General Reid Beveridge's recent letter to the editor regarding the demise of Republicans in Delaware and the list of three possibilities that might return Republicans to relevance in our state caught my attention.

Of particular interest was his third point – the potential destruction of Delaware's corporations franchise. It is no secret, to those who understand the corporations business, that the state's proprietary revenue source is facing attacks from multiple fronts, including from within Delaware. I sincerely hope that the new crop of junior legislators take the time to truly understand what this business means to our state's financial well being.

At the federal level, the most vocal of the "progressive" wing of the Democrat party have taken aim at Delaware, with some pushing for a mandatory federal charter. This effort is led by Warren and Sanders, and supported by large state US Senators who feel that Delaware is stealing from their state's coffers. The challenge is noisy – in true Warren/Sanders form – and, fortunately, not yet having an impact other than providing their public spin on the subject. Fortunately, our lobbyists in Washington and our Congressional delegation have managed to keep them at bay – like playing whack-a-mole at Zelky's Arcade on the Rehoboth Boardwalk.

On another level, we see the pressure on Delaware from other states that attempt to make their statute more appealing to corporate legal professionals, business owners and entrepreneurs. Fortunately, the appeal of Delaware goes much further than Delaware's statutes and is more closely linked to the body of corporate case law so familiar to business leaders and their counsel, nationally and internationally. Duplicating this multi-year precedent in other states is a tall order and, thankfully, a significant obstacle.

To General Beveridge's third point, I see the biggest challenge to Delaware's franchise coming from within Delaware itself. Thirty years ago I served as Delaware's Assistant Secretary of State and Director of the Division of Corporations before joining one of Delaware's most successful homegrown companies. I quickly learned how vital this special business is to the state. As Delaware tradition goes, every departing Secretary of State crafts a letter to his (not yet her) successor regarding the importance of the proverbial goose that lays the golden egg. And, the letter always ends with***…"Don't screw it up."***

Thirty years ago, the Division contributed slightly more than 25% of the state's revenue at a time when Delaware's annual budget had not yet hit $1 billion. I learned then that the value of this business was far greater than just its contributions to the general fund. The many businesses and law firms supporting this unique franchise contributed even more to the financial well being of the state and its citizens, creating a demand for the support services required for keeping the incorporating businesses and law firms operating. From couriers to caterers, all have thrived in the legal business ecosystem.

Today, the state's annual budget is more than four times what it was in 1988, with the current spending plan for FY 2019 at $4.2 billion. The corporations business share of the revenue stream that feeds this voracious spending appetite exceeds the 25% of thirty years ago and today is the second largest direct source of revenue at 28%, just 4% less than the total provided by the ever-shrinking revenue stream from the personal income tax.

Add to these numbers the additional sources directly and indirectly related. Abandoned property contributes over 8% of the state's revenue. This money, for the most part, comes directly from those companies incorporated in Delaware. We get this *imported* money because companies choose

Delaware as their domestic state of incorporation. And, of the 32% coming from the personal income tax, a significant portion of that comes from the well-compensated lawyers and business people who make their living in the legal services realm. Add to that the 5% contributed by corporate income and bank franchise taxes, and…***One can easily make the case that one half of Delaware's TAX dollars come from imported money.***

Think about that…Delaware residents pay only 50 cents for each dollar of service we receive.

Earlier this year I was at a meeting at my alma mater. Many of the graduates of this liberal arts university are among America's best corporate attorneys and have positions as senior executives with the most successful global corporations. Nearly all are Delaware corporations. Sitting and talking one evening with one ultra-successful lawyer and well known global deal maker – a classmate and good friend – he shared his concern for what he feels is the shrinking value of Delaware's preeminent corporate status. Today, he no longer advocates Delaware as the preferred corporate domicile, feeling that the recent uncertainty of the courts, the departure from established precedent, and the more "progressive" approach of Delaware's judiciary make Delaware far less attractive for any of his global M&A clients.

How many other decision makers are thinking this way? I'm afraid that we won't know until the exit has begun.

What happens to Delaware if we lose these sources of revenue?

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