

THE DEXIT CONTINUES: ANOTHER FORTUNE 500 COMPANY ANNOUNCES PLANS TO REINCORPORATE IN TEXAS

By Nathan Cox

The recent trend of companies moving their place of incorporation away from Delaware persists, as a new company on the Fortune 500 list just announced plans to move its place of incorporation to Texas. For over a century, Delaware has been the leader in corporate incorporation. Since the 1980s, the majority of public companies have been incorporated in Delaware, including 68% of the Fortune 500 list.

Two weeks ago, another Fortune 500 company announced its plans to reincorporate in Texas. According to its SEC Proxy Statement, its board of directors approved the move to Texas, subject to shareholder approval, citing three main reasons stemming from Texas's recent legislative push: lower litigation risk, better protection for directors and officers and lower regulatory burdens.

This article examines the trend in companies leaving Delaware (coined the "Dexit"), the benefits of moving to Texas, and, in particular, the reasons cited by this most recent company.

The Trend: Companies Moving Away from Delaware

In recent years, Texas has emerged as a prime destination for businesses seeking to relocate or establish their headquarters, with five Fortune 100 companies (Tesla, Oracle, Chevron, McKesson and Caterpillar), among many others, making the move. Despite the moves in headquarters, Delaware has retained its position as the primary state for incorporation. However, in the last year, several companies have moved, or announced their intention to move, their place of incorporation away from Delaware, starting the Dexit movement.

Starting with Tesla and SpaceX, a handful of the largest companies have started the process of reincorporating their businesses in either Texas or Nevada, citing business-friendly court systems and regulations. Dropbox, TripAdvisor and Roblox have all moved their place of incorporation to Nevada since 2024. In Texas, in addition to Tesla and SpaceX, Meta Platforms announced it is considering a move to Texas, and two weeks ago, Dillard's Inc. (as discussed below) started the process of reincorporating in Texas.

The Benefits: Moving to Texas

Incorporating in Texas offers strategic advantages for companies seeking a more business-friendly environment. In the last year, Texas established specialized Business Courts to handle complex commercial disputes, modeled after Delaware's Court of Chancery. These courts feature judges with at least 10 years of experience in civil litigation or business law, limited dockets to allow for focused attention and requirements related to issuing written opinions. This structure creates a more predictable legal

environment and a growing body of case law that supports informed decision-making for businesses and their counsel.

Texas has also taken steps to reduce the financial and legal burdens of incorporation. New businesses benefit from the elimination of first-year filing fees, while relocating or expanding companies may qualify for property tax abatements. Senate Bill 29, passed in 2025, further strengthens Texas's appeal by codifying the business judgment rule, limiting shareholder derivative suits, restricting fee awards in disclosure-only settlements, and allowing corporations to define exclusive venues and waive jury trials for internal disputes.

The tax and regulatory benefits of moving to Texas can also be substantial. Texas imposes no state income tax on individuals or corporations, in contrast to Delaware's top individual rate of over 6.5% and flat 8.7% corporate income tax. Texas also offers a more favorable franchise tax structure, including a \$2.4 million gross receipts threshold below which no franchise tax is due. Texas provides further incentives, such as waiving first-year filing fees for new entities.

These legislative and judicial developments position Texas as a compelling alternative to Delaware by offering greater legal certainty, cost savings, and enhanced protections for directors and shareholders.

The Logistics: How to Reincorporate in Texas

Reincorporating a company from Delaware to Texas is a relatively straightforward and cost-effective process. The core steps include obtaining board approval—and, in some cases, shareholder approval—followed by filing a Certificate of Conversion of a Foreign Entity Converting to a Texas Filing Entity with the Secretary of State. The filing fee for this document is currently \$300. The exact process may vary depending on the company's governing documents and specific circumstances.

Companies should consult with legal counsel before initiating the process, as certain contractual obligations—especially those with lenders—may require consent prior to reincorporation. The chosen method of reincorporation (e.g., statutory conversion vs. dissolution and reformation) may also carry specific legal implications and requirements.

The Newest Dexiter: Dillard's Recent Announcement

On July 19, 2025, Dillard's Inc. filed a Preliminary Proxy Statement announcing it is seeking shareholder approval to reincorporate from Delaware to Texas, citing various legal and financial benefits. In noting the issues that triggered a Special Committee to evaluate this potential move, the Proxy Statement recent court decisions making it less predictable for companies with controlling shareholders, the differences in franchise taxes between Texas and Delaware, and the increase in contingency fee-driven stockholder litigation in Delaware. The Special Committee, advised by outside counsel, and the board concluded that Texas offers a more stable legal environment, better protection for directors and officers, and lower regulatory burdens. Specifically, the Proxy Statement cites that Texas offers more protection from opportunistic and frivolous litigation, lower

franchise taxes and the new amendments to the Texas Business Organizations Code (as discussed above). Additional reasons include alignment with Dillard's operational footprint, as Texas is its largest retail market. The Proxy Statement acknowledges the loss of the established Delaware Court of Chancery but notes that the new Texas Business Court will be able to develop its own body of case law.

To execute the move, Dillard's proposes a statutory conversion under Delaware and Texas law. All Class A and Class B shares will convert on a 1:1 basis into shares of a Texas corporation, with no change to stock symbols, management or operations. A majority vote of shareholders is required to approve the conversion, and if approved, the company will file a certificate of conversion with Delaware and a certificate of formation in Texas to complete the process, thus adding another Fortune 500 company to the Dexit.