

**DEAN HELLER**  
*Secretary of State*

**KIM A. HUYS**  
*Chief Deputy Secretary  
of State*

**PAMELA A. RUCKEL**  
*Deputy Secretary for  
Southern Nevada*

**STATE OF NEVADA**



**OFFICE OF THE  
SECRETARY OF STATE**

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*Securities Administrator*

**SCOTT W. ANDERSON**  
*Deputy Secretary  
for Commercial Recordings*

**ELLICK C. HSU**  
*Deputy Secretary  
for Elections*

**STACY M. WOODBURY**  
*Deputy Secretary  
for Operations*

November 9, 2006

Honorable Norm Coleman, Chairman  
Honorable Carl Levin, Ranking Minority Member  
Permanent Subcommittee on Investigations  
United States Senate

Dear Mr. Chairman and Committee Members,

Thank you for the invitation to participate in the November 14, 2006 hearing of the U.S. Senate Permanent Subcommittee on Investigations. I also appreciate the Committee and the GAO allowing us to participate in the surveys and discussions preceding this hearing. The following information is provided to assist you in understanding how certain information is filed and reported on corporations, limited liability companies and other entities formed in the state of Nevada.

The Nevada Secretary of State, Commercial Recordings Division is responsible for processing and filing the organizational and amendatory documents of entities organized pursuant to Title 7 of the Nevada Revised Statutes. These entities included for-profit and nonprofit corporations, limited partnerships, limited liability companies, limited liability partnerships, limited liability limited partnerships and business trusts.

Historically, the Commercial Recordings Division has been strictly a filing office, with little or no regulatory authority over the entities on file or the resident agents they have appointed. Documents are reviewed for the statutory requirements for filing. Documents that meet the statutory requirements must be filed and put on the public record. Documents are accepted at face value with no validation of the information submitted. The Secretary of State's office does not have the authority or the resources to verify the information on each of the 500,000 plus documents filed each year.

Since the 1991 rewrite of Nevada's business entity statutes, Nevada has grown into a leader for business formation. Nevada's business-friendly statutes, tax structure and commitment to superior service have made it attractive to those wishing to organize under these business friendly laws.

The following information is submitted in response to the specific matters raised in the November 3, 2006 invitation from the committee.

## 1. Entities filed in the Secretary of State's Office

Fiscal Year	Corporations	Limited Liability Companies	Other Entity Types	Total
2002	34,093	15,344	2,929	52,366
2003	31,940	18,307	3,162	53,409
2004	35,186	25,745	2,734	63,665
2005	39,052	36,414	3,050	78,516
2006	41,083	40,777	3,141	85,001

A majority of the corporations filed each year are non-publicly traded corporations. Until 2005, there was no requirement of corporations to identify whether or not they were publicly traded. Since 2005, only 333 have identified that they are publicly traded by disclosing their central Index Key Number (CIK.)

Minimal information is required to file new articles of incorporation or organization. For corporations, the name of the corporation, the name and street address of the resident agent the number of authorized shares and par value (total authorized capital,) names and addresses of the first board of directors (at least one required on form for filing,) name, address and signature of the incorporator and signature of resident agent accepting appointment as resident agent accompanied by the associated fee. I have included copies of the forms for filing Articles of Incorporation and Articles of Organization.

Currently, there are no electronic services available for the filing of new Articles of Incorporation. However, there have been discussions about the future development of these services.

The base fee for filing Articles of Incorporation or Organization is \$75. Corporations with authorized capital of greater than \$75,000 pay from \$175 up to a maximum of \$35,000 based on their capitalization; as capitalization increases, fee increases.

Corporations, Limited Liability Companies and other entities on file in the Secretary of State's Office are required to file an Initial List of Officers, Directors and Resident Agent on or before the last day of the 2<sup>nd</sup> month following filing and an Annual List, thereafter on or before the last day of the month on which the anniversary of the filing of the Articles of Incorporation occurs. This list contains the President, Secretary and Treasurer of the corporation (Manager or Managing Member for LLCs,) must include the signature of an officer and the declaration 'I declare, to the best of my knowledge under penalty of perjury, that the above mentioned entity has complied with the provisions of NRS 360.780 and acknowledge that pursuant to NRS 239.330 it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.' Failure to provide any of the above information is grounds for rejection of the document.

Initial, Amended and Annual Lists may be filed online through our website at [www.secretaryofstate.biz](http://www.secretaryofstate.biz), using a trust account (internal deposit account used by resident agents) or credit card for payment. Lists filed online are processed and the information made available immediately upon completion of the electronic process.

The base filing fee for an Initial, Amended or Annual List is \$125. Corporations with authorized capital of greater than \$75,000 pay from \$175 up to a maximum \$11,100 per year based upon its capitalization; as capital increases, fee increases.

The turnaround time for initial Articles of Incorporation or Organization filed on a regular basis currently ranges from 3 – 7 working days based upon filing volume. The turnaround time for Annual lists of Officers is 2 – 5 working days based upon filing volume. Filings may be expedited and filed within 1, 2 or 24 hours based upon the expedited service requested. Additional fees of \$125 for 24-hour service, \$500 for 2-hour service and \$1,000 for 1-hour service are required in addition to the “regular” fees associated with the filing. Expedited service is available for all filings and services offered by the Commercial Recordings Division. Expedite fees do not apply to online filings.

2. Beneficial ownership information is not required of corporations or limited liability companies at the time of filing Articles of Incorporation or Organization, nor is it required with the annual filings. However, the information contained in those documents may reflect the beneficial ownership of the entity. Beneficial ownership information may not be available at the time of entity formation as Articles of Incorporation are normally filed prior to the issuance of stock and there may be significant time between the initial formation and the actual issuance of stock or ownership interest. Names, addresses and signatures of the incorporators are requirements of filing and are part of the public record.

There is no requirement of resident agents to collect beneficial ownership information. There is a Nevada requirement that corporations, limited liability companies or other entities doing certain business with state or local governments must provide beneficial ownership information in the local jurisdiction where that business will occur. There is also a requirement for Nevada corporations and business entities apply for an annual business license with the Nevada Department of Taxation. It is my understanding that this application may contain beneficial ownership information, but that this information is not considered public, requiring a court order for its release.

Nevada has neither prohibition nor provision authorizing the issuance of “bearer” shares. Nevada Revised Statutes require that the Articles of Incorporation set forth the series of stock, number of shares authorized in each series and the associated par value. The Secretary of State does not receive any information that would identify “bearer” shares. It is my understanding that there will be legislation proposed during the 2007 Session of the Nevada Legislature to prohibit the issuance of “bearer” shares.

3. All entities filed in the Office of the Secretary of State pursuant to Title 7 are required to maintain a resident agent who resides or is located in the state. Each resident agent must have a street address for the service of process. As such, the articles of incorporation or organization must include the name, street address in the state of Nevada and signature of the resident agent accepting appointment as such. Failure to provide this residents agent information is cause for rejection of the filing.

Pursuant to the Nevada Revised Statutes the resident agent shall keep a certified copy of the Articles of Incorporation or Organization, a copy of the corporation’s bylaws and amendments thereto, and a stock ledger or duplicate stock ledger. In lieu of the ledger, they may

keep a statement setting out the name of the custodian of the ledger and the present and complete mailing address where the stock ledger is kept (Nevada Revised Statutes 78.105.)

It is estimated that 60% or more of the filing received in our office are submitted by or through a commercial resident agent (resident agent company that specializes in resident agent and related services.)

Currently, there is no regulation of resident agents by the Secretary of State or otherwise. It is my understanding that legislation may be introduced during the 2007 Session of the Nevada Legislature that proposes adoption of at least part of the Model Resident Agent Act adopted by the National Conference Committee on Uniform State Laws (NCCUSL.)

4. There is neither specific authorization nor prohibition of nominee officers. It is common for a resident agent to act as one or all of the officers and directors, managers or managing members. The justification for nominee officers is for the privacy and protection of the officers and/or owners of the entity. It is my understanding that there will be legislation proposed during the 2007 Session of the Nevada Legislature to prohibit or limit the use of nominee officers.

5. Nevada receives 25 – 35 requests per month from Federal, State and local law enforcement and regulating agencies for records pertaining to investigations. These requests are not for beneficial ownership information, but for any and all information pertaining to certain persons that may be acting as an officer, director, manager or managing member, or resident agent of an entity or pertaining to specific entity. We provide the requesting agency all the public record information requested, usually the entire file. This service is expedited at no cost to the law enforcement or regulating entity. Information that is confidential, such as payment information that may include bank account or trust account numbers, may be obtained through subpoena or court order, but are generally not requested. The Secretary of State is not apprised of the nature of the investigation or the outcome of the investigation. The requests do not identify the entities in question as “shell” corporations.

6. There has been no communication from domestic or international law enforcement that the lack of beneficial ownership information has impeded or can impede investigations. The only information I have received to this effect was communicated through the meetings with the GAO, Department of Treasury and the FATF in preparation for surveys and reports. The press has reported, as have legislators, that the lack of beneficial ownership information has made it difficult to identify the parties involved with certain public land transactions. This led to the requirement that the entities involved in these transactions provide beneficial ownership information in the county where the transaction will occur.

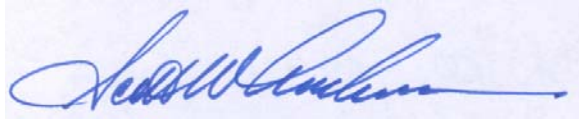
7. The GAO report, the U.S. Money Laundering Threat Assessment and the Financial Action Task Force reports give a relatively accurate description, from a Nevada standpoint, of the filing processes and environment. I am unable to comment on any recommendations in the reports as I have been unable to fully discuss these with the Resident Agents Association, Nevada State Bar Association or state legislators.

8. The Nevada Legislature meets every two years. This issue has gained momentum since the 2005 Legislative Session. It is reported that legislation will be proposed during the 2007 Legislative Session addressing the issues of bearer shares, nominee officers and regulation of the resident agent industry. The Secretary of State is attempting to facilitate a December roundtable

meeting with the Resident Agents Association, State Bar Association and state legislators to fully discuss the collection of beneficial ownership information.

Thank you for the opportunity to participate in this hearing. Please feel free to contact me if I can be of further assistance.

Respectfully,  
DEAN HELLER  
Secretary of State



By:  
Scott W. Anderson  
Deputy Secretary for Commercial Recordings



**DEAN HELLER**  
**Secretary of State**  
 206 North Carson Street  
 Carson City, Nevada 89701-4299  
 (775) 684 5708  
 Website: [secretaryofstate.biz](http://secretaryofstate.biz)

# Articles of Incorporation

(PURSUANT TO NRS 78)

ABOVE SPACE IS FOR OFFICE USE ONLY

<b>1. <u>Name of Corporation:</u></b>	<input type="text"/>																								
<b>2. <u>Resident Agent Name and Street Address:</u></b> <i>(must be a Nevada address where process may be served)</i>	<table border="0"> <tr> <td colspan="4">Name <input type="text"/></td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td>Nevada</td> <td><input type="text"/></td> </tr> <tr> <td>Street Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td>Optional Mailing Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table>	Name <input type="text"/>				<input type="text"/>	<input type="text"/>	Nevada	<input type="text"/>	Street Address	City	State	Zip Code	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Optional Mailing Address	City	State	Zip Code	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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<b>3. <u>Shares:</u></b> <i>(number of shares corporation authorized to issue)</i>	<table border="0"> <tr> <td>Number of shares with par value: <input type="text"/></td> <td>Par value: \$ <input type="text"/></td> <td>Number of shares without par value: <input type="text"/></td> </tr> </table>	Number of shares with par value: <input type="text"/>	Par value: \$ <input type="text"/>	Number of shares without par value: <input type="text"/>																					
Number of shares with par value: <input type="text"/>	Par value: \$ <input type="text"/>	Number of shares without par value: <input type="text"/>																							
<b>4. <u>Names &amp; Addresses of Board of Directors/Trustees:</u></b> <i>(attach additional page there is more than 3 directors/trustees)</i>	<table border="0"> <tr> <td>1. <input type="text"/></td> </tr> <tr> <td>Name <input type="text"/></td> </tr> <tr> <td><input type="text"/></td> </tr> <tr> <td>Street Address <input type="text"/></td> </tr> <tr> <td>City <input type="text"/></td> </tr> <tr> <td>State <input type="text"/></td> </tr> <tr> <td>Zip Code <input type="text"/></td> </tr> <tr> <td>2. <input type="text"/></td> </tr> <tr> <td>Name <input type="text"/></td> </tr> <tr> <td><input type="text"/></td> </tr> <tr> <td>Street Address <input type="text"/></td> </tr> <tr> <td>City <input type="text"/></td> </tr> <tr> <td>State <input type="text"/></td> </tr> <tr> <td>Zip Code <input type="text"/></td> </tr> <tr> <td>3. <input type="text"/></td> </tr> <tr> <td>Name <input type="text"/></td> </tr> <tr> <td><input type="text"/></td> </tr> <tr> <td>Street Address <input type="text"/></td> </tr> <tr> <td>City <input type="text"/></td> </tr> <tr> <td>State <input type="text"/></td> </tr> <tr> <td>Zip Code <input type="text"/></td> </tr> </table>	1. <input type="text"/>	Name <input type="text"/>	<input type="text"/>	Street Address <input type="text"/>	City <input type="text"/>	State <input type="text"/>	Zip Code <input type="text"/>	2. <input type="text"/>	Name <input type="text"/>	<input type="text"/>	Street Address <input type="text"/>	City <input type="text"/>	State <input type="text"/>	Zip Code <input type="text"/>	3. <input type="text"/>	Name <input type="text"/>	<input type="text"/>	Street Address <input type="text"/>	City <input type="text"/>	State <input type="text"/>	Zip Code <input type="text"/>			
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<b>5. <u>Purpose:</u></b> <i>(optional-see instructions)</i>	The purpose of this Corporation shall be: <input type="text"/>																								
<b>6. <u>Names, Address and Signature of Incorporator.</u></b> <i>(attach additional page there is more than 1 incorporator)</i>	<table border="0"> <tr> <td><input type="text"/></td> <td>_____</td> </tr> <tr> <td>Name</td> <td>Signature</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td>Address</td> <td>City</td> </tr> <tr> <td><input type="text"/></td> <td>State</td> </tr> <tr> <td><input type="text"/></td> <td>Zip Code</td> </tr> </table>	<input type="text"/>	_____	Name	Signature	<input type="text"/>	<input type="text"/>	Address	City	<input type="text"/>	State	<input type="text"/>	Zip Code												
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<b>7. <u>Certificate of Acceptance of Appointment of Resident Agent:</u></b>	I hereby accept appointment as Resident Agent for the above named corporation. <table border="0"> <tr> <td>_____</td> <td><input type="text"/></td> </tr> <tr> <td>Authorized Signature of R. A. or On Behalf of R. A. Company</td> <td>Date</td> </tr> </table>	_____	<input type="text"/>	Authorized Signature of R. A. or On Behalf of R. A. Company	Date																				
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*This form must be accompanied by appropriate fees.*



**DEAN HELLER**  
 Secretary of State  
 206 North Carson Street  
 Carson City, Nevada 89701-4299  
 (775) 684 5708  
 Website: secretaryofstate.biz

# Articles Of Organization Limited-Liability Company

(PURSUANT TO NRS 86)

ABOVE SPACE IS FOR OFFICE USE ONLY

<b>1. <u>Name of Limited-Liability Company</u></b>		Check box if a Series Limited-Liability Company <input type="checkbox"/>																		
<b>2. <u>Resident Agent Name and Street Address:</u></b> <i>(must be a Nevada address where process may be served)</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; border-bottom: 1px solid black;">Name</td> <td colspan="2"></td> </tr> <tr> <td style="border-bottom: 1px solid black;">Physical Street Address</td> <td style="border-bottom: 1px solid black;">City</td> <td style="border-bottom: 1px solid black;">NEVADA State Zip Code</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Additional Mailing Address</td> <td style="border-bottom: 1px solid black;">City</td> <td style="border-bottom: 1px solid black;">State Zip Code</td> </tr> </table>		Name			Physical Street Address	City	NEVADA State Zip Code	Additional Mailing Address	City	State Zip Code									
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Physical Street Address	City	NEVADA State Zip Code																		
Additional Mailing Address	City	State Zip Code																		
<b>3. <u>Dissolution Date:</u></b> <i>(OPTIONAL-see instructions)</i>	Latest date upon which the company is to dissolve (if existence is not perpetual): <input style="width: 150px;" type="text"/>																			
<b>4. <u>Management:</u></b> <i>(check one)</i>	Company shall be managed by <input type="checkbox"/> Manager(s) <b>OR</b> <input type="checkbox"/> Members																			
<b>5. <u>Names Addresses of Manager(s) or Members:</u></b> <i>(attach additional pages as necessary)</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black;">Name</td> <td colspan="2"></td> </tr> <tr> <td style="border-bottom: 1px solid black;">Address</td> <td style="border-bottom: 1px solid black;">City</td> <td style="border-bottom: 1px solid black;">State Zip Code</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Name</td> <td colspan="2"></td> </tr> <tr> <td style="border-bottom: 1px solid black;">Address</td> <td style="border-bottom: 1px solid black;">City</td> <td style="border-bottom: 1px solid black;">State Zip Code</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Name</td> <td colspan="2"></td> </tr> <tr> <td style="border-bottom: 1px solid black;">Address</td> <td style="border-bottom: 1px solid black;">City</td> <td style="border-bottom: 1px solid black;">State Zip Code</td> </tr> </table>		Name			Address	City	State Zip Code	Name			Address	City	State Zip Code	Name			Address	City	State Zip Code
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<b>6. <u>Names, Addresses and Signatures of Organizers</u></b> <i>(if more than one organizer attach additional page)</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black;">Name</td> <td style="border-bottom: 1px solid black;">Signature</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Address</td> <td style="border-bottom: 1px solid black;">City State Zip Code</td> </tr> </table>		Name	Signature	Address	City State Zip Code														
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<b>7. <u>Certificate of Acceptance of Appointment of Resident Agent:</u></b>	I hereby accept appointment as Resident Agent for the above named limited-liability company.  Authorized Signature of R.A. or On Behalf of R.A. Company _____ Date <input style="width: 80px;" type="text"/>																			

**This form must be accompanied by appropriate fees.**