



2006 Annual Report Delaware Department of State, Division of Corporations



*A Message from the Delaware Secretary of State
Dr. Harriet Smith Windsor, Ed. D.*

The Delaware Story

Over the last six years, Governor Ruth Ann Minner and I, along with other Delaware officials, have logged tens of thousands of miles to share Delaware’s incorporation story around the world.

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.

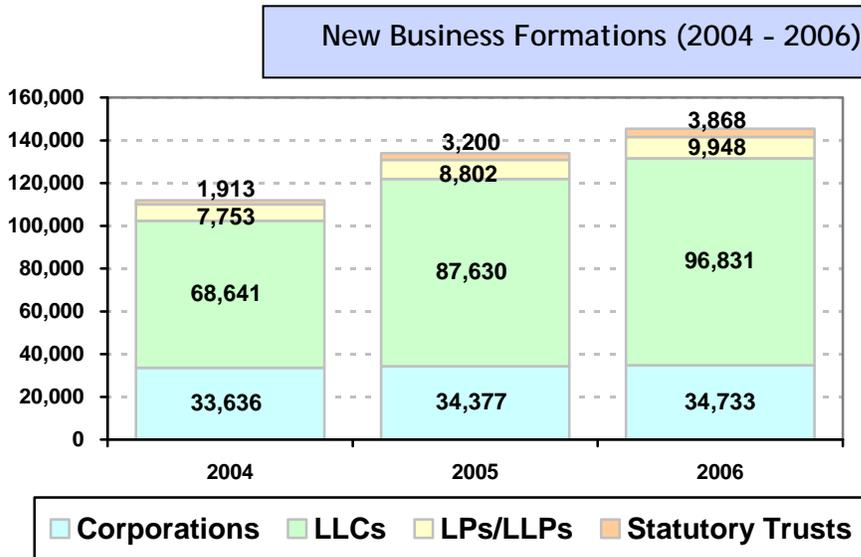
Delaware is, indeed, as one company declared, “a unique and favored gateway to the U.S. marketplace.”

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 215 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.

Strong Growth in 2006

The number of active business entities in Delaware has grown 50 percent in the last six years to a total of more than 765,000. In 2006, Delaware welcomed more than 145,000 new domestic business entities including the IPOs of MasterCard, Burger King, J. Crew, and NYMEX Holdings. More than 70 percent of all public offerings on U.S. exchanges in 2006 were incorporated in Delaware.



New Formations Increased 8.7% in 2006. Growth was broadly based across every type of business entity.



General fund revenue collections increased 6.3% to a new record of \$665.3 million in fiscal year 2006. Revenue growth was broad-based across every category led by 21% growth in tax collections from limited liability companies and partnerships. Incorporations revenue accounted for 21 percent of the State’s general fund in fiscal year 2006. The Division also distributed a record \$8.1 million to local governments in Delaware in the form of recording, courthouse, and other fees.

Division operating expenses totaled \$11.7 million in FY06. 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 exceeded \$20 million for the first time ever in fiscal year 2006.

Due to changes in the filing requirements for secured transactions, Delaware has experienced a remarkable surge in Uniform Commercial Code (UCC) filings and searches. Our staff handled a record 352,000 UCC transactions in 2006, a 12% increase from 2005. UCC general fund revenues increased 6% in fiscal year 2006 to \$14.7 million. Currently, there are more than 621,000 active UCC-1 filings in Delaware, a 520% increase since Revised Article IX took effect in July 2001.

**Division of Corporations
General Fund Revenue (FY05 - FY06)**

	(in millions \$)	
	FY 2005	FY 2006
Corporate Franchise Tax	\$ 491.1	\$ 512.3
LLC / LP Annual Tax	\$ 63.4	\$ 76.5
Business Entity Fees	\$ 57.8	\$ 61.8
UCC Fees	\$ 13.8	\$ 14.7
Total Revenue	\$ 626.1	\$ 665.3

Global Outreach and Expansion

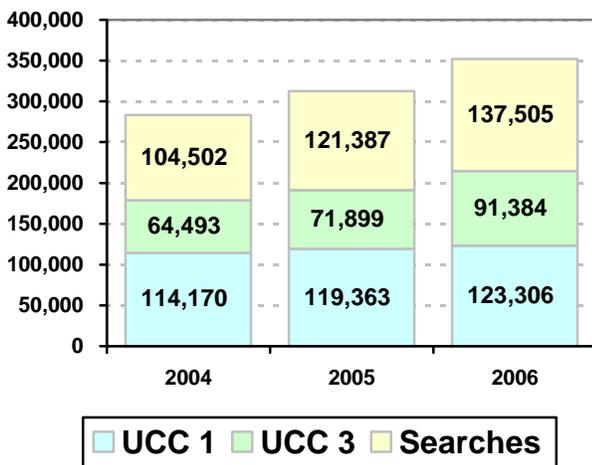
A major part of our overall strategy is to continuously expand Delaware’s global market share. In the last six years, this effort has taken state officials to China, Hungary, India, Italy, The Netherlands, Poland, Taiwan, and the United Kingdom. The Delaware Department of State has also hosted visiting delegations from Bosnia, Brazil, China, Ireland, Italy, Japan and Vietnam.

In April of 2006, a State delegation was invited to participate in a Ministry of Economic Affairs Conference in The Hague. The conference entitled, “Delaware Comes to The Netherlands,” gave Supreme Court Justice Jack Jacobs, Delaware corporate attorneys, and the Division an opportunity to share the message that Delaware welcomes companies from around the world.

Delaware Chief Justice Myron Steele and Vice Chancellor Stephen Lamb led a mission to Israel in May of 2006 with the Delaware State Bar Association and the Secretary of State’s office. We partnered with the Institute for Law and Economics at the University of Pennsylvania in a program called, “The Role of U.S. Law in Private Equity Deals”. We participated in the Annual Meeting of the Israeli National Bar Association and visited Israeli law firms to continue to spread “the Delaware Story”.

In September 2006, in cooperation with The Conference Board, state officials met with staff from the State-owned Assets Supervision and Administration Commission of the People’s Republic of China to discuss the important role of

**Uniform Commercial Code Transactions
(2004 - 2006)**

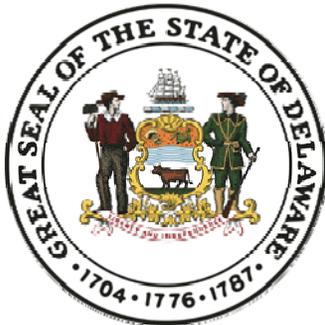




Delaware law in promoting best practices in corporate governance.

In December of 2006, Supreme Court Justice Randy Holland led a State delegation to Taiwan. Delaware took center stage at a corporate governance forum organized by the Taiwan Corporate Governance Association. Justice Holland was the keynote speaker on the subject of "Board Responsibilities and the Business Judgment Rule". The delegation also visited the National Taiwan University, the Government Intellectual Property Office, the Taiwan Stock Association, members of the Judiciary, and law firms.

The Securitization Forum of Japan visited Delaware in December 2006 to learn more about the State's burgeoning business in Statutory Trusts and other special purpose entities used in securitization transactions.



State Offers New Services

We continuously work to expand the menu of related products and services that the State has to offer its corporate clientele:

- In 2003, Governor Minner signed legislation expanding the jurisdiction of the Court of Chancery. The number of mediations handled by the Court continues to rise.
- In January 2006, the State restructured its bank franchise tax to maintain Delaware's leadership in attracting financial services companies.
- In the fall of 2006, the Department of State provided funding to enable the Delaware Department of Insurance to hire a full-time administrator for the

State's new program designed to promote the formation of captive insurance companies.

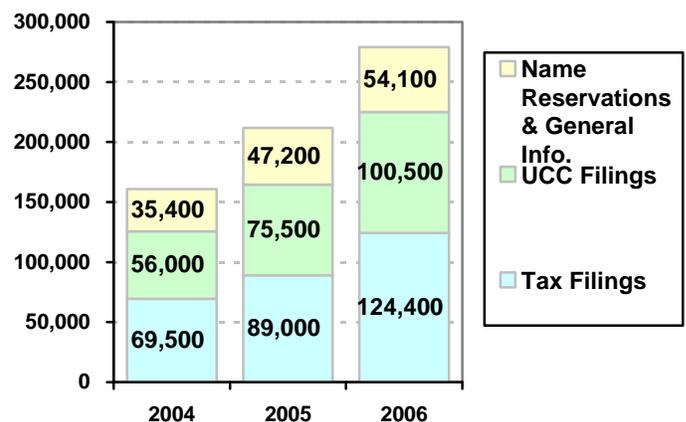
Convenient, Professional Service

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

- Delaware is the only state to offer its customers the option of 1-hour or 2-hour service. Last year, more than 8,400 transactions took advantage of this service.
- In 2006, the Division unveiled a web-based service allowing customers to verify corporate certificates issued by the Secretary of State.
- The Division has begun building a new technology platform called ICIS (Integrated Corporate Information System) that will allow the State to continue to expand its service offerings well into the future.

The Division's website consistently attracts more visits than any other State government website in Delaware. In 2006, our customers conducted 279,000 transactions via the Internet, a 32% increase from the prior year.

Web Based Transactions (2004 - 2006)



Supporting 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, international regulators, and others.

'Delaware's first place rating in our annual survey of the best legal environments in the United States is just one more reason why businesses from around the world will want to incorporate or locate operations there.'

*-Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce*

The State 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, the International Corporate Governance Network and the Society of Corporate Secretaries and Governance Professionals. The State also 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.

By actively participating in such activities, Delaware officials stay on top of trends in the international business world and are better able to understand and respond to rapidly changing corporate needs.

A Long-term Commitment to Quality

This past October, I had the pleasure of hosting several former Delaware Secretaries of State at a celebration of the Division's 20th Annual Executive Strategic Planning Conference. Our many successes did not happen by accident but through years of strategic collaboration among our Courts, the Delaware State Bar Association, the State's legal services community, and our State's elected leaders.

This year, the Division of Corporations won the Quality Commitment Award presented by the

Delaware Alliance for Excellence. The award provides independent recognition of our long-term commitment to performance excellence. I am extremely proud of the nearly 100 professionals in the Division who provide the world's corporate and legal services community with high-quality products and first-class customer service each and every business day.

As noted by Chief Justice Myron Steele, the State of Delaware's long-term success demonstrates, "We are at heart a customer-service organization." Indeed, that statement perfectly describes our strategy and vision for the future: to remain a customer-service organization; to remain ever-focused on serving our customers.

Harriet Smith Windsor

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

March 31, 2007

