



# 2005 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 five 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, from North America to Europe to Asia.

Delaware is the corporate home to 60 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."

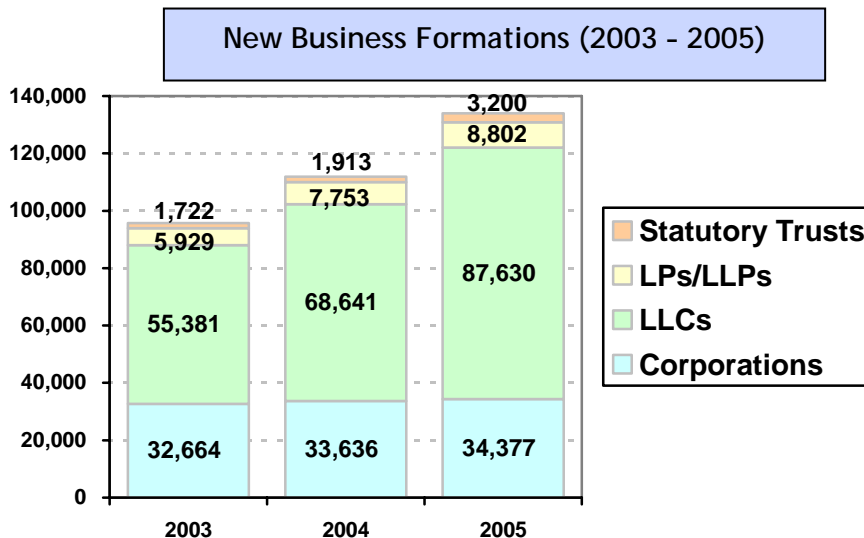
Businesses choose Delaware not for one single reason, but because we provide a complete package of incorporation services. The Delaware General Corporation Law is the most advanced and flexible business formation statute in the nation. The Delaware Court of Chancery is a unique 210 year old business 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.

### 2005 – A Year for the Record Books

The number of active business entities in Delaware has grown 37 percent in the first half of this decade to a total of more than 695,000. In calendar year 2005, Delaware welcomed more than 133,700 new domestic business entities, including the IPOs of WebMD Health, Diamond Nuts, and Ruth's Chris Steak House. More than 70 percent of all public offerings on U.S. exchanges in 2005 were incorporated in Delaware.

As shown below, new domestic business formations in Delaware rose 19.5% versus 2004, the highest one-year growth rate on record.



Formations Increased at a Record Pace in 2005. Growth was broadly based across every type of business entity.



Revenues collected by the Division increased 2.2% from \$612.8 million in fiscal year 2004 to a new record of \$626.1 million in fiscal year 2005. A small decline in corporate franchise tax collections was more than offset by a 24% increase in LLC tax collections and a 17% increase in filing fees collected. Incorporations revenue accounted for 22 percent of the State’s general fund in fiscal year 2005.

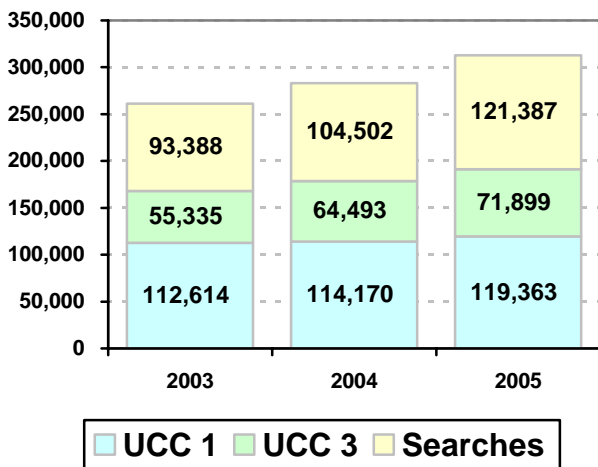
Division operating expenses totaled \$9.2 million in FY05. Operating expenses are fully covered by expedited service fees assessed on customers requesting our 24-hour, same day, 2-hour or 1-hour service guarantee. Expedited service income totaled \$17.5 million in fiscal year 2005.

Following revisions to Article IX of the Uniform Commercial Code (UCC) that took effect in July 2001, the State saw a remarkable surge in UCC filings and searches. Last year, the Division set another record by handling 313,000 UCC transactions, a 325% increase over a five year period. UCC general fund revenues increased 5.3% in fiscal year 2005 to \$13.8 million.

**Division of Corporations  
General Fund Revenue (FY04 - FY05)**

	(in millions \$)	
	FY 2005	FY 2004
Corporate Franchise Tax	\$ 491.1	\$ 499.2
LLC / LP Annual Tax	\$ 63.4	\$ 51.0
Business Entity Fees	\$ 57.8	\$ 49.5
UCC Fees	\$ 13.8	\$ 13.1
<b>Total Revenue</b>	<b>\$ 626.1</b>	<b>\$ 612.8</b>

**Uniform Commercial Code Transactions  
(2003 - 2005)**



UCC Filings and Searches Grew 10% in 2005. There are more than 562,000 active UCC 1 filings in Delaware, a 460% increase since Revised Article IX took effect on July 1, 2001.

**Global Outreach and Expansion**

A major part of our overall strategy is to continuously expand Delaware’s global market share. In the last five years, this effort has taken state officials to China, Hungary, India, Italy, Poland, Taiwan, and the United Kingdom. The Delaware Department of State has also hosted visiting delegations from China, Ireland, Italy, Japan and Vietnam. Last year the State welcomed two prestigious groups from China – one studying the State’s corporate laws and another researching our UCC and banking laws.

The message about Delaware as a corporate home to the world continues to spread.

In January 2005, a State delegation to India visited Mumbai and the high-tech centers of Hyderabad and Bangalore as presenters in a series of venture capital and investment seminars developed in coordination with Indian institutions and universities.

In April 2005, Governor Minner traveled to Germany to promote the Delaware Story. *Die Welt am Sonntag*, Germany’s leading Sunday newspaper, carried a full page article reporting that “Delaware has no equal when it comes to registering companies in its business ledger—a process it has perfected.”

In the same month, a TV Tokyo story on incorporating in Delaware was broadcast to audiences throughout Japan. The report noted that “Ever since the Delaware Court of Chancery was established in the 18th century, it has been handling complex cases and its history is still being written.”

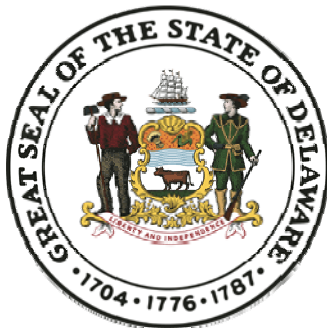


Delaware cannot remain the Corporate Capital of the United States by resting on its laurels. And so collectively, our three branches of government and the private sector are constantly working to promote and enhance the corporate services provided by the State.

**New Services Available**

We are also continuously working to expand the menu of related products and services that Delaware has to offer.

- In 2003, Governor Minner signed legislation expanding the jurisdiction of the Court of Chancery to handle technology cases and mediation.
- In 2005, the General Assembly approved legislation designed to make Delaware more attractive for the formation of onshore captive insurance companies.
- In January 2006, the State restructured its bank franchise tax to maintain Delaware’s leadership in attracting financial services companies.



**Convenient, Professional and Fast Service**

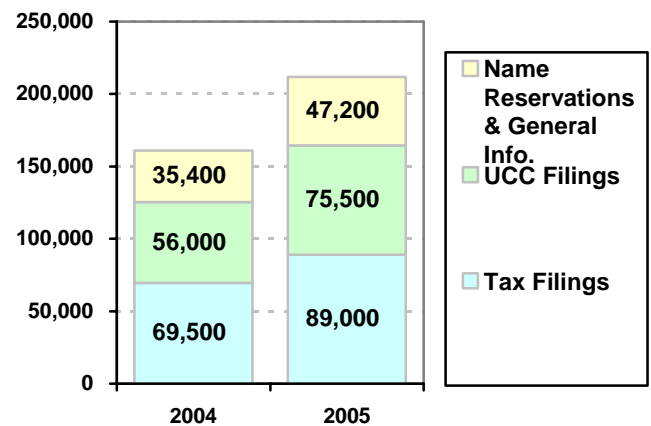
The Delaware Division of Corporations also continues to refine and improve its service offerings:

- Delaware is the only state to offer its customers the option of 1-hour or 2-hour service. Last year, more than 6,600 transactions took advantage of this service.
- The Division’s new website allows customers to reserve corporate names, check the status of Delaware business entities and access Delaware’s Corporate Laws and proposed amendments in real time.
- In 2005, the Division unveiled a new service allowing customers to attach PDF files to online UCC filings.
- The Division recently launched a multi-year, multi-million dollar project to significantly

enhance the functionality of its award-winning Delaware Corporate Information and Imaging System. The new system, dubbed “ICIS” for Integrated Corporate Information System, will allow the State to continue to expand its service offerings.

As a result of ongoing enhancements to its systems, the Division continues to see remarkable growth in the use of online services. The Division’s website consistently attracts more visits than any other State government website in Delaware. In 2005, our customers conducted more than 211,700 transactions via the Internet.

Web Based Transactions (2004 - 2005)



**Supporting Corporate Best Practices**

Delaware is unique among the 50 states in promoting corporate and financial 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.

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 and the International Corporate Governance Network (ICGN). 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.



Scores of professionals interested in advancing the field of corporate governance visit the Weinberg Center on the campus of the University of Delaware each year to participate in seminars organized by Professor of Law Charles M. Elson, one of the nation's leading authorities on corporate governance matters.

In 2004, the State hosted more than 225 ICGN delegates from five continents at a meeting in Wilmington where our legal and judicial community participated in a series of programs including the role of Delaware law in establishing U.S. corporate governance standards. In July 2005, the ICGN annual meeting in London honored Delaware Chief Justice Myron Steele. At that meeting, ICGN provided Delaware with an opportunity to present an incorporations seminar on *The Delaware Way – How and Why It Works for Stockholders and Managers*.

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

### A Customer Service Organization

In 2005, for the fourth consecutive year, the U.S. Chamber of Commerce survey of general corporate counsels and litigators named Delaware as the best legal environment in the United States. Delaware's Courts consistently earn top honors for their fairness and impartiality, an ability to handle complex technical and scientific evidence, reasonable treatment of punitive damages, and speed of decision making on important business cases.

nominations were two members of the Delaware Supreme Court, two members of the Delaware Court of Chancery and one member each from Delaware's federal courts – The 3<sup>rd</sup> Circuit Court of Appeals, the U.S. District Court of Delaware, and U.S. Bankruptcy Court of Delaware.

Another important key to our success are the nearly 90 professionals in the Delaware Division of Corporations who provide world-class customer service to our clients, attorneys, registered agents, and other customers around the world. The typical full-time employee in the Division has more than fourteen years of service and has participated in hundreds of hours of formalized training.

Having the best legal system did not happen by accident, but through years of strategic focus by our Courts, the Delaware State Bar Association, the State's legal services community, and our State's elected leaders.

As noted by Chief Justice Myron Steele, the Chamber of Commerce survey and our long-term success demonstrates that "we are at heart a customer-service organization." Indeed, that statement perfectly describes our strategy and vision for the future: to remain, at heart, 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

January 31, 2006

'Delaware's first place rating 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

Earlier this month, seven Delaware-based judges were named on the *Lawdragon 500 List of Leading Judges in America*. Chosen from among 20,000

Website: [www.delaware.gov](http://www.delaware.gov)

