A Record Year

2014 was a record year for Delaware’s incorporations industry, reaching several noteworthy milestones:

• More than 1,114,000 legal entities are incorporated in Delaware - a 26 percent increase since 2008.

• Dating back to November 2009, the Division of Corporations has seen improved formation activity in 56 of the last 62 months. Last year represented a 10 percent improvement from 2013.

• Roughly 169,000 new business entities were formed under the Delaware General Corporation Law, representing a 4 percent improvement over the previous record set in 2007, when 162,000 businesses entities formed.

• 65.6 percent of all Fortune 500 companies are incorporated in Delaware, up from 58 percent in 2000.

• And almost 89 percent of U.S. based Initial Public Offerings in 2014 chose Delaware as their corporate home including Dave & Busters, Lending Club, ServiceMaster, and GoPro.

Commitment to Excellence

The Delaware Division of Corporations successfully completed an ISO 9001 recertification audit to demonstrate outstanding performance in quality management in Delaware. This validates that our quality management system meets or exceeds international standards of excellence. The ISO 9001 certification is an international standard which sets minimum requirements for a quality management system, and is the most widely used quality management system standard.

Update on Public Benefit Corporations

The Division of Corporations has successfully implemented the State’s new Public Benefit Corporation (PBC) statute. This statute enables the formation of a new kind of socially conscious, for-profit corporation whose directors are required to balance the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct and the specific public benefit(s) identified in the PBC's charter. In 2014, the first full year of implementation of the new law, the Division handled 158 PBC formations. To date, more than 300 PBCs have formed in Delaware.

Certificates of Validation

Last year, Delaware became the first state in the nation to provide corporations with clear statutory mechanisms to rectify defective corporate acts. New Section 204 of the Delaware General Corporation Law (DGCL) established procedures for corporations to ratify these acts and new Section 205 gave the Court of Chancery jurisdiction (cont.)
to decide the validity of any defective corporate act. In the first year since its effective date in April 2014, Delaware’s ratification statute has become a highly valued tool for practitioners nationwide with 118 companies having filed 180 certificates of validation.

Global Delaware

Last year, in cooperation with the Delaware Court of Chancery’s Rules Committee, the State launched a new Corporate Law Website (www.corplaw.delaware.gov) featuring articles in 10 languages on the advantages and uses of Delaware corporate law for international companies. In March 2015 Governor Jack Markell unveiled a complementary website (www.global.delaware.gov) highlighting Delaware’s advantages for foreign direct investors and international exporters. Domestic and international practitioners and businesses are encouraged to subscribe to the State’s official Delaware Corporate Law Blog (http://global.blogs.delaware.gov/incorporate-blog/) and to peruse dozens of articles that have been posted to date on the latest developments in Delaware.

Financial Results

2014 was another record year, as general fund revenue collections by the Division of Corporations grew by 5 percent from 2013, to $927.8 million in FY2014, and accounted for 26 percent of the State’s general fund.

<table>
<thead>
<tr>
<th>Division of Corporations</th>
<th>General Fund Revenue (In Millions $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2012</td>
</tr>
<tr>
<td>Net Business Entity Taxes</td>
<td>766.0</td>
</tr>
<tr>
<td>Business Entity Fees</td>
<td>84.5</td>
</tr>
<tr>
<td>UCC Fees</td>
<td>16.7</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>867.2</td>
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</tbody>
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Delaware Rapid Arbitration Act Signed Into Law

The Delaware Rapid Arbitration Act (DRAA), signed into law by Governor Markell in April 2015, is designed to provide Delaware business entities an option for more rapid resolution of disputes. Developed with input from corporate attorneys and arbitration experts around the world, the Act seeks to address concerns that traditional arbitration can be expensive, protracted and contentious, as parties increasingly resort to foot-dragging tactics to gain an advantage in the proceedings.

The Act gives Delaware legal entities access to expert arbitrators to resolve their business disputes in highly-expedited, confidential proceedings. Under the Act, arbitrators are not sitting judges, and arbitrations do not take place in the courts. Parties may appeal to the Delaware Supreme Court in limited circumstances and under limited standards of review.

"The biggest dispute resolution gap that exists in the United States today—and globally—is the absence of ways to get a dispute solved quickly if the parties to it are unwilling to concentrate on the key evidence, forego drawn out evidence gathering, and live by a prompt ruling by a respected decision maker," said Delaware Chief Justice Leo E. Strine, Jr. "That was the original goal of arbitration, but typical arbitrations often become even more drawn out and expensive than litigation in court. The DRAA would address this gap for parties who desire expert and speedy resolution of their disputes in arbitration, with the courts of Delaware providing prompt and public rulings when necessary."

Arbitrators are required to make their determinations within 120 days, with the possibility of only one extension of no more than 60 days, provided all parties and the arbitrator agree. Arbitrators who do not render a decision within the designated time frame have their fees reduced by statute. The Act gives the arbitrator the authority to determine the scope of the arbitration, allowing the parties to avoid time-consuming discussion about what is arbitrable.

"Members of the Delaware Bar have been working collaboratively with judges and State officials over the past year to create for Delaware legal entities a fast, efficient and effective alternative dispute resolution option that incorporates ideas from litigators and transactional and ADR practitioners from Delaware and around the country," said Norman Monhait, Chair of the Corporation Law Section of the Delaware State Bar Association.

Delaware entities are used in business transactions worldwide and there is virtually no geographic limitation to the DRAA. This new law provides an innovative solution for businesses that require speedy, efficient, and just resolution of disputes.

More information available at Global Delaware Blog.

A Final Word

Delaware is a great place to do business, and on behalf of Governor Markell and the Delaware Department of State, thank you for the opportunity to be your partner. We appreciate your feedback, and please let us know how we are doing by taking our brief Customer Service Survey.

As an organization, we pride ourselves on being the preferred home for millions of businesses and offering friendly, innovative and efficient services to our customers. This is only possible due to the more than 100 employees of the Delaware Division of Corporations who continue to deliver great service to businesses around the world – handling more than 2.1 million customer interactions in the past year alone.

I am particularly grateful for the leadership of public servants like Corporations Administrator Bob Mathers, Technical Support Administrator Sandy Fred and IT Systems Administrator Dan Carroll, each of whom retired in recent months after a combined seven decades of service to the Division. In the wake of these changes, Sandi Pisarki, Shawn Moore and Damon Deputy joined our leadership ranks and April Wright was promoted to the position of Corporations Administrator. Along with our Division Director Rick Geisenberger and Franchise Tax Administrator Kim Cruz, the Division’s administrative leadership brings over 12 decades of service to the Division of Corporations. It is this sort of long-term commitment to our enterprise that has contributed so greatly to the success of the Division.

Sincerely,

Jeffrey W. Bullock
Secretary of State