

**MINUTES OF THE MEETING
OF THE
LEGISLATIVE COMMISSION=S SUBCOMMITTEE TO ENCOURAGE
CORPORATIONS AND OTHER BUSINESS ENTITIES TO
ORGANIZE AND CONDUCT BUSINESS IN THIS STATE
(Senate Concurrent Resolution No. 19, File No. 144, *Statutes of Nevada 1999*)
November 19, 1999
Las Vegas, Nevada**

The first meeting of the Legislative Commission=s Subcommittee to Encourage Corporations and Other Business Entities to Organize and Conduct Business in this State for the 1999-2000 interim was held on Friday, November 19, 1999, at 10 a.m., at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada. The meeting was videoconferenced to the Legislative Building, 401 South Carson Street, Room 4100, Carson City, Nevada. Pages 2 and 3 contain the AMeeting Notice and Agenda.@

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Mark A. James, Chairman
Assemblyman David R. Parks, Vice Chairman
Senator Ann O=Connell
Senator Michael A. Schneider
Senator Dina Titus
Assemblyman Greg Brower
Assemblywoman Barbara K. Cegavske
Assemblyman Mark A. Manendo
Assemblywoman Bonnie L. Parnell

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Dean A. Rhoads

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Allison Combs, Principal Research Analyst
Bradley A. Wilkinson, Principal Deputy Legislative Counsel
Jill E. Lusher, Deputy Legislative Counsel
Roxanne Duer, Senior Research Secretary

MEETING NOTICE AND AGENDA

Name of Organization: Legislative Commission=s Subcommittee to Study Methods to Encourage Corporations and Other Business Entities to Organize and Conduct Business in this State (S.C.R. 19)

Date and Time of Meeting: November 19, 1999
10 a.m.

Place of Meeting: Grant Sawyer State Office Building
Room 4401
555 East Washington Avenue
Las Vegas, Nevada

Note: Some members of the committee may be attending the meeting, and other persons may observe the meeting and provide testimony, through a simultaneous video conference conducted at the following location:

Legislative Building
Room 4100
401 South Carson Street
Carson City, Nevada

AGENDA

I. Opening Remarks and Introductions

Senator Mark A. James, Chairman

II. Background Information on Senate Concurrent Resolution No. 19 from the 1999 Legislative Session

Allison Combs, Principal Research Analyst, Research Division, Legislative Counsel Bureau

III. Overview of Issues and Background Information Relating to the Creation of a Court of Limited Jurisdiction in Nevada for Resolving Litigation and Contractual Disputes Involving Business Entities

John H.O. La Gatta

Bradley A. Wilkinson, Principal Deputy Legislative Counsel, Legal Division, Legislative Counsel Bureau

Jill E. Lusher, Deputy Legislative Counsel, Legal Division, Legislative Counsel Bureau

IV. Overview of Issues and Background Information Relating to the Office of the Secretary of State and its Administration of the Laws Governing Business Entities who Organize or Conduct Business in Nevada, including the Administrative Fees and the Need for Expanded Technology

Scott Anderson, Deputy Secretary of State for Commercial Recordings

V. Overview of Issues and Background Information Relating to the Laws Concerning Business Entities and Possible Revisions to Facilitate the Organization of Business Entities and the Conducting of Business in Nevada

John Fowler, Business Law Section, State Bar of Nevada

VI. Overview of Issues and Background Information Relating to Methods of Encouraging Corporations and Other Business Entities to Organize and Conduct Business in Nevada

Stephen Brock, President, Nevada Business Journal

Karen Baggett, Deputy Director, Nevada's Commission on Economic Development

*VII. Discussion of Future Meetings and Topics for Further Review

VIII. Public Testimony

IX. Adjournment

*Denotes item on which the subcommittee may take action.

Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Research Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call Roxanne Duer, at 775-684-6825, as soon as possible.

Notice of this meeting was posted in the following Carson City, Nevada, locations: Blasdel Building, 209 East Musser Street; Capitol Press Corps, Basement, Capitol Building; City Hall, 201 North Carson Street; Legislative Building, Room 1214, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was faxed for posting to the following Las Vegas, Nevada, locations: Grant Sawyer State Office Building, 555 East Washington Avenue; and Clark County Office, 500 South Grand Central Parkway.

OPENING REMARKS BY THE CHAIRMAN

Chairman James called the meeting to order and roll was called. Introduction of subcommittee members as well as advisory committee members was made. The advisory committee, which was appointed by the Legislative Commission, is comprised of Scott Anderson, Deputy Secretary of State, Office of Secretary of State; Stephen Brock, President, Nevada Business Journal; John Fowler, Chairman, Business Law Section of the State Bar of Nevada; and Karen Baggett, Deputy Director, Commission on Economic Development, representing Bob Shriver, Executive Director of the Commission. Chairman James then acknowledged the staff of the Legislative Counsel Bureau.

Chairman James explained that the subcommittee has been charged with the task of examining unique approaches to business development to encourage and invite business entities to enjoy the benefits of organizing and conducting business in Nevada. The Subcommittee=s responsibilities also include a review of the methods utilized in other states that created a user-friendly climate for such business entities, such as the reduction of certain administrative fees, the expanded use of available technology, and the extension of the hours of operation of the Secretary of State=s Office. Additionally, the subcommittee will perform an in depth study regarding the establishment of a court of limited jurisdiction that will resolve litigation and contractual disputes relating to business entities which may promote greater specialization among judges, ensure that cases and disputes are heard by judges with expertise in the field of corporate and fiduciary matters, contribute to the development and stability of corporate and business law, and ensure consistency in the disposition of cases and disputes involving business entities. Chairman James noted that the State of Delaware has a very successful Court of Chancery that evolved from the British system and was established to ensure a court had equitable powers to do the Ajust thing@ in specific situations whether or not a legal or specific theory was based in the law.

BACKGROUND INFORMATION ON SENATE CONCURRENT RESOLUTION NO. 19 FROM THE 1999 LEGISLATIVE SESSION

Allison Combs

Ms. Combs, Principal Research Analyst, Research Division, Legislative Counsel Bureau, presented the general study requirements for Senate Concurrent Resolution No. 19 (File No. 144, *Statutes of Nevada 1999*) and noted that:

\$ Senate Concurrent Resolution No. 19 directs the Legislative Commission to appoint an interim subcommittee that consists of legislators and advisory members to study methods to encourage corporations and other businesses to organize and conduct business in Nevada.

\$ Initially, the focus of S.C.R. 19 was primarily the feasibility of establishing a Court of Chancery in Nevada similar to the one in Delaware; however, testimony from the Secretary of State=s Office and the Commission on Economic Development indicated the need to include a more complete analysis of methods to further enhance Nevada=s image as the ADelaware of the West.@

The expanded version of S.C.R. 19 includes a review of:

\$ The feasibility of establishing a business court in Nevada;

\$ Methods to enhance the user-friendly operation of the Secretary of State=s Office;

\$ Any necessary changes in Nevada=s business laws; and

\$ Economic incentives in Nevada and other states.

Ms. Combs explained that the subcommittee findings must be submitted in a report to the 2001 Legislature through the Legislative Commission, and any recommendations for Bill Draft Requests (BDRs) must be submitted by July 1, 2000, to the Legislative Counsel Bureau=s Legal Division. The subcommittee is limited to ten BDRs.

Referring to binders provided to the subcommittee and advisory committee members, Ms. Combs briefly summarized the contents, some of which would be addressed during the presentations from the members of the advisory committee (please refer to Exhibit A).

OVERVIEW OF
ISSUES AND BACKGROUND INFORMATION RELATING TO THE
CREATION OF A COURT OF LIMITED JURISDICTION IN NEVADA
FOR RESOLVING LITIGATION AND CONTRACTUAL DISPUTES
INVOLVING BUSINESS ENTITIES

John H.O. La Gatta

Mr. La Gatta, a private citizen, outlined the implications of Nevada becoming the ADelaware of the West@ and a Afinancial center@ (please refer to Exhibit B). The benefits that could be realized from these two sectors include:

\$ Additional revenues for the state;

\$ That Aentity creation@ and Afinance@ are a part of clean industry (Aintangibles@);

\$ A minimal impact to environmental, infrastructure, and social welfare compared to other industries;

\$ An increased gross state product from legal, accounting, banking, financing, trust, investment management, and administration activities;

\$ Highly-paid people; and

\$ Nevada=s ability to reap the benefits of business operations that Delaware cannot compete with due to its

corporate and personal income taxes.

Mr. La Gatta commented that Delaware has an efficient and prominent court system that is nationally recognized. It has accumulative praise for its business court to the point that young lawyers, or individuals in law school, study their own state=s law and Delaware=s law (please refer to Exhibit C). He then referred to an article titled ANevada, Other States Compete for Banks, Credit Card Firms@ (please refer to Exhibit D), which considers the fact that states are duplicating and, in some cases, attempting to improve on Delaware=s laws, which could lead to credit card companies seeking to establish headquarters in other states.

Additionally, the five necessary preconditions to Nevada becoming the Delaware of the West and a financial center were outlined by Mr. La Gatta:

- \$ Courts that are able to facilitate prompt and expert disposition of cases;
- \$ A law which is conducive for business entities to organize and conduct business;
- \$ The Secretary of State=s Office offering prompt and courteous service and willingness to incorporate on a Sunday afternoon, perhaps, for an additional fee;
- \$ Nevada=s environment, tax situation, and life style; and
- \$ That the entire operation is worthwhile to the state.

Commenting further, he stated that beyond Acorporate governess,@ squabbles between shareholders, calls for accounting, takeovers, mergers and acquisitions, by law, should be upgraded to encompass all commercial and financial law if Nevada is to become a specialized financial capitol. Hence, there is a need for a business court that can deal justly and swiftly beyond corporate governance. Mr. La Gatta summarized that a specialized court is needed in Nevada because:

- \$ Delaware has a renowned, excellent business court. In comparison, most states within the United States, including Nevada, have merged law and equity;
- \$ Chancery Courts do not require juries;
- \$ Delaware collects the majority of their corporate franchise fees from the 7,393 corporations that pay \$5,000 or more per annum, versus other corporations (approximately 300,000) that pay as little as \$30 per annum. Delaware=s franchise tax and focus is on public companies and, therefore, corporate governance is its primary strength;
- \$ Nevada should seek major corporation subsidiaries with operations that would be taxed in Delaware in spite of Delaware=s carveouts;
- \$ Delaware=s legal focus is on corporate governance and control which would not suffice here if Nevada seeks to be a financial business center; and
- \$ Nevada should have excellent judges with expertise on finance, contracts, et cetera; an interest in business law; a relatively short calendar; and a reputation for fair and predictable decisions.

Senator James questioned if it was feasible to seek both kinds of corporate businesses - the large public corporations and the private companies, or wholly owned subsidiaries - and incorporate a fee structure to encourage both to locate in Nevada.

Mr. La Gatta responded that Delaware currently has the Aupper hand@ and the reputation in those areas, and its fee structure is such that it is the lesser of two things. One is generated by how many shares are outstanding, and the other by net worth. Hypothetically, if a company has both a net worth of three quarters of a billion dollars and 30

million shares, it will pay a cap rate of \$150,000. On the other hand, if a company has a net worth of a billion dollars and one share owned by the parent company, it would pay \$30 plus a \$20 filing fee. The Secretary of State's Office may want to consider that this is not a viable alternative.

In response to Senator O'Connell's inquiry, Mr. La Gatta explained that Delaware's Court of Chancery was in existence when the United States was a colony. Delaware was one of the states that did not elect to merge law and equity into one court system and, therefore, took the lead and has been continually evolving its court system and laws. Delaware's laws were codified in 1967.

Discussion continued focusing on the constitutionality of establishing a business court in Nevada and whether an amendment to the *Nevada Constitution* should be sought. Mr. Gatta indicated that he spoke with Chief Justice Robert E. Rose, Nevada's Supreme Court, about the constitutionality issue and was pleased to report that, in Chief Justice Rose's view, the Supreme Court could appoint judges from the elected pool with experience in business law. Mr. La Gatta then outlined procedures for an interim specialized court that, at the pleasure of the Supreme Court, would:

- \$ Appoint judges with business intellect;
- \$ Set a threshold for case size, with the court's discretion to use lower dollar amounts;
- \$ Define what constitutes a business@ for purposes of jurisdiction of judges;
- \$ Endeavor to implement a waiver of jury trial;
- \$ Determine the facilities needed to house appointed judges; and
- \$ Establish different tracks@ for complexity. In New Jersey, cases are assigned by a category: A simple,@ A moderate,@ A complex,@ and a A super complex.@ The idea is that the cases are assigned to the judges that are most appropriate for them in terms of their experience.

Discussion ensued regarding the trend toward specialization, the experience of other states, and the constituencies to consider. One constituency, the business community, has been known to advance the specialized court system in other states. Business cases tend to get bogged down@ in the justice system due to the competing criminal caseload and the demand for due process, and a specialized court is able to resolve complex corporate disputes expeditiously.

Senator James emphasized the relevance of appointing judges to the specialized court who have an interest and background in business matters. If a judge is assigned to a specific area of business by court rule, training would be provided in that particular area of expertise. Education coupled with a definitive caseload would ensure qualified judges.

Mr. La Gatta then summarized the potential concerns and questions that have been raised regarding a specialized court in Nevada and noted that:

- \$ Specialized courts are not likely to improve the status quo, are too narrowly focused, may become captured by interest groups, and may result in too many judges;
- \$ Qualified judges may not be willing to serve on specialized courts;
- \$ It may increase the cost of government;
- \$ It could create too much bureaucracy;
- \$ The business community is not demanding specialized courts;
- \$ A Nevada system of specialized courts would be only a pale imitation of Delaware; and
- \$ Specialized courts have not succeeded in other states.

In Summary, the business court, not just in Delaware, is a growing concept and can be an efficient system allowing judicial time to be concentrated on case overloads. A business court is essential if Nevada is to become a Delaware of the West and a Financial Center.@

Bradley A. Wilkinson

Mr. Wilkinson, Principal Deputy Legislative Counsel, Legal Division, Legislative Counsel Bureau, commented about the legality of the Nevada Legislature establishing a business court by statute and whether a constitutional amendment would be required to establish such a court. With reference to a legal opinion provided to Chairman James (please refer to Exhibit E), Mr. Wilkinson stated that a constitutional amendment would be required for the Legislature to create a business court because the *Nevada Constitution* specifically sets out which courts exist in the State of Nevada. That provision does not allow the Legislature by law to create additional courts. The *United States Constitution* by contrast, as well as the constitutions of other states, specifically allow their legislatures to create whatever courts they so desire. Therefore, a business court in Nevada would have to be established as a specialized division within one of the existing courts. The district court would be the only appropriate court in which a business division could be created; however, the establishment of a business court by statute as a division of the district court would present a problem with the doctrine of separation of powers. In conclusion, Mr. Wilkinson stated that the Legal Division does agree with Chief Justice Rose in his conclusion that the Judicial Branch could by court rule could set up a business court and adopt the appropriate rules to ascertain which cases would be assigned to a business court and how that determination would be made.

**OVERVIEW OF ISSUES AND BACKGROUND INFORMATION RELATING TO
THE OFFICE OF THE SECRETARY OF STATE AND ITS ADMINISTRATION OF THE LAWS
GOVERNING BUSINESS ENTITIES WHO ORGANIZE OR CONDUCT BUSINESS IN NEVADA,
INCLUDING THE ADMINISTRATIVE FEES
AND THE NEED FOR EXPANDED TECHNOLOGY**

Scott Anderson

Mr. Anderson, Deputy Secretary of State for Commercial Recordings, Office of the Secretary of State, read and commented upon issues relating to the Office of the Secretary of State (please refer to Exhibit F for Mr. Anderson's complete testimony). He noted that:

\$ In Fiscal Year (FY) 1999, the Secretary of State generated \$33.8 million in revenues, \$25.9 million of which was generated through the Commercial Recordings Division and other business related filings as compared to \$22.2 million for FY 1998.

\$ Revenues have increased 14 percent over the prior year; however, the operating budget increased only 1 percent.

\$ The Secretary of State's Office contributes significantly to the State General Fund. Any efforts that assist in the increase of filings will enhance state contributions.

Mr. Anderson stated that in 1991, Nevada's business law, Title 7 of *Nevada Revised Statutes* (NRS), was rewritten. This revision coupled with Nevada's no income tax@ structure make it one of the most business-friendly@ states in which to organize a business. Continual revising of Title 7 each legislative session and the addition of new services and types of business filings, maintains Nevada's reputation as one of the most desirable jurisdictions in which to incorporate. It is apparent, however, that the main advantage Delaware has over Nevada is its court structure. Because of its extensive case law, businesses that organize in Delaware have the benefit of knowing how certain business situations will be handled. Nevada, on the other hand, has only its case law from the 1991 statutory rewrite on which businesses can rely for guidance; and with the absence of a business court in Nevada to deal with business matters, there are no standards of reference. Stability and continuity in a business court system is a major business concern and one of the main reasons corporations decide not to organize in Nevada. A Court of Chancery applying Nevada's business-friendly statutes would give the state a benefit with which to entice companies to

organize in this state.

John Fowler

Mr. Fowler, Chair of the Executive Committee, Business Law Section, State Bar of Nevada, responding to a question from Senator O'Connell, explained that laws emanate indirectly and distantly from statutes, and in many instances upon completion of the revision process, the final version is often considered to be an improvement of Delaware's law. While Nevada's business rulings have utilized Delaware's case law as precedent, there are other areas of business law that do not follow Delaware's example, such as the development of common law case law. Thus, the creation of a business court would allow precedents to be established.

Discussion continued as Mr. Anderson addressed the current fee structure for commercial recordings and explained that it has been in place since the 1991 revision of Title 7 of NRS. Of the nine states leading Nevada in incorporations, eight are large population centers, which include California, Florida, Georgia, Illinois, Michigan, New Jersey, New York, and Texas. The Secretary of State's Office is currently reviewing the fee structure of these states, as well as current legislation that has been adopted which is similar to Nevada's statutes.

Mr. Anderson noted that the Secretary of State's Office is known as one of the easiest filing offices in which to do business. In order to maintain this reputation, he suggested that:

- \$ Continued support is necessary in maintaining and increasing the level of service provided to customers;
- \$ As technology advances, online services will require additional support through staffing, training, and technological needs;
- \$ The addition of new types of entity filings should be considered. Foreign depositories (Montana) and the redomestication of foreign corporations are a few of the suggestions received from customers. These particular filings may not be acceptable in Nevada; however, to provide customers with a broad spectrum of services, consideration should be given to future proposals;
- \$ It has been suggested that the hours of operation of the Secretary of State be extended to accommodate other time zones, and the addition of another shift to process documents. If, in the future, filings continue to increase and the division is faced with space limitations, an additional shift or extended business hours may be required.

Commenting further, Mr. Anderson indicated that another method to increase filings is through promotion of the state's business opportunities. The inclusion of this item in the Secretary of State's budget would assist in promoting the Secretary of State's office and the State of Nevada.

In conclusion, obstacles that may limit growth, in Mr. Anderson's opinion, are: (1) economic downturn; (2) poor service; (3) bad legislation; and (4) the 5 percent corporation business tax as proposed by the National Education Association.

**OVERVIEW OF ISSUES AND BACKGROUND INFORMATION RELATING TO THE LAWS
CONCERNING BUSINESS ENTITIES AND POSSIBLE REVISIONS
TO FACILITATE THE ORGANIZATION OF BUSINESS ENTITIES
AND THE CONDUCTING OF BUSINESS IN NEVADA**

John Fowler

Mr. Fowler, identified previously, was of the opinion that improved corporate laws, an improved and expanded Secretary of State's Office, and the establishment of a business court would attract clean businesses to the state and

enhance Nevada=s economy. He noted that the first corporate legislation enacted in 1991 created limited-liability companies (LLCs). The Internal Revenue Service (IRS) treated LLCs as partnerships for tax purposes; however, in 1997 the IRS modified all LLC regulations. Through legislative action, Nevada promptly revised its statutes to adapt to the revised amendments.

Mr. Fowler explained that the intent was not for Nevada to emulate Delaware. Delaware=s General Corporation Law in the *Delaware Code Annotated* is difficult to read, while Nevada=s statutes are logical and written Ain English.@ From a technical, corporate law point of view, statutes regulating stock splits, business combinations, and controlled shares act are an improvement.

Reiterating previous testimony relevant to the Office of the Secretary of State, Mr. Fowler noted:

\$ The importance of speaking to a Alive person@ who is courteous and knowledgeable;

\$ The need to establish fees for special services, i.e., same day service, and standard service that takes a reasonable period of time to complete a filing. In California, it is not uncommon for a standard filing to take up to a month to complete;

\$ That filings have increased at the rate of 15 percent per year. Additional funding should be sought to hire and train employees and provide ample office space;

\$ That state of the art technology is necessary to access Electronic Data Gathering Analysis and Retrieval (EDGAR), an electronic filing system required by the Security and Exchange Commission for most filings. This service would be an invaluable asset to Nevada if it were available to ensure that business transactions could be completed in a timely manner.

\$ That corporate and annual filing fees be adjusted. Currently, a large publicly-held corporation pays a maximum fee of \$150,000 per year to the State of Delaware, but not less than \$10,000 per year. Nevada=s annual fee is \$85.

OVERVIEW OF ISSUES AND BACKGROUND INFORMATION RELATING TO METHODS OF ENCOURAGING CORPORATIONS AND OTHER BUSINESS ENTITIES TO ORGANIZE AND CONDUCT BUSINESS IN NEVADA

Stephen Brock

Mr. Brock, President, Nevada Business Journal, commented that business development in Nevada is a possibility. Based upon information gathered from government and private entities in statewide interviews, the following key points were compiled (please see Exhibit G):

\$ That Nevada mirror Delaware=s case law;

\$ The importance of the creation of a Court of Chancery/business court;

\$ Increase the revenue of the Office of the Secretary of State for development of technology infrastructure to streamline the sale of products/services. Additional funding is needed to promote services nationally and internationally in publications such as *Forbes*, *Business Week*, *Entrepreneur Magazine*, et cetera; and

\$ Dramatically increase the advertising and marketing budget of the Commission on Economic Development to promote the excellent incentives the state offers for business development.

Ms. Baggett, Deputy Director, Nevada's Commission on Economic Development, stated that the S.C.R. 19 Subcommittee has an opportunity to enhance the status of Nevada as a pro-business state by examining the state's current statutes and regulations as well as the laws of other states when adopting proposals for the 2001 Legislature (please refer to Exhibit H). She noted that:

- \$ Nevada has in place some very significant laws that reflect the state's business attitude: an attractive tax climate; limited-liability protection for officers and directors of Nevada corporations; reasonable fee structures for attracting incorporations; and modest, yet effective tax incentives.
- \$ Nevada has been able to attract and retain major multi-national financial service companies such as Citicorp, Ford Motor Credit, First Card, and Bank of America. In addition, the relocation of corporations which reflect the New economy consist of Microsoft, Cisco Systems, and Amazon.com. Companies such as these have made investments in this state with corporate treasuries, licensing divisions, and fulfillment centers.
- \$ The competition from other states such as Arizona, Colorado, Oklahoma, and Texas are among the most aggressive in the area of intangible investments. These states have rewritten their statutes to enable the attraction of bank-affiliated and non-bank investment firms, venture banking companies, and securitization firms.
- \$ To truly become the Delaware of the West, Nevada must revise existing statutes to reflect the needs of the New economy, and encourage more significant intangible investment in this state; modernize and equip the Secretary of State's Office with the necessary resources to meet the new technologies competitors have in place; and develop a court structure that reflects the entire breadth of corporate, finance, contract, and business law.

Commenting further, Ms. Baggett stated that the S.C.R. 19 Subcommittee's efforts at researching, analyzing, and proposing appropriate legislative changes will play a major role in the long-term success of Nevada's economy, and expressed the willingness of the Commission on Economic Development to assist the Subcommittee in the development of statutory and regulatory tools to ensure that success.

DISCUSSION OF FUTURE MEETINGS AND TOPICS FOR FURTHER REVIEW

In order to accomplish the directives of Senate Concurrent Resolution No. 19, Chairman James discussed the appointment of three sub-subcommittees that will review the following topics in detail with suggestions and guidance from the advisory committee members (please refer to Exhibit I). He noted that the recommendations of each sub-subcommittee will be considered at the next meeting of the full S.C.R. 19 Subcommittee to be scheduled at a future time.

- \$ *Examination of the Business Court and Business Laws:* Senator Mark A. James, Chairman; Senator Michael A. Schneider; Senator Dina Titus; and Assemblyman Brower. Advisory committee members include: John Fowler and Bob Shriver. The focus of this sub-subcommittee will be the revision of laws concerning business entities to facilitate organizing and conducting business in Nevada; the jurisdiction of a business court; the manner of selecting judges for a court; qualifications of judges; and the proposed structure and administration of a business court with consideration to caseloads, facilities, and the personnel required to operate such a court.
- \$ *Review of Economic Incentives in Other States:* Senator Ann O'Connell, Chair; Senator Dean A. Rhoads; and Assemblywoman Barbara K. Cegavske. Advisory committee members: Stephen Brock and Bob Shriver.

At the request of Subcommittee members it was noted that the following items be included on the sub-subcommittee agenda to review economic incentives:

- \$ An overview of venture capital programs offered by other states;
- \$ A review of the Workforce Investment Act;
- \$ The economic impact the United States Olympic Games in Salt Lake City, Utah, will have on northeastern Nevada; and
- \$ The Year 2000 ballot measure regarding state investment (S.J.R. 12 of the 1997 Legislative Session) which would give the state more flexibility in participating in venture funds.

Continuing, Chairman James described the third sub-subcommittee and its focus of study:

- \$ *Review of Incentives Offered through the Secretary of State for Businesses to Locate and Conduct Business in Nevada:* Assemblyman David R. Parks, Chair; Assemblyman Mark A. Manendo; and Assemblywoman Bonnie L. Parnell. Scott Anderson, advisory committee member, will assist the sub-subcommittee. This study group will examine administrative fees, expanded use of technology, and the extension of hours of operation of the Secretary of State=s Office.

Chairman James noted that although Aprimary advisory members@ were assigned to each sub-subcommittee, other advisory members may also be involved, as necessary. Mr. La Gatta was invited to work with all the sub-subcommittees as an ad hoc member.

The tentative meeting schedule for the next four meetings was presented:

- \$ December 1999/January 2000 for the sub-subcommittees to convene;
- \$ A full Subcommittee meeting in February 2000;
- \$ Either a full S.C.R. 19 Subcommittee meeting or a sub-subcommittee meeting, depending on the progress of the study, will meet in March 2000; and
- \$ The final Work Session meeting for the full Subcommittee in April or May 2000.

PUBLIC TESTIMONY

Becky Maddox

Ms. Maddox, Vice Chairman, Nevada Concerned Citizens (NCC), spoke to the subcommittee about the concerns a business confronts when locating to or expanding in a particular state. She addressed the following issues:

- \$ The recent example of the adoption of two ordinances by Clark County that changed existing approvals of a business which received prior authorization and had commenced work on a particular building site. She stated that actions of this type will certainly discourage businesses from establishing or relocating in this state.
- \$ The constitutionality of establishing a business court. The *Nevada Constitution* allocates the court structure in Nevada, and, perhaps, should be amended to include the establishment of such a business court. One branch of government should not usurp the privileges and rights of another branch.
- \$ Elected judges versus the appointment of judges. Often standards are compromised when appointments are awarded to individuals.

Monty Miller

Mr. Miller, business owner, Nevada Holding Services, spoke about the financial and corporate service areas as they relate to business. He noted that approximately 350 Fortune One Thousand companies have \$35 to \$40 billion in assets in Nevada in corporate entities. Discussion continued addressing the following items:

- \$ The need to plan for a steady revenue stream@ for education and infrastructure. When increasing fees, make them competitive. This is a tremendous opportunity to establish a steady source of income to generate money for long-term needs;
- \$ This is an intangible business that will bring tangible investments;
- \$ Upgrade the Secretary of State=s Office with the finest computer equipment available. The cost is minute compared to the potential revenue from private earning and tax revenue;
- \$ Delaware employs a Watchdog@ organization to keep them apprised of the competition;
- \$ Nevada can literally become a Delaware for the Pacific Rim@ as the Asian countries interact with the United States to establish companies; and
- \$ Promote Nevada by explaining the business incentives to visitors and convention attendees.

ADJOURNMENT

Exhibit J is the Attendance Record@ for this meeting.

There being no further business, Chairman James adjourned the meeting at 12:30 p.m.

Respectfully submitted,

Roxanne Duer
Senior Research Secretary

Allison Combs

Approved By:

Senator Mark A. James, Chairman

Date

LIST OF EXHIBITS

Exhibit A is a binder provided to the Subcommittee and Advisory Committee members of the Legislative Commission=s Subcommittee to Encourage Corporations and Other Business Entities to Organize and Conduct Business in this State (S.C.R. 19) and referred to in the testimony of Allison Combs, Principal Research Analyst, Research Division, Legislative Counsel Bureau (LCB).

Exhibit B is an outline prepared by John H.O. La Gatta for the S.C.R. 19 Subcommittee members, dated November 19, 1999.

Exhibit C is an article titled AVIII. Dispute Resolution,@ submitted by John H.O. La Gatta, dated November 15, 1999.

Exhibit D is a news article titled ANevada, Other States Compete for Banks, Credit Card Firms,@ dated November 7, 1999, submitted by John H.O. La Gatta.

Exhibit E is correspondence dated November 18, 1999, from Bradley A. Wilkinson, Principal Deputy Legislative Counsel, Legal Division, LCB, and Jill E. Lusher, Deputy Legislative Counsel, Legal Division, LCB, to Senator Mark A. James.

Exhibit F is correspondence from Scott Anderson, Secretary of State for Commercial Recordings, Office of the Secretary of State, to Senator Mark A. James, Chairman, dated November 12, 1999.

Exhibit G is a memorandum to the S.C.R. 19 Subcommittee titled AEncouraging Companies to Incorporate in Nevada,@ submitted by Stephen Brock, President, Nevada Business Journal, dated November 19, 1999.

Exhibit H is the testimony of Karen Baggett, Deputy Director for the Commission on Economic Development, dated November 19, 1999.

Exhibit I is a handout titled AAppointment of Subcommittees and Future Meetings (S.C.R. 19 Interim Study) as referenced by Chairman Mark A. James.

Exhibit J is the AAttendance Record@ for this meeting.

Copies of the materials distributed during the meeting are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. You may contact the library at (775) 684-6825.