

# Charging Order – How Nevada Secretary Of State Doesn't Get It Quite Right

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In 2007, **Nevada** imposed an interesting limitation, the *charging order*, on the ability of creditors to foreclose on shares of closely-held Nevada corporations. Here's how the Nevada Secretary of State's website describes the statute, NRS 78.746:

Charging order protection for stock of closely-held corporations protects stockholders of all Nevada corporations with between 2 and 75 shareholders. Nevada is the first – and only – state to offer this level of shareholder protection. NRS 78.746.

Unfortunately, this description is not quite up-to-date. In 2009, Nevada amended NRS 78.746 to increase the maximum number of stockholders from 75 to 100. [2009 Nev. Stat. Ch. 488, § 6.5](#). This reflected an increase in the allowable number of shareholders in Subchapter S corporations from 75 to 100 that was effected pursuant to the [American Jobs Creation Act of 2004](#). Two years later, the Nevada legislature amended NRS 78.746 to expand its application to corporations with more than one stockholders. [2011 Nev. Stat. Ch. 455, § 52](#). Thus, the Nevada Secretary of State's website is now wrong as to both the minimum and maximum number of shares specified in the statute.

For more on Nevada's charging order statute, see [Nevada Supreme Court Opines On Scope Of Debtor's Exemption For Stock](#).

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