



Delaware Division of Corporations

2010 Annual Report

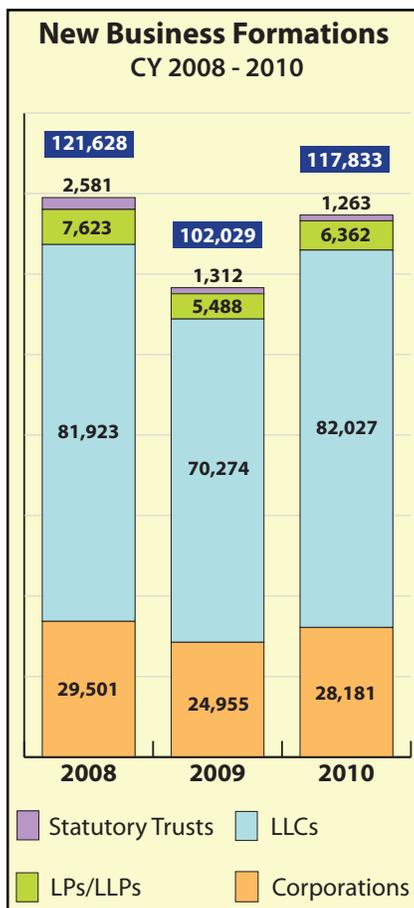
Why Delaware?

Businesses choose Delaware not for one single reason, but because we provide a complete package of incorporation services. Our Court of Chancery is a unique, centuries-old business court that has written most of the modern U.S. corporation case law. It interprets Delaware's General Corporation Law, which is the most advanced and flexible business formation statute in the nation, as a result of our state government's emphasis on being business friendly and accessible.

The final piece of the package is the Division of Corporations which provides prompt, friendly, and professional service to our customers and strives to continually improve upon that service.

Growth

Delaware remains the chosen home of 63% of Fortune 500 companies. At the end of 2010, there were over 909,000 active business entities in the state, a 2.5% increase from 2009. Overall new entity formation in 2010 grew 15.5% to nearly 118,000. Of these new entities, 70% were LLCs and 24% were corporations.



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"As the U.S. and world economies steadily recover, the Delaware Division of Corporations is well-positioned to be the continued domicile of choice both nationally and internationally."



— *The Hon. Jeffrey Bullock, Secretary of State*

With 20% growth in the first three months of 2011, we have experienced 17 consecutive months of growth since the national economic recovery began in late 2009. Other strong signs of recovery include a nearly 10% increase in UCC transactions as credit markets begin a gradual return to normal levels.

New Initial Public Offerings

In 2010, 76% of all new U.S. Initial Public Offerings (IPOs) were incorporated in Delaware. Over the past year, companies such as the following have chosen to launch their IPOs as Delaware corporations:

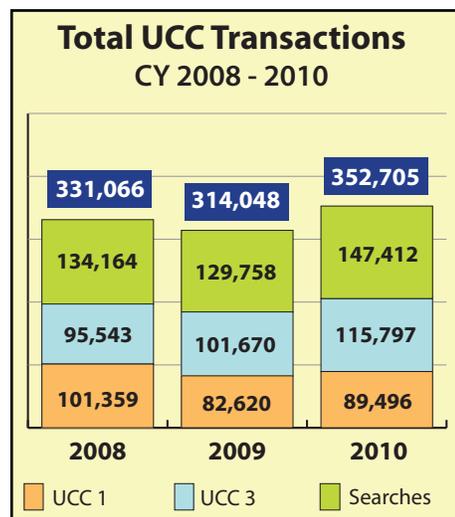
- » Social networking site *LinkedIn*
- » Midwestern department store chain *Gordmans*
- » Internet radio company *Pandora Media*

Federal Issues

Over the past two years, Delaware officials and our corporate legal community have expended a great deal of effort combating proposed federal bills and regulations on matters traditionally left to state corporate law.

In the aftermath of the global financial crisis, various groups saw a unique opportunity to try to enact corporate governance reforms that they had unsuccessfully sought for many years. These proposed reforms, if enacted, would have done nothing to address the root causes of the financial crisis. Instead, they would have created a "one size fits all" approach to corporate governance that we believe would have deterred companies from going public in

the United States, increased the cost of capital for U.S. companies, and reduced shareholder choice.



Delaware corporation law is based on a well-established set of principles designed to enable stockholders to determine how the corporations they own will be governed. These are principles worth fighting for and I am pleased to report that, thanks to the efforts of our Congressional delegation and many others, very few of these proposals were included in the final Dodd-Frank Wall Street Reform Legislation signed by the President last year. Those few proposals that did survive were made optional or non-binding.

None of this would have been possible without the leadership of Delaware's senior Senator Tom Carper, who has worked tirelessly in his career and especially these last two years to maintain our reputation as the Corporation Capital of the World.

Financial Results

General fund revenue collections reached a record high of \$854 million in fiscal year (FY) 2010. Incorporations revenue accounted for 26% of the State's general fund in FY2010. The Division also distributed a record \$10.4 million to local governments in Delaware in the form of recording, courthouse, and other fees.

Division of Corporations General Fund Revenue	(in millions \$)		
	FY 2008	FY 2009	FY 2010
Net Business Entity Taxes	665.2	705.3	765.1
Business Entity Fees	63.4	50.8	74.9
UCC Fees	13.6	11.2	14.1
Total Revenue	742.2	767.3	854.1

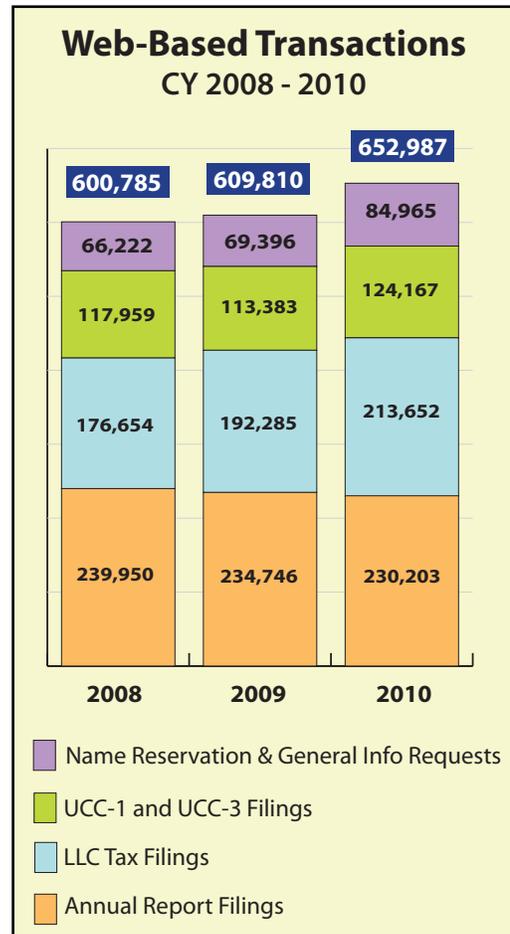
The Division also seeks to maximize value for its customers and the state's taxpayers. The Division's operating expenses have remained essentially flat at \$9 million for each of the last two years, reflecting continuing efforts to reduce costs and operate more efficiently.

Our efforts have yielded considerable savings in printing, postage and banking fees, even as we invest capital in new technology to boost our efficiency further. Division operating expenses are fully covered by special fees assessed on customers requesting our 24-hour, same day, 2-hour, or 1-hour service guarantee.

Effective and Innovative Use of Technology

The Division has been a leader in the effective use of technology to better serve its customers. The Division's web

site still attracts more visits than any other State agency web site in Delaware. In 2010, our customers conducted over 652,000 paid transactions via the Internet (a 7% increase from the prior year), such as filing name reservations and performing entity status searches.



The Division of Corporations also handles the registration of notaries public in Delaware. At present, there are over 10,000 notaries, nearly half of whom have registered to use our new Web-based licensing system.

Launched in October 2010, this system allows existing notaries to manage the status of their account electronically. Since the launch, 1,200 people have either secured or renewed their notary registration using the service, which reduces process time from weeks to only 48 hours and significantly lowers processing costs.

The Division of Corporations is also progressing steadily in the development of its new web-based Integrated Corporation Information System (ICIS). This system will make use of new underlying technology to power the Division's applications, ultimately improving the service provided to the Division's customers and stakeholders.

Expanded International Marketing

We are always looking for opportunities to expand Delaware's global market share. One way we do this is through concentrated marketing efforts in target countries and among specific groups around the world. We also participate in conferences, panel discussions, and other events both domestically and internationally to explain the benefits of doing business in Delaware.

In the last year, delegations from Delaware have visited Brazil, Canada, China, Israel, Japan and Singapore to talk about the Delaware Advantage.

For instance, in April, a member of the Delaware Judiciary traveled with a Division of Corporations representative to Singapore to market Delaware to attorneys at the International Pacific Bar Association conference. At the conference, they also participated in panel discussions regarding current trends and practices in Delaware corporate law.

At the International Bar Association's (IBA) annual meeting in Vancouver in October, members of the Delaware delegation moderated and participated in panel discussions on a variety of issues. One such panel was entitled "Deal or No Deal: Hard Choices for Troubled Businesses." Another, entitled "Directing the Deal," focused on mergers and acquisitions.

We consider participation at IBA events to be among the most important of our marketing efforts, as the IBA influences the development of international law reform and shapes the future of the legal profession throughout the world.

A delegation from Delaware also participated in the IBA's Asia-Pacific Regional Forum held in Tokyo in November. While in Asia, we met with representatives from the Hong Kong Stock Exchange and a number of international law firms in Hong Kong.

In addition to our meetings abroad in 2010, we received visiting delegations from Brazil, Israel, Russia, and Switzerland in both our Dover and Wilmington offices.

New Secretary's Seal

Finally, some of you may have noticed that earlier this year we updated the seal of the Secretary of State used on millions of certificates issued by our office since 1855.

The new seal is actually a painstakingly researched original design of the seal from the 1790s with two major revisions. With more than a dozen fellow Cabinet



Current seal



Previous seal

Secretaries in our state, I decided to replace the words "Secretary's Office" with the words "Secretary of State." The new seal also includes the year "1776" which was the date that James Booth, the first Secretary of the State of Delaware, took office and the year "1970" when the Department of State was created through legislation signed by then-Governor Russell Peterson.

Our Commitment to Quality

Governor Peterson had many great accomplishments in his career, but perhaps none so under-recognized as having totally transformed the structure of State government in Delaware to make it more professional and responsive to its citizens. Sadly, Gov. Peterson passed away earlier this year, but his legacy has lived on through successive Governors and Secretaries of State.

You have my commitment to maintain this long tradition of ensuring that the Division of Corporations works hard every day to ensure the best possible experience for our customers.

Jeffrey W. Bullock
Secretary of State

April 5, 2011