

DELAWARE DIVISION OF CORPORATIONS 2011 ANNUAL REPORT



Jeffrey W. Bullock, Secretary of State



Why Delaware?

Businesses continue to consistently and, in ever increasing numbers, choose Delaware as their legal home for four main reasons. First, Delaware's General Corporation Law is widely regarded as the most advanced and flexible business formation statute in the nation. Second, our Court of Chancery is a unique, centuries-old business court that

has written most of the modern U.S. corporation case law.

Third, Delaware's corporate and legal services community has unparalleled expertise in the application of Delaware corporate law and receives strong, bipartisan support for its efforts to continuously improve the State's laws from the Delaware General Assembly and our Governor. Finally, the Delaware Division of Corporations provides prompt, friendly, and professional service to our customers and strives to continually improve upon that service based on what we hear from the legal community, incorporators, and the entities themselves.

Recognizing Successes, Addressing Challenges

At a recent hearing of our legislature's budget committee, I spoke about two very positive trends: strong 7% average growth over the last decade in the number of business entities in Delaware and continuing growth in our U.S. market share, including having 63% of the Fortune 500 incorporated in Delaware.

But, I also addressed a significant challenge: the declining number of U.S. stock listings in the United States during the last 15 years and a steep drop in the number of U.S. Initial Public Offerings (IPO).

In a recent Wall Street Journal Op-Ed, Delaware Governor Jack Markell wrote that the number of U.S. IPOs has dropped from its 40-year average of 450 IPOs annually to only 110 IPOs annually since 2000. Meanwhile the number of listings on the major U.S. stock exchanges dropped from 8,800 in 1997 to fewer than 5,000 today while the number of listings on overseas exchanges doubled during the same period.

Put simply, fewer companies are going public in the United States, and that has significant long-term implications for job creation, the

competitiveness of America's capital markets, and for Delaware's corporate and legal services industry. But I'm excited to report that President Obama and U.S. Congress are making major strides to begin to address this challenge.

In March, Congress passed the JOBS Act, which is designed to help reinvigorate America's capital markets and spur job creation. The law won't eliminate regulations, but it will move us toward smarter regulations. The bill provides emerging growth companies (those companies with revenues less than \$1 billion and public floats of under \$700 million) with a five-year window to come into compliance with certain accounting and disclosure requirements that many companies have cited as costly deterrents to going public.

The bill changes trading and IPO promotion regulations to help smaller companies better reach interested investors. And the bill asks the SEC to explore the impact of matters such as "decimalization" that some experts believe has negatively impacted small cap listings.

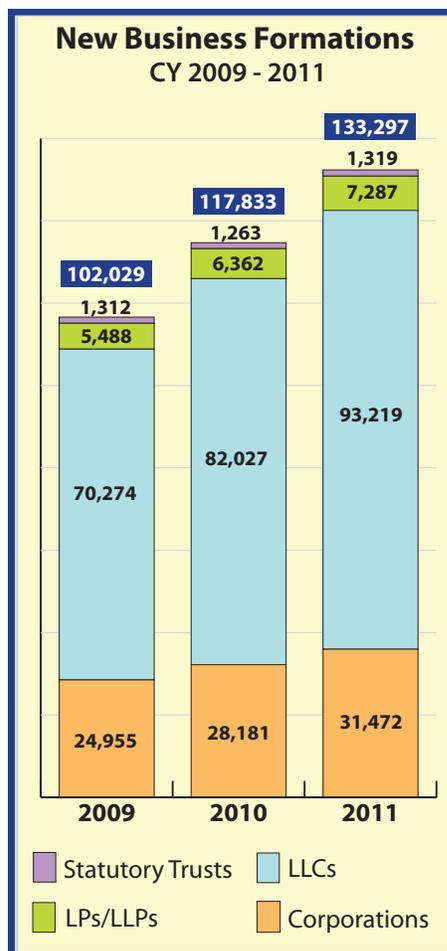
We're proud that Delaware Congressman John Carney was the lead Democratic sponsor of the House bill that passed

with 380 votes. And in the Senate, Delaware Senators Tom Carper and Chris Coons provided the critical bipartisan leadership needed to secure 73 votes. No single piece of legislation will be a silver bullet for all the problems faced by our economy.

And, indeed, I join many Delaware leaders in the view that corporate tax reform is the next major priority in restoring our capital engine. But the JOBS Act is a critical first step and I'm very proud of the important role of Delaware's leaders in bringing it to fruition.

Growth

Delaware remains the chosen home of more than half of all U.S. publicly traded companies. At the end of 2011, there were over 945,000 active business entities in the state, a 4% increase from 2010. Overall new entity formation in 2011 grew 13% to 133,297.



New Initial Public Offerings

In 2011, 86% 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:

Dunkin' Brands

Fast-food chain operator

Zynga

Social network game developer

HCA Holdings

World's largest private operator of health care facilities

Groupon

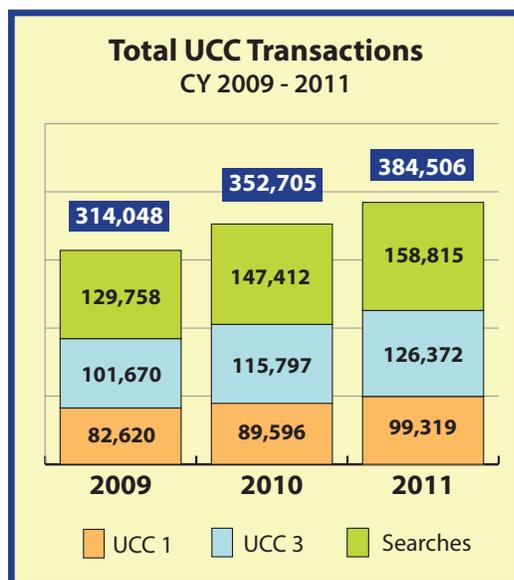
Deal-of-the day website

Financial Results

General fund revenue collections reached a record high of \$859 million in fiscal year (FY) 2011. Incorporations revenue accounted for 24% of the State's general fund in FY 2011. The Division also distributed \$11.4 million to local governments in Delaware in the form of recording, courthouse, and other fees.

Division of Corporations General Fund Revenue	(in millions \$)		
	FY 2009	FY 2010	FY 2011
Net Business Entity Taxes	705.3	765.1	759.7
Business Entity Fees	50.8	74.9	83.1
UCC Fees	11.2	14.1	16.4
Total Revenue	767.3	854.1	859.2

UCC volumes rose a significant 9% in 2011, further demonstrating a strengthening of the economy.



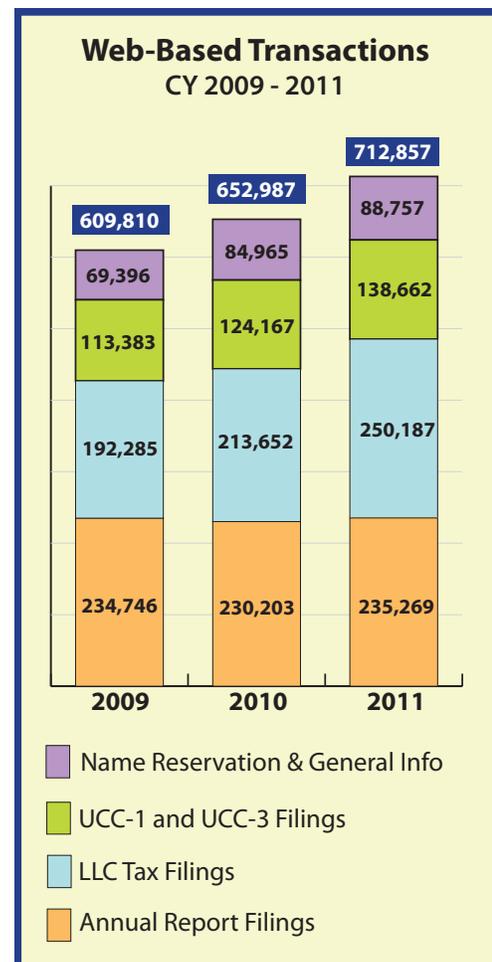
Effective and Efficient Use of Technology

The Division has continued its leadership in the use of technology to better serve customers. The Division's website continues to attract more visits than any other State agency. In 2011, our customers conducted over 712,000 paid transactions via the Internet (a 9% increase from 652,000 transactions in 2010).

The Division also handles the registration of notaries public. In 2010, the State launched a new web-based licensing system. More than 70% of the state's 10,200 notaries are now using the site to electronically manage the status of their account, apply for new notary commissions, or renew their notary commission.

The Division has reduced the average licensing process time from weeks to a matter of hours through this convenient new system.

Finally, the Division of Corporations continues to make steady progress toward the completion of its new web-based Integrated Corporations Information System (ICIS) with User Acceptance Testing (UAT) scheduled for later this year and a "go-live" scheduled to follow successful UAT. ICIS will make use of new technologies to power the Division's applications, enabling the State to continue to improve service and quality for many years to come.





Expanded International Marketing

In the last year, delegations from Delaware have visited Brazil, Canada, China, Israel, Japan, the Netherlands and the United Kingdom to discuss the Delaware Advantage.

Our participation in the 2011 International Bar Association's Annual Mergers and Acquisitions Conference demonstrates our commitment to working with this important organization which influences international law reform and shapes the future of the legal profession throughout the world. In a panel entitled "The View from the Bench," Chief Justice Myron Steele and Vice Chancellor Travis Laster addressed current trends in corporate law.

A six-member delegation from Delaware attended the American Bar Association's Global Business Law Forum in London, which focused on cross-border issues, with a special emphasis on financial reform and its effects on businesses. Members of the Delaware delegation participated in discussions such as: "Private Company M&A: Structure, Diligence and Documentation" and "Avoiding Land Mines in Acquiring the Delaware Public Company". The Forum attracted attorneys from the United Kingdom, Continental Europe and North America with specialties in Mergers & Acquisitions, Corporate Finance, Creditors' Rights and Corporate Practice.

A delegation led by Chief Justice Steele visited McGill Law School in Montreal, Canada for a panel discussion on shareholder rights plans in Canada and in Delaware and the approaches taken by our respective courts. The presentation and panel discussion were attended by members of the business and academic communities.

Delaware Chancellor Leo Strine was the keynote speaker for the International Corporate Governance Network mid-year meeting in Florida and spoke on the topic of "Corporate Governance Change in the Americas." The meeting attracted hundreds of attendees from around the world representing the world's largest pension funds.

Vice Chancellor John Noble led a delegation to Brazil – one of the world's fastest growth economies – to discuss advantages for Brazilian businesses which incorporate in Delaware. The delegation made presentations to the largest law firms in São Paulo, the Brazilian Bar Association and the Brazilian Stock Exchange (Bovesta).

In addition to meetings abroad, we received delegations from China, Japan, Russia, Saudi Arabia and Brazil in both our Wilmington and Dover offices. Delaware continues to see growth in attracting global firms to register in Delaware, and our international marketing outreach plays a major role in that success.

Our Commitment to Quality

Finally, I want to mention the dedicated staff at the Division of Corporations. Thanks to their efforts, I'm pleased to report that we're making great progress toward meeting our goal of becoming ISO-9001 certified. Meeting this internationally-recognized standard for quality management systems will further demonstrate to our customers around the world our ongoing commitment to continuously improve what we do and how we do it.

Last October, I had the pleasure of hosting the Division's 25th Annual Executive Strategic Planning Conference. Through the administration of six Secretaries of State, the Delaware Division of Corporations has organized an annual meeting with the many agents, attorneys, paralegals and technology firms that use the services of the Division every day. We use these sessions as well as smaller quarterly meetings to keep in regular contact with our customers and come up with better and more efficient ways to serve them and you.

At this year's conference, we recognized the many men and women who have led the Department of State and Division of Corporations over the last quarter century. Former Secretary of State Mike Harkins had wonderful foresight and vision in 1987 when he launched the conference. Many of our products and services that people take for granted today, such as document imaging, expedited services and instant good standing certificates were conceived at those first few conferences. Under the leadership of Secretaries Ratchford, Quillen, Freel and Windsor, the Division has continued to make customer service, productivity, and innovation its top priorities.

While I serve as Secretary of State, I will share their same commitment toward ensuring that Delaware remains the nation's leading legal domicile of choice.

Sincerely,

Jeffrey W. Bullock