court may hear and determine the validity of such corporate action.

(b) Powers and procedures.—The court may make such orders in any such case as may be just and proper, with power to enforce the production of any books, papers and records of the corporation and other relevant evidence which may relate to the issue. The court shall provide for notice of the pendency of the proceedings under this section to all persons affected thereby. If it is determined that no valid corporate action has been taken, the court may order a meeting to be held in accordance with section 7782 of this title (relating to proceedings prior to corporate action).

## CHAPTER 79 FUNDAMENTAL CHANGES

### Subchapter

- A. Amendment of Articles
- B. Merger, Consolidation and Sale of Assets
- C. Division
- D. Conversion
- E. Voluntary Dissolution and Winding Up
- F. Involuntary Liquidation and Dissolution

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<sup>1</sup>“or” in original.

SUBCHAPTER A  
AMENDMENT OF ARTICLES

Sec.

7901. Amendment of articles authorized.

7902. Proposal of amendments.

7903. Notice of meeting of members.

7904. Adoption of amendments.

7905. Articles of amendment.

7906. Filing and effectiveness of articles of amendment; advertisement.

**§ 7901. Amendment of articles authorized.**

(a) General rule.—A nonprofit corporation, in the manner hereinafter provided in this subchapter, may from time to time amend its articles for one or more of the following purposes:

(1) To adopt a new name, subject to the restrictions heretofore provided in this article.

(2) To modify any provision of the articles relating to its term of existence.

(3) To change, add to, or diminish its purposes, or to set forth different or additional purposes.

(4) To restate the articles in their entirety.

(5) In any and as many other respects as desired.

(b) Exceptions.—No amendment adopted under this section shall amend articles in such a way that as so amended they would not be authorized by this article as original articles of incorporation, except that:

(1) Restated articles shall state the address of the current instead of the initial registered office of the corporation in this Commonwealth, and need not state the names and addresses of the first directors or of the incorporators.

(2) The corporation shall not be required to revise any other provision of its articles if such provision is valid and operative immediately prior to the filing of such amendment in the Department of State.

**§ 7902. Proposal of amendments.**

(a) General rule.—Every amendment to the articles shall be proposed by:

(1) the adoption by the board of directors or other body of a resolution setting forth the proposed amendment;

(2) petition of members entitled to cast at least 10% of the votes which all members are entitled to cast thereon, setting forth the proposed amendment, which petition shall be directed to the board of directors and filed with the secretary of the corporation; or

(3) such other method as may be provided in the bylaws.

The board of directors or other body or the petitioning members shall direct that the proposed amendment be submitted to a vote of the

members entitled to vote thereon at a regular or special meeting of the members.

(b) Form of amendment.—The resolution or petition shall contain the language of the proposed amendment to the articles by providing that the articles shall be amended so as to read as therein set forth in full, or that any provision thereof be amended so as to read as therein set forth in full, or that the matter stated in the resolution or petition be added to or stricken from the articles. The resolution or petition may set forth the manner and basis of reclassifying the shares of the corporation.

**§ 7903. Notice of meeting of members.**

Written notice shall, not less than ten days before the meeting of members called for the purpose of considering the proposed amendment, be given to each member of record entitled to vote thereon. There shall be included in, or enclosed with, such notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

**§ 7904. Adoption of amendments.**

(a) General rule.—The proposed amendment shall be adopted upon receiving the affirmative vote of the members present entitled to cast at least a majority of the votes which all members present are entitled to cast thereon, and if any class of members is entitled to vote thereon as a class, the affirmative vote of the members present of such class entitled to cast at least a majority of the votes which all members present of such class are entitled to cast thereon. Any number of amendments may be submitted to the members and voted upon by them at one meeting.

(b) Adoption in absence of voting members.—If the corporation has no members entitled to vote thereon, the amendment shall be deemed adopted by the corporation when it has been adopted by the board of directors or other body pursuant to section 7902 of this title (relating to proposal of amendments).

(c) Termination of proposal.—The resolution or petition may contain a provision that at any time prior to the filing of articles of amendment in the Department of State the proposal may be terminated by the board of directors or other body notwithstanding the adoption of the amendment by the corporation.

(d) Amendment of voting provisions.—Notwithstanding any contrary provision of the articles or bylaws, whenever the articles shall require for the taking of any action by the members or a class of members a specific number of percentage of votes the provision of the articles setting forth such requirement shall not be amended or repealed by any lesser number or percentage of votes of the members or of such class of members.

**§ 7905. Articles of amendment.**

Upon the adoption of an amendment by the corporation, as provided in this subchapter, articles of amendment shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall set forth:

- (1) The name of the corporation and the address, including street and number, if any, of its registered office.
- (2) The statute under which the corporation was incorporated and the date of incorporation.
- (3) If the amendment is to be effective on a specified date, the hour, if any, and the month, day and year of such effective date.
- (4) The manner in which the amendment was adopted by the corporation.
- (5) The amendment adopted by the corporation, which shall be set forth in full.

**§ 7906. Filing and effectiveness of articles of amendment; advertisement.**

(a) Filing.—The articles of amendment shall be filed in the Department of State.

(b) Effectiveness.—Upon the filing of the articles of amendment in the department, or upon the effective date specified in the articles of amendment, whichever is later, the amendment shall become effective and the articles of incorporation shall be deemed to be amended accordingly. No amendment shall affect any existing cause of action in favor of or against the corporation, or any pending action to which the corporation shall be a party, or the existing rights of persons other than members or, except as otherwise provided by order, if any, obtained pursuant to section 7549(b) of this title (relating to nondiversion of certain property) divert any property subject to such section from the purpose or purposes to which it was committed. In the event the corporate name shall be changed by the amendment, no action brought by or against the corporation under its former name shall be abated for that reason.

(c) Advertisement.—The corporation shall officially publish notice of its intention to file or the filing of articles of amendment. The notice may appear prior to or after the day upon which the articles of amendment are filed in the department, and shall set forth briefly:

- (1) The name of the corporation, and the address, including street and number, if any, of its registered office.
- (2) A statement that the articles of amendment are to be or were filed under the provisions of this article.
- (3) The nature and character of the amendment.
- (4) The date when the articles of amendment will be or were filed in the Department of State.

**SUBCHAPTER B  
MERGER, CONSOLIDATION AND SALE OF ASSETS**

Sec.

7921. Merger and consolidation authorized.  
7922. Proposal of plan of merger or consolidation.  
7923. Notice of meeting of members.

- 7924. Adoption of plan.
- 7925. Authorization by foreign corporations.
- 7926. Articles of merger or consolidation.
- 7927. Filing of articles of merger or consolidation.
- 7928. Effective date of merger or consolidation.
- 7929. Effect of merger or consolidation.
- 7930. Voluntary transfer of corporate assets.

**§ 7921. Merger and consolidation authorized.**

(a) Domestic surviving or new corporation.—Any two or more domestic nonprofit corporations, or any two or more foreign corporations not-for-profit, or any one or more domestic nonprofit corporations, and any one or more foreign corporations not-for-profit, may, in the manner provided in this subchapter, be merged into one of such domestic nonprofit corporations, hereinafter designated as the surviving corporation, or consolidated into a new corporation to be formed under this article, if such foreign corporations not-for-profit are authorized by the law or laws of the jurisdiction under which they are incorporated to effect such merger or consolidation.

(b) Foreign surviving or new corporation.—Any one or more domestic nonprofit corporations, and any one or more foreign corporations not-for-profit, may, in the manner hereinafter provided in this subchapter, be merged into one of such foreign corporations not-for-profit, hereinafter designated as the surviving corporation, or consolidated into a new corporation to be incorporated under the law or laws of the jurisdiction under which one of the foreign corporations not-for-profit is incorporated, if the laws of such jurisdiction authorize such merger or consolidation.

**§ 7922. Proposal of plan of merger or consolidation.**

(a) Preparation of plan.—A plan of merger or consolidation, as the case may be, shall be prepared, setting forth:

- (1) The terms and conditions of the merger or consolidation.
- (2) The mode of carrying the merger or consolidation into effect.
- (3) If the surviving or new corporation is or is to be a domestic corporation:

- (i) any changes desired to be made in the articles, which may include a restatement of the articles in the case of a merger; or
- (ii) in the case of a consolidation, all of the statements required by this article to be set forth in restated articles.

(4) Such other details and provisions as are deemed desirable.

(b) Proposal.—Every merger or consolidation shall be proposed in the case of each domestic corporation by:

- (1) the adoption by the board of directors or other body of a resolution approving the plan of merger or consolidation;
- (2) petition of members entitled to cast at least 10% of the votes which all members are entitled to cast thereon, setting forth the

proposed plan of merger or consolidation, which petition shall be directed to the board of directors and filed with the secretary of the corporation; or

(3) such other method as may be provided in the bylaws.

The board of directors or other body or the petitioning members shall direct that the plan be submitted to a vote of the members entitled to vote thereon at a regular or special meeting of the members.

**§ 7923. Notice of meeting of members.**

Written notice shall, not less than ten days before the meeting of members called for the purpose of considering the proposed plan, be given to each member of record entitled to vote thereon. There shall be included in, or enclosed with, such notice a copy of the proposed plan or a summary thereof.

**§ 7924. Adoption of plan.**

(a) General rule.—The plan of merger or consolidation shall be adopted upon receiving the affirmative vote of the members present entitled to cast at least a majority of the votes which all members present are entitled to cast thereon of each of the merging or consolidating domestic corporations, and if any class of members is entitled to vote thereon as a class, the affirmative vote of the members present of such class entitled to cast at least a majority of the votes which all members present of such class are entitled to cast thereon.

(b) Adoption in absence of voting members.—If the merging or consolidating corporation has no members entitled to vote thereon, a plan of merger or consolidation shall be deemed adopted by the corporation when it has been adopted by the board of directors or other body pursuant to section 7922 of this title (relating to proposal of plan of merger or consolidation).

(c) Termination of plan.—Any plan of merger or consolidation may contain a provision that at any time prior to the filing of articles of merger or consolidation in the Department of State the plan may be terminated by the board of directors or other body of any corporation which is a party to the plan notwithstanding adoption of the plan by all or any of the corporations which are parties to the plan.

**§ 7925. Authorization by foreign corporations.**

The plan of merger or consolidation shall be authorized, adopted or approved by each foreign corporation which desires to merge or consolidate, in accordance with the laws of the jurisdiction in which it is incorporated.

**§ 7926. Articles of merger or consolidation.**

Upon the adoption of the plan of merger or consolidation by the corporations desiring to merge or consolidate, as provided in this subchapter, articles of merger or articles of consolidation, as the case may be, shall be executed under the seal of each corporation by two duly authorized officers of each corporation, and shall set forth:



(1) The name and the location of the registered office, including street and number, if any, of the domestic surviving or new corporation, or, in the case of a foreign surviving or new corporation, the name of such corporation and its domiciliary jurisdiction, together with either:

- (i) if a qualified foreign corporation, the address, including street and number, if any, of its registered office in this Commonwealth, or
- (ii) if a nonqualified foreign corporation, the address, including street and number, if any, of its principal office under the laws of such domiciliary jurisdiction.

(2) The name and the address, including street and number, if any, of the registered office of each other domestic nonprofit corporation and qualified foreign corporation which is a party to the plan.

(3) If the plan is to be effective on a specified date, the hour, if any, and the month, day and year of such effective date.

(4) The manner in which the plan was adopted by each domestic corporation, and, if one or more foreign corporations are parties to the plan, the fact that the plan was authorized, adopted or approved, as the case may be, by each of the foreign corporations in accordance with the laws of the jurisdiction in which it is incorporated.

(5) The plan of merger or consolidation.

**§ 7927. Filing of articles of merger or consolidation.**

The articles of merger or articles of consolidation, as the case may be, shall be filed in the Department of State. No certificate from any department evidencing the payment of taxes and charges shall be required if the surviving or new corporation is to be a domestic corporation, or shall, on the effective date of the merger or consolidation, be a qualified foreign corporation.

**§ 7928. Effective date of merger or consolidation.**

Upon the filing of the articles of merger or the articles of consolidation in the Department of State, or upon the effective date specified in the plan of merger or consolidation, whichever is later, the merger or consolidation shall be effective. The merger or consolidation of one or more domestic corporations into a foreign corporation shall be effective according to the provisions of law of the jurisdiction in which such foreign corporation is incorporated, but not until articles of merger or articles of consolidation have been adopted and filed, as provided in this subchapter.

**§ 7929. Effect of merger or consolidation.**

(a) Single surviving or new corporation.—Upon the merger or consolidation becoming effective, the several corporations parties to the plan of merger or consolidation shall be a single corporation which, in the case of a merger, shall be that corporation designated in the plan of merger as the surviving corporation, and, in the case of a consolidation, shall be the new corporation provided for in the plan of consolidation. The separate existence of all corporations parties to the plan of merger or consolidation shall cease, except that of the surviving corporation, in the

case of a merger. The surviving or new corporation, as the case may be, if it is a domestic corporation, shall not thereby acquire authority to engage in any business or exercise any right which a corporation may not be incorporated under this article to engage in or exercise.

(b) **Property rights.**—Except as otherwise provided by order, if any, obtained pursuant to section 7549(b) of this title (relating to nondiversion of certain property), all the property, real, personal, and mixed, and franchises of each of the corporations parties to the plan of merger or consolidation, and all debts due on whatever account to any of them, including subscriptions for membership and other choses in action belonging to any of them, shall be taken and deemed to be transferred to and vested in the surviving or new corporation, as the case may be, without further act or deed. The surviving or new corporation shall thenceforth be responsible for all the liabilities and obligations of each of the corporations so merged or consolidated. No liens upon the property of the merging or consolidating corporations shall be impaired by such merger or consolidation, and any claim existing or action or proceeding pending by or against any of such corporations may be prosecuted to judgment as if such merger or consolidation had not taken place, or the surviving or new corporation may be proceeded against or substituted in its place. Any devise, gift or grant contained in any will or other instrument, in trust or otherwise, made before or after such merger or consolidation, to or for any of the constituent corporations, shall inure to the surviving or new corporation, as the case may be, subject to compliance with the requirements of section 7552 of this title (relating to devises, bequests and gifts after certain fundamental changes).

(c) **Taxes.**—Any taxes, penalties and public accounts of the Commonwealth, claimed against any of the merging or consolidating corporations, but not settled, assessed or determined prior to such merger or consolidation, shall be settled, assessed or determined against the surviving or new corporation, and, together with interest thereon, shall be a lien against the franchises and property, both real and personal, of the surviving or new corporation.

(d) **Articles of incorporation.**—In the case of a merger, the articles of incorporation of the surviving domestic corporation if any, shall be deemed to be amended to the extent, if any, that changes in its articles are stated in the plan of merger; and in the case of a consolidation into a domestic corporation, the statements which are set forth in the plan of consolidation, shall be deemed to be the articles of incorporation of the new corporation.

(e) **Automatic designation of agent for process.**—If the surviving or new corporation is a nonqualified foreign corporation, the articles of merger or consolidation shall constitute a designation of the Department of State and any successor agency as the true and lawful attorney of such corporation upon whom may be served all lawful process in any action or

proceeding against it for enforcement against it of any obligation of any constituent domestic corporation or qualified foreign corporation or any obligation arising from the merger or consolidation proceedings, and an agreement that the service of process upon the Department of State or its successor shall be of the same legal force and validity as if served on such corporation and that the authority for such service of process shall continue in force as long as any of the aforesaid obligations remain outstanding in this Commonwealth.

**§ 7930. Voluntary transfer of corporate assets.**

(a) General rule.—A nonprofit corporation shall not sell, lease away or exchange all, or substantially all, its property and assets, with or without good will, unless and until a plan of sale, lease or exchange of assets with respect thereto shall have been adopted by the corporation in the manner provided in this subchapter with respect to the adoption of a plan of merger. In order to make effective any plan of sale, lease or exchange of assets so adopted it shall not be necessary to file any articles or other document in the Department of State, but the corporation shall comply with the requirements of section 7549(b) of this title (relating to nondiversion of certain property).

(b) Exceptions.—Subsection (a) of this section shall not apply to a sale, lease away or exchange of all, or substantially all, the property and assets of a corporation when made in connection with the dissolution or liquidation of the corporation. Such a transaction shall be governed by the provisions of Subchapter E of this chapter (relating to voluntary dissolution and winding up) or Subchapter F of this chapter (relating to involuntary liquidation and dissolution), as the case may be.

(c) Mortgage.—A mortgage or pledge shall not be deemed a sale, lease or exchange for the purposes of this section.

(d) Restrictions.—Nothing in this section shall be construed to authorize the conversion or exchange of assets in fraud of corporate creditors or in violation of law.

**SUBCHAPTER C  
DIVISION**

Sec.

7941. Division authorized.

7942. Proposal and adoption of plan of division.

7943. Articles of division.

7944. Filing of articles of division.

7945. Effective date of division.

7946. Effect of division.

**§ 7941. Division authorized.**

(a) Division of domestic corporation.—Any domestic nonprofit corporation may, in the manner provided in this subchapter, be divided

into two or more domestic nonprofit corporations incorporated or to be incorporated under this article, or into one or more such domestic nonprofit corporations and one or more foreign corporations not-for-profit to be incorporated under the laws of another jurisdiction or jurisdictions, or into two or more of such foreign corporations not-for-profit, if the law or laws of such other jurisdictions authorized such division.

(b) Division of foreign corporation.—Any foreign corporation not-for-profit may, in the manner provided in this subchapter, be divided into one or more domestic nonprofit corporations to be incorporated under this article and one or more foreign corporations not-for-profit incorporated or to be incorporated under the laws of another jurisdiction or jurisdictions, or into two or more of such domestic nonprofit corporations, if such foreign corporation not-for-profit is authorized under the laws of the jurisdiction under which it is incorporated to effect such division.

(c) Surviving and new corporations.—The corporation effecting a division, if it shall survive the division, is hereinafter designated as the surviving corporation. All corporations originally incorporated by a division are hereinafter designated as new corporations. The surviving corporation, if any, and the new corporation or corporations are hereinafter collectively designated as the resulting corporations.

**§ 7942. Proposal and adoption of plan of division.**

(a) Preparation of plan.—A plan of division shall be prepared, setting forth:

(1) The terms and conditions of the division, including the manner and basis of:

(i) the reclassification of the membership interests or shares or obligations of the surviving corporation, if there be one; and

(ii) the disposition of the membership interests or shares and obligations, if any, of the new corporation or corporations resulting from the division.

(2) The mode of carrying the division into effect.

(3) A statement that the dividing nonprofit corporation will, or will not, survive the division.

(4) Any changes desired to be made in the articles of the surviving corporation, if there be one, including a restatement of the articles.

(5) The articles of incorporation required by subsection (b) of this section.

(6) Such other details and provisions as are deemed desirable.

(b) Articles of new corporations.—There shall be included in or annexed to the plan of division:

(1) Articles of incorporation, which shall contain all of the statements required by this article to be set forth in restated articles, for each of the new domestic nonprofit corporations, if any, resulting from the division.

(2) Articles of incorporation, certificates of incorporation, or other charter documents for each of the new foreign corporations not-for-profit, if any, resulting from the division.

(c) Proposal and adoption.—The plan of division shall be proposed and adopted, and may be terminated, by a domestic nonprofit corporation in the manner provided for the proposal, adoption and termination of a plan of merger in Subchapter B of this chapter (relating to merger, consolidation and sale of assets) or, if the dividing corporation is a foreign corporation not-for-profit, in accordance with the laws of the jurisdiction in which it is incorporated.

(d) Special requirements.—If any provision of the bylaws of a dividing domestic nonprofit corporation adopted before January 1, 1972 shall require for the adoption of a plan of merger or consolidation or a plan involving the sale, lease or exchange of all or substantially all of the property and assets of the corporation a specific number or percentage of votes of directors, members, or members of an other body or other special procedures, the plan of division shall not be adopted without such number or percentage of votes or compliance with such other special procedures.

**§ 7943. Articles of division.**

Upon the adoption of a plan of division by the corporation desiring to divide, as provided in this subchapter, articles of division shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall set forth:

(1) The name and the location of the registered office, including street and number, if any, of the dividing domestic corporation, or, in the case of a dividing foreign corporation, the name of such corporation and its domiciliary jurisdiction, together with either:

- (i) if a qualified foreign corporation, the address, including street and number, if any, of its registered office in this Commonwealth; or
- (ii) if a nonqualified foreign corporation, the address, including street and number, if any, of its principal office under the laws of such domiciliary jurisdiction.

(2) The statute under which the dividing corporation was incorporated and the date of incorporation.

(3) A statement that the dividing corporation will, or will not, survive the division.

(4) The name and the address, including street and number, if any, of the registered office of each new domestic nonprofit corporation or qualified foreign corporation resulting from the division.

(5) If the plan is to be effective on a specified date, the hour, if any, and the month, day and year of such effective date.

(6) The manner in which the plan was adopted by the corporation.

(7) The plan of division.

**§ 7944. Filing of articles of division.**

The articles of division shall be filed in the Department of State. No

certificate from any department evidencing the payment of taxes and charges shall be required.

**§ 7945. Effective date of division.**

Upon the filing of articles of division in the Department of State, or upon the effective date specified in the plan of division, whichever is later, the division shall become effective. The division of a domestic nonprofit corporation into one or more foreign corporations not-for-profit or the division of a foreign corporation not-for-profit shall be effective according to the laws of the jurisdictions where such foreign corporations are or are to be incorporated, but not until articles of division have been adopted and filed, as provided in this subchapter.

**§ 7946. Effect of division.**

(a) Multiple resulting corporations.—Upon the division becoming effective the dividing corporation shall be subdivided into the distinct and independent resulting corporations named in the plan of division and, if the dividing corporation is not to survive the division, the existence of the dividing corporation shall cease. The resulting corporations, if they are domestic corporations, shall not thereby acquire authority to engage in any business or exercise any right which a corporation may not be incorporated under this article to engage in or exercise. Any resulting foreign corporation which is stated in the articles of division to be a qualified foreign corporation shall be a qualified foreign corporation under this part and the articles of division shall be deemed to be the application for a certificate of authority and the certificate of authority issued thereon of such corporation.

(b) Property rights.—Except as otherwise provided by order, if any, obtained pursuant to section 7549(b) of this title (relating to nondiversion of certain property), all the property, real, personal, and mixed, and franchises of the dividing corporation, and all debts due on whatever account to it, including subscriptions for membership and other choses in action belonging to it, shall be taken and deemed without further act or deed to be transferred to and vested in the resulting corporations on such a manner and basis and with such effect as is specified in the plan of division, or per capita among the resulting corporations, as tenants in common, if no such specification is made in the plan. The resulting corporations shall each thenceforth be responsible as separate and distinct corporations only for such liabilities and obligations as each corporation may undertake or incur in its own name, but shall be liable inter se for the debts and liabilities of the dividing corporation in the manner and on the basis specified in the plan of division. No liens upon the property of the dividing corporation shall be impaired by the division. One or more, but less than all, of the resulting corporations shall be free of all the liabilities and obligations of the dividing corporation to the extent, if any, specified in the plan, if no fraud of corporate creditors or members without voting rights and if no violation of law shall be effected thereby, and if all

applicable provisions of Article 6 of the Uniform Commercial Code (relating to bulk transfers) and all other applicable provisions of law are complied with. Otherwise, the liability of the dividing corporation, or of its members, directors, or officers, shall not be affected by the division, nor shall the rights of the creditors thereof or of any person dealing with such corporation be impaired by such division, and, except as otherwise provided in this section, any claim existing or action or proceeding pending by or against such corporation may be prosecuted to judgment as if such division had not taken place, or the resulting corporations may be proceeded against or substituted in its place as joint and several obligors on such liability, regardless of any provision of the plan of division apportioning the debts and liabilities of the dividing corporation.

(c) Taxes.—Any taxes, penalties and public accounts of the Commonwealth, claimed against the dividing corporation, but not settled, assessed or determined prior to such division, shall be settled, assessed or determined against any of the resulting corporations, and, together with interest thereon, shall be a lien against the franchises and property, both real and personal, of all such corporations. The Department of Revenue may, upon the application of the dividing corporation, release one or more, but less than all, of the resulting corporations from liability for all taxes, penalties and public accounts of the dividing corporation due the Commonwealth or any other taxing authority for periods prior to the effective date of the division, if the Department of Revenue is satisfied that the public revenues will be adequately secured.

(d) Articles of surviving corporation.—The articles of incorporation of the surviving corporation, if there be one, shall be deemed to be amended to the extent, if any, that changes in its articles are stated in the plan of division.

(e) Articles of new corporations.—The statements which are set forth in the plan of division with respect to each new domestic corporation and which are required or permitted to be set forth in restated articles of incorporation of corporations incorporated under this article, shall be deemed to be the articles of incorporation of each such new corporation.

(f) Directors and officers.—Unless otherwise provided in the plan, the directors and officers of the dividing corporation shall be the initial directors and officers of each of the resulting corporations.

(g) Automatic designation of agent for process.—If any of the resulting corporations is a nonqualified foreign corporation, the articles of division shall constitute a designation of the Department of State and any successor agency as the true and lawful attorney of such corporation upon whom may be served all lawful process in any action or proceeding against it for enforcement against it of any obligation of the dividing corporation for which it may be liable or any obligation arising from the division proceedings, and an agreement that the service of process upon the Department of State or its successor shall be of the same legal force and

validity as if served on such corporation and that the authority for such service of process shall continue in force as long as any of the aforesaid obligations remain outstanding in this Commonwealth.

## SUBCHAPTER D CONVERSION

Sec.

7951. Conversion authorized.

7952. Proposal and adoption of plan of conversion.

7953. Articles of conversion.

7954. Filing of articles of conversion.

7955. Effective date of conversion.

7956. Effect of conversion.

### § 7951. Conversion authorized.

(a) Business to nonprofit.—Any business corporation may, in the manner provided in this subchapter, be converted into a nonprofit corporation, hereinafter designated as the resulting corporation.

(b) Nonprofit to business.—Any nonprofit corporation may, in the manner provided in this subchapter, be converted into a business corporation, hereinafter designated as the resulting corporation.

(c) Exceptions.—

(1) This subchapter shall not authorize any conversion involving:

(i) A cooperative corporation.

(ii) Beneficial, benevolent, fraternal or fraternal benefit societies having a lodge system and a representative form of government, or transacting any type of insurance whatsoever.

(iii) Any corporation which by the laws of this Commonwealth is subject to the supervision of the Department of Banking, the Insurance Department or the Pennsylvania Public Utility Commission.

(2) Paragraph (1) of this subsection shall not be construed as repealing any statute which provides a procedure for the conversion of a nonprofit corporation into an insurance corporation.

### § 7952. Proposal and adoption of plan of conversion.

(a) Preparation of plan.—A plan of conversion shall be prepared, setting forth:

(1) The terms and conditions of the conversion.

(2) The mode of carrying the conversion into effect.

(3) A restatement of the articles of the resulting corporation, which articles shall comply with the requirements of:

(i) the Business Corporation Law, if the resulting corporation is to be a business corporation; or

(ii) this article, if the resulting corporation is to be a nonprofit corporation.



(4) Such other details and provisions as are deemed desirable.

(b) Proposal and adoption.—The plan of conversion shall be proposed and adopted, and may be terminated, in the manner provided for the proposal, adoption and termination of a plan of merger in Article IX of the Business Corporation Law (relating to merger and consolidation), in the case of a business corporation which proposes to convert into a nonprofit corporation, or in Subchapter B of this chapter (relating to merger, consolidation and sale of assets), in the case of a nonprofit corporation which proposes to convert into a business corporation.

(c) Rights of dissenting shareholders.—If any shareholder of a business corporation which adopts a plan of conversion into a nonprofit corporation shall object to such plan of conversion and shall comply with the provisions of section 515 of the Business Corporation Law (relating to rights of dissenting shareholders), such shareholder shall be entitled to the rights and remedies of dissenting shareholders therein provided, notwithstanding anything to the contrary in subsection L of said section. There shall be included in, or enclosed with, the notice of meeting of shareholders of the business corporation called to act upon the plan of conversion a copy or a summary of the plan and a copy of this subsection and of section 515 of the Business Corporation Law.

**§ 7953. Articles of conversion.**

Upon the adoption of a plan of conversion by the corporation desiring to convert, as provided in this subchapter, articles of conversion shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall set forth:

- (1) The name of the corporation and the address, including street and number, if any, of its registered office.
- (2) The statute under which the corporation was incorporated and the date of incorporation.
- (3) If the plan is to be effective on a specified date, the hour, if any, and the month, day and year of such effective date.
- (4) The manner in which the plan was adopted by the corporation.
- (5) The plan of conversion.

**§ 7954. Filing of articles of conversion.**

The articles of conversion shall be filed in the Department of State.

**§ 7955. Effective date of conversion.**

Upon the filing of articles of conversion in the Department of State, or upon the effective date specified in the plan of conversion, whichever is later, the conversion shall become effective.

**§ 7956. Effect of conversion.**

(a) Business to nonprofit.—Upon the conversion becoming effective the corporation, if theretofore a business corporation, shall be deemed to be a nonprofit corporation for all purposes, shall cease to be a business corporation and shall not thereafter operate in any manner resulting in pecuniary profit, incidental or otherwise, to its members or shareholders.

The corporation shall remain liable for all existing obligations, public or private, taxes due the Commonwealth or any other taxing authority for periods prior to the effective date of the conversion, and, as such nonprofit corporation, it shall continue to be entitled to all assets therefore pertaining to it as a business corporation.

(b) Nonprofit to business.—Upon the conversion becoming effective the corporation, if theretofore a nonprofit corporation, shall be deemed to be a business corporation for all purposes, shall cease to be a nonprofit corporation, and may thereafter operate for a purpose or purposes resulting in pecuniary profit, incidental or otherwise, to its members or shareholders. The corporation shall issue share certificates to each shareholder entitled thereto. The corporation shall remain liable for all existing obligations, public and private, taxes due the Commonwealth or any other taxing authority for periods prior to the effective date of the conversion, and, as such business corporation, it shall continue to be entitled to all assets theretofore pertaining to it as a nonprofit corporation except as otherwise provided by order, if any, obtained pursuant to section 7549(b) of this title (relating to nondiversion of certain property).

#### SUBCHAPTER E VOLUNTARY DISSOLUTION AND WINDING UP

Sec.

- 7961. Voluntary dissolution by members or incorporators.
- 7962. Proposal of voluntary dissolution.
- 7963. Notice of meeting of members.
- 7964. Adoption of proposal.
- 7965. Articles of election to dissolve.
- 7966. Articles rescinding election to dissolve.
- 7967. Winding up in voluntary dissolution proceedings.
- 7968. Judicial supervision of proceedings.
- 7969. Articles of dissolution.
- 7970. Winding up of corporation upon the expiration of its period of duration.
- 7971. Survival of remedies and rights after dissolution.

**§ 7961. Voluntary dissolution by members or incorporators.**

The members or incorporators of a nonprofit corporation which has not commenced business may effect the dissolution of the corporation by filing articles of dissolution in the Department of State. The articles of dissolution shall be executed under the seal of the corporation by a majority of the members or incorporators, and shall set forth:

- (1) The name of the corporation and the address, including street and number, if any, of its registered office.
- (2) The statute under which the corporation was incorporated and the date of incorporation.

(3) That the corporation has not received any property in trust, or otherwise commenced business.

(4) That the amount, if any, actually paid in on subscriptions for memberships, less any part thereof disbursed for necessary expenses, has been returned to those entitled thereto.

(5) That no debts of the corporation remain unpaid or that adequate provision has been made therefore.

(6) That all the members or incorporators elect that the corporation be dissolved.

The articles of dissolution shall be filed in the Department of State. Upon the filing of the articles of dissolution, the existence of the corporation shall cease.

**§ 7962. Proposal of voluntary dissolution.**

Any nonprofit corporation which has commenced business may elect to dissolve voluntarily, and wind up its affairs in the manner provided in this subchapter. Voluntary dissolution shall be proposed by:

(1) the adoption by the board of directors or other body of a resolution recommending that the corporation be dissolved voluntarily;

(2) petition of members entitled to cast at least 10% of the votes which all members are entitled to cast thereon, setting forth a resolution recommending that the corporation be dissolved voluntarily, which petition shall be directed to the board of directors and filed with the secretary of the corporation; or

(3) such other method as may be provided in the bylaws.

The board of directors or other body or the petitioning members shall direct that the question of dissolution be submitted to a vote of the members of such corporation entitled to vote thereon at a regular or special meeting of the members.

**§ 7963. Notice of meeting of members.**

Written notice shall, not less than ten days before the meeting of members called for the purpose of considering the advisability of voluntarily dissolving the corporation, be given to each member of record entitled to vote thereon, and such purpose shall be included in the notice of the meeting.

**§ 7964. Adoption of proposal.**

(a) General rule.—The resolution shall be adopted upon receiving the affirmative vote of the members present entitled to cast at least a majority of the votes which all members present are entitled to cast thereon, and if any class of members is entitled to vote thereon as a class, the affirmative vote of the members present of such class entitled to cast at least a majority of the votes which all members present of such class are entitled to cast thereon.

(b) Adoption in absence of voting members.—If the corporation has no members entitled to vote on the question of the advisability of

voluntarily dissolving the corporation, the resolution shall be deemed adopted by the corporation when it has been adopted by the board of directors or other body pursuant to section 7962 of this title (relating to proposal of voluntary dissolution).

(c) Termination of proposal.—The resolution or petition may contain a provision that at any time prior to the filing of articles of election to dissolve in the Department of State the proposal may be terminated by the board of directors or other body notwithstanding the adoption of the resolution by the corporation.

**§ 7965. Articles of election to dissolve.**

(a) General rule.—Upon the adoption by the corporation of a resolution for its voluntary dissolution, as provided in this subchapter, articles of election to dissolve shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall set forth:

- (1) The name of the corporation and the address, including street and number, if any, of its registered office.
- (2) The statute under which the corporation was incorporated and the date of incorporation.
- (3) The names and respective addresses, including street and number, if any, of its officers.
- (4) The names and respective addresses, including street and number, if any, of its directors.
- (5) The manner in which the proposal to dissolve voluntarily was adopted by the corporation.

(b) Filing.—The articles of election to dissolve shall be filed in the Department of State. Upon the filing in the department of articles of election to dissolve, the corporation shall cease to carry on its business, except insofar as may be necessary for the proper winding up thereof, but its corporate existence shall continue until articles of dissolution have been filed in the department.

**§ 7966. Articles rescinding election to dissolve.**

(a) General rule.—Any nonprofit corporation may rescind its election to dissolve in the same manner and by the same procedure as that provided in this subchapter for the election of a corporation to dissolve voluntarily, and shall execute under the seal of the corporation, by two duly authorized officers thereof, articles rescinding election to dissolve, which shall set forth:

- (1) The name of the corporation and the address, including street and number, if any, of its registered office.
- (2) The date of filing of articles of election to dissolve in the Department of State.
- (3) The manner in which the rescission of election to dissolve was adopted by the corporation.

(b) Filing.—The articles rescinding election to dissolve shall be filed in the Department of State. Upon the filing in the department of articles rescinding election to dissolve, the election to dissolve shall be rescinded.

**§ 7967. Winding up in voluntary dissolution proceedings.**

(a) Powers of board.—The board of directors or other body of a nonprofit corporation shall have full power to wind up and settle the affairs of a nonprofit corporation in the event of a voluntary dissolution proceeding.

(b) Notice to creditors and taxing authorities.—After the filing in the Department of State of articles of election to dissolve, the board of directors or other body shall immediately cause notice of the winding up proceedings to be officially published and to be mailed by certified or registered mail to each known creditor and claimant and to each local government in which its registered office or principal place of business in this Commonwealth is located.

(c) Winding up and distribution.—The board of directors or other body shall, as speedily as possible, proceed to collect all sums due to the corporation, to convert into cash all corporate assets the conversion of which into cash is required to discharge its liabilities, to collect the whole or so much as may be necessary or just of any amounts remaining unpaid on subscriptions for membership, and, out of the assets of the corporation, to discharge or make adequate provision for the discharge of all liabilities of the corporation, according to their respective priorities. Except as otherwise provided in a bylaw adopted by the members or in this article or by any other provision of law, any surplus remaining after paying or providing for all liabilities of the corporation shall be distributed by the board of directors or other body to the shareholders, if any, pro rata, or if there be no shareholders, among the members per capita.

**§ 7968. Judicial supervision of proceedings.**

(a) General rule.—The board of directors or other body, at any time during the winding up proceedings, may, by petition, apply to the court to have the proceedings continued under the supervision of the court, and thereafter the proceedings shall continue under the supervision of the court, as provided in Subchapter F of this chapter (relating to involuntary liquidation and dissolution).

(b) Distribution of property committed to charitable purposes.—If the assets of the corporation include any property committed to charitable purposes, the board of directors or other body shall apply to the court for an order pursuant to section 7549(b) of this title (relating to nondiversion of certain property) specifying the disposition of the property.

(c) Religious assets.—In entering a decree providing for the distribution of the assets of a corporation organized for the support of public worship, the court shall, by its decree, provide for the disposition of the assets of the corporation, either by:

(1) vesting title thereto in such other corporation as may, by its articles, be organized for the purpose of holding title to the real estate held for public worship, according to the formularies of the church or

religious organization to which the dissolved corporation was in allegiance;

(2) authorizing the sale of such assets by a master or trustee appointed for that purpose and the vesting of the proceeds, upon the confirmation of such sale, in such body as may be directed by the court, to be held in trust for carrying out the intent and purpose of public worship; or

(3) vesting the title to such assets in any incorporated or unincorporated body designated by the petitioners for the same uses and trusts as the assets were theretofore held by the dissolved corporation.

**§ 7969. Articles of dissolution.**

(a) Preparation of articles.—When all liabilities of the nonprofit corporation have been discharged, or adequate provision shall have been made therefor, and all of the remaining assets of the corporation shall have been distributed as provided in this subchapter, or in case its assets are not sufficient to discharge its liabilities, when all the assets have been fairly and equitably applied, as far as they will go, to the payment of such liabilities, articles of dissolution shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall set forth:

(1) The name of the corporation and the address, including street and number, if any, of its registered office.

(2) A statement that the corporation has theretofore delivered to the Department of State articles of election to dissolve, and the date on which such articles were filed in the department.

(3) A statement:

(i) that liabilities of the corporation have been discharged, or that adequate provision has been made therefor; or

(ii) that the assets of the corporation are not sufficient to discharge its liabilities, and that all the assets of the corporation have been fairly and equitably applied, as far as they will go, to the payment of such liabilities.

(4) A statement that all the remaining assets of the corporation, if any, have been distributed as provided in this subchapter.

(5) A statement that there are no actions pending against the corporation in any court, or that adequate provision has been made for the satisfaction of any judgment or decree which may be obtained against the corporation in each such pending action.

(6) A statement that notice of the winding-up proceedings of the corporation was mailed by certified or registered mail to each local government in which the registered office or principal place of business of the corporation in this Commonwealth is located.

(b) Filing.—The articles of dissolution shall be filed in the Department of State. At the same time proof of the advertisement required by section 7967(b) of this title (relating to notice to creditors and taxing authorities)

shall be delivered to the department. Upon the filing of the articles of dissolution in the department, the existence of the corporation shall cease.

**§ 7970. Winding up of corporation upon the expiration of its period of duration.**

Every nonprofit corporation which is dissolved by expiration of its period of duration shall, nevertheless, continue to exist for the purpose of winding up its affairs, prosecuting and defending actions by or against it, collecting and discharging obligations, disposing of and conveying its property, and collecting and dividing its assets, but not for the purpose of continuing business, except insofar as necessary for the winding up of the corporation. The board of directors or other body of such corporation shall continue as such, and shall have full power to wind up the affairs of the corporation.

**§ 7971. Survival of remedies and rights after dissolution.**

(a) **Liabilities.**—The dissolution of a nonprofit corporation, either under this subchapter or under Subchapter F of this chapter (relating to involuntary liquidation and dissolution) or by expiration of its period of duration, shall not take away or impair any remedy given against such corporation, its directors or members, for any liability incurred prior to such dissolution, if an action thereon is brought before or within two years after the date of such dissolution. Such actions may be prosecuted against and defended by the corporation in its corporate name.

(b) **Rights and assets.**—The dissolution of a nonprofit corporation shall not take away or impair any property right, tangible or intangible, including any right of action, of such corporation. Should any such property right be discovered after the dissolution of the corporation, the surviving member or members of the board of directors or other body which wound up the affairs of the corporation, or a receiver appointed by the court, shall have authority to enforce such property right and to collect and divide the assets so discovered among the persons entitled thereto and to prosecute actions in the corporate name of the corporation. Any assets so collected shall be distributed and disposed of in accordance with the applicable decree of court, if any, otherwise in accordance with this subchapter.

**SUBCHAPTER F  
INVOLUNTARY  
LIQUIDATION AND DISSOLUTION**

Sec.

- 7981. Proceedings upon petition of member or director.
- 7982. Proceedings upon petition of creditor.
- 7983. Proceedings upon petition of superior religious organization.
- 7984. Appointment of receiver pendente lite and other interim powers.
- 7985. Liquidating receiver.

7986. Qualifications of receivers.

7987. Proofs of claims.

7988. Discontinuance of proceedings; reorganization.

7989. Involuntary articles of dissolution.

7990. Actions to revoke corporate franchises.

**§ 7981. Proceedings upon petition of member or director.**

The court may, upon petition filed by a member or director of a nonprofit corporation, entertain proceedings for the involuntary winding up and dissolution of the corporation, when any of the following are made to appear:

(1) That the objects of the corporation have wholly failed; or are entirely abandoned, or that their accomplishment is impracticable.

(2) That the acts of the directors, or those in control of the corporation, are illegal, oppressive, or fraudulent, and that it is beneficial to the interests of the members that the corporation be wound up and dissolved.

(3) That the corporate assets are being misapplied or wasted, and that it is beneficial to the interests of the members that the corporation be wound up and dissolved.

(4) That the directors or other body are deadlocked in the management of the corporate affairs and the members are unable to break the deadlock, and that irreparable injury to the corporation is being suffered or is threatened by reason thereof.

**§ 7982. Proceedings upon petition of creditor.**

The court may, upon petition filed by a creditor of a nonprofit corporation whose claim has either been reduced to judgment and an execution thereon returned unsatisfied, or whose claim is admitted by the corporation, entertain proceedings for the involuntary winding up and dissolution of the corporation when, in either case, it is made to appear that the corporation is unable to pay its debts and obligations in the regular course of business, as they mature, or to afford reasonable security to those who may deal with it.

**§ 7983. Proceedings upon petition of superior religious organization.**

The court may, in the case of any corporation organized for the support of public worship, upon petition filed by the diocesan convention, presbytery, synod, conference, council, or other supervising or controlling organization of which the corporation is a member or with which it is in allegiance and to which it is subordinate, entertain proceedings for the involuntary winding up and dissolution of the corporation when it is made to appear that by reason of shifting population, withdrawal of membership, or any other cause whatsoever, the corporation has ceased to support public worship within the intent and meaning of its articles, and the dissolution of the corporation may be effected without prejudice to the public welfare and the interests of the members of the corporation.



**§ 7984. Appointment of receiver pendente lite and other interim powers.**

Upon the filing of a petition under this subchapter the court shall have all the ordinary powers of a court of equity to issue injunctions, to appoint a receiver or receivers, pendente lite, with such powers and duties as the court from time to time may direct, and to take such other proceedings as may be requisite to preserve the corporate assets and carry on the business of the corporation until a full hearing can be had.

**§ 7985. Liquidating receiver.**

Upon a hearing and proof of the issues, after such notice as the court may direct to be given to all parties to the proceeding, and to any other parties in interest designated by the court, the court may appoint a liquidating receiver with authority to collect the assets of the corporation, including all amounts owing to the corporation by members on account of any unpaid portion of the consideration for memberships. Such liquidating receiver shall have authority, subject to the order of the court, to dispose of all or any part of the assets of the corporation, either at public or private sale. The assets of the corporation, or the proceeds resulting from a disposition thereof, shall be applied to the expenses of such liquidation and to the payment of the liabilities of the corporation, and any remaining assets or proceeds shall be distributed by the court in the manner provided by Subchapter E of this chapter (relating to voluntary dissolution and winding up). The order appointing such liquidating receiver shall state his powers and duties. Such powers and duties may be increased or diminished at any time during the proceedings. A receiver of a corporation appointed under this section shall have authority to sue and defend in all courts in his own name as receiver of such corporation. The court appointing such receiver may issue writs in favor of such receiver to the sheriff of any county in this Commonwealth for service.

**§ 7986. Qualifications of receivers.**

A receiver shall in all cases be a resident of this Commonwealth, or a corporation authorized to act as receiver, which corporation may be a domestic corporation for profit or not-for-profit or a foreign corporation for profit or not-for-profit authorized to do business in this Commonwealth, and shall give such bond as the court may direct, with such sureties as the court may require.

**§ 7987. Proofs of claims.**

In a proceeding under this subchapter, the court may require all creditors of the corporation to file with the prothonotary of the court, or with the receiver, proofs, under oath, of their respective claims. If the court requires the filing of claims, it shall fix a date, which shall not be less than four months from the date of the order, as the last day for filing of claims, and shall prescribe the notice that shall be given to creditors and claimants of the date so fixed. Prior to the date so fixed, the court may extend the time for the filing of claims. Creditors and claimants failing to file proofs of claim on or before the date so fixed may be barred, by order of court, from participating in the distribution of the assets of the corporation.

**§ 7988. Discontinuance of proceedings; reorganization.**

The proceedings under this subchapter may be discontinued at any time during the winding up proceedings, in the following manner:

(1) If the proceedings shall have been instituted by a member or director and it is made to appear to the court that the deadlock in the corporate affairs has been broken or the management or control of the corporation has been changed, the court, in its discretion, may dismiss the proceeding and direct the receiver to redeliver to the corporation all its remaining assets.

(2) If the proceedings shall have been instituted by a creditor and it is made to appear that the debts of the corporation have been paid or provided for, and that there remain or can be obtained sufficient funds to enable the corporation to resume its business, the court, in its discretion, may dismiss the proceeding and direct the receiver to redeliver to the corporation all its remaining assets.

(3) When a compromise or reorganization of the corporation is proposed, whether the proceedings shall have been instituted by a member or director or by a creditor, the court, upon the summary application of any member, director, creditor, or receiver, may order a meeting of the creditors, or members to be summoned in such manner as the court may direct. If a majority in number, representing 75% in value of the creditors or if 75% of the members present in person, or if a majority in number, representing 75% in value of any class of creditors, or if 75% of the members of any class present in person, as the case may be, agree to any compromise or reorganization of the corporation, such compromise or reorganization, if approved by the court as fair and feasible, shall be binding on all creditors or on all members, or both, or on the class of creditors or class of members, or both, as the case may be, and also on the corporation and its receiver, if any.

(4) If the proceedings shall have been instituted by a superior religious organization and it is made to appear that appropriate arrangements for the conduct of the affairs of the corporation have been made, the court, in its discretion, may dismiss the proceedings and direct the receiver to redeliver to the corporation its remaining assets.

**§ 7989. Involuntary articles of dissolution.**

The court, in a proceeding under this subchapter, shall enter a decree dissolving the corporation when the order, if any, obtained pursuant to section 7549(b) of this title (relating to nondiversion of certain property) has been entered and when the costs and expenses of such proceeding, and all liabilities of the corporation shall have been discharged, and all of its remaining assets have been distributed to the persons entitled thereto, or, in case its assets are not sufficient to discharge such costs, expenses and liabilities, when all the assets have been applied, as far as they will go, to

the payment of such costs, expenses and liabilities. After the court shall have entered a decree of dissolution, it shall be the duty of the prothonotary to prepare and execute articles of dissolution substantially in the form provided by section 7969 of this title (relating to articles of dissolution), to attach thereto a certified copy of the decree and to transmit the articles and attached decree to the Department of State. No fee shall be charged by the department in connection with the filing of articles of dissolution under this section. Upon the filing of the articles of dissolution in the department, the existence of the corporation shall cease.

**§ 7990. Actions to revoke corporate franchises.**

(a) General rule.—The Attorney General may institute proceedings to revoke the articles and franchises of a nonprofit corporation if it:

- (1) misused or failed to use its powers, privileges or franchises;
- (2) procured its articles by fraud; or
- (3) should not have been incorporated under the statutory authority relied upon.

(b) Powers of court.—In every action instituted under subsection (a) of this section the court shall have power to wind up the affairs of and to dissolve the corporation in the manner provided in this subchapter.

ARTICLE C  
FOREIGN CORPORATIONS NOT-FOR-PROFIT

Chapter

81. Foreign Corporations Not-for-profit

CHAPTER 81  
FOREIGN CORPORATIONS NOT-FOR-PROFIT

Subchapter

- A. Application of Article
- B. Qualification
- C. Powers, Duties and Liabilities

SUBCHAPTER A  
APPLICATION OF ARTICLE

Sec.

8101. Application of article.

**§ 8101. Application of article.**

Except as otherwise provided in subsequent provisions of this article, this article shall apply to and the words “corporation” or “foreign corporation” in this article shall mean a foreign corporation not-for-profit. This article shall also apply to and the words “corporation,” “foreign corporation” and “foreign corporation not-for-profit” shall include a government or other sovereign (other than the Commonwealth) and any governmental corporation, agency or other entity thereof.

SUBCHAPTER B  
QUALIFICATION

Sec.

- 8121. Admission of foreign corporations.
- 8122. Excluded activities.
- 8123. Restriction on admission of foreign corporations.
- 8124. Application for a certificate of authority.
- 8125. Issuance of certificate of authority.
- 8126. Amended certificate of authority.
- 8127. Merger or consolidation of qualified foreign corporations.
- 8128. Revocation of certificate of authority.
- 8129. Application for termination of authority.
- 8130. Change of address after withdrawal.

**§ 8121. Admission of foreign corporations.**

(a) General rule.—A foreign corporation not-for-profit, before doing business in this Commonwealth, shall procure a certificate of authority to do so from the Department of State, in the manner provided in this subchapter. A foreign corporation not-for-profit shall not be denied a certificate of authority by reason of the fact that the laws of the jurisdiction governing its incorporation and internal affairs differ from the laws of this Commonwealth.

(b) Qualification under former statute.—If a foreign corporation was on March 19, 1966 admitted to do business in this Commonwealth by the filing of a power of attorney and statement under the act of June 8, 1911 (P.L.710), such power of attorney and statement shall be deemed an approved application for a certificate of authority issued under this subchapter and such corporation shall be deemed a holder of such a certificate. Such corporation shall include in its initial application, if any, for an amended certificate of authority under this subchapter the information required by this subchapter to be set forth in an application for a certificate of authority.

**§ 8122. Excluded activities.**

(a) General rule.—Without excluding other activities which may not constitute doing business in this Commonwealth, a foreign corporation not-for-profit shall not be considered to be doing business in this Commonwealth for the purposes of this subchapter by reason of carrying on in this Commonwealth any one or more of the following acts:

- (1) Maintaining or defending any action or any administrative or arbitration proceeding or effecting the settlement thereof or the settlement of claims or disputes.
- (2) Holding meetings of its directors or members.
- (3) Maintaining bank accounts.

(4) Maintaining offices or agencies for the transfer, exchange and registration of its memberships or securities, or appointing and maintaining trustees or depositories with relation to its memberships or securities.

(5) Granting funds.

(6) Distributing information to its members.

(7) Creating as borrower or lender evidences of debt, mortgages, and rights in real or security interests in personal property.

(8) Collecting debts and enforcing mortgages and rights in property securing the same.

(9) Transacting any business in interstate or foreign commerce.

(10) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature.

(11) Inspecting, appraising and acquiring real estate and mortgages and other liens thereon and personal property and security interests therein, and holding, leasing away, conveying and transferring the same, as fiduciary or otherwise.

(b) Exceptions.—The specification of activities in subsection (a) of this section does not establish a standard for activities which may subject a foreign corporation to:

(1) service of process under any statute;

(2) taxation by the Commonwealth or any political subdivision thereof; or

(3) the provisions of section 8145 of this title (relating to applicability of certain safeguards to foreign corporations).

**§ 8123. Restriction on admission of foreign corporations.**

(a) General rule.—The Department of State shall not issue a certificate of authority to any foreign corporation not-for-profit:

(1) If the application for the certificate of authority required to be filed by this subchapter sets forth any kind of business which a foreign corporation not-for-profit may not lawfully do in this Commonwealth.

(2) The name of which is not expressed in English letters or characters.

(3) Which, except as provided in subsection (b) of this section, has a name which under section 7313 of this title (relating to corporate name) is not available through consent or otherwise for use by a domestic nonprofit corporation or a domestic cooperative corporation, as the case may be.

(b) Exception; name.—The provisions of section 7313(b) of this title (relating to duplicate use of names) shall not prevent the issuance of a certificate of authority to a foreign corporation not-for-profit setting forth a name which is similar to the name of any other domestic or foreign corporation for profit or corporation not-for-profit, if:

(1) the department finds, upon proof by affidavit or otherwise as it may determine, that:

(i) the applicant has engaged in business as a corporation under its proposed name for not less than three consecutive years immediately prior to the date of its application;

(ii) the business to be conducted in this Commonwealth is not the same as or similar to the business conducted in this Commonwealth by the corporation with whose name it may conflict; and

(iii) the public is not likely to be confused or deceived; and

(2) the applicant shall agree in its application for a certificate of authority to use with its corporate name in this Commonwealth, to be placed immediately under or following such name, the words "a....(name or abbreviation of jurisdiction of incorporation) corporation."

**§ 8124. Application for a certificate of authority.**

(a) General rule.—The foreign corporation not-for-profit shall file in the Department of State an application for a certificate of authority and at the same time shall deliver to the department a certificate of the appropriate official of the jurisdiction under the laws of which it was incorporated, dated within 60 days of delivery of the application to the Department of State, to the effect that it is a corporation duly incorporated and existing under the laws of such jurisdiction. The application for a certificate of authority shall be executed under the seal of the corporation, by two duly authorized officers thereof, and shall set forth:

(1) The name of the corporation.

(2) The name of the jurisdiction under the laws of which it is incorporated.

(3) The address, including street and number, if any, of its principal office under the laws of its domiciliary jurisdiction.

(4) The address, including street and number, if any, of its proposed registered office in this Commonwealth.

(5) A designation of the Department of State and any successor agency as the true and lawful attorney of the corporation upon whom all lawful process in any action against it may be served, providing that the service of process upon the Department of State or its successor shall be of the same legal force and validity as if served on the corporation, and that the authority for such service of process shall continue in force as long as any liability remains outstanding against the corporation in this Commonwealth.

(6) A brief statement of the business it proposes to do within this Commonwealth and a statement that such business is authorized by its articles.

(7) A statement that it is a corporation incorporated for a purpose or purposes not involving pecuniary profit, incidental or otherwise.

(b) Advertisement.—A foreign corporation shall officially publish notice of its intention to apply or its application for a certificate of authority. The notice may appear prior to or after the day on which application is made to the Department of State, and shall set forth briefly:

(1) A statement that the corporation will apply or has applied for a certificate of authority under the provisions of the Corporation Not-for-profit Code.

(2) The name of the corporation and of the jurisdiction under the laws of which it is incorporated.

(3) The address, including street and number, if any, of its principal office under the laws of its domiciliary jurisdiction.

(4) The address, including street and number, if any, of its proposed registered office in this Commonwealth.

(5) The character and nature of the business it proposes to do within this Commonwealth.

(6) The date when its application for a certificate of authority will be or was filed in the Department of State.

**§ 8125. Issuance of certificate of authority.**

Upon the filing of the application for a certificate of authority and accompanying documents required by this subchapter the Department of State shall issue to the corporation a certificate of authority to do business in this Commonwealth. The certificate of authority shall be annexed to or endorsed upon the application for a certificate of authority and shall state that subject to the Constitution and laws of this Commonwealth the corporation named in such application is authorized to do in this Commonwealth the business specified in such application.

**§ 8126. Amended certificate of authority.**

(a) General rule.—After receiving a certificate of authority, a qualified foreign corporation may, subject to the provisions of this subchapter, change its name, or be authorized to do in this Commonwealth other or additional business than that authorized by its certificate of authority, by filing in the Department of State an application for an amended certificate of authority, and if the application is for or includes a change of name, a certificate of the appropriate official of the jurisdiction under the laws of which it was incorporated, dated within 60 days of the delivery of the application to the department, to the effect that it is a corporation duly incorporated and existing under the laws of such jurisdiction under the new name. Such application shall be executed under the seal of the corporation by two duly authorized officers thereof, and shall state:

(1) The name under which the applicant corporation received a certificate of authority to do business within this Commonwealth.

(2) The name of the jurisdiction under the laws of which the corporation is incorporated.

(3) The address, including street and number, if any, of its principal office under the laws of its domiciliary jurisdiction.

(4) The address, including street and number, if any, of its registered office in this Commonwealth.

(5) The change in the certificate of authority of the corporation which is desired and a statement that the change of name, if any, reflects a change effected in the jurisdiction of incorporation or that the amended statement of the business, if any, proposed to be done in this Commonwealth is such as is authorized by the articles of the corporation in its domiciliary jurisdiction, or both.

(b) Advertisement.—A foreign corporation shall officially publish notice of its intention to apply or its application for an amended certificate of authority in a manner similar to that prescribed in this subchapter in the case of the filing of an application for a certificate of authority. The notice may appear prior to or after the day on which application is filed in the Department of State, and shall in addition to the foregoing requirements set forth briefly:

(1) If the application is for permission to do in this Commonwealth other or additional business, the character and nature of the business it proposes to do under the amended certificate of authority.

(2) If the application is for a change of name, the new name under which it proposes to do business.

(c) Issuance of amended certificate of authority.—Upon the filing of such application the Department of State shall issue to the applicant corporation an amended certificate of authority. The amended certificate of authority shall be annexed to or endorsed upon the application for an amended certificate of authority and shall state that, subject to the Constitution and laws of this Commonwealth, the certificate of authority of the corporation named in such application is amended as specified in such application.

**§ 8127. Merger or consolidation of qualified foreign corporations.**

(a) General rule.—Whenever a qualified foreign corporation shall be a nonsurviving party to a statutory merger or consolidation permitted by the laws of the jurisdiction under which it is incorporated the corporation surviving the merger, or the new corporation resulting from the consolidation, as the case may be, shall file in the Department of State a statement of merger or consolidation, which shall be executed under the seal of the surviving or new corporation by two duly authorized officers thereof, and shall set forth:

(1) The name of each nonsurviving qualified foreign corporation.

(2) The name of the jurisdictions under the laws of which each nonsurviving qualified foreign corporation was incorporated.

(3) The date on which each nonsurviving qualified foreign corporation received a certificate of authority to do business within this Commonwealth.

(4) A statement that the corporate existence of each nonsurviving



qualified foreign corporation has been terminated by merger or consolidation, as the case may be.

(5) In the case of a consolidation, or if the surviving corporation was a nonqualified foreign corporation prior to the merger, the statements on the part of the surviving or new corporation required by section 8124(a) of this title (relating to application for a certificate of authority).

(b) Effect of filing.—The filing of such statement shall operate, as of the effective date of the merger or consolidation to cancel the certificate of authority of each nonsurviving constituent corporation which was a qualified foreign corporation and to qualify the surviving or new corporation under this subchapter.

(c) Surviving qualified foreign corporations.—It shall not be necessary for a surviving corporation which was a qualified foreign corporation to effect any filing under this subchapter with respect to a merger or to procure either a new or amended certificate of authority to do business in this Commonwealth, unless the name of such corporation is changed by such merger, or unless the corporation desires to do in this Commonwealth other or additional business than that which it is then authorized to do in this Commonwealth.

**§ 8128. Revocation of certificate of authority.**

(a) General rule.—Whenever the Department of State shall find that a qualified foreign corporation is engaged in this Commonwealth in any business which it is not authorized to do by its certificate of authority or by any amended certificate of authority, or has failed to secure an amended certificate of authority as required by this subchapter after changing its name, or has failed or refused to appear by its proper officers, agents, or employees, or otherwise comply with any subpoena issued by any court having jurisdiction of the subject matter, or to produce such books, papers, records or documents as required by any such subpoena, or is violating any of the laws of this Commonwealth, or that its articles have been revoked or voided by its domiciliary jurisdiction, the Department of State shall give notice and opportunity for hearing by registered or certified mail to such corporation that such default exists and that its certificate of authority, including any amendments thereto, will be revoked unless such default shall be cured within 30 days after the mailing of such notice. If such default shall not be cured within such period of 30 days, the department shall revoke the certificate of authority, including any amendments thereto, of such foreign corporation. Upon revoking such certificate of authority, the department shall mail to the corporation, at its registered office in this Commonwealth, a certificate of revocation.

(b) Effect of revocation.—Upon the issuance of such certificate of revocation, the authority of the corporation to do business in this Commonwealth shall cease, and such corporation shall not thereafter do any business in this Commonwealth unless it applies for and receives a new certificate of authority.

**§ 8129. Application for termination of authority.**

(a) General rule.—Any qualified foreign corporation may withdraw from doing business in this Commonwealth and surrender its certificate of authority by filing in the Department of State an application for termination of authority, executed under the seal of the corporation by two duly authorized officers thereof, which shall set forth:

- (1) The name of the corporation.
- (2) The name of the jurisdiction under the laws of which it is incorporated.
- (3) The date on which it received a certificate of authority to do business within this Commonwealth.
- (4) A statement that it revokes its designation of the Department of State or the Secretary of the Commonwealth, as the case may be, as the agency or person on whom process against it may be served in this Commonwealth.
- (5) A statement that it surrenders its certificate of authority to do business in this Commonwealth.
- (6) A statement that it consents that process against it in an action or proceeding upon any liability or obligation incurred before the issuance of the certificate of withdrawal may be served upon the Department of State or its successor after the filing of such certificate.
- (7) A post-office address to which the Department of State may mail a copy of any process against the corporation that may be served upon the department.
- (8) A statement that notice of its intention to withdraw from doing business in this Commonwealth was mailed by certified or registered mail to each local government in which the registered office or principal place of business of the corporation in this Commonwealth is located.

(b) Advertisement.—A qualified foreign corporation shall, before filing an application for termination of authority, officially publish and mail a notice of its intention to withdraw from doing business in this Commonwealth in a manner similar to that required by section 7967(b) of this title (relating to notice to creditors and taxing authorities). The notice shall set forth briefly:

- (1) The name of the corporation and the jurisdiction under the laws of which it is incorporated.
  - (2) The address, including street and number, if any, of its principal office under the laws of its domiciliary jurisdiction.
  - (3) The address, including street and number, if any, of its registered office in this Commonwealth.
  - (4) The date on or after which its application for termination of authority will be filed in the Department of State.
- (c) Filing.—Such application shall be filed in the Department of State and shall be accompanied by proof of the advertisement required by

subsection (b) of this section and a certificate or certificates from the proper departments of the Commonwealth evidencing the payment of all taxes and charges as required by law.

(d) **Effect of filing.**—Upon the filing of the application for termination of authority the authority of the corporation to do business within this Commonwealth shall cease. Such termination of authority shall not affect any action pending at the time thereof, or affect any right of action arising with respect to the corporation before the filing of such application for termination of authority. Process against the corporation in an action upon any liability or obligation incurred before the filing of such application for termination of authority may be served thereafter upon the Department of State.

**§ 8130. Change of address after withdrawal.**

Any foreign corporation not-for-profit withdrawing or which has withdrawn from doing business in this Commonwealth may, from time to time, change the address to which process may be sent in an action upon any liability or obligation incurred before the filing of an application for termination of authority, upon filing in the Department of State of a statement executed under the seal of the corporation by two duly authorized officers thereof, setting forth:

- (1) The name of the corporation.
- (2) The name of the jurisdiction under the laws of which it is incorporated.
- (3) The address, including street and number, if any, of its former address.
- (4) The address, including street and number, if any, of its new address.

**SUBCHAPTER C  
POWERS, DUTIES AND LIABILITIES**

Sec.

8141. Penalty for doing business without certificate of authority.  
 8142. General powers and duties of qualified foreign corporations.  
 8143. General powers and duties of nonqualified foreign corporations.  
 8144. Registered office of qualified foreign corporations.  
 8145. Applicability of certain safeguards to foreign corporations.

**§ 8141. Penalty for doing business without certificate of authority.**

(a) **Right to bring actions suspended.**—No nonqualified foreign corporation doing business in this Commonwealth within the meaning of Subchapter B of this chapter (relating to qualification) shall be permitted to maintain any action in any court of this Commonwealth until such corporation shall have obtained a certificate of authority. Nor, except as provided in subsection (b) of this section, shall any action be maintained in any court of this Commonwealth by any successor or assignee of such

corporation on any right, claim or demand arising out of the doing of business by such corporation in this Commonwealth until a certificate of authority shall have been obtained by such corporation or by a corporation which has acquired all or substantially all of its assets. The failure of a foreign corporation to obtain a certificate of authority to transact business in this Commonwealth shall not impair the validity of any contract or act of such corporation and shall not prevent such corporation from defending any action in any court of this Commonwealth.

(b) Title to real property.—The title to any real estate situate in this Commonwealth which is derived through any nonqualified foreign corporation not authorized under the laws of this Commonwealth to hold the same, and which has vested or vests in any foreign corporation for profit or not-for-profit authorized to hold such real estate or in any citizen or citizens of the United States or domestic corporation for profit or not-for-profit shall be good and valid and free and clear of any right of escheat by the Commonwealth; and the holder thereof may convey an estate indefeasible as to any right of escheat which the Commonwealth might otherwise have by reason of the unauthorized holding and conveyance by such nonqualified foreign corporation.

**§ 8142. General powers and duties of qualified foreign corporations.**

A qualified foreign corporation, so long as its certificate of authority shall not be revoked, shall enjoy the same rights and privileges as a domestic nonprofit corporation, but no more, and, except as in this part otherwise provided, shall be subject to the same liabilities, restrictions, duties and penalties now in force or hereafter imposed upon domestic nonprofit corporations, to the same extent as if it had been incorporated under this part to transact the business set forth in its certificate of authority.

**§ 8143. General powers and duties of nonqualified foreign corporations.**

(a) Acquisition of real property.—Every nonqualified foreign corporation, the activities of which in this Commonwealth do not constitute doing business in this Commonwealth for the purposes of Subchapter B of this chapter (relating to qualification), may acquire, hold, mortgage, lease and transfer real property in this Commonwealth, in the same manner and subject to the same limitations as domestic nonprofit corporations.

(b) Duties.—A nonqualified foreign corporation doing business in this Commonwealth within the meaning of Subchapter B of this chapter shall be subject to the same liabilities, restrictions, duties and penalties now or hereafter imposed upon a qualified foreign corporation.

**§ 8144. Registered office of qualified foreign corporations.**

(a) General rule.—Every qualified foreign corporation shall have, and continuously maintain, in this Commonwealth a registered office, which may but need not be the same as its place of business in this Commonwealth.

(b) Change.—A qualified foreign corporation may, from time to time,

change the address of its registered office upon filing in the Department of State, before such change is made, either an application for an amended certificate of authority setting forth the changed registered office or a statement executed under the seal of the corporation by two duly authorized officers thereof, setting forth:

- (1) The name of the corporation.
- (2) The address, including street and number, if any, of its then registered office.
- (3) The address, including street and number, if any, to which the registered office is to be changed.
- (4) The procedure whereby such change was authorized.

**§ 8145. Applicability of certain safeguards to foreign corporations.**

(a) Application.—This section shall be applicable to any qualified or nonqualified foreign corporation:

(1) which derived more than one-half of its revenues for the preceding three fiscal years, or such portion thereof as the corporation was in existence, from sources within this Commonwealth and was at any time during such period doing business within this Commonwealth on the basis of the most minimal contacts with this Commonwealth permitted under the Constitution of the United States; or

(2) at least a majority of the bona fide members of which are residents of this Commonwealth.

(b) Internal affairs doctrine not applicable.—The General Assembly hereby finds and determines that the foreign corporations to which this section applies substantially affect this Commonwealth. No court of this Commonwealth shall hereafter dismiss or stay any action or proceeding by a member, director, officer or agent of such a corporation, as such, against such corporation or any one or more of the members, directors, officers or agents thereof, as such, on the ground that such corporation is a foreign corporation or that the cause of action relates to the internal affairs thereof, but every such action shall proceed with like effect as if such corporation were a domestic corporation. Except as provided in subsection (c) of this section, the court having jurisdiction of the action or proceeding shall apply the law of the jurisdiction under which the foreign corporation was incorporated.

(c) Minimum safeguards.—The following provisions of this part shall be applicable to foreign corporations to which this section applies, except that nothing in this subsection shall require the filing of any document in the Department of State as a prerequisite to the validity of any corporate action or the doing of any corporate action by the foreign corporation which is impossible under the laws of its domiciliary jurisdiction:

- (1) Section 7504(b) (relating to adoption and content of bylaws).
- (2) Section 7508 (relating to corporate records; inspection).
- (3) Section 7555 (relating to annual report of directors or other body).

- (4) Section 7743 (relating to mandatory indemnification).
- (5) Section 7755 (relating to time of holding meetings of members).
- (6) Section 7758(e) (relating to voting lists).
- (7) Section 7759(b) (relating to minimum requirements).
- (8) Section 7762 (relating to judges of election).
- (9) Section 7764 (relating to appointment of custodian of corporation on deadlock or other cause).
- (10) Section 7767(b) (relating to expulsion).
- (11) Subchapter E of Chapter 77 (relating to judicial supervision of corporate action).
- (12) Chapter 79 (relating to fundamental changes).

For the purposes of this subsection, corporate action shall not be deemed to be impossible under the laws of the domiciliary jurisdiction of a foreign corporation merely because prohibited or restricted by the terms of the articles, certificate of incorporation, bylaws or other organic law of the corporation, but the court may require the corporation to amend such organic law so as to be consistent with the minimum safeguards prescribed by this subsection.

(d) Section exclusive.—No provision of this article, other than the provisions of this section, shall be construed to regulate the incorporation or internal affairs of a foreign corporation.

PART IV  
COOPERATIVE CORPORATIONS  
(Reserved)

PART V  
UNINCORPORATED ASSOCIATIONS  
(Reserved)

\* \* \*

TITLE 22  
DETECTIVES AND PRIVATE POLICE

Chapter

- 1. General Provisions
- 3. Detectives
- 5. Private Police

CHAPTER 1  
GENERAL PROVISIONS  
(Reserved)

CHAPTER 3  
DETECTIVES  
(Reserved)

CHAPTER 5  
PRIVATE POLICE

Sec.

501. Appointment by nonprofit corporations.

**§ 501. Appointment by nonprofit corporations.**

(a) Appointment authorized.—Any nonprofit corporation, as defined in Part III of Title 15 (relating to corporations not-for-profit) maintaining a cemetery or any buildings or grounds open to the public, or organized for the prevention of cruelty to children or aged persons or animals, or one or more of such purposes, may apply to the court of common pleas of the county of the registered office of the corporation for the appointment of such persons as the corporation may designate to act as policemen for the corporation. The court, upon such application, may order and decree such persons, or as many of them as it may deem proper and necessary, to be such policemen.

(b) Oath of office.—Every policeman so appointed shall, before entering upon the duties of his office, take and subscribe the oath required by the sixth article of the Constitution of Pennsylvania. Such oath, together with the decree and order of the court, shall be recorded by the recorder of deeds of each county in which it is intended that such policemen shall act.

(c) Powers.—Such policemen, so appointed, shall severally possess and exercise all the powers of a police officer in this Commonwealth, in and upon, and in the immediate and adjacent vicinity of, the property of the corporation. Policemen so appointed for a corporation organized for the prevention of cruelty to children or aged persons or animals, or one or more of such purposes, shall severally possess and exercise all the powers of a police officer in any county in which they may be directed by the corporation to act, and are hereby authorized to arrest persons for the commission of any offense of cruelty to children or aged persons or animals. The keepers of jails and other places of detention in any county of this Commonwealth shall receive all persons arrested by such policemen for purposes of detention until they are dealt with according to law. Every policeman appointed under this section, when on duty, shall wear a metallic shield with the words "special officer" and the name of the corporation for which appointed inscribed thereon.

(d) Compensation.—The compensation of such policemen shall be paid by the corporation for which the policemen are appointed, as may be agreed upon between the corporation and such policemen.

(e) Termination of appointment.—When any corporation shall no longer require the services of any policeman, it shall file a notice to that effect, under its corporate seal, in the office of each recorder of deeds

where the court decree and order of appointment of such policeman were recorded. The recorder of deeds shall note this information upon the margin of the record where the court decree and order were recorded, and thereupon the powers of such policeman shall terminate. It shall be the duty of the recorder of deeds to notify the clerk of the court by which such policeman was appointed of the termination of such appointment in such county.

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## TITLE 40 INSURANCE

- I. Preliminary Provisions
- II. Regulation of Insurers and Related Persons Generally
- III. Special Provisions Relating to Particular Classes of Insurers

### PART I PRELIMINARY PROVISIONS

#### Chapter

- 1. General Provisions

#### CHAPTER 1 GENERAL PROVISIONS

##### Sec. 101. Definitions.

##### § 101. Definitions.

Subject to additional definitions contained in subsequent provisions of this title which are applicable to specific parts, articles, chapters or other provisions of this title, the following words and phrases, when used in this title shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Beneficial society.” A corporation subject to regulation under the act of June 4, 1937 (No. 342).

“Certificate of authority.” An instrument in writing issued by the department authorizing an insurer or proposed insurer to engage in the business of insurance, or some specified line, branch or part thereof, in this Commonwealth.

“Corporation not-for-profit.” A corporation not-for-profit as defined in Title 15 (relating to corporations and unincorporated associations).

“Department.” The Insurance Department of the Commonwealth.

“Foreign.” Not incorporated or organized under the laws of this Commonwealth.

“Uncertificated.” Not holding an unsuspended or unrevoked certificate of authority authorizing the relevant line, branch or part of the business of insurance.



PART II  
REGULATION OF INSURERS AND  
RELATED PERSONS GENERALLY  
(Reserved)

PART III  
SPECIAL PROVISIONS RELATING TO PARTICULAR  
CLASSES OF INSURERS

## Article

- A. Health Plan Corporations
- B. Fraternal and Beneficial Societies

ARTICLE A  
HEALTH PLAN CORPORATIONS

## Chapter

- 61. Hospital Plan Corporations
- 63. Professional Health Services Plan Corporations

CHAPTER 61  
HOSPITAL PLAN CORPORATIONS

## Subchapter

- A. Preliminary Provisions and Certification
- B. Regulation Generally

SUBCHAPTER A  
PRELIMINARY PROVISIONS AND CERTIFICATION

## Sec.

- 6101. Definitions.
- 6102. Certification of hospital plan corporations.
- 6103. Exemptions applicable to certified hospital plan corporations.
- 6104. Uncertified plans prohibited.
- 6105. Penalties.

**§ 6101. Definitions.**

The following words and phrases when used in this chapter shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Hospital plan corporation.” A corporation not-for-profit engaged in the business of maintaining and operating a nonprofit hospital plan.

“Nonprofit hospital plan.” A plan whereby for prepayment, periodical or lump sum payment hospitalization or related health benefits may be provided to subscribers to such plan.

**§ 6102. Certification of hospital plan corporations.**

- (a) General rule.—A corporation not-for-profit incorporated for the

purpose of establishing, maintaining and operating a nonprofit hospital plan shall not commence business until it shall have received from the department a certificate of authority authorizing the corporation to establish, maintain and operate such a nonprofit hospital plan.

(b) Exemption.—The provisions of subsection (a) of this section shall not apply to any nonprofit corporation incorporated with the approval of the department under the former provisions of section 218 of the Nonprofit Corporation Law of 1933. For the purposes of this chapter such a corporation shall be deemed to be a holder of a certificate of authority issued under this section.

(c) Form of application.—Every application for a certificate of authority under this section shall be made to the department in writing and shall be in such form and contain such information as the regulations of the department may require.

(d) Standards for issuance of certificate.—A certificate of authority shall be issued by order of the department only if and when the department shall find and determine that the application complies with the provisions of this chapter and the regulations of the department thereunder.

(e) Procedure before department.—For the purpose of enabling the department to make the finding or determination required by subsection (d) of this section, the department, by publication of notice in the Pennsylvania Bulletin, shall afford reasonable opportunity for hearing, which shall be public, and, before or after any such hearing, it may make such inquiries, audits and investigations, and may require the submission of such supplemental studies and information, as it may deem necessary or proper to enable it to reach a finding or determination. The department, in granting a certificate of authority, may impose such conditions as it may deem to be just and reasonable. In every case the department shall make a finding or determination in writing, stating whether or not the application has been approved, and, if it has been approved in part only, specifying the part which has been approved and the part which has been denied. Any holder of a certificate of authority, exercising the authority conferred thereby, shall be deemed to have waived any and all objections to the terms and conditions of such certificate.

(f) Judicial review.—Orders of the department upon an application for a certificate of authority under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6103. Exemptions applicable to certified hospital plan corporations.**

(a) General insurance laws.—A hospital plan corporation holding a certificate of authority under this chapter shall not be subject to the laws of this Commonwealth now in force relating to the business of insurance, and no statute hereafter enacted relating to the business of insurance shall apply to such a corporation unless such statute shall specifically refer and apply to a corporation subject to this chapter.

(b) Tax laws.—Every hospital plan corporation holding a certificate of authority under this chapter is hereby declared to be a charitable and benevolent institution, and all its funds and investments shall be exempt from taxation by the Commonwealth and its political subdivisions.

**§ 6104. Uncertified plans prohibited.**

It shall be unlawful for any person, other than a hospital plan corporation holding a certificate of authority under this chapter, to establish, maintain or operate a nonprofit hospital plan in this Commonwealth.

**§ 6105. Penalties.**

Any person who violates any of the provisions of this chapter, or any regulation or order of the department made pursuant thereto, any person who hinders or prevents the department in the discharge of any duty imposed on it by this chapter, any person who fraudulently procures or attempts to procure any benefit from any hospital plan corporation holding a certificate of authority under this chapter, and any person who wilfully makes any false statement in any proceeding or report under this chapter, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than \$3,000 or to be imprisoned for not more than six months, or both, in the discretion of the court. Any act or default by any corporation, association, or common law trust, in violation of any provision of this chapter or of any regulation or order of the department made pursuant thereto, shall be deemed to be the act or default of the officers or directors who participated in authorizing or effecting such act or default or who knowingly permitted it.

**SUBCHAPTER B  
REGULATION GENERALLY**

Sec.

6121. Eligible hospitals.

6122. Action as agent under Federal and other programs.

6123. Investment of funds.

6124. Rates and contracts.

6125. Reports and examinations.

6126. Solicitors and agents.

6127. Dissolution or liquidation.

**§ 6121. Eligible hospitals.**

Any hospital plan corporation may enter into contracts for the rendering of hospitalization to any of its subscribers only with hospitals operated by the Commonwealth, or its agencies, or by political subdivisions, or by corporations organized under the laws of this Commonwealth for hospital purposes, or with such other hospitals as are approved by the Department of Public Welfare.

**§ 6122. Action as agent under Federal and other programs.**

(a) General rule.—Any hospital plan corporation may, with the approval of the department, act as a contracting agency or organization under section 1841 of Title XVIII of the Federal Social Security Act, as amended or supplemented, with power to perform all the services which may be required of a contracting agency or organization thereunder and may perform administrative services similar or related to those which may be required of an agency or organization thereunder in connection with a Federal, State or local governmental health care program and may perform administrative services similar or related to those which may be required of such an agency or organization in connection with or associated with nongovernmental organizations, individuals, groups and agencies in the health care field.

(b) Legislative amendment of stated purposes of existing corporations.—The stated purposes of all existing hospital plan corporations are hereby amended so as to include the performance of the activities authorized by subsection (a) of this section.

**§ 6123. Investment of funds.**

Any statute to the contrary notwithstanding, funds of any hospital plan corporation, equal to its reserves, shall be invested in compliance with the requirements of law for the investment of the capital and reserves of life insurance companies. The funds of any such corporation, equal to its surplus, shall be invested in compliance with the requirements of law for the investment of the surplus of life insurance companies.

**§ 6124. Rates and contracts.**

(a) General rule.—The rates charged to subscribers by hospital plan corporations, all rates of payments to hospitals made by such corporations pursuant to the contracts provided for in this chapter, all acquisition costs in connection with the solicitation of subscribers to such hospital plans, the reserves to be maintained by such corporations, the certificates issued by such corporations representing their agreements with subscribers, and any and all contracts entered into by any such corporation with any hospital, shall, at all times, be subject to the prior approval of the department.

(b) Procedure.—Every application for such approval shall be made to the department in writing and shall be subject to the provisions of subsections (c) through (f) of section 6102 of this title (relating to certification of hospital plan corporations) except that the department may substitute publication in the Pennsylvania Bulletin of notice of reasonable opportunity to submit written comments for publication of opportunity for hearing in any case where the right to an oral hearing is not conferred by the Constitution of the United States or the Constitution of Pennsylvania. Within 60 days after the filing of the application the department shall approve or refuse such application.

**§ 6125. Reports and examinations.**

(a) Annual report.—Every hospital plan corporation shall on or before March 1 of each year, file with the department a statement, verified by at least two of the principal officers of the corporation showing its condition at the end of the preceding calendar year. Such statement shall be in such form, and shall contain such matters, as the department shall prescribe.

(b) Examination.—Every hospital plan corporation shall be subject to examination not less frequently than every three years by the department and its agents, who shall have free access to all the books, records, papers and documents that relate to the business of the corporation, and the power to examine the officers, agents, employees and subscribers to the nonprofit hospital plan of the corporation, under oath, in relation to the affairs, transactions and financial condition of the corporation. Such examinations shall be made at such times as the department shall deem necessary.

**§ 6126. Solicitors and agents.**

Solicitors and agents for every hospital plan corporation shall meet the prerequisites provided by law for agents of insurance companies.

**§ 6127. Dissolution or liquidation.**

No hospital plan corporation shall be dissolved under the provisions of Title 15 (relating to corporations and unincorporated associations) or under any other provision of law except with the prior approval of the department. Articles of dissolution for a hospital plan corporation filed in the Department of State, whether pursuant to a decree of court liquidating the corporation or otherwise, shall not be effective unless and until approved by the Insurance Department. Any dissolution or liquidation of a hospital plan corporation shall be under the supervision of the department, which shall have all powers with respect thereto granted to it under laws of this Commonwealth governing the dissolution or liquidation of insurance companies.

**CHAPTER 63****PROFESSIONAL HEALTH SERVICES PLAN CORPORATIONS****Subchapter**

- A. Preliminary Provisions and Certification
- B. Regulation Generally

**SUBCHAPTER A****PRELIMINARY PROVISIONS AND CERTIFICATION****Sec.**

- 6301. Application of chapter.
- 6302. Definitions.
- 6303. Statement of legislative findings and policy.

- 6304. Certification of professional health service corporations.
- 6305. Initial reserves.
- 6306. Standards concerning incorporators.
- 6307. Exemptions applicable to certificated professional health service corporations.
- 6308. Uncertificated plans prohibited.
- 6309. Penalties.
- 6310. Enforcement.

**§ 6301. Application of chapter.**

(a) General rule.—This chapter shall apply to every person engaged in the business of maintaining and operating a nonprofit health service plan and to every person who shall violate any provision of this chapter.

(b) Exceptions.—Notwithstanding subsection (a) of this section, this chapter shall not apply to:

(1) Any hospital plan corporations as defined in section 6101 of this title (relating to hospital plan corporation definitions).

(2) Any fraternal benefit society subject to regulation under Chapter 65 of this title (relating to fraternal benefit societies).

**§ 6302. Definitions.**

(a) General rule.—The following words and phrases when used in this chapter shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Dental service corporation.” A corporation not-for-profit engaged in the business of maintaining and operating a nonprofit dental service plan.

“Dental services.” The general and usual services rendered and care administered by doctors of dental surgery, as defined in The Dental Practice Act.

“Department of Health.” The Department of Health of the Commonwealth.

“General medical service corporation.” A corporation not-for-profit engaged in the business of maintaining and operating a nonprofit professional health service plan.

“Health service doctor.” A doctor of dental surgery, doctor of medicine, doctor of optometry, doctor of osteopathy or doctor of podiatry.

“Income.” Net income from gains, profits and net income derived from professions, vocations, trades, businesses, commerce or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property, also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever and income derived from salaries, wages or compensation for personal service of whatever kind and in whatever form paid.

“Low income.” Low income as set forth in section 6325 of this title (relating to income status and effect).

“Medical services.” The general and usual services rendered and care

administered by doctors of medicine, as defined in the act of June 3, 1911 (P.L.639) relating to medicine and surgery.

“Nonprofit dental service plan.” A plan whereby for prepayment, periodical or lump sum payment dental services only may be provided to persons of low income or over-income and their dependents.

“Nonprofit optometric service plan.” A plan whereby for prepayment, periodical or lump sum payment optometric services only may be provided to persons of low income and over-income and their dependents.

“Nonprofit professional health service plan.” A plan whereby for prepayment, periodical or lump sum payment professional health services may be provided to persons of low income or over-income and their dependents. The term does not include a plan which is primarily a nonprofit dental service plan or a nonprofit optometric service plan.

“Optometric service corporation.” A corporation not-for-profit engaged in the business of maintaining and operating a nonprofit optometric service plan.

“Optometric services.” The general and usual services rendered and care administered by doctors of optometry, as defined in the act of March 30, 1917 (No. 10).

“Osteopathic services.” The general and usual services rendered and care administered by doctors of osteopathy, as defined in the act of March 19, 1909 (No. 29).

“Over-income.” Over-income as set forth in section 6325 of this title (relating to income status and effect).

“Person with dependents.” Any person who furnishes other persons with their chief support, whether or not such dependent person is related to or living with him.

“Podiatry services.” The general and usual services rendered and care administered by doctors of podiatry, as defined in the Podiatry Act of 1956.

“Professional health service corporation.” A dental service corporation, a general medical service corporation, or an optometric service corporation.

“Professional health services.” Dental services, medical services, optometric services, osteopathic services, podiatry services or any one or more of them.

“Subscribers of low income.” Persons of low income who subscribe to a nonprofit professional health service plan, a nonprofit dental service plan, or a nonprofit optometric service plan.

“Subscribers of over-income.” Persons of over-income who subscribe to a nonprofit professional health service plan, a nonprofit dental service plan, or a nonprofit optometric service plan.

(b) Rule of construction.—The definitions specified in subsection (a) of this section are for the purposes of this chapter only, and not for the

purpose of defining dental practice, medical practice, optometric practice, osteopathic practice, or podiatry practice as such.

**§ 6303. Statement of legislative findings and policy.**

(a) Declaration of necessity.—It is hereby declared that adequate professional health services are essential for the maintenance of the physical and mental health of the residents of this Commonwealth, and that it is necessary that provision be made for adequate professional health services to persons of low income who are unable to provide such services for themselves or their dependents without depriving themselves or their dependents of such necessities of life as food, clothing and shelter.

(b) Construction of chapter.—It is hereby declared to be the purpose and intent of this chapter and the policy of the General Assembly to authorize qualified persons to provide adequate professional health services for residents of this Commonwealth who are unable to provide such services for themselves or their dependents at their own cost without depriving themselves or their dependents of such necessities of life as food, clothing and shelter, and provide persons of over-income with the limited professional health services benefits set forth in this chapter.

**§ 6304. Certification of professional health service corporations.**

(a) General rule.—A corporation not-for-profit incorporated for the purpose of establishing, maintaining and operating a nonprofit professional health service plan, nonprofit dental service plan or nonprofit optometric service plan shall not commence business until it shall have received from the department a certificate of authority authorizing the corporation to establish, maintain and operate a nonprofit professional health service plan, a nonprofit dental service plan or a nonprofit optometric service plan, as the case may be.

(b) Exemptions.—The provisions of subsection (a) of this section shall not apply to any nonprofit corporation incorporated with the approval of the department under the former provisions of section 219 or 220 of the Nonprofit Corporation Law of 1933. For the purposes of this chapter such a corporation shall be deemed to be a holder of a certificate of authority issued under this section as:

(1) an optometric service corporation, if incorporated under the former provisions of section 219 of the Nonprofit Corporation Law of 1933 for the primary purpose of providing a nonprofit optometric service plan;

(2) a general medical service corporation, if incorporated under the former provisions of section 219 of the Nonprofit Corporation Law of 1933 for any other purpose; or

(3) a dental service corporation, if incorporated under the former provisions of section 220 of the Nonprofit Corporation Law of 1933.

(c) Form of application.—Every application for a certificate of authority under this section shall be made to the Insurance Department in writing and shall be in such form and contain such information as the



regulations of the Department of Health and the Insurance Department may require. The Insurance Department shall forward the application to the Department of Health for action thereon and report to the Insurance Department.

(d) Standards for issuance of certificate.—A certificate of authority shall be issued by order of the Insurance Department only if and when the Department of Health and the Insurance Department shall severally find and determine that the application complies with the provisions of this chapter and the regulations of the Department of Health and the Insurance Department thereunder.

(e) Procedure.—The proceedings before the Department of Health and the Insurance Department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department) and the term department in such section shall be deemed to be a reference also to the Department of Health. Each department shall make a thorough investigation of the applicant and the area in and the plan under which it proposes to operate.

(f) Judicial review.—The final orders of the Department of Health and the Insurance Department upon an application for a certificate of authority under this section shall be deemed to be a single order for the purposes of judicial review and to have been issued on the date the Insurance Department issues its final order after having considered the final action of the Department of Health upon the application. Such order, and all other orders of each department, shall be subject to judicial review in the manner and within the time provided by law.

**§ 6305. Initial reserves.**

No professional health service corporation shall receive a certificate of authority under this chapter unless it has set up a minimum reserve of \$25,000 for the exclusive purpose of meeting the contractual obligations of its subscribers. All or any part of such \$25,000 may be in the form of borrowed money to be repaid in whole or in part from surplus. Money borrowed to satisfy the requirements of this section may be repaid only when authorized by two-thirds of the board of directors of such corporation in office and the Insurance Department.

**§ 6306. Standards concerning incorporators.**

No certificate of authority shall be issued to a professional health service corporation unless all of its incorporators were residents of this Commonwealth and citizens of the United States and a majority of its incorporators were:

- (1) Doctors of dental surgery, in the case of a dental service corporation.
- (2) Doctors of optometry, in the case of an optometric service corporation.
- (3) Doctors of medicine, in the case of a general medical service corporation.

**§ 6307. Exemptions applicable to certificated professional health service corporations.**

(a) General insurance laws.—A professional health service corporation shall be subject to regulation and supervision by the Department of Health and the Insurance Department under this chapter. A professional health service corporation holding a certificate of authority under this chapter shall not be subject to the laws of this Commonwealth now in force relating to the business of insurance, and no statute hereafter enacted relating to the business of insurance shall apply to such a corporation unless such statute shall specifically refer and apply to a corporation subject to this chapter.

(b) Tax laws.—Every professional health service corporation holding a certificate of authority under this chapter is hereby declared to be a charitable and benevolent institution, and all its income, funds, investments and property shall be exempt from all taxation by the Commonwealth or its political subdivisions.

**§ 6308. Uncertificated plans prohibited.**

(a) General rule.—It shall be unlawful for any person, other than a professional health service corporation holding a certificate of authority under this chapter relating to the plan being maintained or operated by such corporation, to establish, maintain or operate in this Commonwealth a nonprofit dental service plan, a nonprofit optometric service plan, or a nonprofit professional health service plan.

(b) Exemptions.—Nothing in subsection (a) of this section shall be construed as preventing any person from furnishing professional health services for the prevention of disease among his employees or from furnishing any of such services as required under The Pennsylvania Workmen's Compensation Act and related statutes, when the employee is not charged for such service.

**§ 6309. Penalties.**

Any person who violates any provision of this chapter or of any regulation or order of the Department of Health or of the Insurance Department made pursuant thereto, any person who hinders or prevents the Department of Health or the Insurance Department in the discharge of any duty imposed on it by this chapter, any person who fraudulently procures or attempts to procure any benefit from any professional health service corporation holding a certificate of authority under this chapter, and any person who wilfully makes any false statement in any proceeding or report under this chapter, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than \$3,000 or to be imprisoned for not more than six months, or both, in the discretion of the court. Any act or default by any corporation, association, or common law trust, in violation of any provision of this chapter or of any regulation or order of either department made pursuant thereto, shall be deemed to be the act or default of the officers or directors who

participated in authorizing or effecting such act or default or who knowingly permitted it.

**§ 6310. Enforcement.**

When necessary to effect the purposes of this chapter, in addition to all other remedies in law or equity, the Insurance Department or the Department of Health, or both, may commence an action in mandamus or for an injunction to prevent any violation of the provisions of this chapter or the continuance of any such violation, or to enforce compliance herewith. Any court having jurisdiction is hereby vested with authority to determine the cause and to issue such process as may be necessary to accomplish the purposes of this chapter.

**SUBCHAPTER B  
REGULATION GENERALLY**

Sec.

- 6321. Required reserves.
- 6322. Scope of service.
- 6323. Action as agent under Federal and other programs.
- 6324. Rights of health service doctors.
- 6325. Income status; effect.
- 6326. Specifically authorized contract provisions.
- 6327. Subscriptions provided for persons on relief.
- 6328. Board of directors.
- 6329. Rates and contracts.
- 6330. Investment of funds.
- 6331. Reports and examinations.
- 6332. Regulation by Department of Health.
- 6333. Dental service agents.
- 6334. Dissolution or liquidation.

**§ 6321. Required reserves.**

A professional health service corporation shall at all times while engaged in business maintain reserves, in such form and amount as the department may determine, to insure its subscribers against loss through the failure of the corporation to provide the services agreed to in its contracts.

**§ 6322. Scope of service.**

(a) Territory of service.—The certificate of authority of a professional health service corporation shall define the limits of the area in which it may operate. If the corporation is deemed to be a holder of a certificate of authority under section 6304(b) of this title (relating to exemptions), the articles of incorporation of the corporation on the effective date of this chapter, regardless of any subsequent amendment to such articles, shall be deemed to be its initial certificate of authority for the purposes of this section.

(b) Classes and kinds of services.—The certificate of authority, bylaws, or resolutions of the board of directors of a professional health service corporation may limit the professional health services that will be provided for its subscribers, and may divide such professional health services as it elects to provide into classes or kinds, and it may enter into contracts with its subscribers or groups of subscribers to secure professional health services of any kind or class so delimited.

(c) Services provided only by licensed persons.—A professional health service corporation shall not provide professional health services for its subscribers otherwise than through health service doctors, duly licensed to practice in their respective fields under the laws of this Commonwealth.

(d) Services provided only to domiciliaries.—A professional health service corporation shall provide professional health services only to persons domiciled within this Commonwealth. If a subscriber, regularly domiciled within this Commonwealth and entitled to professional health services, or any of his dependents so entitled, necessarily employs professional health services within the meaning of this chapter, while absent from this Commonwealth, a professional health service corporation to which he is a subscriber may, in its discretion, and if satisfied as to the necessity for such services and satisfied that it was such as the subscriber would have been entitled to under similar circumstances in this Commonwealth, pay to the persons who rendered the services such fees and charges as would have been payable if the services had been rendered in this Commonwealth. A professional health service corporation organized under the laws of, and operating near the boundaries of, this Commonwealth may, with the consent of the proper officers of and as authorized by the laws of the adjacent state, provide professional health services therein; but all operations of any such corporation, whether within or without this Commonwealth, shall remain at all times subject to the provisions of this chapter.

(e) Liability of corporation limited.—All professional health services provided by or on behalf of a professional health service corporation shall be in accordance with the best professional health service practice in the community at the time, but the corporation providing such services shall not be liable for injuries resulting from negligence, misfeasance, malfeasance, nonfeasance, or malpractice, on the part of any officer or employee or on the part of any health service doctor in the course of rendering professional health services to subscribers, and the corporation may so provide in its contracts with subscribers.

(f) Legislative amendment of stated purposes of existing corporations.—The stated purposes of all existing general medical service corporations are hereby amended so as to include the furnishing of osteopathic, dental, optometric and podiatry services through doctors of osteopathy, dentistry, optometry and podiatry, respectively.

**§ 6323. Action as agent under Federal and other programs.**

(a) General rule.—Any professional health service corporation may, with the approval of the department, act as a contracting agency or organization under section 1842 of Title XVIII of the Federal Social Security Act, as amended or supplemented, with power to perform all the services which may be required of a contracting agency or organization thereunder and may perform administrative services similar or related to those which may be required of an agency or organization thereunder in connection with a Federal, State or local governmental health care program and may perform administrative services similar or related to those which may be required of such an agency or organization in connection with or associated with nongovernmental organizations, individuals, groups and agencies in the health care field.

(b) Legislative amendment of stated purposes of existing corporations.—The stated purposes of all existing professional health service corporations are hereby amended so as to include the performance of the activities authorized by subsection (a) of this section.

**§ 6324. Rights of health service doctors.**

(a) Admission to plan.—Every health service doctor practicing within the area covered by any professional health service corporation shall have the right, on complying with such regulations as the corporation may make with the approval of the Department of Health, to register with such corporation for such general or special professional health services as he may be licensed to practice, within that area, but the corporation may, with the approval of the Department of Health, refuse to place the name of any health service doctor on its register. Any professional health service corporation may, with the approval of the Department of Health, remove from its register the name of any health service doctor after due notice and opportunity for hearing for cause satisfactory to the corporation.

(b) Freedom from control.—Subject to the provisions of section 6322(e) of this title (relating to liability of corporation limited), a professional health service corporation shall impose no restrictions on the health service doctors who administer to its subscribers, as to methods of diagnosis or treatment. The relation between a subscriber, or any of his dependents, and the health service doctor shall be identical with the relation that ordinarily exists in the community between a health service doctor and his patient. Subject to the provisions of subsection (a) of this section, no person shall be permitted to interfere with the choice or selection by a patient of his health service doctor after that choice or selection has been made by an adult of sound mind.

(c) Disputes.—All matters, disputes, or controversies relating to the professional health services rendered by the health service doctors, or any questions involving professional ethics, shall be considered and determined only by health service doctors as selected in a manner prescribed in the bylaws of the professional health service corporation.

**§ 6325. Income status; effect.****(a) Income standards.—**

(1) Every professional health service corporation shall from time to time, by action of its members, fix the requisites for persons of low income eligible for the benefits of and under this chapter, such requisites to afford due consideration to the marital status and to the number of dependents of the persons involved and such requisites to be consistent with the declaration contained in section 6303(a) of this title (relating to declaration of necessity). Any requisites thus fixed shall be subject to the approval of the department.

(2) All persons not meeting the requisites for persons of low income as thus fixed shall be persons of over-income.

**(b) Determination of status.—**

(1) The professional health service corporation shall determine whether an applicant for subscription is in receipt of a low income or over-income within the meaning of this chapter and after the application has been approved, the subscriber shall be deemed to be of low income or over-income until his status has been redetermined by the corporation, which redetermination may be made at any time.

(2) The professional health service corporation, in determining the income status of any applicant or subscriber, may, through its officers and agents, examine under oath any applicant or subscriber claiming a low income status and any other person consenting thereto who is believed to have material knowledge concerning the income status of the applicant or subscriber. The determination of the corporation shall be final.

**(c) Effect of status.—**Every person of low income and every person of over-income, residing in the area served by a professional health service corporation, shall be entitled, upon complying with regulations adopted by that corporation and the payment of such initiation and other fees as are authorized by the department, to the services of any health service doctor registered with the corporation, under such terms and conditions as are customary in professional health services in the community, but only within the limits of services for which such health service doctors are registered. A professional health service corporation may for cause refuse to enter into contractual relations with an applicant and may, for cause, after due notice and opportunity for hearing, rescind any contract that it has entered into with any subscriber and refund any unearned portion of any fees paid and may, on default in payment of the agreed dues, fees, payments or any charges by subscriber or someone on his behalf, discontinue coverage without notice and opportunity for hearing, after having notified a subscriber of his default, and having allowed him two days to procure such coverages. Any payment made by the corporation to health service doctors for services rendered to subscribers of over-income shall be a payment only to the extent agreed upon between the

corporation and the health service doctors on account of any greater sum which may be due the health service doctors for rendering such services.

(d) Prohibited contracts.—No contract by or on behalf of any professional health service corporation shall provide for any periodic payment or any other payment by that corporation to a subscriber which is not related to the value of the service provided to such subscriber on account of illness or injury, nor be in any way related to the payment of any such benefit by any other entity.

**§ 6326. Specifically authorized contract provisions.**

A professional health service corporation may, as a condition precedent to entering into a contract with an applicant or group of applicants for professional health service, require any of the following:

(1) A physical examination of the applicant and of each of his dependents, if any, and proof of his or their substantial freedom from any disease or condition requiring immediate professional health service or likely to require it within the next 12 months, before a contract becomes effective.

(2) A waiting period after a contract is entered into and before the subscriber is entitled to professional health service.

(3) An agreement that the subscriber or someone on his behalf shall pay the stated fee or fees for professional health services in the case of any given illness or injury or other condition requiring professional health service, before becoming entitled to treatment under the terms of the contract.

(4) An agreement that, as a condition precedent to payment by the corporation for professional health services performed for the subscriber, the subscriber or someone on his behalf will submit to the corporation such information as is reasonably necessary to enable it to determine the amount of such payment, which information shall be submitted in the form and verified in the manner prescribed by the corporation.

(5) An agreement that any rights of the subscriber to receive services or payments under his contract with the corporation are personal to the subscriber and may not be assigned.

**§ 6327. Subscriptions provided for persons on relief.**

Every government agency which is charged by law with the duty of providing professional health services for persons unable to provide it at their own expense or to procure it through persons to whose support and assistance they are by law entitled, is hereby empowered, in the exercise of its authority, to provide any such service if, in the judgment of the agency, it is in the public interest so to do, through a subscription or subscriptions, paid for from any lawfully available public funds, with any professional health service corporation on behalf of any person or persons entitled to such relief.

**§ 6328. Board of directors.**

The business of every professional health service corporation shall be managed by a board of directors of at least nine persons, all of whom shall be residents of this Commonwealth and citizens of the United States and a majority of whom shall at all times be:

- (1) Doctors of dental surgery, in the case of a dental service corporation.
- (2) Doctors of optometry, in the case of an optometric service corporation.
- (3) Doctors of medicine, in the case of a general medical service corporation.

**§ 6329. Rates and contracts.**

(a) General rule.—All rates charged subscribers or groups of subscribers by any professional health service corporation, and the form and content of all contracts between any such corporation and its subscribers or groups of subscribers, all methods and rates of payment by such corporation to health service doctors serving its subscribers, all acquisition costs in procuring subscribers, the reserves to be maintained by such corporation, and all contracts entered into by any such corporation and extending over a period of more than one year or calling for the expenditure by the corporation of any amount in excess of 20% of its reserves, shall be approved by the department before they become effective.

(b) Procedure.—Every application for such approval shall be made to the department in writing and shall be subject to the provisions of subsections (c) through (f) of section 6102 of this title (relating to certification of hospital plan corporations), except that the department may substitute publication in the Pennsylvania Bulletin of notice of reasonable opportunity to submit written comments for publication of opportunity for hearing in any case where the right to an oral hearing is not conferred by the Constitution of the United States or the Constitution of Pennsylvania. Within 60 days after the filing of the application the department shall approve or refuse such application.

**§ 6330. Investment of funds.**

Any statute to the contrary notwithstanding, funds of any professional health service corporation, equal to its reserves, shall be invested in compliance with the requirements of law for the investment of the capital and reserves of life insurance companies. The funds of any such corporation, equal to its surplus, shall be invested in compliance with the requirements of law for the investment of the surplus of life insurance companies.

**§ 6331. Reports and examinations.**

(a) Annual report.—Every professional health service corporation shall, on or before March 1 of each year, file with the department a statement, verified by at least two of the principal officers of the corporation, summarizing its financial activities during the preceding



calendar year, and showing its financial condition at the end of that year. Such statement shall be in such form, and shall contain such matters, as the department shall prescribe.

(b) Examination and special reports.—Every professional health service corporation shall be subject to examination not less frequently than once in every three years by the department and its agents, who shall have free access to all the books, records, papers and documents that relate to the business of the corporation, and the power to examine the officers, agents, employees, and subscribers for the professional health services of the corporation, and all health service doctors registered with the corporation, and all other persons having or having had substantial part in the work of the corporation, in relation to its affairs, transactions, and financial condition. Such examination shall be made at such times as the department shall deem necessary. The department may, at any time, without making such examination, call on any such corporation for a written report, authenticated by at least two of its principal officers, concerning the financial affairs and status of the corporation.

**§ 6332. Regulation by Department of Health.**

(a) Annual reports.—Every professional health service corporation shall, on or before March 1 of each year, file with the Department of Health a report of its activities, other than its financial activities, during the preceding calendar year. Every such report shall be verified by at least two of the principal officers of the corporation and shall be in such form, and shall contain such matter, as the Department of Health shall prescribe. The Department of Health is hereby authorized to inquire into the activities of every professional health service corporation and to determine whether the corporation is providing adequate professional health services to its subscribers in accordance with the best professional health service practice in the community.

(b) Examination and special reports.—The Department of Health and its agents shall have free access to all the books, records, papers and documents that relate to the business of the corporation, other than financial, and the power to examine the officers, agents, employees, and subscribers for the professional health services of the corporation, and all health service doctors registered with the corporation, and all other persons having or having had substantial part in the work of the corporation, in relation to its affairs, transactions, and condition of the corporation, other than financial. Such examinations shall be made at such times as the Department of Health shall deem necessary. The Department of Health may, at any time, without making such examination, call on any such corporation for a written report, authenticated by at least two of its principal officers, concerning the affairs of the corporation other than its financial affairs.

(c) Extension or improvement of service pursuant to order.—In the event the Department of Health finds that a professional health service

corporation does not provide adequate professional health services to its subscribers in accordance with the best professional health service practice in the community, the Department of Health may notify the corporation of its findings and order the corporation, in specific terms, to extend or improve the professional health services furnished by the corporation. Such order shall be entered after notice and opportunity for hearing and shall be subject to judicial review in the manner and within the time provided by law.

**§ 6333. Dental service agents.**

Any dental service corporation may select any person to act as its agent in the performance of any of its functions.

**§ 6334. Dissolution or liquidation.**

No professional health service corporation shall be dissolved under the provisions of Title 15 (relating to corporations and unincorporated associations) or under any other provision of law, except with the prior approval of the department. Articles of dissolution for a professional health service corporation filed in the Department of State, whether pursuant to a decree of court liquidating the corporation or otherwise, shall not be effective unless and until approved by the Insurance Department. Any dissolution or liquidation of a professional health service corporation shall be under the supervision of the Insurance Department which shall have all powers with respect thereto granted to it under the laws of this Commonwealth governing the dissolution or liquidation of insurance companies.

**ARTICLE B  
FRATERNAL AND BENEFICIAL SOCIETIES**

Chapter

- 65. Fraternal Benefit Societies
- 67. Beneficial Societies

**CHAPTER 65  
FRATERNAL BENEFIT SOCIETIES**

Subchapter

- A. Preliminary Provisions
- B. Certification and General Regulation
- C. Organization and Operation
- D. Financial Matters
- E. Conversion to Mutual Life Insurance Company
- F. Foreign Societies
- G. Crimes and Penalties

SUBCHAPTER A  
PRELIMINARY PROVISIONS

Sec.

6501. Application of chapter.

6502. Definitions.

6503. Exemptions applicable to fraternal benefit societies.

**§ 6501. Application of chapter.**

(a) General rule.—This chapter shall apply to every fraternal benefit society and to every person who shall violate any provision of this chapter.

(b) Exception.—Notwithstanding subsection (a) of this section, this chapter shall not apply to:

(1) Grand or subordinate lodges of purely social or labor organizations, nor to societies which limit their membership to any one hazardous occupation, nor to domestic societies which limit their membership to a particular religion, or to the employees of a particular city or town, designated firm, business house, or corporation, nor to domestic lodges, orders, or associations of a purely religious, charitable, and benevolent description which do not provide for a benefit of more than \$300 to any one person in any one year.

(2) Similar societies which do not issue benefit certificates, nor to an association of local lodges of a society, doing business in this Commonwealth on May 20, 1921, which provide death benefits not to exceed \$500 to any one person or disability benefits not exceeding \$300 in any one year to any one person, or both, nor to any contracts of reinsurance business on such plan in this Commonwealth. But in the case of any society conducting any insurance branch and issuing certificates and paying death benefits of more than \$500, such insurance branch of that society shall comply with the provisions of this chapter.

(3) Beneficial societies without ritualistic work or a representative form of government, transacting any class of insurance.

**§ 6502. Definitions.**

The following words and phrases when used in this chapter shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Fraternal benefit society” or “society.” Any corporation, society, order, or voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not-for-profit, and having a lodge system and representative form of government, or which limits its membership to a secret fraternity having a lodge system and representative form of government, and which shall make provision for the payment of benefits in accordance with section 6526 of this title (relating to power to write insurance).

“Lodge.” A constituent lodge, council, branch or other subordinate unit of a society, by whatever name known.

“Lodge system.” Any society having a supreme governing or legislative body and subordinate lodges into which members shall be admitted in accordance with its organic law, and which shall provide for the holding of periodical meetings, shall be deemed to be operating on the lodge system.

“Organic law.” The articles of incorporation, bylaws, constitution, laws, ritual, rules and regulations of a society.

“Representative form of government.” Any society shall be deemed to have a representative form of government when it shall provide, in its organic law, for a supreme legislative or governing body composed of representatives elected either by the members or by delegates elected, directly or indirectly, by the members, together with such other members as may be prescribed by its organic law.

**§ 6503. Exemptions applicable to fraternal benefit societies.**

(a) General insurance laws.—Except as otherwise provided in this chapter a fraternal benefit society holding a certificate of authority under this chapter shall not be subject to the laws of this Commonwealth now in force relating to the business of insurance and no statute hereafter enacted relating to the business of insurance shall apply to such a society unless such statute shall specifically refer and apply to a society subject to this chapter.

(b) Tax laws.—Every fraternal benefit society holding a certificate of authority under this chapter is hereby declared to be a charitable and benevolent institution, and all its income, funds, investments and property shall be exempt from all taxation by the Commonwealth or its political subdivisions, other than taxes on real estate.

**SUBCHAPTER B  
CERTIFICATION AND GENERAL REGULATION**

Sec.

6511. Preliminary certification of fraternal benefit societies.

6512. Organizational period.

6513. Permanent certificate of authority.

6514. Certain fundamental changes.

6515. Examination of societies.

6516. Investigation not made public.

6517. Registration of principal office.

**§ 6511. Preliminary certification of fraternal benefit societies.**

(a) General rule.—A corporation, society, order or voluntary association shall not solicit or collect any payment on account of any death, disability or other benefit nor issue any benefit certificates nor pay or allow, or offer or promise to pay or allow, to any person any death, disability or any other benefit, until it shall have first received from the department a preliminary certificate authorizing such society to solicit members for beneficial purposes as provided in this section.

(b) Form of application.—Every application for a preliminary certificate under this section may be made only by a nonprofit corporation as defined in Title 15 (relating to corporations and unincorporated associations), shall be made to the department in writing and shall be in such form and contain such information as the regulations of the department shall require, including:

(1) The name of the society, which shall not so closely resemble the name of any society or insurance company already doing business in this Commonwealth as to mislead the public or to lead to confusion.

(2) The purpose for which the society is incorporated, which shall not include more liberal powers than are permitted by this chapter. Any lawful social, intellectual, educational, charitable, benevolent, moral, or religious advantages may, however, be set forth among the purposes of the society.

(3) The mode in which the corporate powers of the society are to be exercised.

(4) The address, including street and number, if any, of the principal office of the society in this Commonwealth.

(5) The names, residence, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control and management of the affairs and funds of the society for the first year or to the ensuing election at which all such officers shall be elected by the supreme legislative or governing body, which election shall be held not later than one year from the date of the issuance of the permanent certificate of authority.

The application shall be accompanied by certified copies of the organic law of and copies of all proposed forms of benefit certificates, applications therefor, and circulars to be issued by, such society and a bond in the sum of \$5,000 with sureties approved by the department, conditioned upon the return to applicants of the advance payments as provided in this subchapter, if the organization is not complete within one year.

(c) Standards for issuance of preliminary certificate.—A preliminary certificate shall be issued by order of the department only if and when the department finds and determines that the application complies with the provisions of this chapter and the regulations of the department thereunder.

(d) Procedure.—The proceedings before the department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department).

(e) Judicial review.—Orders of the department upon the application for a preliminary certificate under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6512. Organizational period.**

(a) Solicitation permitted.—Upon receipt of a preliminary certificate

under this subchapter a society may solicit members for the purpose of completing its organization. It shall collect from each applicant the amount of not less than one regular monthly payment in accordance with its table of rates, as provided by its organic law, and shall issue to each such applicant a receipt for the amounts so collected.

(b) Duration of period.—No preliminary certificate issued under the provisions of the subchapter shall be valid after one year from its date or after such further period, not exceeding one year, as may be authorized by the department, upon cause shown.

**§ 6513. Permanent certificate of authority.**

(a) General rule.—A corporation, society, order or voluntary association shall not incur any liability, other than advance payments received by a holder of a preliminary certificate issued under this subchapter pursuant to such certificate, nor issue any benefit certificates nor pay or allow, or offer or promise to pay or allow, to any person any death, disability or other benefit, unless it shall have received from the department a certificate of authority authorizing the society to establish, maintain and operate a benefit program under this chapter.

(b) Exemptions.—

(1) The provisions of subsection (a) of the section shall not apply to:

(i) Any society organized prior to April 6, 1893 under any statute of this Commonwealth which was engaged in doing business in this Commonwealth on such date. Any such society may exercise after the effective date of this chapter all the rights conferred by this chapter and all the rights, powers, privileges, and exemptions now exercised or possessed by it, under its charter or articles of incorporation or articles of association, and neither its existence as a corporation nor its right to exercise any corporate rights, vested in it by virtue of its past incorporation, shall be affected by anything contained in this chapter.

(ii) Any fraternal benefit society incorporated under the former provisions of the act of April 6, 1893 (No. 6), the act of May 20, 1921 (No. 324) or the act of July 17, 1935 (No. 357) relating to fraternal benefit societies.

(2) For the purposes of this chapter a corporation which is exempt from the requirements of subsection (a) of this section by reason of paragraph (1) of this subsection shall be deemed to be a holder of a certificate of authority issued under this section.

(c) Form of application.—Every application for a certificate of authority under this section shall be made to the department in writing and shall be in such form and shall contain such information as the regulations of the department shall require, including:

(1) Evidence that actual bona fide applications for death benefit certificates have been secured upon at least 500 lives for at least \$500 each.

(2) Evidence that there have been established five subordinate lodges into which said 500 applicants have been initiated.

(3) A list of such applicants, under oath of the president and secretary or corresponding officers of such society, giving the names, addresses, date initiated, name and number of the lodge of which each applicant is a member, amount of benefits to be granted, rate of stated periodical contributions, which shall be sufficient to provide for meeting the mortuary obligations contracted when valued for death benefits upon the basis of the National Fraternal Congress Table of Mortality, as adopted by the National Fraternal Congress, August 23, 1899, or any higher standard, at the option of the society, and for disability benefits by tables based upon reliable experience, and for combined death and permanent total disability benefits by tables based upon reliable experience, with an interest assumption not higher than 4% per annum.

(4) The sworn statement of the treasurer or corresponding officer of such society, to the effect that not less than 500 applicants have each paid in cash at least one regular monthly payment, as provided in this subchapter, per \$500 of benefits to be effected, which payments in the aggregate shall amount to at least \$500 and be credited to the mortuary or disability fund on account of such applicants. No part of such funds shall be used for expenses. Such advanced payments shall be held in trust during the period of organization and, if the organization is not completed within one year, or such further period as may be authorized by the department pursuant to this subchapter, shall be returned to said applicants.

(d) Standards for issuance of certificate of authority.—A certificate of authority shall be issued by order of the department only if and when the department finds and determines that the application complies with the provisions of this chapter and the regulations of the department thereunder.

(e) Procedure.—The proceedings before the department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department).

(f) Judicial review.—Orders of the department upon an application for a certificate of authority under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6514. Certain fundamental changes.**

(a) General rule.—It shall be unlawful for any domestic fraternal benefit society holding a certificate of authority under this chapter to amend its articles of incorporation or to merge, consolidate, divide or reinsure with or accept the transfer of the membership or funds of any other corporation, society, order or voluntary association without first securing the approval of the department with respect thereto. Nothing in this subsection shall preclude any society from reinsuring all, or part, of any individual risk with any other society or company.

(b) Form of application.—Every application for approval of a fundamental change under this section shall be made to the department in writing and shall be in such form and shall contain such information as the regulations of the department shall require.

(c) Standards for approval of fundamental changes.—The amendment of articles, merger, consolidation, division, reinsurance or transfer of or by the fraternal benefit society shall be approved by order of the department only if and when the department finds and determines that such fundamental change conforms to law, including the regulations of the department under this chapter, and (except in the case of reinsurance with a foreign society) will result in a society or societies which, under the then current provisions of this chapter and the regulations of the department thereunder, would be eligible to receive a certificate of authority as a fraternal benefit society.

(d) Procedure.—The proceedings before the department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department).

(e) Judicial review.—Orders of the department upon an application for approval under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6515. Examination of societies.**

(a) General rule.—Every domestic or foreign fraternal benefit society shall be subject to examination not less frequently than once in every three years by the department and its agents, who shall have free access to all the books, records, papers and documents that relate to the business of the society, and the power to examine the officers, agents, employees, or other persons, under oath, in relation to its affairs, transactions and conditions. Such examination shall be made at such times as the department shall deem necessary. All the expenses incurred in connection with any examination under this section including compensation of the deputies, examiners and other employees of the department assisting in such an examination, shall be charged to and paid by the society examined, at such times and in such manner as shall be prescribed by regulation of the department.

(b) Action against delinquent domestic societies.—Whenever, after examination, the department is satisfied that any domestic society is exceeding its powers or is transacting business fraudulently or is in such condition that its further transaction of business will be hazardous to its members or to the public or shall determine to discontinue business, the Insurance Department may present the facts relating thereto to the Department of Justice, which shall, if it deems the circumstances warrant, proceed against such society in the manner prescribed by the laws of this Commonwealth providing for the liquidation of insolvent or delinquent companies, orders, or associations transacting any class of insurance. No



such proceedings shall be commenced by the Department of Justice against any such society until after notice has been duly served on the chief executive officers of the society and a reasonable opportunity given to it, on a date to be named in said notice, to show cause why such proceedings should not be commenced. No application for injunction against, or proceedings for the dissolution of or appointment of a receiver for, any domestic society or lodge thereof shall be entertained by any court of this Commonwealth, unless such application is made by the Department of Justice.

(c) Action against delinquent foreign society.—If any foreign fraternal benefit society or its officers refuse to submit to the examination required by subsection (a) of this section, or to comply with the provisions of such subsection relative thereto, the authority of such society to write new business in this Commonwealth shall be suspended or license refused, until satisfactory evidence is furnished the department relating to the condition and affairs of the society, and during such suspension the society shall not write new business in this Commonwealth.

**§ 6516. Investigation not made public.**

Pending, during, or after an examination or investigation of any domestic or foreign fraternal benefit society, the department shall make public no financial statement, report, or finding, nor shall it permit to become public any financial statement, report, or finding affecting the status, standing, or rights of any such society, until a copy thereof shall have been served upon such society at its home office, nor until such society has been afforded a reasonable opportunity to answer any such financial statement, report, or finding and to make such showing in connection therewith as it may desire.

**§ 6517. Registration of principal office.**

A fraternal benefit society shall not change its registered office in this Commonwealth to another location without first giving the department written notice of such change at least ten days before the change shall take effect.

## SUBCHAPTER C ORGANIZATION AND OPERATION

Sec.

- 6521. Restrictions on representative form of government.
- 6522. General powers.
- 6523. Collecting sufficient contributions.
- 6524. Waiver of organic law prohibited.
- 6525. No individual liability.
- 6526. Power to write insurance.
- 6527. Members and beneficiaries.
- 6528. Benefits upon lives of children.

- 6529. Beneficiary certificates.
- 6530. Liens against certificates.
- 6531. Benefits not attachable.
- 6532. Notice required for agreement with the beneficiary.
- 6533. Beneficiary predeceases member.
- 6534. Disappearance of member.
- 6535. Exemption applicable to certain societies paying accident benefits only.

**§ 6521. Restrictions on representative form of government.**

(a) Supreme body.—The supreme legislative or governing body of a fraternal benefit society shall satisfy the following requirements:

(1) The elective members of the supreme or governing body shall constitute a majority in number and not less than the number of votes required to amend the organic law of the society.

(2) The meetings of the supreme or governing body and the election of officers, representatives, or delegates shall be held as often as once in four calendar years, unless, due to war emergency, the Federal Government has limited or prohibited travel for meeting or convention purposes, in which event, upon request by the society, the department may in its discretion either waive the requirement that such meeting be held, or extend the time for holding such meeting. The privilege of so requesting such waiver or extension shall be permitted only during such time as the limitation or prohibition on travel shall continue.

(b) Participation by children.—No member under age 16 shall have voice or vote in the management of the society.

(c) Voting by proxy prohibited.—No member, officer, representative, or delegate shall vote by proxy.

**§ 6522. General powers.**

Every fraternal benefit society holding a certificate of authority under this chapter shall have power to make and amend its organic law for the government of the society, the management of its affairs, the admission and classification of its members, the control and regulation of the terms and conditions governing the issue of its benefit certificates, and the character or kind of benefits or privileges payable or allowable thereunder, the fixing and adjustment of the rates of contribution, fees, or dues payable by its members, and the allotment of such receipts to the different funds of the society. Such organic law, when made and as amended, shall be the law governing the society and its officers, board of directors, or managers, subordinate or constituent lodges, and all members and beneficiaries in their relation thereto. Each society shall file with the department a duly certified copy of its organic law as enacted and as amended, within 90 days after enactment or amendment. Printed copies of the organic law, duly certified by the secretary or corresponding officer of the society, shall be prima facie evidence of the legal adoption thereof.

**§ 6523. Collecting sufficient contributions.**

The organic law of every fraternal benefit society shall provide that, if the stated periodical contributions of the members are insufficient to pay all matured claims in full and to provide for the payment of its benefit fund obligations, valued upon a valuation by one of the standards authorized in this chapter, and for the creation and maintenance of the funds required by its organic law, additional or increased rates of contribution shall be collected from the members to meet such deficiency. Such organic law may also provide that each certificate shall be charged with its proportion of any deficiency disclosed by the valuation specified in this chapter with lawful interest thereon.

**§ 6524. Waiver of organic law prohibited.**

Unless authorized by express provision in the organic law of a fraternal benefit society, no subordinate lodge, nor any of its subordinate officers or members, shall have power or authority, on behalf of the society, to waive or modify any of the provisions of the organic law of the society nor to waive any violation, forfeiture, or default thereof.

**§ 6525. No individual liability.**

No officer or member of any supreme, grand, or subordinate body of any fraternal benefit society shall be individually liable for the payment of any of the benefits provided for in its organic law, but such benefits shall be payable only out of the funds of the society and in the manner provided by its organic law.

**§ 6526. Power to write insurance.**

(a) General rule.—Every fraternal benefit society holding a certificate of authority under this chapter may provide for the payment of death benefits on the lives of members, or upon application of a member on the lives of the spouse and minor children of a member in the same or separate certificates, may provide for the erection of monuments to mark the graves of its deceased members, and may, subject to this chapter, provide in its organic law for the grant of benefits of other kinds and character and for the issuance of beneficiary certificates in evidence thereof.

(b) Required legend on forms.—Nothing contained in this chapter shall prevent a fraternal benefit society from using terminology which expresses the intent and purpose of the forms issued to its members, except that in the contracts issued such forms shall include, in conspicuous type on the masthead and on the filing back under the name of the society, the words “A Fraternal Benefit Society.”

**§ 6527. Members and beneficiaries.**

(a) General rule.—Any person may be admitted to beneficial or general or social membership in any fraternal benefit society in such manner and upon such showing of eligibility as the organic law of the society may provide, and any beneficial member may direct any benefit to be paid to such person, entity, or interest as may be permitted by the

organic law of the society. No beneficiary shall have or obtain any vested interest in the said benefit until such benefit has become due and payable in conformity with the provisions of the contract of membership. Every member shall have full right to change his beneficiary in accordance with the organic law of the society.

(b) **Minimum age for admission.**—Any fraternal benefit society may admit to beneficial membership any person not less than 16 years of age, and it shall be lawful for minors who have attained the age of 16 years to make all needed contracts and assume all needful obligations to become members. Nothing contained in this chapter shall prevent any such society from accepting general or social members.

**§ 6528. Benefits upon lives of children.**

(a) **General rule.**—Any fraternal benefit society holding a certificate of authority under this chapter may provide in its organic law, in addition to other benefits provided for therein, for insurance or annuities, or both, upon the lives of children at any age, upon the application of some adult person, as the organic law of such society may provide. Any such society may, at its option, organize and operate branches for such children, and membership in local lodges and initiation therein shall not be required of such children nor shall they have any voice in the management of the society.

(b) **Contributions.**—The contributions to be made with respect to benefits to be provided under subsection (a) of this section shall be based upon the “Standard Industrial Mortality Table,” or the “English Life Table Number Six,” the “American Experience Table” and Craig’s Extension thereof, or such other mortality table as may be approved by the department, with an assumed rate of interest not exceeding 4% per annum.

(c) **Reserve requirements.**—Any society granting benefits under this section shall maintain, with respect to all such benefits, the reserve required by the standard of mortality and interest adopted by the society for computing contributions as provided in subsection (b) of this section.

(d) **Powers.**—A society shall have full power to provide for means of enforcing payment of contributions, designation of beneficiaries, and changing such designations and, in all other respects, for the regulation, government, and control of such benefits and all rights, obligations, and liabilities incident thereto and connected therewith, not at variance with the provisions of this chapter.

**§ 6529. Beneficiary certificates.**

(a) **Certificates to specify amount and conditions.**—Every beneficiary certificate issued by a fraternal benefit society shall specify the amount of benefits furnished thereunder and shall provide that the beneficiary certificate, articles of incorporation, or, if a voluntary association, the articles of such association, the other provisions of the organic law of the society, the application for membership, and medical examination or

health certificate, signed by the applicant, and all amendments to each thereof, shall constitute the agreement between the society and the member. Copies of such papers certified by the secretary of the society or corresponding officer shall be received in evidence of the terms and conditions thereof, and any changes, additions, or amendments to such articles of incorporation or articles of association, if a voluntary association, and other provisions of the organic law, made or enacted subsequent to the issuance of the beneficiary certificates, shall bind the member and his beneficiaries and shall govern and control the agreement in all respects the same as though such changes, additions, or amendments had been made prior to and were in force at the time of the application for membership.

(b) Other benefits permitted.—Any fraternal benefit society holding a certificate of authority under this chapter may enter into contracts in such other forms and granting such benefits as its organic law may authorize, when it shall provide for the accumulation and maintenance of assets required for the payment of such benefits, when valued upon an interest basis, not exceeding 4% per annum, and mortality standards adopted by it within the limitations provided in this chapter or, at the option of the society, in the statutes relating to life insurance companies. Any certificates issued on a renewable term basis shall set forth clearly thereon the successive future rates of contribution to be paid thereunder.

(c) Prior approval of department required.—It shall not be lawful for any fraternal benefit society to issue, sell, or dispose of any certificate or contract providing benefits to its membership in this Commonwealth or use applications, riders, or endorsements in connection therewith, until the forms thereof have been submitted to and approved by the department.

**§ 6530. Liens against certificates.**

Any fraternal benefit society may provide for the acceptance of liens against benefit certificates, with interest at not less than 4% per annum, in lieu of cash payments, but the total of such liens against any benefit certificate shall not exceed its share of the accumulation thereunder. Any such society collecting a level rate of contribution, under any of its benefit certificates, based upon any table of mortality allowed for valuation purposes in this chapter, may grant to members holding such certificates extended and paid up protection or such withdrawal equities as may be allowed under its organic law, but no such grants or privileges shall exceed in value the portion of the accumulations to the credit of such certificate at the time such grant or privilege is allowed.

**§ 6531. Benefits not attachable.**

No money or other benefit, charity, relief, or aid, to be paid, provided or rendered by any fraternal benefit society, shall be liable to attachment, garnishment, or other process or be seized, taken, appropriated, or applied, by any legal or equitable process or operation of law, to pay any

debt or liability of a member or beneficiary or any other persons who may have a right thereunder either before or after payment.

**§ 6532. Notice required for agreement with the beneficiary.**

No contract between a member of a fraternal benefit society and his beneficiary that the beneficiary or any person for him shall pay the assessment and dues, or either of them, shall give the beneficiary a vested right in the benefit certificate or in the benefits, or deprive the member of the right in the manner and form provided by its organic law to change the name of the beneficiary or revoke the certificate, if any, issued by the society. In the event of any contract between the member and a beneficiary, a copy of such contract in writing shall be delivered to the home office of the society forthwith and if no such copy of the said contract is delivered as above stated, and the society in good faith pays the named beneficiary, it shall be released from any further liability.

**§ 6533. Beneficiary predeceases member.**

If any beneficiary under a certificate shall die before the member, and no new designation shall have been made by him, and the organic law of the society shall have made no provision for such contingency, the benefits under the certificate shall then be paid to the surviving beneficiary, if any, and, if none of the beneficiaries named in the certificate shall survive the member, the benefits shall then be paid to the personal representative of the deceased member to be paid by him over to, or divided among, the persons entitled to the personal estate of such deceased member.

**§ 6534. Disappearance of member.**

No proceeding in any court of this Commonwealth whereby a person is adjudged a presumed decedent pursuant to statute shall be binding upon any fraternal benefit society, nor shall such finding by any court be offered in evidence as prima facie or other evidence of the death of said presumed decedent in a later proceeding against the society, unless 30 days notice of such proceeding, including notice of the time and place of any hearing, is given to the home office of such society, and opportunity is given to the society to appear in such proceeding as intervenor, if it so elects.

**§ 6535. Exemption applicable to certain societies paying accident benefits only.**

Any fraternal benefit society organized and incorporated prior to May 20, 1921 providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits generally, shall be exempt from the provisions of this chapter requiring valuation of benefit fund obligations, and requiring the certificate to specify the amount of benefit.

SUBCHAPTER D  
FINANCIAL MATTERS

Sec.

6541. Funds and investments.

6542. Annual statement.

6543. Valuation report.

6544. Accumulation and tabular bases valuation.

6545. Valuation for noncancellable health and accident benefits issued subsequent to 1949.

**§ 6541. Funds and investments.**

(a) General rule.—Any fraternal benefit society may create, maintain, invest, disburse and apply emergency, surplus or other funds, consistent with the purposes for which such society is organized, including hospital and health, home, thrift, pension for its employees, patriotic, educational, and relief or other funds, in accordance with its organic law. Unless otherwise provided in the organic law of the society, such funds shall be held, invested, and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment or the surrender of any part thereof. All domestic fraternal benefit societies hereafter issued a certificate of authority or foreign societies hereafter admitted shall be 100% solvent, according to the valuation requirements of this chapter.

(b) Beneficial reserves.—The funds from which benefits shall be paid and the funds from which expenses of the society shall be defrayed shall be derived from regular monthly or other periodical rates of contribution, received by the fraternal benefit society, and accretions of said funds as apportioned in accordance with the organic law of the society, and no part of any funds set aside for the payment of benefits shall be used for expenses or other purposes, except that any such society having admitted assets, as shown by its last annual statement filed with the department, in excess of 100% of its entire liabilities, including its required reserves computed on a net tabular basis, may transfer or allocate such excess insurance funds to the expense or other funds of the society, in accordance with its organic law.

(c) Consolidation of funds.—Any fraternal benefit society having admitted assets, as shown by its last annual statement filed with the department, in excess of 100% of its entire liabilities, including its required reserves computed on a net tabular basis, not lower than the American Experience Table of Mortality, with an interest rate of 3-1/2%, may, in accordance with its organic law, provide for the consolidation of its various funds and may report its transactions accordingly if no expenses will be incurred that would impair the reserve base or bases which it is using.

(d) Permitted investments.—Except as otherwise authorized by this section, every domestic fraternal benefit society shall invest its funds only

in securities and in the manner permitted by the laws of this Commonwealth for the investment of the funds of life insurance companies and in securities of Federal savings and loan associations, or of other institutions to the extent that such investment is guaranteed by the Federal Government or any instrumentality thereof. Unless the approval of the department shall be first obtained in writing, no domestic fraternal benefit society shall keep or maintain, at a place outside this Commonwealth, any securities or other assets, except such as are necessary for the collection of current dues and to enable it to comply with the laws of any other jurisdiction for the purpose of doing business therein.

**§ 6542. Annual statement.**

Every fraternal benefit shall, on or before March 1 of each year, file with the department, in such form as the department may require, a statement, verified by its president and secretary, or corresponding officers, of its transactions for the preceding calendar year, and of its condition and standing at the end of such year, and shall include therein all accrued liability under unpaid claims. It shall also, within 30 days after requested by the department, render such additional statement or statements concerning its affairs and financial conditions as the department may, in its discretion, require.

**§ 6543. Valuation report.**

(a) General rule.—In addition to the annual statement required by this chapter each fraternal benefit society shall on or before April 1 of each year report to the department a valuation of its benefit fund obligations in force at the end of the preceding calendar year. Such report of valuation shall show, as contingent liabilities, the present midyear value of the promised benefits provided in the organic law of such society under certificates then subject to valuation, at not more than 4% interest, less such portion thereof as may have been assumed by other associations or companies, and, as contingent assets, the present midyear value, at the same rate of interest, of such future net contributions provided in the organic law of such society as are, in practice, actually collected.

(b) Alternate rule.—In lieu of the valuation provided for in subsection (a) of this section any fraternal benefit society at its option may show the net value of its benefit fund obligations subject to valuation at the rate of interest as provided in such subsection and said net value, when computed in the case of monthly contributions, may be the mean of the terminal value for the end of the preceding and of the current certificate years, from which said tabular values shall be deducted such portion thereof as may have been assumed by other associations or companies.

(c) Certification.—Each valuation report shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the department of insurance of the jurisdiction of incorporation of the society. Every valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation.

(d) Pre-1952 standard.—The minimum standard of valuation for



death benefit fund obligations issued prior to January 1, 1952, shall be the National Fraternal Congress Table of Mortality, or, at the option of the society, by any other standard table, or a table based upon the experience of the society over at least 20 years and covering not less than 100,000 lives, with an interest assumption of not more than 4% per annum.

(e) Post-1951 standard.—The minimum standard of valuation for death benefit fund obligations issued on and after January 1, 1952, shall be the American Experience Table of Mortality, with an interest assumption of not more than 3-1/2% per annum.

(f) Disability benefits.—Any fraternal benefit society providing for cancellable disability benefits shall keep a separate account of the same in its valuation report, and shall establish and maintain a reserve of one-half of the periodic contribution for such benefits. On and after January 1, 1952, the minimum basis for contributions and reserves for disability benefits and double indemnity benefits shall be the minimum basis required of legal reserve life insurance companies for such benefits.

(g) Existing nonforfeiture benefits.—Nothing contained in this section shall require a society which has adopted a procedure for strengthening its reserve to modify any existing nonforfeiture benefits which had been previously used.

(h) Publication of valuation report.—A report of such valuation, with such explanations as the fraternal benefit society may deem advisable, shall be printed and mailed to each beneficial member of the society not later than July 1 of each year, or, in lieu thereof, may be published in the official paper of the society, if the issue containing the report is mailed to each beneficial member of the society.

**§ 6544. Accumulation and tabular bases valuation.**

(a) General rule.—In lieu of the valuation required by section 6543 of this title (relating to valuation report) any fraternal benefit society may value its certificates on a basis, designated in this section as the “accumulation basis,” by crediting each member with the net amount contributed for each year and with interest, at approximately the net rate earned, and by charging him with his share of the losses for each year, designated in this section as the “cost of insurance,” and carrying the balance, if any, to his credit. The charge for the cost of insurance may be according to the actual experience of the society, as applied to a table of mortality recognized by the laws of this Commonwealth, and shall take into consideration the amount at risk during each year, which shall be the amount payable at death, less the credit to the member.

(b) Initial valuation.—Unless specifically provided in the organic law of the fraternal benefit society, no charge shall be carried forward from the first valuation under this section, against any member, for any past share of losses exceeding the contributions and credit. If, after the first valuation, the share of losses of any member for any year exceeds his credit, including the contributions for the year, the contributions shall be

increased to cover his share of the losses. Any such excess share of losses, chargeable to any member, may be paid out of a fund or contributions especially created or required for such purpose.

(c) Tabular basis.—Any member may transfer to any plan adopted by the society, with net rates on which tabular reserves are maintained, and, on transfer, shall be entitled to take such application to his credit as provided in the organic law of the society. Certificates issued, reredited, or readjusted on a basis providing for adequate rates, with adequate reserves to mature such certificates upon assumption for mortality and interest, recognized by the laws of this Commonwealth, shall be valued on such basis, designated in this section as the “tabular basis.” If on the first valuation under this section a deficiency in reserve shall be shown for any such certificate, the certificate shall be valued on the accumulation basis.

(d) Accumulation and tabular bases.—Whenever, in any fraternal benefit society having members upon the tabular basis and upon the accumulation basis, the total of all costs of insurance provided for any year shall be insufficient to meet the actual death and disability losses for the year, the deficiency may be met for the year from the available funds, after setting aside all credits in the reserve, or from increased contributions or by an increase in the number of assessments, applied in the society as a whole or to classes of members as may be specified in its organic law. Savings from a lower amount of death losses may be returned in like manner as may be specified by its organic law.

(e) Segregation of assets.—If the organic law of the fraternal benefit society so provides, the assets representing the reserves of any separate class of members may be carried separate for such class as if an independent society, and the required reserve accumulation of such class, so set apart, shall not thereafter be merged with the assets of other classes of the society without the approval of the department.

(f) Table required.—A table, showing the credits to individual members for each year and age of entry, and showing opposite such credits the tabular reserve required in the whole life or other plan of insurance specified in the contract, according to assumptions for mortality and interest, recognized by the laws of this Commonwealth, and adopted by the society, shall be filed by the society with each annual statement and shall be furnished to each member before July 1 of each year.

(g) Statement in lieu of table.—In lieu of the statement required by subsection (f) of this section there may be furnished to each member, within the same time, a statement giving the credit for such member and giving the tabular reserve and level rate required for the transfer carrying out the plan of insurance specified in the contract. No table or statement need be made or furnished where the reserves are maintained on the tabular basis. For this purpose individual bookkeeping accounts for each member shall not be required, and all calculations may be made by actuarial methods.

(h) No individual interest in reserves.—Nothing contained in this section shall prevent the maintenance of such surplus over and above the credits on the accumulation basis and the reserves on the tabular basis, as any fraternal benefit society may provide by or pursuant to its organic law, nor be construed as giving to the individual member any right or claim to any such reserve or credit, other than in manner as expressed in its organic law.

(i) Elimination of reserve deficiency.—If the valuation of the certificates, as hereinbefore provided in this section, shall show that the present value of future net contributions, together with the admitted assets, is less than the present value of the promised benefits and accrued liabilities, such society shall either collect additional assessments or increase the rates of contribution from the members to meet such deficiency or classify its members according to the adequacy of the rates they are contributing and charge each class with its proportion of any deficiency disclosed by any such valuation.

**§ 6545. Valuation for noncancellable health and accident benefits issued subsequent to 1949.**

(a) General rule.—The department shall each year value or cause to be valued, or shall annually require the fraternal benefit society to value or cause to be valued, the reserve liabilities, as of the end of the preceding calendar year, of every society, with respect to all of its noncancellable health and accident benefits issued on and after January 1, 1950.

(b) Standards.—The legal minimum standard for computing the active life reserve, including the unearned premium reserve of such noncancellable health and accident certificates issued on and after January 1, 1950, shall be based on the Disabled Life Conference Modification of Class III Disability Table, with interest not to exceed 3-1/2% per annum, on the full preliminary term basis. The reserve under such noncancellable health and accident certificates issued on and after such date shall also be based on such table, except that for claims of less than 27 months' duration, the reserve may be taken as equivalent to the prospective claim payment, in the case of short term contracts, or to three and one-half times the elapsed period of disability, in the case of unlimited contracts. In the case of unlimited contracts, the reserve shall not be less than the equivalent of seven weeks' claim payments.

(c) Modification of standards.—The department may modify the application of the requirements prescribed in this section to certificates or to claims arising under certificates in accordance with the waiting period contained in such certificates and in accordance with any limitation as to the time for which indemnity is payable, or in such other manner as the actual facts warrant. The department may, whenever it deems it prudent, for the protection of certificate holders in this Commonwealth, vary the standard in particular cases.

(d) Foreign societies.—The department may with respect to any

foreign society accept a life valuation of the insurance supervising official of the jurisdiction in which such society is incorporated or domiciled, if such valuation is made upon a basis and according to standards producing an aggregate reserve not less than contained in this section.

(e) Treatment of subordinate lodges.—Nothing contained in this section shall be construed as applying to the subordinate lodges of societies, as such, in cases where such subordinate lodges provide for health and accident benefits independent of the supreme body.

(f) Definition.—As used in this section “noncancellable health and accident benefits” means benefits against disability resulting from sickness, ailment, or bodily injury, under a certificate under which the society does not have the option to cancel or otherwise terminate the certificate at or after the expiration of one year from its effective date.

## SUBCHAPTER E CONVERSION TO MUTUAL LIFE INSURANCE COMPANY

Sec.

6551. Conversion authorized.

6552. Proceedings before department.

6553. Organization of company.

6554. Rights and liabilities of converted societies.

**§ 6551. Conversion authorized.**

Any domestic fraternal benefit society, which has outstanding death benefit certificates or certificates of life insurance in an amount of more than \$1,000,000 issued to not less than 400 members, which has a surplus of more than \$200,000, which is subject to supervision by the department, and which does not operate an orphanage, sanatorium, hospital, home for the aged, or similar institution, may convert itself into a mutual life insurance company in the manner and subject to the provisions set forth in this subchapter.

**§ 6552. Proceedings before department.**

(a) Proposal of plan.—The board of directors of any such fraternal benefit society shall, by resolution, adopt a plan of conversion providing for the conversion of the society into a mutual life insurance company pursuant to this subchapter.

(b) Transmission of plan to members.—A copy of such plan shall be sent by mail to every member of the fraternal benefit society, together with a form on which such member may express his dissent from the plan and a notice that unless the dissent of the member is received at the home office of the society, within 30 days from the date of the notice, the assent of the member will be presumed. Such notice and form shall be mailed in an envelope bearing the return address of the society, and a direction that it be returned to the society, if undelivered to the addressee, within ten days of the date of mailing. Undelivered notices shall be counted as dissents.

(c) Adoption by members.—Unless a majority of the members dissent within the 30 day period, the society may file with the department the plan and articles of incorporation as a mutual life insurance company, which shall be in duplicate and shall meet the requirements for the incorporation of mutual life insurance companies incorporated under The Insurance Company Law of 1921, except that the death benefit certificates or certificates of life insurance in force and the surplus shall be in lieu of the applications for insurance and the guarantee fund required in the case of incorporation under that statute. The articles of incorporation shall be signed by a majority of the directors of the society.

(d) Standards for approval of conversion.—The plan and articles shall be approved by order of the department only if and when the department finds and determines that they comply with the provisions of this subchapter and that the society is financially qualified to be a mutual life insurance company as in other cases.

(e) Procedure before departments.—The proceedings before the department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department). If the department shall approve the plan and articles, it shall deliver the plan and articles with its written approval to the Department of State. If all the taxes, fees and charges required by law shall have been paid and if the name of the proposed company continues to be reserved or is available on the records of the Department of State, the receipt of the plan and articles by the Department of State with the written approval of the Insurance Department shall constitute filing of the plan and articles in the Department of State as of the date and time of such receipt or as of any later date and time specified by the Insurance Department. The Department of State shall immediately make and retain a copy of the plan and articles and return the original plan and articles to the society. The filing of such articles in the Department of State shall have the same effect as the filing of approved articles of association for a mutual life insurance company under existing laws, the issuance by the Governor of letters patent, and the recording of the articles and letters patent in the proper office for the recording of deeds.

(f) Judicial review.—Orders of the Insurance Department upon the question of the approval of the plan and articles shall be subject to judicial review in the manner and within the time provided by law.

**§ 6553. Organization of company.**

(a) General rule.—Upon the filing of the plan and articles in the Department of State, the fraternal benefit society shall be converted into a mutual life insurance company, and shall continue to be vested with all of its assets, subject to the payment of all of its liabilities, including pro rata, refunds of contributions or dues on any certificates which it no longer has the right to issue. The company, in the name of the society, shall advertise,

one time in a newspaper of general circulation in the county in this Commonwealth in which it maintained its principal or registered office and in the capital of any other jurisdiction in which it was authorized to do business, the fact of the conversion, together with the statement that any dissenting certificate holder who desires to cancel his certificate may do so by delivering it on or before a specified date (which shall not be later than six months after the date of the filing of the articles of incorporation in the Department of State) to the company and receive the pro rata unearned dues or contributions for such certificate, and if the certificate has a nonforfeiture value, such value. A copy of such advertisement shall at the same time be sent by mail by the company to each dissenting certificate holder at his address upon the records of the society.

(b) Initial examination.—The company shall satisfy the department, after examination, that it has paid all amounts due to any dissenting certificate holders and all liabilities on certificates which it is required to cancel.

**§ 6554. Rights and liabilities of converted societies.**

Mutual life insurance companies converted pursuant to this subchapter shall have and may exercise all the rights and privileges and shall be subject to all the requirements of mutual life insurance companies incorporated under The Insurance Company Law of 1921 but shall exercise no rights or privileges which other domestic mutual life insurance companies may not exercise.

**SUBCHAPTER F  
FOREIGN SOCIETIES**

Sec.

- 6561. Existing foreign societies.
- 6562. Application for admission to do business.
- 6563. Certain societies to be admitted.
- 6564. Service of process under former law.
- 6565. Acceptance of foreign examination.
- 6566. Exceeding powers.
- 6567. Procedures before department.

**§ 6561. Existing foreign societies.**

Foreign fraternal benefit societies which are now authorized to do business in this Commonwealth may continue such business until April 1 next succeeding the enactment of this chapter, and the authority of such societies may thereafter be renewed annually, but in all cases to terminate on the next succeeding April 1. Every license for which a timely application for renewal has been made shall continue in full force and effect until a new license is issued or specifically refused. For each license or renewal the society shall pay the department \$20. A duly certified copy or duplicate of such license shall be prima facie evidence that the licensee

is a fraternal benefit society within the meaning of this chapter, and that it may invest its assets as required by the laws of the jurisdiction where it is organized.

**§ 6562. Application for admission to do business.**

(a) Procedure.—No foreign fraternal benefit society shall do any business in this Commonwealth without a license from the department. Any such society may be licensed upon filing with the department:

(1) A duly certified copy of its charter or articles of association.

(2) A copy of the other provisions of its organic law certified by its secretary or corresponding officer.

(3) A copy of the application for a certificate of authority filed in the Department of State pursuant to 15 Pa. S. § 8124 (relating to application for a certificate of authority) and the certificate of authority issued thereon.

(4) A statement of its business verified by its president and secretary, or corresponding officers, in the form required by the department, and duly confirmed by an examination made by the supervising insurance official of its domiciliary jurisdiction or another jurisdiction satisfactory to the department.

(5) A certificate from the proper official in its domiciliary jurisdiction that the society is legally incorporated or organized.

(6) A copy of its certificate of membership, which must show that benefits are provided for by periodical or other payments by persons holding similar certificates.

(7) A valuation report of its benefit fund obligations in force at the end of the preceding calendar year, in the manner required by Subchapter D of this chapter (relating to financial matters).

(8) Such other information as the department may deem necessary to a proper exhibit of the business and mode of operation of the applicant.

(b) Term of license.—Upon compliance with the requirements of subsection (c) of this section, such foreign fraternal benefit society shall be licensed to do business in this Commonwealth until the next succeeding April 1, and such license shall, upon compliance with the provisions of this chapter, be renewed annually as provided in section 6561 of this title (relating to existing foreign societies).

(c) Standards.—Every foreign fraternal benefit society desiring admission to this Commonwealth shall have the qualifications required of domestic fraternal benefit societies and have its benefit fund obligations valued upon a valuation by any one of the standards authorized in Subchapter D of this chapter (relating to financial matters), and shall have its assets invested as required by the laws of the jurisdiction wherein it is incorporated or organized.

(d) Existing contracts.—Nothing in this section, or in section 6561 of this title (relating to existing foreign societies), shall be construed as

preventing any unlicensed foreign society from continuing in good faith all contracts made in this Commonwealth during the time such society was authorized to do business therein.

**§ 6563. Certain societies to be admitted.**

Any fraternal benefit society organized prior to May 20, 1921 and actually operating in this Commonwealth prior to that date which limits its membership to the members of one or more fraternal orders, which said members are required to have been proposed, elected by ballot, initiated, and obligated through subordinate lodges, under prescribed ritualistic ceremonies, shall be regarded as complying with the requirements of this chapter as to subordinate lodges and the admission of members therein and shall, upon compliance with all other provisions of this chapter, be deemed a fraternal benefit society operating on the lodge system and entitled to a license as such under this chapter.

**§ 6564. Service of process under former law.**

(a) General rule.—The agreement under the former provisions of law of every foreign fraternal benefit society doing business in this Commonwealth on the effective date of this chapter constituting and appointing the Insurance Commissioner, or his successors, its true and lawful attorney upon whom all lawful processes in any action or legal proceeding against it may be served, and agreeing that any lawful process against it which may be served upon him as its said attorney shall be of the same force and validity as if served on the society, shall continue irrevocably in force, so long as any liability of the society incurred while the society is licensed under this chapter remains outstanding in this Commonwealth, notwithstanding the repeal by this chapter of such former provisions of law.

(b) Service of process on department.—The service of process under such former provisions of law shall be made by certified or registered mail to, or by leaving copies of such process in duplicate, at, the office of the department at Harrisburg. One copy of such instrument, certified by the department as having been served upon it, shall be deemed valid service upon the society.

(c) Forwarding by department.—When legal process is served upon the Insurance Commissioner, as attorney for a foreign society, the department shall forthwith forward one of the duplicate copies of process served on the commissioner to the secretary or corresponding officer, or to such other person as may have been previously designated by the society, by written notice filed in the department. As a condition of valid and effective service and of the duty of the department in the premises, the plaintiff in each such action shall pay to the department, at the time of service thereof, the sum of \$2, which the said plaintiff shall recover as taxable costs if he prevails in the action. The department shall keep a record of all such processes which shall show the day and hour of service.



**§ 6565. Acceptance of foreign examination.**

The department may, in lieu of the examination otherwise required by section 6515 of this title (relating to examination of societies), accept the examination of the regulatory authority of the domicile of the foreign fraternal benefit society.

**§ 6566. Exceeding powers.**

When the department on investigation is satisfied that any foreign fraternal benefit society doing business under this chapter has exceeded its powers or has failed to comply with any provision of this chapter or is conducting business fraudulently, the department may revoke the authority of the society to do business in this Commonwealth.

**§ 6567. Procedures before department.**

(a) General rule.—Before the department shall refuse to license any foreign fraternal benefit society or shall revoke its authority to do business in this Commonwealth, it shall furnish to such society a concise statement of its reasons for such proposed refusal or revocation and give notice of a time and place of hearing, at which such society may show cause why a license should be granted to it or why the license granted to it should not be revoked, as the case may be.

(b) Depositions.—Upon request made to the department by such foreign society, the department shall issue subpoenas to summon such witnesses as the society may desire to summon, and, upon the filing of a verified petition by such society, showing that the testimony of certain persons named therein is competent and relevant to the issues to be heard by the department and that such persons are outside this Commonwealth, the department shall appoint a suitable person, duly qualified by law to administer oaths, as a commissioner to take the testimony of such persons at such place or places, specified in the petition, as the testimony of such witnesses may be obtained. Such testimony shall be taken upon oral examination and cross examination or upon written interrogatories and cross interrogatories, as the department may determine, and when so taken shall be reduced to writing and certified to the department, by the commissioner so appointed, and shall be made a part of the record of such hearing before the department. The cost of issuing said subpoenas shall be paid to the department by the society.

(c) Notice.—Any notice of hearing required by this chapter with respect to a foreign society shall be sufficient if sent by certified or registered mail, addressed to the society or to its president, at its principal office in its domiciliary jurisdiction.

(d) Record.—A full and complete record shall be kept of all proceedings had before the department at any such hearing, and all testimony taken at such hearings shall be reported stenographically, and the completeness and accuracy of the record shall be certified by the department.

(e) Written decision.—All decisions, rulings, and findings of the department made under this chapter with respect to a foreign society,

together with a statement of its reasons therefor, shall be reduced to writing and filed in the department, and the department shall serve a copy thereof upon the society by certified or registered mail, addressed to the society or its president, at its principal office in its domiciliary jurisdiction.

(f) **Judicial review.**—Orders of the department upon an application for a license by any foreign fraternal benefit society or in any proceeding relating to the suspension or revocation of its authority to do business in this Commonwealth shall be subject to judicial review in the manner and within the time provided by law.

## SUBCHAPTER G CRIMES AND PENALTIES

Sec.

6571. Issuing unapproved contracts or certificates.

6572. Failure to file annual statements.

6573. False statements.

6574. Unlicensed society; soliciting members.

6575. Spreading false statements.

6576. Other violations of chapter.

**§ 6571. Issuing unapproved contracts or certificates.**

(a) **Criminal penalty.**—Any person who shall, either as principal or agent, issue or cause to be issued any contract or certificate of insurance, application, rider, endorsement or similar document within this Commonwealth contrary to section 6529(c) of this title (relating to prior approval of department required) shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine not exceeding \$2,000.

(b) **Administrative penalty.**—

(1) Upon satisfactory evidence of the violation of this section by any such person, the department may, in its discretion, pursue any one or more of the following courses of action:

(i) Suspend or revoke the license of such offending person.

(ii) Refuse for a period, not to exceed one year thereafter, to issue a new license to such person.

(iii) Impose a civil forfeiture of not more than \$2,000 for each and every act in violation of this chapter, to be recovered by an action of assumpsit instituted in the name of the Commonwealth.

(2) When the department shall take action in either of the ways specified in subparagraphs (1)(i) or (1)(ii) of this subsection, the final order of the department shall be subject to judicial review in the manner and within the time provided by law.

**§ 6572. Failure to file annual statements.**

Any fraternal benefit society which neglects to file its annual statement or other statements that may be required in the form or within the time

provided in or pursuant to this chapter shall forfeit a sum, not to exceed \$250, for each day during which such neglect continues, and, upon notice by the department, the authority of the society to do new business shall be suspended automatically while such default continues.

**§ 6573. False statements.**

Any person or officer, member, or examining physician of any fraternal benefit society who shall knowingly or wilfully make any false or fraudulent statement or representation in, or with the reference to, any application for membership, or for the purpose of obtaining money from or benefit in any fraternal benefit society, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than \$2,000 or imprisonment for not more than one year, or both, in the discretion of the court.

**§ 6574. Unlicensed society; soliciting members.**

Any person who shall solicit membership for, or in any manner assists in procuring membership in, any fraternal benefit society not authorized to do business in this Commonwealth, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than \$2,000, and any society, so violating the provisions of this chapter, shall be denied by the department a license or right to do business within this Commonwealth.

**§ 6575. Spreading false statements.**

Any person who publishes, spreads or communicates or causes to be published, spread or communicated any false statement or rumor concerning any fraternal benefit society for the purpose of inducing any member to cancel his certificate therein or withdraw therefrom or with the intent to lessen the value of any such certificate, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than \$2,000 or imprisonment for not more than one year, or both, at the discretion of the court.

**§ 6576. Other violations of chapter.**

Any fraternal benefit or other society, any officer, agent, or employee of any society or any other person neglecting or refusing to comply with or violating any of the provisions of this chapter, the penalty for which refusal or violation is not specified, shall, upon conviction thereof, be punished by a fine not exceeding \$2,000, or imprisonment for not more than one year, or both, at the discretion of the court.

CHAPTER 67  
BENEFICIAL SOCIETIES

Sec.

6701. Regulation.

**§ 6701. Regulation.**

All beneficial societies or associations not subject to regulation under

Chapter 65 of this title (relating to fraternal benefit societies), transacting any class of insurance, shall file with the department copies of their charter, constitution, and laws and annually make a report in such form as the department may require, showing their condition and standing at the end of the preceding calendar year, and of their transactions for such year, and the department may at any time make an examination of the books and accounts of any such society.

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TITLE 42  
JUDICIARY AND JUDICIAL PROCEDURE

Part

- I. Preliminary Provisions
- II. Organization of Judicial Branch
- III. Selection, Retention and Removal of Judicial Officers
- IV. Financial Matters
- V. Administration of Justice Generally
- VI. Actions and Proceedings Generally
- VII. Civil Actions and Proceedings
- VIII. Criminal Proceedings
- IX. General Provisions

PART I  
PRELIMINARY PROVISIONS  
(Reserved)

PART II  
ORGANIZATION OF JUDICIAL BRANCH  
(Reserved)

PART III  
SELECTION, RETENTION AND REMOVAL OF JUDICIAL  
OFFICERS  
(Reserved)

PART IV  
FINANCIAL MATTERS  
(Reserved)

PART V  
ADMINISTRATION OF JUSTICE GENERALLY  
(Reserved)

PART VI  
ACTIONS AND PROCEEDINGS GENERALLY

CHAPTER 83  
BASES OF JURISDICTION

Sec.

- 8301. Qualified foreign corporations.
- 8302. Nonqualified foreign corporations.
- 8303. Commission of tortious acts by individuals.
- 8304. Doing business by individuals.
- 8305. Causing harm by individuals.
- 8306. Death of individuals.
- 8307. Procedure for service of process.
- 8308. Federal actions.
- 8309. Acts affecting jurisdiction.
- 8310. Subpoena to foreign corporations to produce records.
- 8311. Notice to Insurance Department.

**§ 8301. Qualified foreign corporations.**

(a) General rule.—Service of process against a qualified foreign business corporation or a qualified foreign corporation not-for-profit, upon the Secretary of the Commonwealth or Department of State, shall be made in the manner provided by section 8307 of this title (relating to procedure for service of process).

(b) Issuing authority.—Such process may be issued by any court, magistrate, or justice of the peace having jurisdiction of the subject matter of the controversy in any county of the Commonwealth in which the corporation shall have its registered office, or in the county in which the right of action arose.

(c) Cumulative remedy.—Nothing contained in this section shall limit or affect the right to serve any process, notice, or demand, required or permitted by law to be served upon a foreign corporation, in any other manner now or hereafter permitted by law.

**§ 8302. Nonqualified foreign corporations.**

(a) General rule.—Any foreign corporation which shall have done any business in this Commonwealth without procuring a certificate of authority to do so from the Department of State as required by statute, shall be conclusively presumed to have designated the Department of State as its true and lawful attorney authorized to accept, on its behalf, service of process in any action arising within this Commonwealth. Service of process shall be made in the manner provided by section 8307 of this title (relating to procedure for service of process).

(b) Issuing authority.—Such process may be issued by any court, magistrate, or justice of the peace having jurisdiction of the subject matter of the controversy.

(c) Cumulative remedy.—Nothing contained in this section shall limit

or affect the right to serve any process, notice or demand, required or permitted by law to be served upon a foreign corporation, in any other manner now or hereafter permitted by law.

**§ 8303. Commission of tortious acts by individuals.**

Any nonresident of this Commonwealth who, acting individually, under or through a fictitious business name, or through an agent, servant or employee, shall have committed a tortious act within this Commonwealth on or after August 30, 1970, or any such individual who at the time of the commission of the tortious act within this Commonwealth was a resident of this Commonwealth who shall subsequently become a nonresident or shall conceal his whereabouts, shall be conclusively presumed to have designated the Department of State as his agent for the receipt of service of process in any civil action or proceeding instituted in the courts of this Commonwealth against such individual.

**§ 8304. Doing business by individuals.**

Any nonresident of this Commonwealth who, acting individually under or through a fictitious business name, or through an agent, servant or employee, shall have done any business in this Commonwealth on or after August 30, 1970, or a resident of this Commonwealth who shall have done business in this Commonwealth on or after August 30, 1970 and thereafter shall have become a nonresident of this Commonwealth or shall conceal his whereabouts, shall be conclusively presumed to have designated the Department of State as his agent for the receipt of service of process in any civil action or proceeding instituted in the courts of this Commonwealth against such individual, if and only if at the time the cause of action accrued or the harm or financial loss occurred, the nonresident or the resident who shall thereafter have become a nonresident, shall have been doing any business within this Commonwealth as heretofore provided.

**§ 8305. Causing harm by individuals.**

Any nonresident of this Commonwealth who, acting outside of this Commonwealth, individually, under or through a fictitious business name, or through an agent, servant or employee, shall have caused any harm within this Commonwealth on or after August 30, 1970, shall be subject to service of process in any civil action or proceeding instituted in the courts of this Commonwealth arising out of or by reason of any such conduct. Service of process in any such civil action or proceeding shall be effected through the Department of State as provided in this chapter.

**§ 8306. Death of individuals.**

Where, prior to the commencement of an action or proceeding pursuant to this chapter, or subsequent to the commencement of an action or proceeding but prior to service, the nonresident of this Commonwealth or the resident who shall thereafter have become a nonresident of this Commonwealth, has died, service of process shall be made on the personal representative, executor or administrator of such nonresident in the same

manner as is provided in the case of a nonresident. Where an action or proceeding has been duly commenced, under the provisions of this chapter, by service upon a defendant who dies thereafter, if the personal representative, executor or administrator of such defendant does not voluntarily become a party, he may be constituted as a party under the applicable Rules of Civil Procedure, and service of process shall be made in the same manner as provided in this chapter upon the Department of State.

**§ 8307. Procedure for service of process.**

Process directed to persons under this chapter shall be served, by the officer to whom such process shall be directed, upon the Department of State, by sending by registered or certified mail, postage prepaid, a true and attested copy of such process, with the fee required by law, and by sending to the defendant, by registered or certified mail, postage prepaid, a true and attested copy thereof, with an endorsement thereon of the service upon the Department of State, addressed to such defendant at his last known address. The Department of State shall keep a record of the day and hour of the service of such process on it. The registered or certified mail return receipts of the Department of State and of such defendant shall be attached to and made a part of the return of service of such process, except that if the defendant refuses to accept the notice mailed, or cannot be found at his last known address, the registered or certified mail return receipt or other evidence of such facts shall be attached to and made a part of the return and shall constitute sufficient service under the provisions of this section. The fee paid by the plaintiff to the Department of State at the time of the service shall be taxed as costs to the plaintiff, if he prevails in the action necessitating the service of the process.

**§ 8308. Federal actions.**

Where process is issued against any corporation or individual by any court of the United States empowered to issue such process under the laws of the United States, the Department of State is authorized to receive such process in the same manner and with the same effect as provided in this chapter for process issued by the courts of this Commonwealth.

**§ 8309. Acts affecting jurisdiction.**

(a) General rule.—Any of the following shall constitute “doing business” for the purposes of this chapter:

(1) The doing by any person in this Commonwealth of a series of similar acts for the purpose of thereby realizing pecuniary benefit or otherwise accomplishing an object.

(2) The doing of a single act in this Commonwealth for the purpose of thereby realizing pecuniary benefit or otherwise accomplishing an object with the intention of initiating a series of such acts.

(3) The shipping of merchandise directly or indirectly into or through this Commonwealth.

(4) The engaging in any business or profession within this Commonwealth, whether or not such business requires license or approval by the Commonwealth or any of its agencies.

(5) The ownership, use or possession of any real property situate within this Commonwealth.

(b) Exercise of full constitutional power over foreign corporations.—In addition to the provisions of subsection (a) of this section the jurisdiction and venue of courts of the Commonwealth shall extend to all foreign corporations and the powers exercised by them to the fullest extent allowed under the Constitution of the United States.

(c) Exception.—Notwithstanding any other provision of this section, for the purposes of determining jurisdiction of courts within this Commonwealth, inspecting, appraising and acquiring real estate and mortgages, and other liens thereon, and personal property and security interest therein, and holding, leasing away, conveying and transferring the same, as fiduciary or otherwise, or collecting debts and enforcing mortgages and rights in property securing the same by any foreign corporation shall not constitute “doing business.”

**§ 8310. Subpoena to foreign corporations to produce records.**

Any court of this Commonwealth may issue its subpoena with clause of duces tecum upon any foreign corporation within the jurisdiction of the court, directing such foreign corporation, its proper officers, agents or employees, to produce before such court any books, papers, records and documents in the possession of such foreign corporation as shall be designated in such subpoena. Such subpoena with clause duces tecum may be served upon such foreign corporation in the manner provided by this chapter for the service of process upon foreign corporations.

**§ 8311. Notice to Insurance Department.**

The Department of State shall forward to the Insurance Department for its information each process, or a copy thereof, received by the Department of State with respect to any fraternal benefit society or other insurer subject to the jurisdiction of the Insurance Department.

PART VII  
CIVIL ACTIONS AND PROCEEDINGS  
(Reserved)

PART VIII  
CRIMINAL PROCEEDINGS  
(Reserved)

PART IX  
GENERAL PROVISIONS  
(Reserved)



TITLE 54  
NAMES

Chapter

1. General Provisions
3. Fictitious Names
5. Corporate and Association Names
7. Judicial Change of Name

CHAPTER 1  
GENERAL PROVISIONS

Sec.

101. Definitions.

**§ 101. Definitions.**

Subject to additional definitions contained in subsequent provisions of this title which are applicable to specific chapters or other provisions of this title, the following words and phrases, when used in this title shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Corporation not-for-profit.” A corporation not-for-profit as defined in Title 15 (relating to corporations and unincorporated associations).

“Department.” The Department of State of the Commonwealth.

CHAPTER 3  
FICTITIOUS NAMES  
(Reserved)

CHAPTER 5  
CORPORATE AND ASSOCIATION NAMES

Sec.

501. Register established.
502. Certain additions to register.
503. Decennial filings required.
504. Effect of failure to make decennial filings.
505. Late filings.
506. Voluntary termination of registration by nonprofit associations.

**§ 501. Register established.**

A register is established by this chapter which shall consist of such of the following names as are not deleted therefrom by operation of section 504 of this title (relating to effect of failure to make decennial filings) or section 506 of this title (relating to voluntary termination of registration by nonprofit associations):

(1) A name registered prior to the effective date of this chapter under the act of May 16, 1923 (No. 160).

(2) A name registered under section 502 of this title (relating to certain additions to register).

(3) In the case of a corporation not-for-profit, a name rendered unavailable for corporate use by other corporations by reason of any filing in the department by such corporation not-for-profit.

Whenever, by reason of change in name, withdrawal or dissolution of a corporation not-for-profit, or for any other cause, its name is no longer rendered unavailable by the express provisions of Title 15 (relating to corporations and unincorporated associations) such name shall no longer be deemed to be registered under paragraph (3) of this section on the register established by this chapter.

**§ 502. Certain additions to register.**

(a) Corporations.—A domestic corporation not-for-profit incorporated prior to May 16, 1923 may register its name with the Department of State under this chapter by effecting the filing specified in 15 Pa. S. § 7321 (relating to filing of certificate of summary of record by corporations incorporated prior to 1972).

(b) Unincorporated associations.—A nonprofit unincorporated association may register with the Department of State the name under which it is doing business or operating by filing an application for registration, which shall be executed by two duly authorized officers of the association, and shall set forth:

(1) The name to be registered.

(2) The address, including street and number, if any, of the association.

(3) The length of time, if any, during which the name has been used by the applicant.

(c) Limitation on names which may be registered.—Notwithstanding subsections (a) and (b) of this section, no new name shall be registered or deemed to be registered under this section which is the same as or deceptively similar to any other name then registered or deemed to be registered under this chapter, without the consent of the senior registrant.

**§ 503. Decennial filings required.**

Every corporation not-for-profit and nonprofit association which has its name registered under this chapter shall decennially, during the year 1980 and each year thereafter divisible by ten, file in the Department of State a report, which shall be executed by two duly authorized officers under the seal, if any, of the corporation or association, and shall set forth:

(1) The name of the corporation or association.

(2) The address, including street and number, if any, of its registered or other office.

(3) A statement that the corporation or association continues to exist.

**§ 504. Effect of failure to make decennial filings.**

On January 1 of the year following the year during which a report is required to be filed under section 503 of this title (relating to decennial filings required) the name of every corporation and association which has failed to comply with such section shall no longer be deemed to be registered under this chapter.

**§ 505. Late filings.**

A corporation or association which has failed to file the report required by section 503 of this title (relating to decennial filings required) may do so at any later time, which filing shall reinstate the name of the corporation or association on the register established by this chapter unless its name has been appropriated during the period of the delinquency by any other corporation or association in the manner provided in this chapter or as otherwise provided by law.

**§ 506. Voluntary termination of registration by nonprofit associations.**

Any nonprofit association which has its name registered under this chapter may terminate such registration by filing in the Department of State a statement of termination of registration of name, which shall be executed by two duly authorized officers under the seal, if any, of the association, and shall set forth:

- (1) The name of the association.
- (2) The address, including street and number, if any, of the association.
- (3) The date on which and the statute under which the name of the association was registered.
- (4) A statement that the registration of the name of the association under this chapter is terminated.

CHAPTER 7  
JUDICIAL CHANGE OF NAME  
(Reserved)

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TITLE 67  
PUBLIC WELFARE

## Part

- I. Preliminary Provisions
- II. Public Welfare Generally
- III. Institution Districts
- IV. Miscellaneous Provisions

PART I  
PRELIMINARY PROVISIONS

## Chapter

1. General Provisions

CHAPTER I  
GENERAL PROVISIONS

Sec.

101. Definitions.

**§ 101. Definitions.**

Subject to additional definitions contained in subsequent provisions of this title which are applicable to specific parts, articles, chapters or other provisions of this title, the following words and phrases, when used in this title shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

“Certificate of authority.” An instrument in writing issued by the department authorizing a person to engage in this Commonwealth in the business or occupation specified in such instrument.

“Department.” The Department of Public Welfare of the Commonwealth.

PART II  
PUBLIC WELFARE GENERALLY  
(Reserved)

PART III  
INSTITUTION DISTRICTS  
(Reserved)

PART IV  
MISCELLANEOUS PROVISIONS

Chapter

61. Nonprofit Charitable Institutions

CHAPTER 61  
NONPROFIT CHARITABLE INSTITUTIONS

Sec.

6101. Applicability of chapter.

6102. Certification of institutions.

6103. Fundamental changes.

6104. Penalties.

**§ 6101. Applicability of chapter.**

This chapter shall apply to, and the word “institution” in this chapter shall mean a corporation not-for-profit as defined in Title 15 (relating to corporations and unincorporated associations) incorporated for the purpose of establishing, maintaining and operating a nonsectarian hospital or other nonsectarian charitable or eleemosynary institution or society in which indigent persons are treated or are to be treated or maintained.

**§ 6102. Certification of institutions.**

(a) General rule.—A corporation not-for-profit incorporated for the purpose of establishing, maintaining and operating an institution shall not commence business until it shall have received from the department a certificate of authority authorizing the corporation to establish, maintain and operate such an institution.

(b) Exemption.—The provisions of subsection (a) of this section shall not apply to any nonprofit corporation incorporated with the approval of the department under the former provisions of section 212 of the Nonprofit Corporation Law of 1933. For the purposes of this chapter such a corporation shall be deemed to be a holder of a certificate of authority granted under this section.

(c) Form of application.—Every application for a certificate of authority under this section shall be made to the department in writing and shall be in such form and contain such information as the regulations of the department may require.

(d) Standards for issuance of certificate.—A certificate of authority shall be issued by order of the department only if and when the department shall find and determine that the application complies with the provisions of this chapter and the regulations of the department thereunder and that there is a need for the institution in the community wherein the work of the institution is to be carried on.

(e) Procedure before department.—For the purposes of enabling the department to make the finding or determination required by subsection (d) of this section, the department, by publication in the Pennsylvania Bulletin, shall give notice of reasonable opportunity for the submission of written comments on the application, and may, if it deems it necessary or desirable, hold public hearings. Before or after any such hearings, the department may make such inquiries, audits and investigations, and may require the submission of such supplemental studies and information, as it may deem necessary or proper to enable it to reach a finding or determination. The department, in issuing a certificate of authority, may impose such conditions as it may deem to be just and reasonable. In every case the department shall make a finding or determination in writing, stating whether or not the application has been approved, and, if it has been approved in part only, specifying the part which has been approved and the part which has been denied. Any holder of a certificate of authority, exercising the authority conferred thereby, shall be deemed to have waived any and all objections to the terms and conditions of such certificate.

(f) Judicial review.—Orders of the department upon an application for a certificate of authority under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6103. Fundamental changes.**

(a) General rule.—It shall be unlawful for any institution holding a certificate of authority under this chapter to amend its articles of incorporation, or to merge or consolidate with any other corporation or to divide or convert without first securing the approval of the department with respect thereto.

(b) Form of application.—Every application for approval of a fundamental change under this section shall be made to the department in writing and shall be in such form and shall contain such information as the regulations of the department shall require.

(c) Standards for approval.—The fundamental change shall be approved by order of the department only if and when the department finds and determines that such amendment or transaction conforms to law, including the regulations of the department under this chapter, and will result in an institution or institutions which, under the then current provisions of this chapter and the regulations of the department thereunder, would be eligible to receive a certificate of authority as an institution.

(d) Procedure.—The proceedings before the department shall be subject to the provisions of section 6102(e) of this title (relating to procedure before department).

(e) Judicial review.—Orders of the department upon an application for approval under this section shall be subject to judicial review in the manner and within the time provided by law.

**§ 6104. Penalties.**

Any person who violates any of the provisions of this chapter, or any regulation or order of the department made pursuant thereto, any person who hinders or prevents the department in the discharge of any duty imposed on it by this chapter, any person who fraudulently procures or attempts to procure any benefit from any institution holding a certificate of authority under this chapter, and any person who wilfully makes any false statement in any proceeding or report under this chapter, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than \$3,000 or to be imprisoned for not more than six months, or both, in the discretion of the court. Any act or default by any corporation, association or common law trust in violation of any provision of this chapter or of any regulation or order of the department made pursuant thereto, shall be deemed to be the act or default of the officers or directors who participated in authorizing or effecting such act or default or who knowingly permitted it.

Section 2. The articles of every Young Men's Christian Association incorporated prior to January 1, 1972 shall be deemed to contain the language of the former provisions of section 215 of the Nonprofit Corporation Law of 1933 until removed by amendment, and whenever any such association shall amend its articles to eliminate the board of trustees required by such former provisions of law, all real and personal

property held by the board of trustees shall be deemed and taken to be transferred to and vested in such Young Men's Christian Association without further act or deed.

Section 3. Every proposed nonprofit corporation which is to have the power to confer degrees in art, pure and applied science, philosophy, literature, law, medicine, and theology or any of them shall comply with the provisions of sections 211 and 312 of the Nonprofit Corporation Law of 1933 in addition to all other requirements of law. The references in said provisions to "the court" shall be deemed to be a reference to the Department of State and the reference to "this act" and to "this article" shall be deemed to include the Nonprofit Corporation Law of 1972. The reference in clause (4) of section 902 of the Nonprofit Corporation Law of 1933 to "this act" shall be deemed to be a reference to this section.

Section 4. The Department of State shall not file articles of amendment presented by or on behalf of an educational corporation with power to confer degrees or articles of merger or consolidation presented by or on behalf of an educational corporation unless and until the Department of State shall receive the approval of the Secretary of Education in a manner similar to that prescribed by section 211 of the Nonprofit Corporation Law of 1933 in the case of the formation of such corporations.

Section 5. (a) The following acts and parts of acts are hereby repealed absolutely:

(1) Subdivision relating to corporations not-for-profit, first class, of section 2, act of April 29, 1874 (P.L.73, No. 32), entitled "An act to provide for the incorporation and regulation of certain corporations."

(2) Section 8, act of June 11, 1879 (P.L.142, No. 151), entitled "An act to protect children from neglect and cruelty, and relating to their employment, protection and adoption."

(3) Act of June 25, 1885 (P.L.167, No. 134), entitled "An act empowering the Governor of this Commonwealth to appoint special officers, or policemen for incorporated or unincorporated associations, heretofore or hereafter organized, for any charitable purpose."

(4) Act of April 19, 1917 (P.L.85, No. 48), entitled "An act to enable foreign fraternal beneficiary associations and corporations to hold real estate in this Commonwealth, and validating certain titles."

(5) Act of May 16, 1923 (P.L.246, No. 160), entitled "An act to provide for the registration and protection of names, titles, or designations of associations, societies, orders, foundations, federations, organizations, and corporations of the first class."

(6) Except sections 211 and 312 and the first sentence and clause (4) of section 902, act of May 5, 1933 (P.L.289, No. 105), known as the "Nonprofit Corporation Law."

(7) Sections 209, 209.1, 209.2, 1011 and 1011.1, act of May 5, 1933 (P.L.364, No. 106), known as the "Business Corporation Law."

(8) Act of June 5, 1935 (P.L.267, No. 116), entitled "An act giving consent of the Commonwealth to the dissolution of corporations holding public funds in trust for public school purposes, and to the payment over of such funds to school districts for general school purposes."

(9) Act of July 17, 1935 (P.L.1092, No. 357), entitled "An act defining fraternal benefit societies and their status; authorizing such societies to create subordinate lodges and to pay benefits to members and their beneficiaries from funds collected, and regulating such benefits and collections; providing for the organization and incorporation of such societies and for their supervision, regulation, and examination by the Insurance Commissioner, and for the admission of foreign societies; designating tables of mortality as a basis for rates of contribution; requiring all societies to make annual and other reports; and appointing the Insurance Commissioner as attorney for service of process; providing penalties for any violations of the act; exempting such societies from taxation and certain other societies from its provisions; and requiring beneficial associations, other than fraternal benefit societies, to report to and be supervised by the Insurance Commissioner; and repealing existing laws."

(10) Act of June 21, 1937 (P.L.1948, No. 378), known as the "Nonprofit Hospital Plan Act."

(11) Act of June 27, 1939 (P.L.1125, No. 399), known as the "Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act."

(12) Act of May 23, 1947 (P.L.274, No. 113), entitled "An act validating charters of and amendments of the articles of incorporation of certain nonprofit corporations, incorporated under the Nonprofit Corporation Law."

(13) Act of April 12, 1951 (P.L.208, No. 25), entitled "An act validating certain deeds, bonds and mortgages and trust indentures executed and delivered by nonprofit corporations, unless the validity thereof is raised by legal proceedings within a prescribed period of time."

(14) Act of August 10, 1951 (P.L.1217, No. 278), entitled "An act authorizing the conversion into mutual life insurance companies of certain fraternal beneficial societies, orders or associations or certain fraternal benefit societies incorporated under the laws of this Commonwealth; outlining the procedures; and defining the rights of dissenting certificate holders."

(15) Act of August 17, 1951 (P.L.1286, No. 310), entitled "An act relating to the change of corporate names of churches or religious corporations as a result of the union, merger or consolidation of the national or international church body of which such corporation is an affiliate, subsidiary or component part; providing for the filing of a



certificate of change of name by such corporations with the Department of State and the recording thereof in the county of incorporation and the effect thereof.”

(16) Act of December 9, 1955 (P.L.819, No. 239), known as the “Nonprofit Dental Service Corporation Act.”

(17) Act of October 2, 1959 (P.L.1008, No. 420), entitled “An act regulating the conducting and maintaining of burial grounds and cemeteries by natural persons, partnerships and certain unincorporated associations; making certain acts relating thereto unlawful and prescribing penalties.”

(18) Act of September 18, 1961 (P.L.1471, No. 622), entitled “An act authorizing business corporations engaged in community industrial development whose stock is owned exclusively by a nonprofit corporation to amend their charters to be converted into nonprofit corporations engaged in similar purposes with court approval, and prescribing procedure.”

(19) Act of September 1, 1967 (P.L.298, No. 127), entitled “An act to validate acts done and contracts, conveyances, transfers, and mortgages of property made, to or by any corporation of the first class, created or intended to be created by decree of the courts of common pleas, granting a charter, where the applicants for incorporation had failed to register its proposed name as required by law; and to validate charters of corporations of the first class, granted since the sixteenth day of May, one thousand nine hundred and twenty-three, where there was a failure to register the name or title of the proposed corporation at the time of filing its application for a charter as required by law; providing for the subsequent filing of such registration; and providing for the amendment of names or titles of such corporations in certain cases.”

(20) Section 32, act of June 12, 1968 (P.L.173, No. 94), known as the “Cooperative Agricultural Association Act.”

(21) Act of July 1, 1970 (P.L.444, No. 152), entitled “An act providing for jurisdiction of the courts of the Commonwealth of Pennsylvania over nonresidents and those who were resident but become nonresident of the Commonwealth, where a tortious act has been committed within the Commonwealth, or the nonresident shall have done business within the Commonwealth or, through conduct outside of the Commonwealth, harm shall have been caused within the Commonwealth, and providing for a definition of what shall constitute ‘doing business,’ and providing for the service of process on such nonresidents through the Secretary of the Commonwealth.”

(b) The following statutes and parts of statutes are hereby repealed insofar as they relate to corporations not-for-profit:

(1) As much of clause V of section 2, act of June 14, 1836 (P.L.621, No. 174), entitled “An act relating to writs Quo Warranto and Mandamus,” as relates to the forfeiture of charters.

(2) Act of May 3, 1866 (P.L.116,No. 106), entitled "An act compelling railroad and other corporations to pay counsel fees of plaintiffs, in certain cases."

(3) Act of April 1, 1870 (P.L.45,No. 26), entitled "An act to authorize and direct the Attorney General, upon complaint made by parties whose interests are thereby affected, to institute proceedings, according to law, against corporations alleged to have violated duties imposed upon them by law."

(4) Section 1, act of June 19, 1871 (P.L.1360,No. 1264), entitled "An act relating to legal proceedings by or against corporations."

(5) Act of April 26, 1893 (P.L.26,No. 22), entitled "An act providing for the appointment of a receiver in cases where corporations have been dissolved by judgment of ouster upon proceedings of quo warranto."

(6) Section 4, act of February 9, 1901 (P.L.3,No. 1), entitled "An act to provide for increasing the capital stock and indebtedness of corporations."

(7) Act of March 19, 1903 (P.L.34,No. 41), entitled "An act to prevent the multiplication of poles, wires, and conduits for electrical purposes, by authorizing corporations, manufacturing or using electrical current for any purposes, to enter into contracts with each other relating to the exchange of current, the joint use of poles, wires, and conduits, or the lease or operation of each others systems."

(8) Act of May 25, 1921 (P.L.1159,No. 426), entitled "An act authorizing certain corporations to issue preferred or common stock of one or more classes; providing for the manner of issuance, restrictions and regulations in the manner of voting thereof, and the rights and privileges of the holders thereof; validating certain acts of corporations not participated in by the holders of non-voting stock; and repealing all acts and parts of acts inconsistent therewith."

(9) Act of April 27, 1927 (P.L.404,No. 260), entitled "An act prohibiting corporations from pleading usury as a defense."

(10) Section 730, act of April 9, 1929 (P.L.343,No. 176), known as "The Fiscal Code."

(11) Act of April 17, 1929 (P.L.531,No. 234), entitled "An act authorizing the courts of common pleas to direct the filing by corporations of bonds to the Commonwealth, to secure payment of damages for the taking of lands, waters, materials, or other property or rights, or for injury thereto, in cases where there is a disputed, doubtful, or defective title, or where any party interested is absent, unknown, not of full age, of unsound mind, or is an unincorporated association, or, from any cause, cannot be bargained with or be served with notice or tendered a bond within the county, and to appoint guardians ad litem or trustees for such persons."

(12) Act of May 9, 1949 (P.L.965,No. 274), entitled "An act to

reenact the title and section one of the act, approved the twentieth day of April, one thousand eight hundred seventy-four (Pamphlet Laws 110), entitled 'An act to enable the officers of dissolved corporations to convey real estate held by such corporations,' as amended."

(13) Act of August 19, 1953 (P.L.1075, No. 280), entitled "An act authorizing corporations to grant stock options, pensions and allowances, under certain circumstances; and validating stock options, pensions and allowances heretofore granted."

(c) All statutes and parts of statutes heretofore repealed insofar as they relate to nonprofit corporations by sections 1102 or 1103 of the Nonprofit Corporation Law of 1933 or by any statute amendatory of such statute are hereby repealed insofar as they relate to corporations not-for-profit and foreign corporations not-for-profit.

Section 6. The following acts are hereby saved from repeal:

(1) Act of June 21, 1937 (P.L.1969, No. 389), known as the "Electric Cooperative Corporation Act."

(2) Act of June 17, 1971 (P.L.181, No. 23), known as the "Charitable Instruments Act of 1971."

Section 7. The fee payable for filing a statement of change of registered office by agent under 15 Pa. S. § 112 (relating to change in location of commercial registered office) shall be \$3. The provisions of this section shall supplement the provisions of the fee bill of the Secretary of the Commonwealth and any act of the present session of the General Assembly repealing and supplying such fee bill.

Section 8. (a) Every domestic or foreign corporation not-for-profit incorporated under any law of this Commonwealth, general or special, or incorporated under the laws of any other state and doing business in this Commonwealth, before going into operation, shall register with the Department of Revenue the name of the corporation, the date of incorporation, the Act of Assembly or authority under which it was incorporated, the place of business, the post-office address, the name of the president, chairman, secretary and treasurer, the amount of capital authorized by its articles of incorporation, and the amount of capital paid into its treasury. Every such corporation shall annually notify the Department of Revenue of any change in its officers.

(b) Any corporation which shall neglect or refuse to register with the Department of Revenue as required by subsection (a) of this section, shall be subject to a penalty of \$500, which penalty shall be collected on an account settled by the Department of Revenue in the same manner as taxes on capital stock are settled and collected.

Section 9. This act shall take effect in ninety days.

APPROVED—The 15th day of November, A. D. 1972.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly  
No. 271.

A handwritten signature in black ink, reading "C. McLaughlin Tucker". The signature is written in a cursive style with a large, prominent initial "C".

*Secretary of the Commonwealth*