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## *Chancery Court for Nevada: Definition, Costs, and Benefits*

The paper defines how a chancery court differs from a common law court and from business courts, and explains the costs and benefits that a chancery court would bring to the State of Nevada. It explains how the Nevada court is currently set up, and how a business court has already been implemented here. In order to illustrate the potential benefits of a chancery, a comparison is made between the State of Delaware, which has had a chancery court for over 200 years; and Nevada, which has never had one. Finally, it addresses the strengths and weaknesses of a business court when compared to a chancery court. Making Nevada a chancery state would benefit more than business: it would impact positively three other stakeholder groups: judges, taxpayers, and litigants in all Nevada courts.

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EXHIBIT E- CHANCERY COURTS  
Meeting Date: 05-28-08  
Document consists of 39 pages.  
Entire Exhibit Provided.

### ***What a Chancery Court Is***

Chancery law is based on the concept of “equity,” and is founded on the English common law tradition, which is used in England and the US. It supplements the strict application of the “rule of law” where its application would result in unusually harsh punishment. It is sometimes mistakenly contrasted with “statutory law,” which is law made up by decree of the legislature; and “common law,” which is law made through the rulings of judges, citing precedents in subsequent legal action.

There are three main distinctions between “equity” or chancery law, and common law.

The first is in the remedies available to litigants. In general, common law courts award monetary damages. Chancery courts, though, can enter injunctions to act or refrain from acting. Often, this is more valuable to a corporation than monetary damages. Equity courts offer this solution more easily than common law courts; although common law courts can also offer writs, they are harder to get and more difficult to use.

A second difference is the absence of a jury. Equity judgments are handed down only by judges, according to the law, and “matters of fact” are not decided by juries. The right to a trial by jury in a federal civil case is guaranteed by the Constitution, but it is not used in chancery courts.

Regarding trial by jury, the kind of court that is chosen to hear a particular plaintiff often depends on what remedy the plaintiff seeks. In general, if he is looking for monetary damages or certain kinds of relief, the plaintiff is also guaranteed the right to a jury trial. If, however, the plaintiff seeks modification of a contract, injunction, declaratory judgment, specific performance, or some other kind of non-financial ruling, the case would go to a business or chancery court.

A third important difference is the origin of the rules covering the decisions. In common law, reference is made to written statutes and the interpretations of them. In equity law, though, the emphasis is

more on “fairness” and “flexibility.” At the outset, equity law did not have fixed guidelines, and early critics harped on this distinction. Since the 17<sup>th</sup> century, however, this kind of law has lost much of its flexibility, and its rulings are now frequently based on precedents, just as with common law. The difference between what’s “legal” and what’s “equitable” remains, however, and it is an important distinction to corporations.

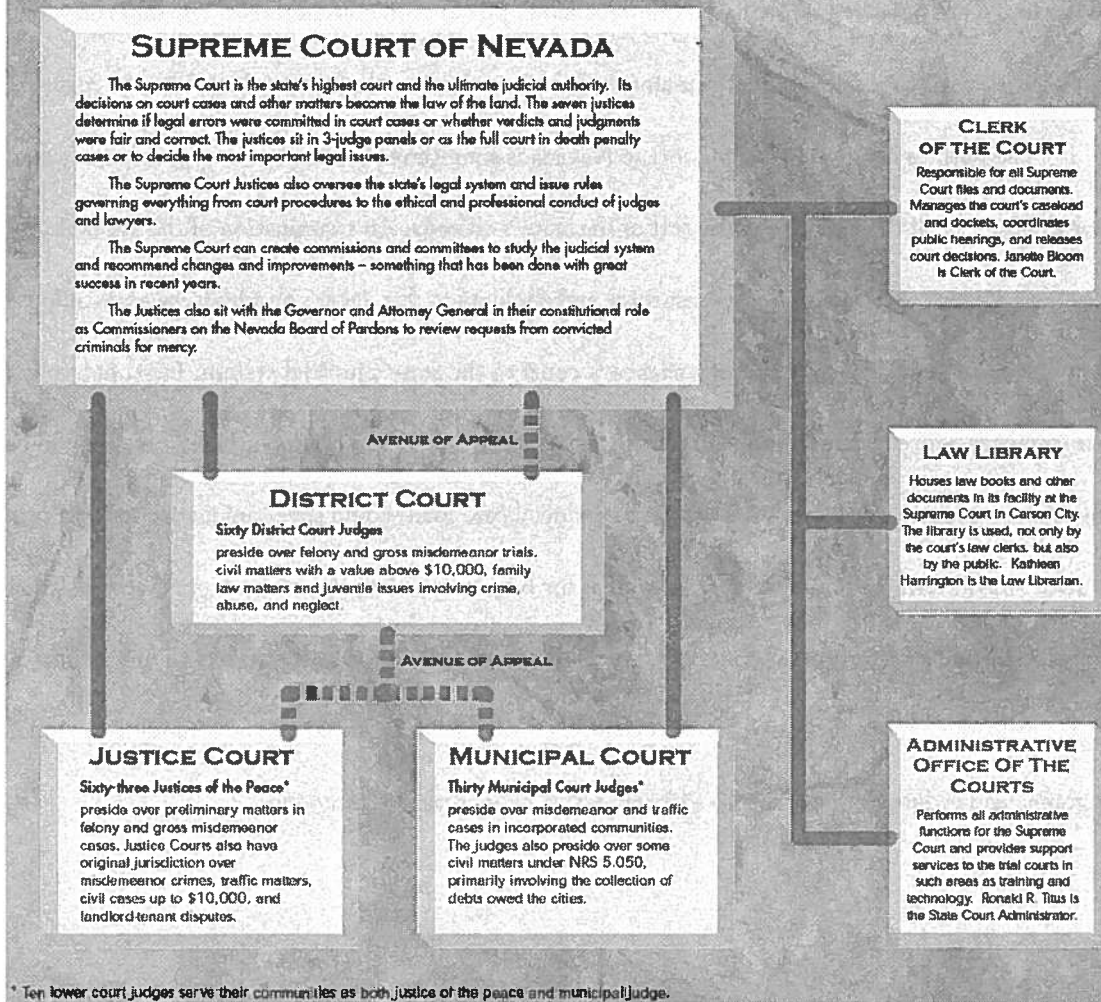
The push to bring a chancery court to Nevada is sometimes framed by its opponents as a special favor to business, at the expense of the rest of the state’s citizens. An examination of the available sources has shown this not to be the case. At least three stakeholders in this debate besides business would be positively impacted by the addition of a chancery court to the state’s judicial system. First, judges would see their caseloads – already among the heaviest in the country – cut back, as the business cases would be moved to a separate court system. Second, the reduced case load would speed up justice for all litigants in the state – civil, criminal, family, etc... as well as for business. Third, the income, generated by the increase in new corporate registrations and increased renewals would be added to the state’s General Fund, and would cover much more than the costs of a chancery court itself. It would add new funding for other state programs, and reduce the pressure to add new taxes, or increase existing ones.

### *The Status Quo*

In considering the adoption of a chancery court, it is best to start with an examination of how the courts are set up in Nevada today. The Web site for the Nevada Judiciary does an excellent job of explaining it.

**Nevada's Judiciary** is one of the three co-equal and independent branches of government – along with the Executive and Legislative branches. Together, the three branches have served our citizens since Nevada became a state in 1864. The responsibility of the judiciary is to resolve legal disputes brought before it in an impartial, fair, and speedy manner.

In Nevada, the judiciary consists of one appellate court, the Supreme Court, and three levels of trial courts – state District Court, county Justice Courts, and city Municipal Courts. The chart below explains Nevada's court structure, and provides information about the functions, in addition to the number of judges as of June 30, 2006.



Source: Annual Report of the Nevada Judiciary: Fiscal 2006

One proposal for addressing business cases, in lieu of a chancery court, is a "business court;" there would be judges appointed whose specific responsibility would be to hear business cases. They would be a part of the District Court system, with new judges added in the second and eighth districts. Currently, Nevada's District Court system has 60 judges, and is organized as follows:

## DISTRICT COURTS

Nevada's District Courts are courts of general jurisdiction and have the most authority of any trial court. This is where major trials are conducted and where citizens get their day in court before a jury of their peers. District Judges preside over felony and gross misdemeanor cases, civil matters above \$10,000, and family law issues, including juvenile matters. Much of the judges' work involves deciding a variety of complex legal disputes not requiring jury trials, including appeals of Justice and Municipal Court cases.

District Courts were created by the Nevada Constitution. The judges have jurisdiction throughout the state's 17 counties, although they are elected and serve primarily in one of the state's nine Judicial Districts. Five of those Judicial Districts encompass multiple counties in sparsely populated regions to best utilize the judges' time and taxpayer resources.

### NEVADA'S JUDICIAL DISTRICTS AND JUDGES (as of June 30, 2006)

#### FIRST JUDICIAL DISTRICT

Carson City & Storey County  
Judge Michael Griffin  
Judge William Maddox

#### SECOND JUDICIAL DISTRICT

Washoe County  
Judge Brent Adams  
Judge Janet Berry  
Judge Frances Doherty  
Judge Steve Elliott  
Judge David Hardy  
Judge Steven Kosach  
Judge Bridget Robb Peck  
Judge Robert Perry  
Judge Jerome Polaha  
Judge Deborah Schumacher  
Judge Connie Steinheimer  
Judge Chuck Weller

#### THIRD JUDICIAL DISTRICT

Churchill & Lyon Counties  
Judge Robert Estes  
Judge David Huff  
Judge Wayne Pederson

#### FOURTH JUDICIAL DISTRICT

Elko County  
Judge Mike Memeo  
Judge Andrew Puccinelli

#### FIFTH JUDICIAL DISTRICT

Esmeralda, Mineral, & Nye Counties  
Judge John Davis  
Judge Robert Lane

#### SIXTH JUDICIAL DISTRICT

Humboldt, Lander & Pershing Counties  
Judge John Iroz  
Judge Richard Wagner

#### SEVENTH JUDICIAL DISTRICT

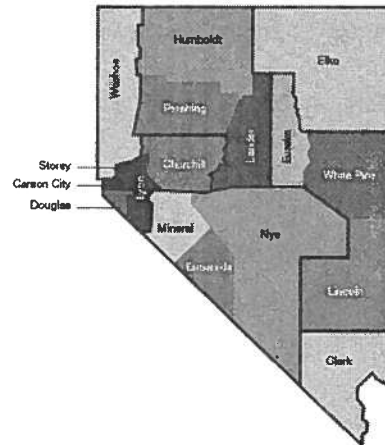
Eureka, Lincoln & White Pine Counties  
Judge Steve Dobrescu  
Judge Dan Papoz

#### EIGHTH JUDICIAL DISTRICT

Clark County  
Judge Valerie Adair  
Judge Stewart Bell  
Judge Joseph Bonaventure  
Judge Lisa Brown  
Judge Michael Cherry  
Judge Kenneth Cory  
Judge Nicholas Del Vecchio  
Judge Mark Denton  
Judge Allan Earl  
Judge Jennifer Elliott  
Judge Lee Gates  
Judge Jackie Glass  
Judge Elizabeth Gonzalez  
Judge Gerald Hardcastle  
Judge Kathy Hardcastle  
Judge Douglas Herndon  
Judge Steven Jones  
Judge Michelle Leavitt  
Judge Sally Loehrer  
Judge Stefany Miley  
Judge Donald Mosley  
Judge Cheryl Moss  
Judge Sandra Pomrenze  
Judge Arthur Ritchie  
Judge Nancy Saitta  
Judge Gloria Sanchez  
Judge Dianne Steel  
Judge Jennifer Togliatti  
Judge Valorie Vega  
Judge William Voy  
Judge David Wall  
Judge Jessie Walsh  
Judge Timothy Williams

#### NINTH JUDICIAL DISTRICT

Douglas County  
Judge David Gamble  
Judge Michael Gibbons



DISTRICT COURTS

JUDICIAL DISTRICT	JUDICIAL POSITIONS	POPULATION AS OF 7-1-05	CASES FILED	AVG. CASES PER JUDGE	FILINGS PER 10,000 POPULATION
FIRST	2	61,116	2,343	1,172	383.4
SECOND	12	396,844	20,965	1,747	528.3
THIRD	3	75,445	3,113	1,044	415.3
FOURTH	2	47,586	2,518	1,259	529.2
FIFTH	2	47,206	2,994	1,497	634.2
SIXTH	2	29,537	1,400	700	474.0
SEVENTH	2	14,646	602	301	411.0
EIGHTH	33	1,796,380	83,271	2,523	463.6
NINTH	2	50,108	1,389	695	277.2
TOTALS	60	2,410,768	118,615	1,977	457.3

Source: Annual Report of the Nevada Judiciary: Fiscal 2006

In fact, a business court was set up in 2000. Three judges were appointed whose first responsibility was to hear business cases. The very first was Judge Brent Adams, appointed on November 20, 2000, to hear cases in Washoe County. He is still hearing them today. Two more judges were appointed in Clark County about three months later. The theory was that these three would be the core "business court" for the state, and all business cases would be directed to them.

It didn't happen, and over the next six years so few business cases were heard by these judges that for all practical purposes they need not have been appointed.

At the end of 2006 Justice Rose called upon the judiciary to renew its efforts to use the state's business courts; it led to the appointment of Mark Denton and Elizabeth Gonzales in Clark County, and a renewed effort to funnel business cases to the three judges (including Adams, who had continued to hear them). As the system is currently set up, all cases go first to Judge Adams, and any "overflow" cases are sent to the other two judges.

At the same time, the chronic backlog of cases was addressed with a new system to be used in all of the courts: alternate dispute resolution (ADR). This system has been introduced as a model for all courts in the state.

Judge Adams in Washoe, who has been on the bench for 18 years, embraced ADR enthusiastically. He reports that in the past, the usual procedure for business cases was for one of the business litigants to ask for injunctive relief, which stopped the business from operating. The court could take years to reach a decision, by which time the business was gone and its employees out of work. He recalled the case of a mom-and-pop store that came to court; by the time it was decided, both mom and pop were dead.

Under ADR, the judge meets the litigants on the first day of the trial and tries to resolve the case rationally and fairly right then. If the case cannot be resolved that day, litigants and judges work to find the cheapest, fastest way to solve the problem without disabling the business. Judge Adams reports, "It is my practice to meet in a chambers conference with all parties and counsel as early as possible in every case. We discuss the nature of the case, the costs, risks and time of the process. We try our best to settle it and, if that is not possible, to create a case management plan which is dictated by me, typed by my secretary, filed and distributed to everyone before they leave the courthouse. I think this approach to case management

should be employed in every kind of case.” Judge Adams reports that he has been able to resolve 30% of his cases on the first day this way, and claims a 92% success ratio in the 1700+ cases he has handled over the years.

For the record, Judge Adams is not against setting up a chancery court in Nevada and would not oppose it. However, he argues that “the key to success is not more laws and rules mandating the procedure. It is to have more judges deeply committed to the just, speedy and inexpensive resolution of every action.” In his view, a properly staffed and operating business court should be enough.

### ***The Business Angle***

Corporations are designed to make profits for their owners, so they naturally gravitate to places with the best mix of 1) the largest markets, 2) the greatest incentives, and 3) the lowest risks.

Until recently, “places” usually referred to geographic locations, because except for the largest companies, it was important that headquarters and legal domicile be located in or near markets.

Nevada has always been strong in this respect, being central to all businesses operating in the Western US, including the country’s largest and most progressive market, California.

Globalization has further worked to broaden markets and make them more accessible. It is less important today for a corporation to be domiciled in or near its primary customers; often, those customers are so widely scattered that there is no longer a customer “center” in the geographic sense of the word.

As a result, when corporations choose where they want to be domiciled (or registered), the other factors play a greater role in the decision. These include incentives offered by the city and/or state of registration, and the degree of risk associated with that city/state.

Nevada has done a very good job of ratcheting up its corporate incentives. This is a reflection of the steps the state has taken to make itself more business-friendly. The benefits, while not unique, offer a comprehensive package that is not available in many other states. They include

- No corporate income tax
- No taxes on corporate shares
- No franchise taxes, no personal income tax, minimal reporting and disclosure requirements
- Shareholders are not public record
- Stockholders, directors, and officers need not live or hold meetings in Nevada, or even be U.S. Citizens.
- Directors need not be stockholders
- Officers and directors of a Nevada corporation can be protected from personal liability for lawful acts of the corporation
- Nevada corporations may purchase, hold, sell or transfer shares of their own stock
- Nevada corporations may issue stock for capital, services, personal property, or real estate, including leases and options. The directors may determine the value of any of these transactions, and their decision is final.

*Source: Nevada Secretary of State, 2007*

The third factor, reducing risk, is a piece of the puzzle still absent from Nevada's business pallet. In the US' litigious climate, corporations tend to locate – or relocate – to states where the judicial climate is designed to address their specific legal needs and requirements. They find this climate in chancery states. That does not mean that corporations that break laws will get lighter punishment in a chancery state than in

a non-chancery state. Rather, it means that the judges are attuned to the specific problems and disagreements that arise between competing corporations, and between corporations and their customers and stakeholders. It is not that the law is different or better in chancery states, it is more consistent and predictable for business rulings. This is important, because corporations often use the law in a different way than citizens.

The larger the company (and the higher the fees it pays for registration and renewal), the more likely it will be involved in legally protecting or defending itself in court. Corporations know they can't win every case; what they want are judges that understand law as it applies to businesses, and to apply it consistently and accordingly. Thus corporations tend to register in those states where they can get the kind of legal clarity and support they need in order to minimize their risks.

Nevada, despite the increasing number of business registrations, is still not perceived as a superior location to domicile in the business world, particularly among larger corporations, those which would bring the largest number of dollars to the state were they to register or move here.

The US Chamber Institute for Legal Reform conducts an annual survey of corporate perception of liability risks, state-by-state. In its most recent annual survey, Delaware finished first for the fifth year in a row, leading in areas including "Best treatment of tort and contract litigation," "Best treatment of class action suits and mass consolidation suits," and "Punitive damages."

Perhaps equally important, the *quality* of legal execution – how well the judges did their duty – found Delaware consistently ranked number one. This included areas such as "Timeliness of summary judgment or dismissal," "Judges' impartiality," "Judges' competence," "Judges' predictability," and "Judges' fairness" (Institute for Legal Reform, 2007).

### **2006 OVERALL RANKING**

Delaware	1
Nebraska	2
Virginia	3
Iowa	4
Connecticut	5
New Hampshire	6
South Dakota	7
Colorado	8
Maine	9
North Carolina	10
Indiana	11
North Dakota	12
Arizona	13
Minnesota	14
Kansas	15
Wyoming	16
Utah	17
Idaho	18
Ohio	19
Maryland	20
New York	21
Michigan	22
Wisconsin	23
Vermont	24
New Jersey	25
Rhode Island	26
Georgia	27
Washington	28
Tennessee	29
Oregon	30
Pennsylvania	31
Massachusetts	32
Oklahoma	33
Kentucky	34
Missouri	35
Alaska	36
Nevada	37
Florida	38
Montana	39
New Mexico	40
Arkansas	41
South Carolina	42
Texas	43
California	44
Illinois	45
Hawaii	46
Alabama	47
Mississippi	48
Louisiana	49
West Virginia	50

*Source: Institute for Legal Reform*

Their ranking puts Nevada in 37<sup>th</sup> place. In a financial sense, it indicates that while smaller companies may be coming to Nevada in ever greater numbers, the larger corporations, those that would pay the highest fees and generate the most income, still see Nevada as a relatively risky state. That is because of the absence of a seasoned chancery court. For larger corporations with deeper pockets, this is a particular concern. A chancery court system, with its premise of “fair and equitable” judgments, versus the often harsher “strict letter of the law” of common law, is more attractive to them.

The incentives to move to Nevada are superior, but a single disincentive – the lack of a chancery court – may often be enough to convince larger corporations and multinationals to register elsewhere.

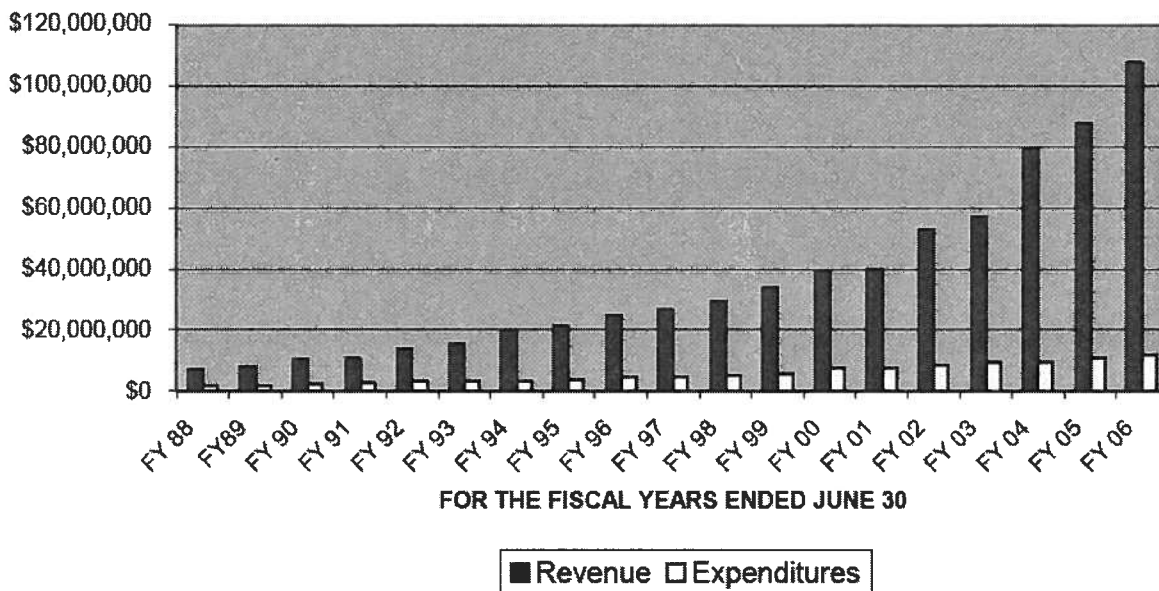
### *Taxpayer relief*

In this paper Nevada’s state budget will be compared to Delaware’s state budget, since one of the main benefits the chancery court is that it brings increased funding for state government; that is, for services provided to all citizens of the state. Delaware can be considered the “gold standard” of chancery states.

In Nevada, the Secretary of State is responsible for collecting the fees for registering corporations, while the taxes on corporations are listed in a different section of the budget. In the first comparison for this analysis, below, *both* the income from the Nevada Secretary of State’s office (registration fees and renewal fees) *and* the taxes collected on those same corporations are added together. In Delaware, taxes derived from corporations are listed as a single number in the state’s budget, and only that number will be cited.

The Nevada Secretary of State’s record continues to show progress. The Department’s Revenue vs. Expenditures has improved every year for nearly 20 years in a row, with its biggest gains in both dollars and percentages coming in the last four years.

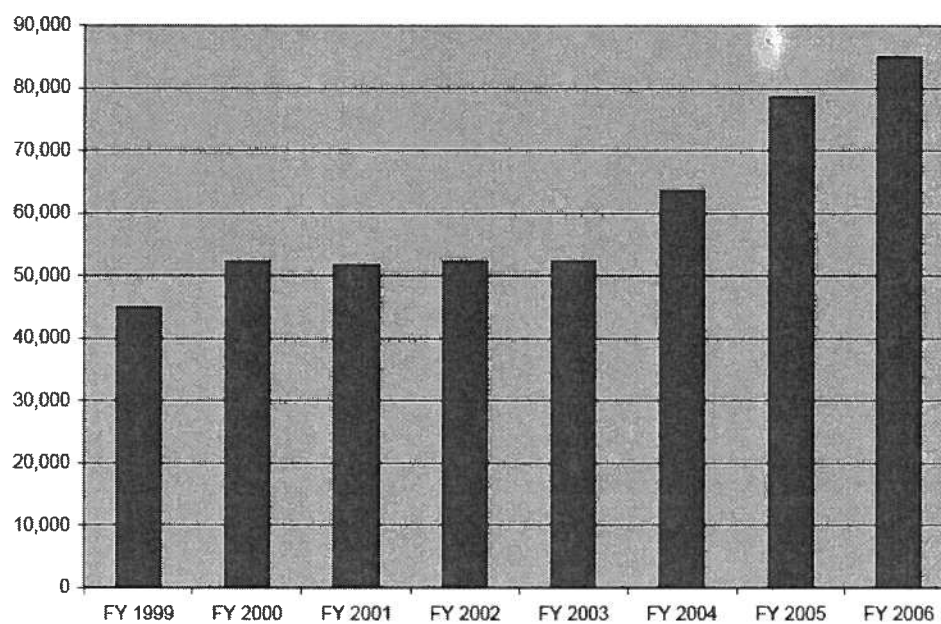
**Secretary of State  
Revenue vs. Expenditures  
Fiscal Years 1988-2006**



Source: Nevada Secretary of State 2006 Annual Report

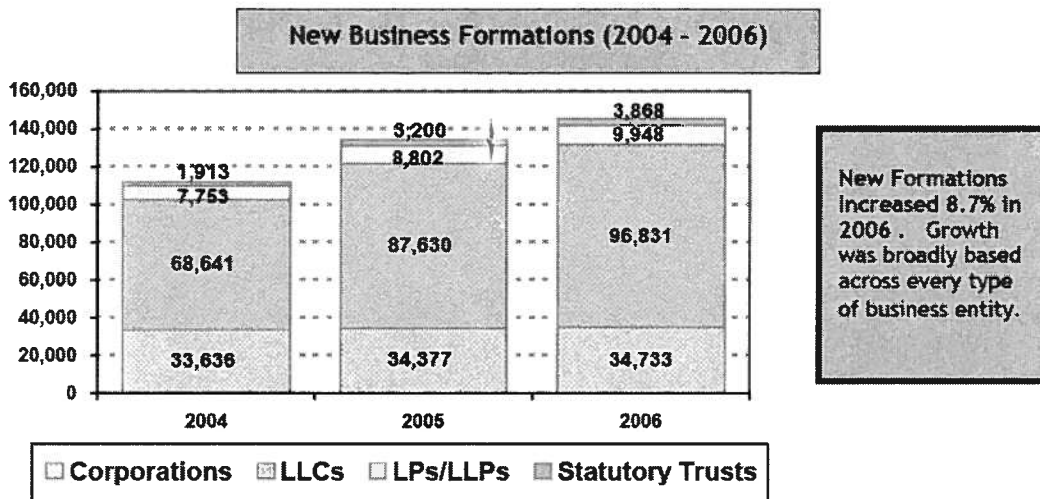
Nevada has seen a marked increase in the *number* of corporate registrations in the last three years as well. Due in part to the incentives offered to business by the state, Nevada has become one of the top ten filing districts in North America (Nevada Secretary of State, 2007).

**Secretary of State, Commercial Recordings Division  
New Business Filings  
Fiscal Years 1999-2006**



*Source: Nevada Secretary of State 2006 Annual Report*

In contrast, below is the number of new business registrations in Delaware's most recent fiscal years.

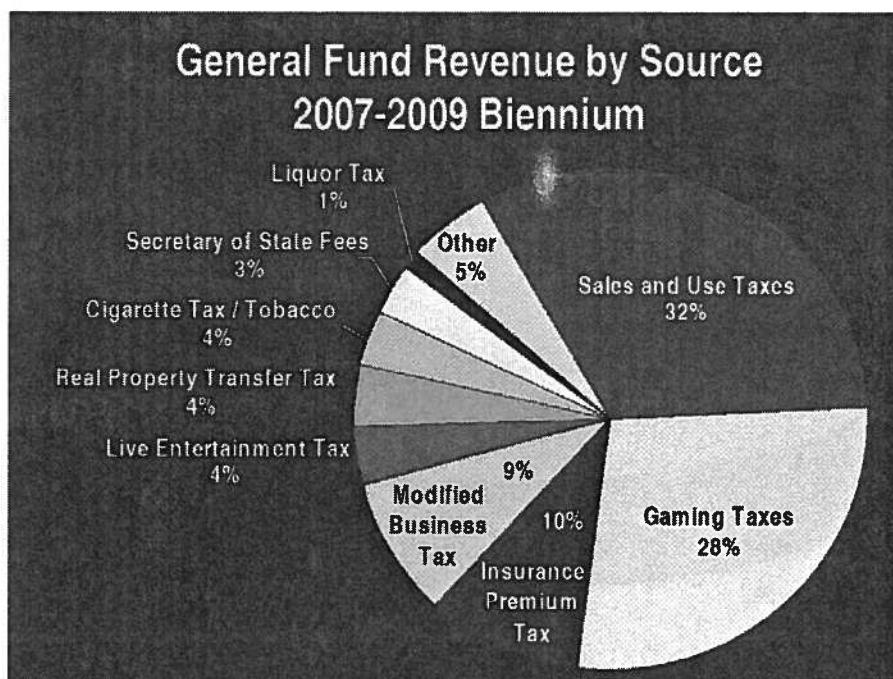


Source: 2006 Annual Report, Delaware Department of State, Division of Corporations

Delaware, like Nevada, has shown a rapid increase in the growth of new registrations. The difference is that Delaware is already at a much higher number, 145,380 in 2006 vs. 85,001 in Nevada for the same year. Nevada had only 58% of Delaware's total. This is financially significant for two reasons: 1) the registrations themselves are a source of income to the state, and an additional 60,000 registrations per year in Nevada would make a substantial difference; and 2) once registered, these same businesses pay annual taxes and/or fees to the state. Thus the revenue shows up not only in the year of registration, but in every subsequent year.

The increases in both states have led to an increase in the monies contributed to each state's General Fund, but it is obvious that the state that domiciles more corporations will collect more corporate taxes and fees, both annually and cumulatively.

The next comparison is of the *percentage* contribution that business makes to each state's General Fund. The most direct comparison is between business taxes. The Nevada percentage is shown below.

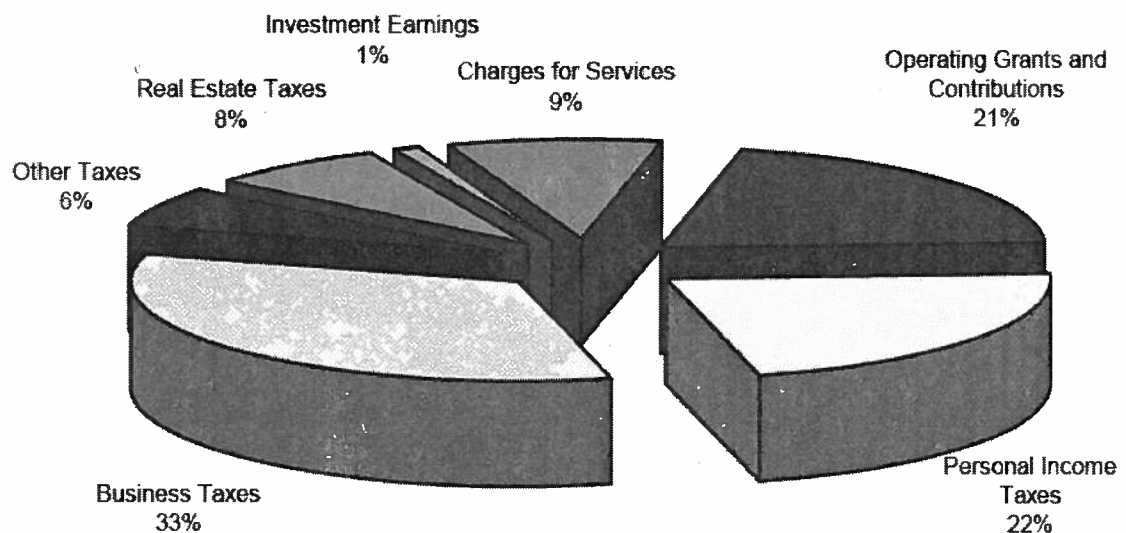


*Source: Highlights of the Governor's 2007-2009 Executive Budget, State of Nevada*

The Modified Business Tax contributes 9% to the budget. But in order to maximize the business contribution to the state's budget, we can add another 3%, the Secretary of State fees. With Nevada's Secretary of State's percentage added in, the Nevada total comes to 12% of the state's General Fund revenue.

For the State of Delaware, shown on the next chart, the percentage is higher.

### Revenues by Source – Governmental Activities



Source: 2006 Delaware State Budget

In Delaware, the business tax contribution is 33%, vs. 9% in Nevada, a three and a-half times difference. Even when adding in the Nevada Secretary of State's fees, the Nevada contribution comes only to 12%, a little more than one-third of the business taxes alone in Delaware.

Lastly, we look at the *dollar* contribution to the General Fund. First, examine the Nevada Secretary of State's contribution.

## Economic Forum General Fund Revenue Forecast

In millions of dollars	2005 - 2007 Biennium		2007 - 2009 Biennium	
	FY 2006			
	ACTUAL	FY 2007	FY 2008	FY 2009
Mining Taxes	\$19.7	\$23.6	\$24.1	\$24.6
Sales and Use Taxes	\$1,005.1	\$1,042.6	\$1,096.0	\$1,172.7
Gaming Taxes	\$838.1	\$866.4	\$919.5	\$992.1
Casino / Live Entertainment Tax	\$117.1	\$125.3	\$133.3	\$144.7
Insurance Premium Tax	\$238.6	\$262.5	\$290.8	\$320.3
Liquor Tax	\$37.3	\$39.2	\$41.0	\$42.2
Cigarette Tax	\$114.7	\$115.2	\$115.7	\$116.2
Business License Tax	\$22.3	\$23.3	\$24.6	\$26.0
Modified Business Tax	\$255.3	\$286.9	\$320.4	\$346.5
Real Property Transfer Tax	\$164.8	\$123.7	\$124.2	\$134.9
Other	\$245.8	\$259.9	\$255.8	\$258.5
<b>Total Revenue</b>	<b>\$3,058.8</b>	<b>\$3,168.6</b>	<b>\$3,345.4</b>	<b>\$3,578.8</b>

Source: State of Nevada

The Secretary of State's office reported \$87 million in its 2006 budget. Keep in mind that this includes *all* fees collected by the Nevada Secretary of State. By including everything, this estimate overstates the "business" contribution to Nevada's General Fund. The business license tax, the modified business tax, *and* all of the Nevada Secretary of State's income (\$87 million) equaled approximately 12%, or \$364.6 million, for fiscal 2006. It is a significant but not overwhelming number.

In the State of Delaware's income picture, however, business taxes *alone* provide a substantial amount of its operating budget. Indeed, the state collects far more from corporate business taxes than it does in income taxes from its own citizens. Below is a chart from their most recent fiscal years.

**Division of Corporations  
General Fund Revenue (FY05 - FY06)**

	(in millions \$)	
	FY 2005	FY 2006
<b>Corporate Franchise Tax</b>	<b>\$ 491.1</b>	<b>\$ 512.3</b>
<b>LLC / LP Annual Tax</b>	<b>\$ 63.4</b>	<b>\$ 76.5</b>
<b>Business Entity Fees</b>	<b>\$ 57.8</b>	<b>\$ 61.8</b>
<b>UCC Fees</b>	<b>\$ 13.8</b>	<b>\$ 14.7</b>
<b>Total Revenue</b>	<b>\$ 626.1</b>	<b>\$ 665.3</b>

*Source: 2006 Annual Report, Delaware Department of State, Division of Corporations*

Delaware's Division of Corporations contributed \$665.3 million to the state's General Fund last year, vs. \$87 million from Nevada's Secretary of State – more than seven and one-half times as much. Even if we roll in all Nevada business taxes collected plus all of the Secretary of State's fees collected last year, the combined total comes to \$364.6 million, little more than half the funds generated in Delaware.

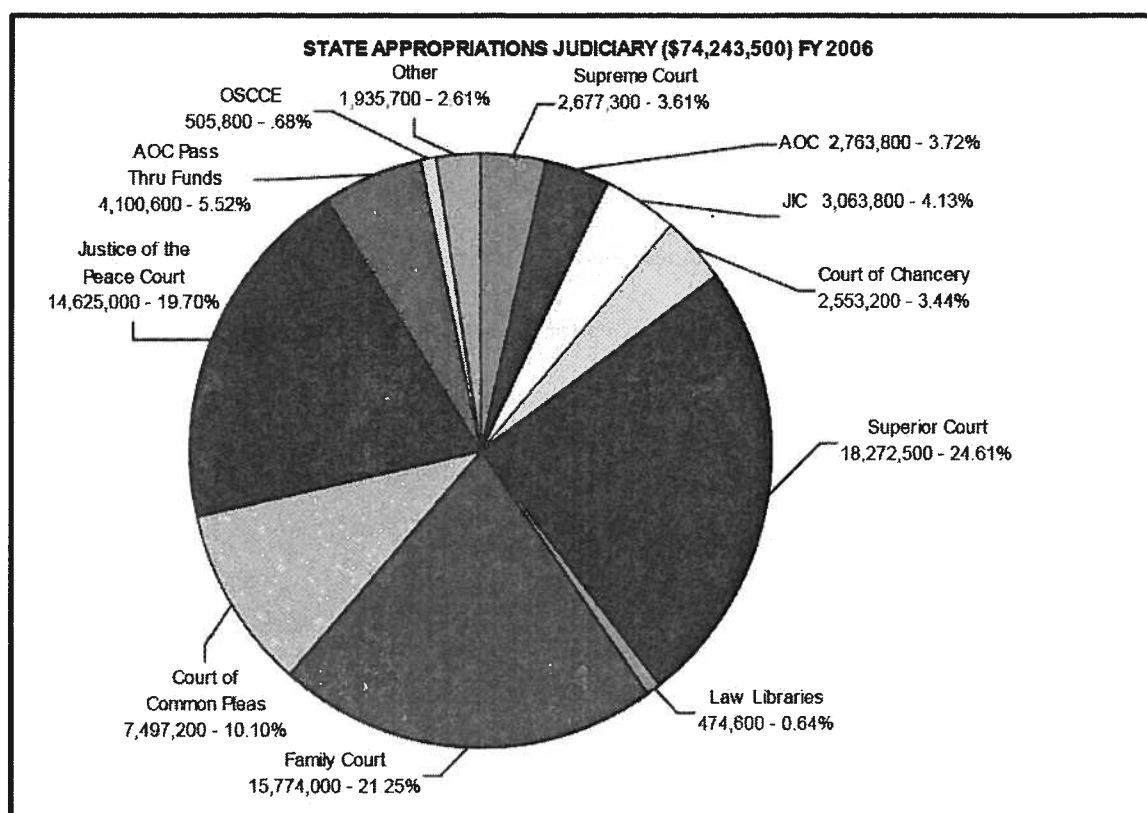
So whether the comparison is by numbers, percentages, or dollars, Delaware is far ahead of Nevada.

To be sure, the comparison is not perfect. As noted already, Nevada does not have a personal income tax, which is an incentive that Delaware lacks. In spite of that carrot (and many others), though,

business taxes make up a much smaller part of Nevada's General Fund receipts than they do in Delaware, by every measure.

In order to get a clearer idea of the magnitude of the difference, we can ask the question a different way: If Nevada business taxes contributed one-third of the state's current revenue, how much would that be? Multiply one-third times the General Fund for the last full fiscal year, or  $1/3 \times \$3,058,800,000$  (State of Nevada, 2007). That would have generated a fraction over \$1 *billion* in General Fund revenue. The actual combined business licenses, business taxes, and Secretary of State's contribution for 2006 came to \$364.4 million, or approximately \$636 million less.

Critics of a chancery court in Nevada may still argue the added costs of the new courts: it is true, they would not be free. But we can get an idea whether a chancery court would be cost-effective, once again, by looking at its costs and benefits for the state of Delaware. How much does it cost the state of Delaware to fund its chancery court?



Source: Fiscal Overview, Delaware Courts (State Of Delaware, 2007)

The above chart shows that while business taxes in Delaware contribute fully one-third of the state's budget, some \$665 million, the chancery court takes up only 3.44% of the money budgeted for the judicial system alone; that is, about \$2.6 million.

To state the numbers in a different way, the Delaware business registrations and taxes contributed \$665.3 million in 2006, while the budget for the entire judiciary came to \$74.2 million. Of that \$74.2 million, only 3.44%, or a fraction over \$2.5 million, funded the chancery courts.

The question is sometimes posed, "How much possible revenue might Nevada generate by winning companies from Delaware?" The answer is difficult to quantify, but it is clear that Nevada's other incentives, including no corporate, inheritance, gift, franchise, or personal income taxes, would certainly

tip the scales in Nevada's favor for companies incorporating for the first time, and might well be enough to persuade companies already incorporated in Delaware to re-domicile in Nevada.

The fee structure for corporations is arbitrary – there is no right or wrong amount. But if Nevada's filing fees were modeled on Delaware's; that is, made no more (and certainly no less) onerous, the other advantages this state offers to businesses – along with a chancery court – it would be enough in itself to attract the majority of new startups here as well as a greater number of larger corporations. A list of Delaware's current business fee structure is attached in Appendix A.

Insofar as the fees might affect the registration in Nevada of the largest corporations, Secretary of State Ross Miller does not believe it would be a factor. He said, "Nevada had one of the lowest corporate fees structures in the country until 2003, when it was increased significantly. Our fees are comparable with Delaware's, and as we have no income or franchise tax structures as most other states, are still attractive to businesses forming in our state.

"For the largest corporations, fees do not appear to be a large factor when determining where to incorporate. The largest companies choose states for reasons other than the business formation and renewal fees. It is more important to have the consistency and protections afforded by good business law. Tax structure is also very important, and we have a tax structure attractive to those businesses. We don't have an ideal court system to offer them."

Would (or should) fees be changed if a chancery court were instituted in Nevada? Secretary Miller noted "A 'chancery court,' in and of itself, would not necessarily affect the fee structure in the office. However, if the legislature chooses that the fees charged by the Secretary of State should fund the administration of such court, there could be a change in our fee structure. As well, the office has been seen as a significant source of revenue and as such has often been seen as a potential source of additional revenue through fee increases."

So a change in the fees, while not necessary, is an option that the legislature could choose to add. In practical terms it would not affect the decisions of large corporations – they often pay more in legal fees to make sure the registration is done right every year, than they spend in the fees themselves. For smaller corporations, though, it might make a difference, so fee increases, if any, should be considered in the light of what the legislature hopes to accomplish with them.

In Delaware, the chancery system has been in use since before the American Revolution, and was codified in 1792. Judges there have a great deal of experience in this type of law. It would be unfair to assume that if Nevada instituted a chancery court in the current biennial, the state coffers would swell in income overnight to the same proportion as in the state of Delaware. This was the opinion expressed by Nevada Supreme Court Justice Mark Cherry, who observed that even if a chancery court were brought into Nevada immediately, the state would still be miles behind Delaware. He is right.

Justice Cherry, while not against the idea of a chancery court for Nevada, feels it is premature. He knows the three business judges in Nevada are all good judges, and the word he gets from the business community is “wait and see” – the new push to speed up all cases, coupled with the increased pressure to direct business cases to the business judges, may be enough to satisfy the majority of businesses already established here. From that point of view, he is again correct. As a practical matter, the legislative addition of a chancery court would probably find the same business court judges appointed to it, and would most likely not improve the quality of cases heard for Nevada businesses in the near term. The new appointment of business judges and the vigorous funneling of business cases to them may solve one part of the problem.

However, if a chancery system were available in Nevada, coupled with the other incentives already in place, it would certainly cause an increase in *new* corporate registrations here. And new registrations might well be weighted toward larger corporations and multinationals, the companies that have the greatest need for a rational business court. They would also make the largest contributions to the state coffers. Keep in

mind that Delaware does not have the same incentives for corporations that Nevada offers. But the biggest difference between the states, at least as far as newly-registering large corporations are concerned, is in the two legal systems.

Chancery courts would not be a silver bullet for Nevada's General Fund either, but the income that would be generated by increased corporate registrations and taxes here would more than offset the cost of implementing such a court.

### *Relief for judges*

The addition of a chancery court to Nevada would require hiring additional judges, it is true, but the benefits to the judiciary would be felt almost from the start.

In chancery states, judges are attuned to the specific problems and disagreements that arise between competing corporations. Nevada's judges, on the other hand, are often called upon to try civil, criminal, and business cases. Although business cases should be heard in District Court by judges appointed for that purpose, business cases over the last six years have often been heard in other courts. It is a risk that businesses do not like, and non-specialized judges would prefer to avoid.

If the business cases were assigned without fail to a chancery court, it would create a specialization for judges who are most interested in that part of law, and help those judges to better develop their expertise there. Other judges, those who have a greater passion for civil or criminal law, would have more time to adjudicate only those cases, and to better hone their skills in those specialties.

People perform better when they do work they like. Judges will gravitate to the kind of law that most interests them, where they will gain the experience helpful to do their jobs, and get more satisfaction from the work they do. By separating the chancery justices, a more seasoned cadre of business judges would develop, one that will have the kind of experience that will satisfy and attract new corporations to the state.

However, the question of a chancery court should be viewed first in the context of the overall need for more judges in the state of Nevada.

When Nevada Supreme Court Justice Robert Rose stepped down late last year, he lamented the backlog already extant in the Nevada courts. Plaintiffs seeking damages in lawsuits, he said, could wait “three to four years” for their cases to come to trial (Rob Luke). The blue-ribbon committee that he testified before in December 2006 was based around the theme “impact on the public,” and long waits for justice certainly meets that requirement. (Ironically, the 2006 Nevada Courts Report includes a quotation from William Gladstone on page 37 of its report: “Justice delayed is justice denied”) (Nevada Judiciary, 2007).

In another recent example illustrative of the absence of a chancery court, the Nevada Supreme Court ordered the Clark County District Court to appoint two judges with experience in business to adjudicate business cases in that jurisdiction. The judgment was from a case on September 12, 2006, and was handed down in October 2006. Supreme Court Justice James Hardesty said that if courts in Clark County could clear business cases in four months, the venue would quickly become popular with attorneys *and their business clients* (italics added) (Ed Vogel, 2006). This is a clear indication of the lack of judges for this specialty in Nevada, and it is just the kind of lack of stability that corporations don’t like. Two judges were appointed to handle business cases, Mark Denton and Elizabeth Gonzales. The problem is that this is not the first time that such judges have been appointed for this purpose. The last time it didn’t work.

But the bigger problem is in the numbers. Start with a baseline: how many cases, on average, District Court judges handle each year in Nevada.

Below is a chart taken from the most recent annual court report.

**TABLE A1. SUMMARY OF POPULATION, JUDICIAL POSITIONS, AND CASES PROCESSED BY COURT FOR NEVADA JUDICIARY  
FISCAL YEAR 2006**

COURT	POPULATION AS OF 7/1/06 <sup>a</sup>	AUTHORIZED JUDICIAL POSITIONS AS OF 6/30/06	NON-TRAFFIC CASES			TRAFFIC & PARKING		
			CRIMINAL CASES FILED <sup>b</sup>	NON- CRIMINAL CASES FILED <sup>c</sup>	TOTAL CASES FILED	TOTAL CASES DISPOSED	TOTAL VIOLATIONS	TOTAL DISPOSITIONS
TOTALS	2,518,869							
DISTRICT COURT JUDGES		60	14,863	103,752	118,615	107,463	7,095	4,644
JUSTICE COURT JUDGES		63	80,407	125,994	206,401	114,139	465,823	392,960
MUNICIPAL COURT JUDGES		28	58,208	7	58,215	57,534	281,064	253,995

Source: Annual Report of the Nevada Judiciary, Fiscal Year 2006

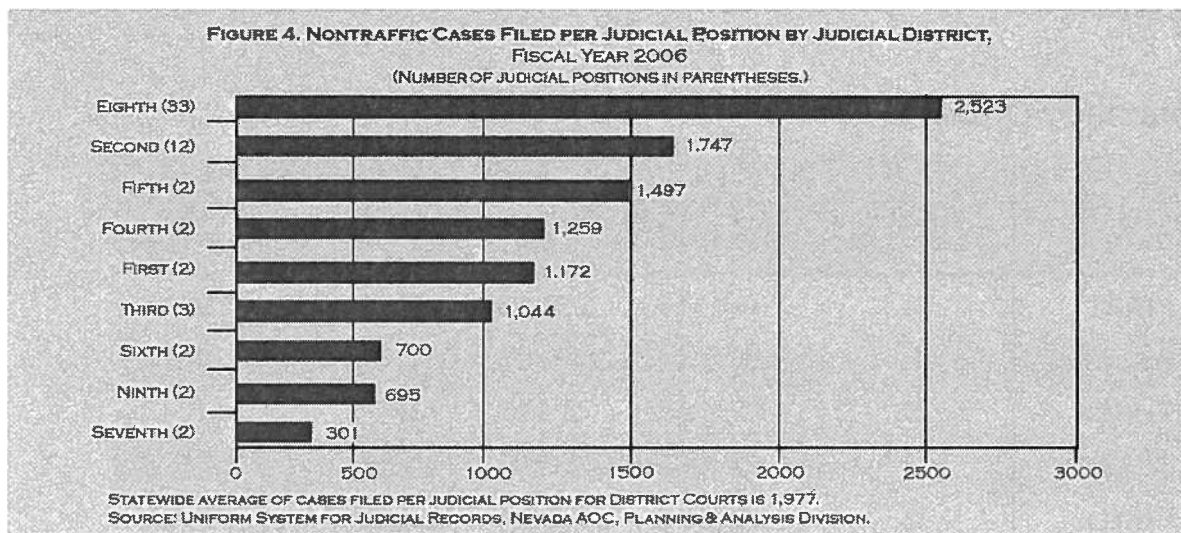
The District Court caseload was 1977 per judge in 2006; this number is broken out by individual district below:

### DISTRICT COURTS

JUDICIAL DISTRICT	JUDICIAL POSITIONS	POPULATION AS OF 7-1-05	CASES FILED	AVG. CASES PER JUDGE	FILINGS PER 10,000 POPULATIONS
<b>FIRST</b>	2	61,116	2,343	1,172	383.4
<b>SECOND</b>	12	396,844	20,965	1,747	528.3
<b>THIRD</b>	3	75,445	3,113	1,044	415.3
<b>FOURTH</b>	2	47,586	2,518	1,259	529.2
<b>FIFTH</b>	2	47,206	2,994	1,497	634.2
<b>SIXTH</b>	2	29,537	1,400	700	474.0
<b>SEVENTH</b>	2	14,646	602	301	411.0
<b>EIGHTH</b>	33	1,796,380	83,271	2,523	463.6
<b>NINTH</b>	2	50,108	1,389	695	277.2
<b>TOTALS</b>	60	2,410,768	118,615	1,977	457.3

Source: Annual Report of the Nevada Judiciary, Fiscal Year 2006

Shown graphically, the data looks like this:



Source: *Annual Report of the Nevada Judiciary, Fiscal Year 2006*

Note the disparity among districts, ranging from 700 up to 2500 in the eighth judicial district, Clark County, which encompasses Las Vegas. Sometimes judges in less busy jurisdictions will travel to busier districts to lend a hand. But is that a good solution?

District Court Judges with smaller caseloads may assist the busier District Courts through judicial assignments made by the Supreme Court. Also, in multi-county judicial districts, Judges are required to travel hundreds of miles each month among the counties within their districts to hear cases. A recent study<sup>6</sup> indicates these judges average 1 day a week on the road, which reduces their availability to hear cases (p. 43).

Time on the road is not always the best use of a highly-paid legal professional's time.

More than half the judges of the entire state are located in this the eighth district, Clark County; they average nearly 28% more cases per year than their colleagues.

We can look at the question a different way. How does Nevada's District Court stack up compared to other neighboring jurisdictions?

**TABLE 7. COMPARISON OF NEVADA DISTRICT COURTS WITH OTHER WESTERN STATES GENERAL JURISDICTION COURTS.**  
ALL DATA FROM RESPECTIVE STATES' ANNUAL REPORTS  
OR WEB PAGES FOR FISCAL YEAR 2004 OR 2005.

STATE	GENERAL JURISDICTION COURT	JUDGES PER 100,000 POPULATION	FILINGS PER JUDGE	FILINGS PER 100,000 POPULATION
NEVADA	DISTRICT	2.5	2,143	5,324
ALASKA	SUPERIOR	5.1	587	3,008
ARIZONA	SUPERIOR	2.8	1,229	3,477
CALIFORNIA	SUPERIOR	4.1	1,804	7,479
HAWAII	CIRCUIT	2.6	335	867
IDAHO	DISTRICT	2.7	524	1,431
OREGON	CIRCUIT	4.6	1,976	9,172
WASHINGTON	SUPERIOR	2.8	1,735	4,801

Source: *Annual Report of the Nevada Judiciary, Fiscal Year 2006*

Here is an excerpt accompanying the table from that same report:

Comparing the 2005 caseloads of general jurisdiction courts of Nevada to those of the surrounding seven western states highlights some interesting points (see Table 7). Nevada has the fewest number of Judges per 100,000 in population (2.5) among all western states. Nevada also ranks first in the categories of filings per Judge and fourth in filings per 100,000 population among these states (p. 42).

Staying always with the topic of numbers, a recent article in the *Nevada Appeal News Service* outlined another situation for which more judges are needed. Churchill County may be linked to Mineral County in

order to create the 10<sup>th</sup> judicial district if the Legislature acts this term. The combined population of the counties was 76,000 last year, and is expected to grow to 125,000 by 2026. In 2005, each of the three judges appointed for the district averaged 4012 cases, more than double the average reported for all Nevada District judges in 2006 (Marlene Garcia, 2007). This is another example of the increasing need for judges.

One solution is to hire additional judges on a piecemeal basis, as needed. The financial argument makes sense on the face of it: hire only when pressed to, and hire the minimum number of judges possible. If a chancery court were installed in one step, wouldn't Nevada have to hire a number of new judges on Day 1, creating an excessive start-up coast?

Probably not. Bringing a chancery court to Nevada would be as much a matter of re-organizing as of increasing the payroll. The logical first step would be to appoint the three judges who are already hearing business cases to the core chancery court. No immediate additional cost for more judges. Given that more judges will have to be hired or elected in any case, in order to serve Nevada's growing population and new businesses, why not reorganize the system so that the caseload is reduced across the board, and judges can specialize in the kind of law they like best? This will make better judges in whatever area of law they choose. Judges should not be discouraged from changing the kind of law they adjudicate – if a family judge wants to move to criminal law, he should be allowed to follow his interest. This gives citizens a judge who is more zealous in the pursuit of his career and more expert in the work he is doing. Citizens in Nevada will have access to judges more focused on the cases they are hearing, and less pressed to rush to judgments in order to stay on top of caseloads. Everybody wins.

Even if a chancery court were not the subject of this paper, many of Nevada's courts are overcrowded when compared to neighboring jurisdictions, both within the state and compared to neighboring states. Several of Nevada's Supreme Court Justices have spoken publicly about the fact. The

addition of judges will cost, but there is need for more judges in any case. Why not start by adding judges that are specialized, experienced, and interested in chancery law? All judges would have fewer cases on their dockets, and they would hear cases that were more attuned to their areas of specialization.

The difference between adding *more* judges and adding *chancery* judges is that in the latter case, the state becomes more attractive to new businesses. The consequence of such a program would be a vastly greater contribution to the state's general fund than is now possible.

### ***Unclogging the dockets for citizens - profitably***

There is a demonstrated need to hire more judges, but not just to benefit businesses. Businesses, of course, would profit from the addition of a chancery court system. But so would every citizen who has need of legal recourse before any court, from traffic court to the Supreme Court.

Any citizen who has to go to court – any court – would get justice more quickly. The number of citizens who may need a court is not small. When traffic violations are rolled in, there were well over a million court cases last year. The court chart in the *Annual Report of the Nevada Judiciary, Fiscal Year 2006* shows over 5000 filings for every 100,000 citizens. In simple terms, more than one person in twenty, every year, has reason to go to court. When prompt justice is needed by so many citizens, good service should be a top priority. The Nevada judicial system can be changed so that mostly out-of-state corporations coming here will foot the bill for improved service for all, and will also put extra dollars into the state's General Fund.

### ***How might a chancery court be set up?***

The Nevada Constitution and Nevada Revised Statutes make no provision for a specialized chancery or business court.

In preparing for just such a legislative move three sessions ago, the Legislative Counsel Bureau in its Bulletin 08-1, called on Bradley A. Wilkinson, Principal Deputy Legislative Counsel, for his legal opinion on the methods possible to bring a business court to Nevada. According to Mr. Wilkinson, it could be done two ways: by the legislature, or by the courts themselves.

Other states that have a separately-mandated chancery court include Delaware, Mississippi, and Tennessee.

States that in the decade of the 1990s created business courts or courts specialized in business litigation, including judicial districts, include California, Illinois, Massachusetts, New York, North Carolina, Pennsylvania, Virginia, and Wisconsin (Legislative Bureau Counsel, 2001).

Mr. Wilkinson preferred the legislative solution. The report summarizes Mr. Wilkinson's statements as follows:

Because the Legislature is not authorized under the Nevada Constitution to create a separate business court and because the establishment by statute of a business court as a division of the district court would violate the separation of powers provision of the Nevada Constitution, it is the opinion of this office that if the Legislature wishes to establish a business court by statute, it would be necessary to amend the Nevada Constitution.

Our conclusion is further supported by the history concerning the establishment of the family courts in this state. When the Legislature wished to establish family courts as divisions of certain district courts, the Nevada Constitution was amended specifically to authorize the Legislature to enact legislation creating the family courts as divisions of the district courts. \* \* \* This was the method used in a number of states recently, including California, Illinois, Massachusetts, New York, North Carolina, Pennsylvania, Virginia, and Wisconsin...

Although it is the opinion of this office that the Legislature cannot establish a business court by statute, it is also our opinion that the judicial branch could create a specialized business division of a district court through the exercise of its inherent judicial power and rulemaking authority. (Legislative Counsel Bureau, 2001, p. 6)

In that same Bulletin, Chief Justice Robert Rose described in greater detail how each of these options might be implemented: a constitutional amendment to create a special court, like the Family Court; and using existing court rules to create a specialized business court. Despite Mr. Wilkinson's preference, the judiciary ultimately took the initiative and appointed business court judges.

Justice Rose also covered ideas for the extent of the jurisdiction of a business court. A business court judge would determine whether or not a case could be heard by the business court (within certain limits), and his decision could not be appealed. This decision to create a business court through the judiciary was in fact implemented at the end of 2000.

One of the advantages of the business court was its low start-up cost. Chief Justice Rose' analysis of these costs, summarized at the time, was:

The recommendations also addressed the possible operation of a business court if one were created by court rule. Chief Justice Rose noted that initially, it is anticipated that the business court may not have a full calendar, and, therefore, judges should not be precluded from hearing non-business cases if time is available to dedicate to other cases. In addition, the chief judge of the judicial district should select the business court judge. As suggested, two full-time district court judges in the Eighth Judicial District Court (Clark County) and one-full time or two part-time district court judges in the Second Judicial District Court (Washoe County) would comprise the business court. (Legislative Bureau Counsel, p. 8)

The chosen method in Nevada at that time was the creation of a "business court" as a separate division of the District Court, with business court judges in the Second and Eighth Judicial District Courts. The specifics of their jurisdictions have been tweaked and broadened since then, according to conditions in Nevada, but the business court used these guidelines originally suggested in the report, as their foundation:

#### Proposed Jurisdiction of the Business Court

The following types of cases would be under the jurisdiction of the business court:

- Disputes concerning the validity, control, operation, or governance of entities created under Nevada Revised Statutes, Chapters 78–88, including shareholder derivative suits;
- Disputes concerning trademarks asserted under Nevada law (NRS Chapter 600, generally) and causes of action asserted pursuant to the Nevada Trade Secrets Act (NRS Chapter 600A); the Nevada Securities Act, involving Investment Securities described in Article 8 of the Nevada Uniform Commercial Code (NRS Chapters 104 and 104A); or Commodities (NRS Chapter 90).
- Disputes between two business entities where the business court determines that the case would benefit from enhanced case management.

#### Cases Excluded from Business Court

- The business court would not hear cases where the primary claim is an action:
- For personal injury;
- Based on products liability;
- Brought by a consumer against a business;
- For wrongful termination of employment; and
- Involving landlord-tenant disputes. (Legislative Bureau Counsel, p. 10, 11)

According to the Bulletin, the implementation of a business court rather than a completely independent chancery, could be accomplished by a "... Draft a resolution endorsing the creation of business court procedures by court rule in the Second and Eighth Judicial District Courts..."

The Subcommittee supported two full-time district court judges in Clark county and one full-time (or two part-time) judges in Washoe. So the business court was set up, but not enough businesses came to use it. Despite the fact that the number of new businesses coming to Nevada has continued to increase, the number of business cases heard by the business court has not.

This has been a major problem pointed out by proponents of a full-fledged, constitutionally-approved chancery court. Secretary of State Ross Miller acknowledges the good job being done by the business court

judges, but questions whether it is enough, saying "We do have a business court in Nevada. Two judges in Clark County and one in Reno have been appointed to deal primarily with business cases, and they've done an excellent job. However, this may not be enough to attract the largest corporations to our state. Nevada cannot reach its potential as an incorporating jurisdiction until it has a more consistent business court, such as a chancery court."

Miller believes the current set-up, while working well, is not adequate to address the larger strategy to promote the state as a home for businesses, both new and existing. "A court structure similar to that of Delaware's Court of Chancery would be beneficial to Nevada's business environment. Judges appointed to the court for terms longer than the current four-year terms of those judges now elected and then serving on the business court, and a court system dedicated to business cases would allow for greater consistency and the development of case law. Establishing a business court similar to the Delaware Court of Chancery would require amending Nevada's constitution. Such a court would allow us to more aggressively promote Nevada as an incorporating jurisdiction and attract additional business entities, large and small alike," he said.

The problem for the Secretary of State when he wants to promote Nevada as "business-friendly" is the lack of consistency in the business court's functioning, as was demonstrated over the last six years. The business court implemented in 2000 followed all of the best-practices for such a court, but it failed to deliver on its relatively modest promise. Despite the thousands of new businesses that have come to Nevada since then, the business courts still did not receive enough cases to strain the time of even one very efficient judge.

Businesses outside the state, particularly large businesses considering where to incorporate (or re-incorporate), saw something that didn't work for them. They saw a business court whose judges could be

voted out every 48 months; where a lack of a push from the top (such as Justice Rose exerted late last year) might allow the courts to be neglected; a system where the accumulation of business case law and judge experience was not built-in, the way it is in chancery states. That is not to say that the current business court may not finally overcome these problems. But if it falters again, businesses will have to hope that another Justice Rose comes forward to re-invigorate it. Businesses don't like this kind of uncertainty and despite the other incentives the state has to offer them, this lack of stability in the business court can be a problem that outweighs almost everything else.

### *Qualifications of the Judges*

Having come this far, it might be useful to consider the qualifications of the judges who serve the chancery courts of Delaware, given that the purpose of a business court in Nevada would be to equal or surpass them in the quality of business decisions rendered.

At the present time the chancery judges in Delaware are appointed by the Governor. There are two lower-level assistants, called "Masters of Chancery," that handle routine matters such as petitions, so that the chancellors and vice-chancellors can take care of bigger cases. The section below comes from the State of Delaware's description of its chancery judges:

The Court of Chancery consists of one chancellor and four vice chancellors. The chancellor and vice chancellors are nominated by the Governor and must be confirmed by the Senate for 12-year terms. The Delaware Court of Chancery is a non-jury trial court that serves as Delaware's court of original and exclusive equity jurisdiction, and adjudicates a wide variety of cases involving trusts, real property, guardianships, civil rights, and commercial litigation. The chancellor and vice chancellors must be learned in the law and must be Delaware citizens.

The Honorable **William B. Chandler III** was appointed Chancellor of the Delaware Court of Chancery in 1997, where he had served as Vice Chancellor since 1989. He also served as Resident Judge of the Delaware Superior Court from 1985 to 1989. He received his law degrees from the University of South Carolina School of Law and the Yale Law School and his undergraduate degree from the University of Delaware.

Before his appointment to the Court, Chancellor Chandler was an associate with Morris, Nichols, Arsht & Tunnell and he served as Legal Counsel to former Governor Pete duPont. The Chancellor taught commercial law, legislative process, and remedies for two years at the University of Alabama School of Law. He is presently a member of the American Law Institute and the Delaware Bar Association.

**Vice Chancellor Stephen P. Lamb** has served on the Court of Chancery since 1997. Before this appointment, he practiced for a number of years in the area of corporate and securities litigation in Wilmington, Delaware, at first with Skadden, Arps, Slate Meagher and Flom, where he was a partner from 1983 to 1995, and then as principal in several smaller firms. He received a B.A. (*cum laude*) with Honors in History in 1971 from the University of Pennsylvania and a J.D. in 1975 from Georgetown University Law Center. After law school, Vice Chancellor Lamb served a federal district court judicial clerkship, and later worked as a Special Counsel in the Office of General Counsel of the United States Securities and Exchange Commission.

Vice Chancellor Lamb's professional memberships and activities include the American Law Institute, the Delaware State Bar Association, and the American Inns of Court, Richard S. Rodney Chapter.

**Vice Chancellor Leo E. Strine, Jr.** became a Vice Chancellor of the Court of Chancery in November, 1998. Immediately prior, Vice Chancellor Strine was Counsel to Governor Thomas R. Carper since 1993. Before his position with Governor Carper, Vice Chancellor Strine served as a corporate litigator at Skadden, Arps, Slate, Meagher & Flom and as law clerk to Judge Walter K. Stapleton of the U.S. Court of Appeals for the Third Circuit and Chief Judge John F. Gerry of the U.S. District Court for the District of New Jersey.

Vice Chancellor Strine graduated magna cum laude from the University of Pennsylvania Law School, and received his Bachelor's Degree summa cum laude from the University of Delaware.

**Vice Chancellor John W. Noble** has been a Vice Chancellor of the Court of Chancery since November 2000. He holds a B.S. in Ch.E., magna cum laude, from Bucknell University and a J.D., cum laude, from the University of Pennsylvania Law School. Following law school, he served as a federal district court law clerk and then practiced with Parkowski, Noble & Guerke, P.A., in Dover, Delaware.

**Vice Chancellor Donald F. Parsons** became a Vice Chancellor of the Court of Chancery of the State of Delaware on October 22, 2003. He is a 1977 graduate of the Georgetown University Law Center and also received a B.S. degree in electrical engineering from Lehigh University.

Before joining the Court of Chancery, Vice Chancellor Parsons spent over twenty-four years at the firm of Morris, Nichols, Arsht & Tunnell in Wilmington, Delaware, where he was a senior partner. While in private practice, he specialized in intellectual property litigation, participated in numerous jury and non-jury patent trials, and wrote several papers relating to intellectual property law. Before joining Morris, Nichols in 1979, Vice Chancellor Parsons clerked for the Honorable James L. Latchum of the United States District Court for the District of Delaware. He also is a Past President of the Delaware State Bar Association.

**Sam Glasscock III**, Master in Chancery, was born in Erie, Pennsylvania and spent most of his youth in Lewes, Delaware. He received a B.A. in History from the University of Delaware in 1975, a J.D.

with Honors from Duke University in 1983 and a Master's Degree in Marine Policy from the University of Delaware in 1989. Before coming to the Court of Chancery, he worked as a judicial clerk, as an associate at Prickett, Jones, Elliott, Kristol & Schnee in the litigation section, as a Superior Court special discovery master and as a Deputy Attorney General in the Appeals Unit of the Department of Justice (Delaware State Court & Judges, 2007).

### ***Conclusion***

The addition of a chancery court system in the state of Nevada is demonstrably positive for businesses, judges, taxpayers and litigants of every class.

Corporations would get the consistency and predictability they need in business rulings, so that the risk associated with going to court would be greatly reduced. Ideally, a core of skilled, experienced judges would develop that would rival the best equity judges in the country, and take away the crucial business advantage that other states, notably Delaware, still have over Nevada in attracting corporate registrations.

A chancery court should become functional in short order, and the new businesses it would attract should more than justify the start-up costs. To pay for a chancery court system, Nevada's business tax and fee income do not need to increase by 350%, to the level of Delaware. A 10% or 20% increase in the business contribution to the General Fund, entirely feasible given all the other incentives the state offers to attract new businesses (in many ways better than Delaware's), would more than offset the startup costs.

Keep in mind that increases in corporate registrations are not one-time contributions to the General Fund. Once established here, corporations pay annual fees and taxes; they also employ Nevadans. The biggest corporations, even if they did not do much business in Nevada, would become major contributors to the state's budget. That means that for the rest of the state's citizens, new taxes and/or higher taxes could be pushed back to future years; perhaps even eliminated all together.

Judges would be able to focus more on the kind of law they like best and do best. *Any* increase in the number of judges would help relieve the current caseload pressure. Why not make that increase not only

pay for itself, but also add more dollars to the General Fund? The chancery solution has already been tried, refined, and proven elsewhere. All the legislature has to do is bring it here.

Lastly, citizens would get their "day in court" when they want it, not months or even years after the fact. Fair and expeditious trials are a crucial function of government. They can be brought to the Nevada with a fillip - more revenue.

At the time this paper was completed (June 2007), the Nevada legislature had undertaken a new study to review the feasibility of creating a chancery court in the state. As technology continues to level the playing field among businesses around the world, a chancery court would give Nevada a much-needed boost to attract new businesses, jobs, and income to the state, while providing benefits to many more people than just the businesspeople who would use it. The time to act is now.

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