



2007 Annual Report

Delaware Department of State Division of Corporations

A message from Delaware Secretary of State Harriet Smith Windsor



The Delaware Way

Over the last seven years, Governor Ruth Ann Minner and I, along with other Delaware officials, have met with thousands of attorneys and other professionals around the world to speak about the advantages of incorporating in Delaware. Delaware is the corporate home to 61 percent of the Fortune 500 companies and half of all U.S. firms traded on the New York Stock Exchange and NASDAQ.

Delaware is, as one company declared, "a unique and favored gateway to the U.S. marketplace." Businesses choose Delaware not for one single reason, but because we provide a complete package of incorporation services.

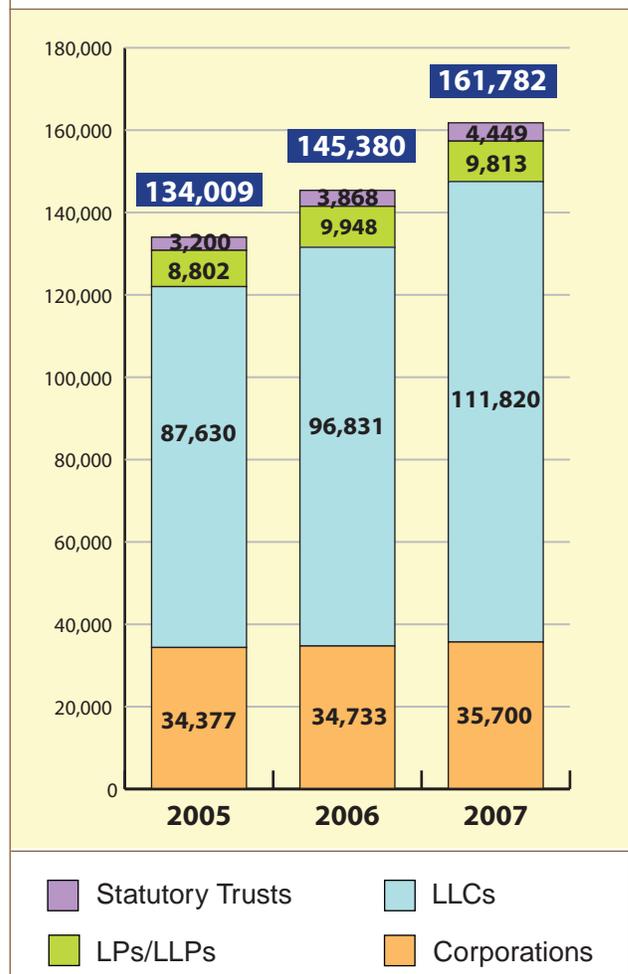
The Delaware General Corporation Law is the most advanced and flexible business formation statute in the nation. The Delaware Court of Chancery is a unique 216 year old business court that has written most of the modern U.S. corporation case law. Delaware's State Government is business friendly and accessible. The Delaware Division of Corporations provides prompt, friendly, and professional service. These factors have all contributed to making Delaware a premier legal home to companies around the world.

Significant Growth in 2007

The number of active business entities in Delaware has grown 66 percent in the last seven years to a total of more than 846,000. In 2007, Delaware welcomed a record of nearly 162,000 new domestic business entities including the IPOs of The Blackstone Group, NetSuite, Ulta Cosmetics, and Duff & Phelps Corporation. More than 90 percent of all U.S.-based public offerings in 2007 were incorporated in Delaware.

General fund revenue collections have increased 33 percent since 2000 to a new record of \$701 million in fiscal year 2007. Revenue growth was broad-based, led by 20 percent growth in tax collections from limited liability companies and limited partnerships.

New Business Formations (2005 - 2007)



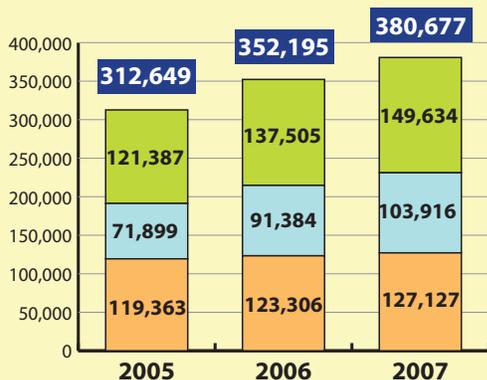
Division of Corporations General Fund Revenue	(in millions \$)		
	FY 2005	FY 2006	FY 2007
Corporate Franchise Tax	491.1	512.3	530.5
LLC/LP Annual Tax	63.4	76.5	92.0
Business Entity Fees	57.8	61.8	65.4
UCC Fees	13.8	14.7	13.0
TOTAL REVENUE	626.1	665.3	700.8

Incorporations revenue accounted for 22 percent of the State's general fund in fiscal year 2007. The Division also distributed a record \$12.4 million to local governments in Delaware in the form of recording, courthouse, and other fees.

Division operating expenses totalled \$12 million in fiscal year 2007. Operating expenses are fully covered by special fees assessed on customers requesting our 24-hour, same day, 2-hour, or 1-hour service guarantee. Expedited service income in fiscal year 2007 exceeded \$24 million for the first time ever and represented a 20 percent increase from 2006.

Due to changes in the filing requirements for secured transactions, Delaware continues to experience a remarkable increase in Uniform Commercial Code (UCC) filings and searches. Our staff handled a record 380,000 UCC transactions in 2007, a 10 percent increase from 2006. UCC general fund revenues in fiscal year 2007 totalled over \$13 million.

Uniform Commercial Code Transactions (2005 - 2007)



UCC 1 UCC 3 Searches

Currently, there are more than 645,000 active UCC-1 filings in Delaware, a 539 percent increase since Revised Article IX took effect in July 2001.

Global Outreach and Expansion

A major part of our overall strategy is to continuously expand Delaware's global market share. In the last seven years, this effort has taken state officials to Canada, China, Hungary, India, Israel, Italy, the Netherlands, Poland, Taiwan and the United Kingdom.

The Delaware Department of State has hosted visiting delegations from the Bahamas, Bosnia, Brazil, China, Ireland, Italy, Japan, and Vietnam.

In March 2007, a State delegation, including Delaware Chief Justice Myron Steele, traveled to Canberra to meet with members of the Law Council of Australia. The Delaware delegation also met with individual law firms in Sydney.



In October, a delegation comprised of Delaware attorneys, Chief Justice Steele and a representative of the Division of Corporations attended the International Bar Association conference in Singapore. In addition to attending various seminars, the members of the delegation visited a number of law firms to discuss the advantages of incorporation and formation in Delaware.

The state officials continued on to China, where they began developing relationships with Chinese law firms and learning more about China's corporate governance and business regulation systems. In Beijing, the delegation also met with members of the court and government agencies, and participated in forums on law and business.

A trip to Toronto in November rounded out a successful year for the marketing of Delaware as the world's premier incorporation home. Delaware Chancellor William Chandler III led a delegation that participated in corporate governance discussions hosted at two of the largest law firms in Canada.

Keeping Our Laws Attractive

Delaware continues to look for ways in which to improve the business environment for its corporate clientele:

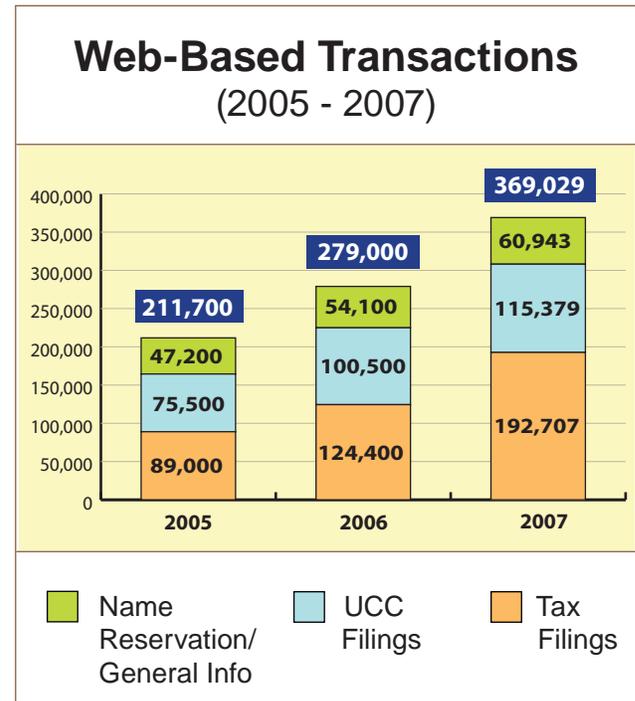
- In 2006, the State restructured its bank franchise tax to maintain Delaware's leadership in attracting financial services companies.
- In 2007, the Delaware Constitution was amended to authorize the U.S. Securities and Exchange Commission (SEC) to bring critical and urgent questions concerning Delaware law to the Delaware Supreme Court. The amendment provides the SEC with access to expedited decisions and greater certainty with regards to matters of Delaware corporate law.
- Delaware further updated its captive insurance laws to allow for the creation of special purpose financial captive insurance companies. This has resulted in a significant increase in the number of captive insurance companies that have chosen Delaware as their regulatory home.

Convenient, Professional Service

The Delaware Division of Corporations continues to improve its service offerings:

- Delaware was the first state in the nation to offer its customers the option of 1-hour or 2-hour service. Last year, more than 11,900 transactions took advantage of this service.
- The Division has issued a Request for Proposal to begin designing and building a new technology platform called ICIS (Integrated Corporate Information System) that will allow the State to continue expanding its service offerings well into the future.
- In 2007, the Division redesigned its website, providing corporate forms that can be filled in and saved to a local PC for future submission.
- The Division has simplified its corporate annual report filing system and now allows for payment from checking accounts as well as credit cards.
- A live chat service was recently introduced, giving clients direct online access to a corporate information specialist who can answer filing, tax, and other corporate questions.

The Division's website consistently attracts more visits than any other State agency website in Delaware. In 2007, our customers conducted 369,000 paid transactions via the Internet, a 32 percent increase from the prior year.



Corporate Best Practices

Delaware is unique among the 50 states in promoting corporate best practices through its sponsorship and participation in a variety of organizations.

The State's work with these groups provides Delaware with unique access to important constituencies, including corporate directors, institutional investors, venture capital firms, and international regulators.

Delaware is an active participant in the John L. Weinberg Center for Corporate Governance at the University of Delaware and is a member of The Conference Board's Global Corporate Governance Research Center and the International Corporate Governance Network.

The State works closely with the corporate law program at Widener University School of Law in Delaware and the Institute for Law and Economics (ILE) at the University of Pennsylvania.

Steadfast Commitment to Quality

For the sixth consecutive year, Delaware ranked as the nation's number one court system overall in a study conducted by the U.S. Chamber of Commerce's Institute for Legal Reform. Delaware courts have held the top position during the entire time that the annual survey has been conducted. Delaware ranked number one in nine of the key elements: overall treatment of tort and contract litigation, class action and mass consolidation suits, punitive damages, timeliness of summary judgement or dismissal, discovery, scientific and technical evidence, non-economic damages, and judges' impartiality and competence.

Directorship Magazine concluded that the "Delaware courts are seen as fair and reasonable with the most efficient litigation practices, and their influence on corporate governance matters rivals that of the SEC or Congress."

The September 2007 issue of *Directorship*, a leading magazine for corporate board directors, ranked the Delaware Supreme Court and the Court of Chancery fifth among the most influential individuals and institutions shaping agendas in boardrooms across the country. *Directorship* noted that the Delaware Courts have frequently "established the tone and legal direction of corporate governance in America" and that the Court of Chancery is often referred to as "the chief arbiter of right and wrong in Corporate America." No other courts were included in the top *Directorship* 100.

Even beyond our widely-respected courts, there are many advantages to incorporating or forming business entities in Delaware.

Our State government is business-friendly and accessible, and our corporate statutes provide maximum flexibility. In addition, Delaware's corporate, financial, and legal service industry have unsurpassed expertise in formulating transactions using entities and structures authorized under Delaware law.

Lastly, the Delaware Division of Corporations continues to provide exceptional service to its customers. The result is that companies, private individuals, and their bankers and legal advisors can confidently move forward with their business, knowing that the system is predictable, efficient, and fair.

As Delaware's Secretary of State, I remain committed to supporting and enhancing Delaware's corporate environment and maintaining its well-earned reputation as the Corporate Capital of the World.

Harriet Smith Windsor

Harriet Smith Windsor, Ed.D.
Delaware Secretary of State

March 31, 2008

