

## Secretary of State Business Filings Q4 2016 Data Analysis Summary

- New entity filings exhibit unrelenting growth in Q4 2016.
- Employment growth is projected to continue, but at a slower pace in Q1 2017 and Q2 2017.
- Most Colorado economic indicators showing strong growth.
- Dichotomous growth persists between the urban and rural regions of the state.
- The energy sector has reached bottom, and is in early stages of recovery.

### COLORADO INDICATORS

#### Employment (SA)



vs. prior quarter



vs. prior year

#### Existing Entity Renewals



vs. prior quarter



vs. prior year

#### New Entity Filings



vs. prior quarter



vs. prior year

#### Unemployment



vs. prior quarter



vs. prior year

### EMPLOYMENT FORECASTS



Q1 2017 vs. Q4 2016

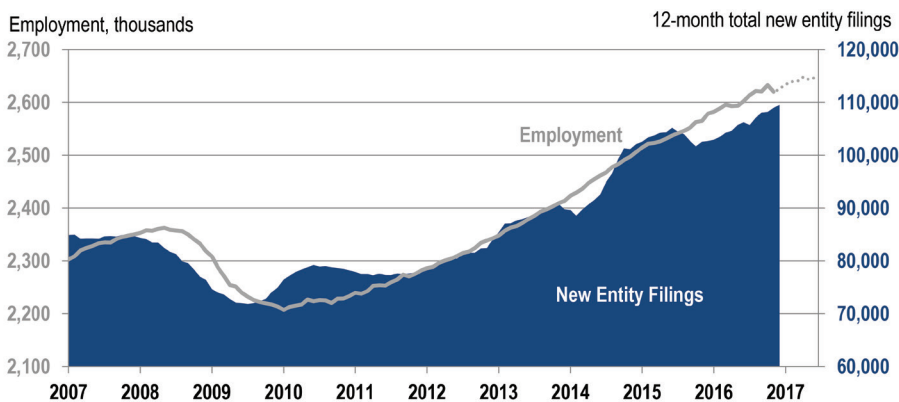


Q1 2017 vs. Q1 2016



Q2 2017 vs. Q1 2017

## Employment and New Entity Filings



**Note:** Solid line displays actual seasonally adjusted employment numbers; dotted line reflects calculated forecasts.

**Source:** Seasonally adjusted. Colorado total nonfarm employees from the Bureau of Labor Statistics, Current Employment Statistics (CES), calculations by BRD research team.

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*The Secretary of State's office works to grow commerce and foster political freedom by building trust, instilling confidence, and offering innovative, value-driven solutions.*

## Secretary of State Business Filings Q4 2016 Data Analysis Summary

Total new entity filings increased by 6.3% year-over-year in Q4 2016, marking four consecutive quarters of increases. Over the 12 months ending in December 2016, a total of 109,526 new business filings were recorded.

Existing entity renewals increased to 487,592 for the four quarters ending Q4 2016. Entities in good standing also increased, by 5.8% year-over-year, to 636,760 in Q4.

Confidence increased among state business leaders ahead of both Q1 2017 and Q2 2017. Q1 expectations increased to the highest level since Q2 2015. The highest optimism was recorded for the state economy, while the national economy recorded the greatest gains.

U.S. real GDP increased at an annualized rate of 0.8% in Q1 2016, 1.4% in Q2, and 3.5% in Q3. A consensus of economists estimates growth of 1.6% for the current year. According to the Bureau of Economic Analysis (BEA), the Q3 increase reflected positive contributions from personal consumption, nonresidential fixed investment, exports, inventories, and federal spending, with drag from residential fixed investment.

A total of 495,000 jobs were added in the United States in Q4 2016 (156,000 in December), while the unemployment rate was 4.7% in December—a level not observed since 2007. Total wages grew by \$109.4 billion in Q3 2016, a 1.3% increase from Q2 2015 according to the BEA. Initial jobless claims fell to 254,000 in December, and continuing claims averaged 2 million nationwide.

Consumers continue to benefit from low gasoline prices; however, they are on the rise. Prices were up 5.6% nationally year-over-year in early January 2017. In Colorado, gasoline prices remained below national prices, but were also up, 3.2% in early January. In November 2016, seasonally adjusted retail and food services sales increased 3.2% year-over-year nationally. According to the Consumer Price Index, national prices increased by 1.7% year-over-year in November 2016, while core

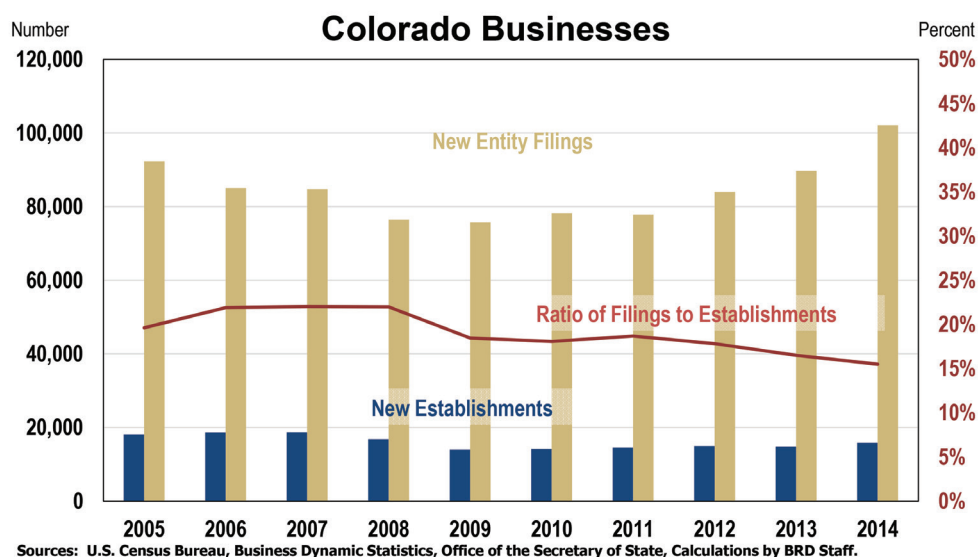
inflation (all items less food and energy) rose 2.1% and shelter rose 3.6%. In Colorado, prices increased 3% in the first half of 2016, while core inflation and shelter increased 4.5% and 7.6%, respectively, according to the Denver-Boulder-Greeley index.

Colorado's economy grew 0.9% year-over-year in Q2 2016. In November 2016, Colorado added approximately 55,300 jobs year-over-year. According to the Bureau of Labor Statistics, in Q2 year-over-year total wages and wages per employee increased 4% and 1.4%, respectively, in Colorado. Over the past 12 months, national residential construction rose 1.1% year-over-year through November based on Census building permit data. Over the same 12 months, residential construction in Colorado through November 2016 posted 28% growth year-over-year. Home prices in Colorado grew at the third-fastest pace nationally (9.7%) according to the Q3 Federal Housing Finance Agency All Transactions Index.

The Quarterly Census of Employment and Wages employment data through Q2 2016 (12-month averages) from the Colorado Department of Labor and Employment show

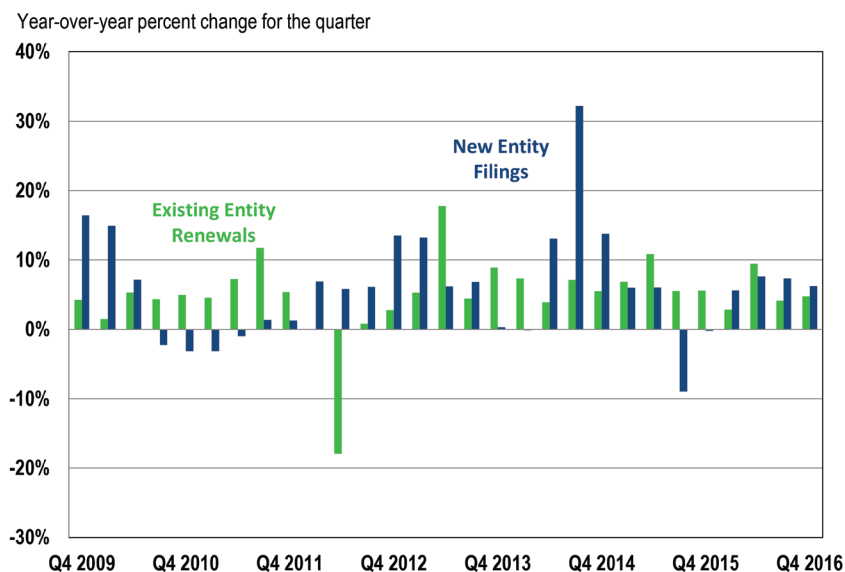
that a majority of rural counties in Colorado remain below peak employment levels, while a majority of counties in Colorado's metropolitan statistical areas have reached peak employment levels. However, a majority of both rural and urban counties exhibited year-over-year employment growth in June 2016 (1.8% and 2.3%, respectively).

According to data from the Energy Information Administration, the WTI spot oil price declined year-over-year for 25 consecutive months beginning in July 2014; prices increased year-over-year in five of the last six months, including data for the first week of January 2017. The Henry Hub natural gas spot price increased for five of the last six months. Following the energy price decline in 2014, rotary rig counts peaked at 1,931 nationally, according to Baker Hughes. The rig count dropped to 404 in May 2016 and increased 63%, to 659, in January 2017. Likewise, the Colorado rig count peaked in September/October 2014, at 76. The rig count dropped to 16 in May 2016, but rebounded to 29 in January 2017. Employment and production will lag price and rig growth.



## Business Filings Overview

### Existing Entity Renewals and New Entity Filings



#### Business formation exhibits steady growth in Q4 2016.

In the fourth quarter of 2016, a total of 24,763 new business filings were recorded in Colorado, notching a 6.3% increase over the same period in 2015. For the four quarters ending in Q4 2016, 109,526 new business filings were recorded in the state, exhibiting both annual growth (6.7%) and quarterly growth (1.3%).

Renewals of existing entities were 119,240 in Q4 2016, nearly even with the 119,384 the prior quarter (-0.1%) and up from 113,849 in Q4 2015 (4.7%). In Q4, dissolution filings increased year-over-year by 10%.

Trademark and trade name filings both increased year-over-year—12.3% and 0.8%, respectively. As well, businesses in good standing continued to increase, recording 5.8% growth year-over-year, to 636,760, in Q4 2016.

	Q4 2016	Q3 2016	Q4 2015	Percent Change over Prior Year		5-Year CAGR <sup>a</sup>	
<b>New Entity Filings</b>							
Domestic Limited Liability Company	18,549	20,678	17,359	6.9%	▲	7.4%	▲
Domestic Nonprofit Corporation	743	877	764	-2.7%	▼	1.8%	▲
Domestic Corporation	2,695	2,580	2,547	5.8%	▲	4.0%	▲
Other Entity Types	2,776	2,873	2,636	5.3%	▲	5.3%	▲
Total New Entity Filings	24,763	27,008	23,306	6.3%	▲	6.6%	▲
Total New Entity Filings - 12 mo. trailing	109,526	108,069	102,670	6.7%	▲	7.1%	▲
<b>Existing Entity Renewals</b>							
Domestic Limited Liability Company	70,828	69,314	66,151	7.1%	▲	8.3%	▲
Domestic Nonprofit Corporation	10,035	10,542	9,923	1.1%	▲	1.9%	▲
Domestic Corporation	25,782	24,923	25,688	0.4%	▲	0.2%	▲
Other Entity Types	12,595	14,605	12,087	4.2%	▲	6.6%	▲
Total Existing Entity Renewals	119,240	119,384	113,849	4.7%	▲	5.5%	▲
Total Existing Entity Renewals - 12 mo. trailing	487,592	482,201	463,640	5.2%	▲	4.6%	▲
<b>Other Business Filings</b>							
Dissolution Filings	7,449	5,673	6,770	10.0%	▲	7.9%	▲
Dissolution Filings - 12 mo. trailing	26,024	25,345	24,318	7.0%	▲	5.4%	▲
Trademarks	834	858	827	0.8%	▲	8.5%	▲
Trademarks - 12 mo. trailing	3,608	3,601	3,214	12.3%	▲	9.3%	▲
Trade Names	9,598	10,613	9,516	0.9%	▲	-0.6%	▼
Trade Names - 12 mo. trailing	43,988	43,906	43,634	0.8%	▲	-0.7%	▼
<b>Entities in Good Standing</b>							
Corporation	124,500	122,480	124,575	-0.1%	▼	-0.3%	▼
Foreign	66,343	64,672	62,218	6.6%	▲	7.5%	▲
Limited Liability Company	386,359	373,757	356,960	8.2%	▲	8.5%	▲
Nonprofit Corporation	48,233	47,447	47,190	2.2%	▲	2.1%	▲
Other Entity Types	11,325	11,121	10,645	6.4%	▲	1.7%	▲
Total Entities in Good Standing	636,760	619,477	601,588	5.8%	▲	5.7%	▲

<sup>a</sup> Compound Annual Growth Rate.

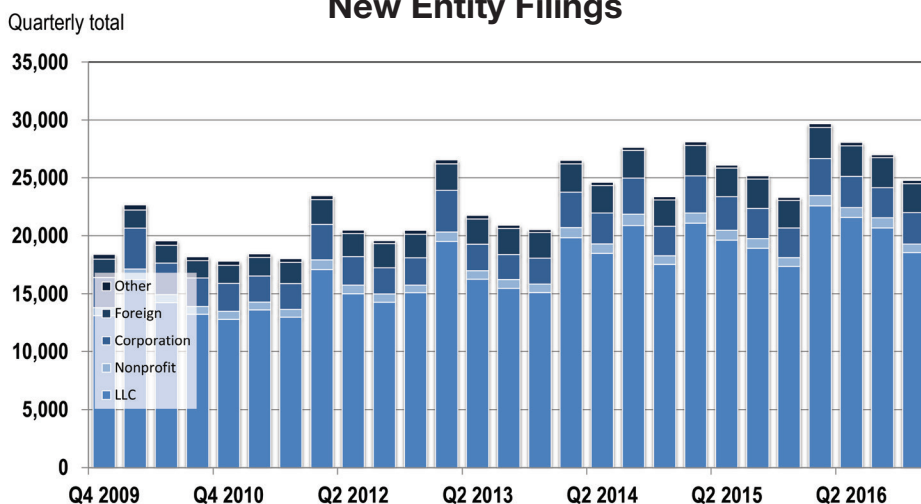
## New Entity Filings & Existing Entity Renewals

**Business filings in Q4 2016 increased compared to Q4 2015.** New entity filings increased by 6.3% year-over-year, but were down 8.3% from Q3 2016, reflecting the seasonality of business filings. Alternatively, the four quarter rolling sum of filings—which removes seasonality—recorded a 6.7% increase in Q4 2016 compared to Q4 2015 and 1.3% above Q3 2016. Filings for LLCs grew more than any other category, 6.9% year-over-year, while domestic corporations advanced 5.8% year-over-year. Nonprofit filings fell by 2.7%.

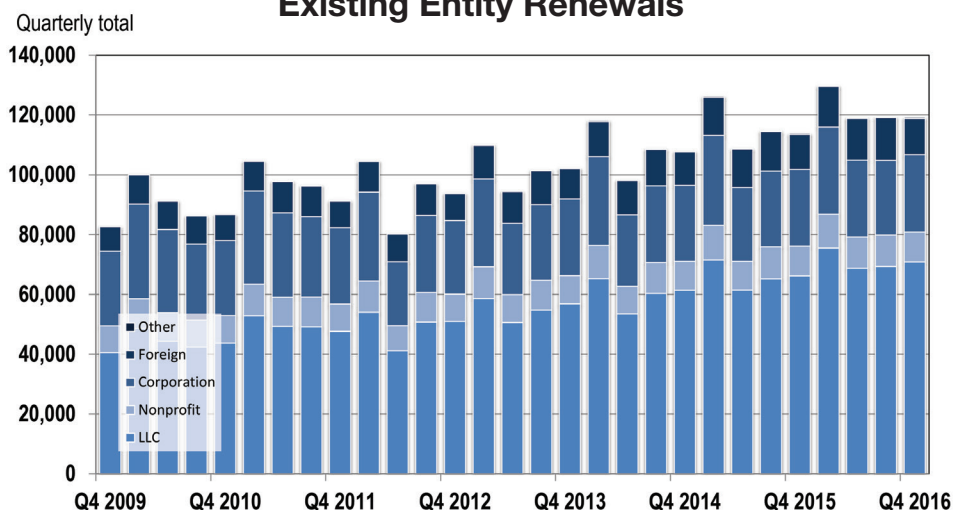
**Strong growth in renewals a positive barometer for the economy.** Renewals totaled 119,240 in Q4 2016, nearly unchanged (-0.1%) compared to the prior quarter in a seasonal pattern. Year-over-year growth continued to show strength, increasing 4.7%. The four quarter rolling total in Q4 2016 rose 5.2% year-over-year. All types of filings increased, led by domestic limited liability companies.

**Businesses in good standing continued to increase in 2016.** From Q4 2015 to Q4 2016, the number of entities in good standing in the state increased by 5.8%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 5.7%. Limited liability companies drove year-over-year growth (8.2%), followed by foreign entities in good standing (6.6%).

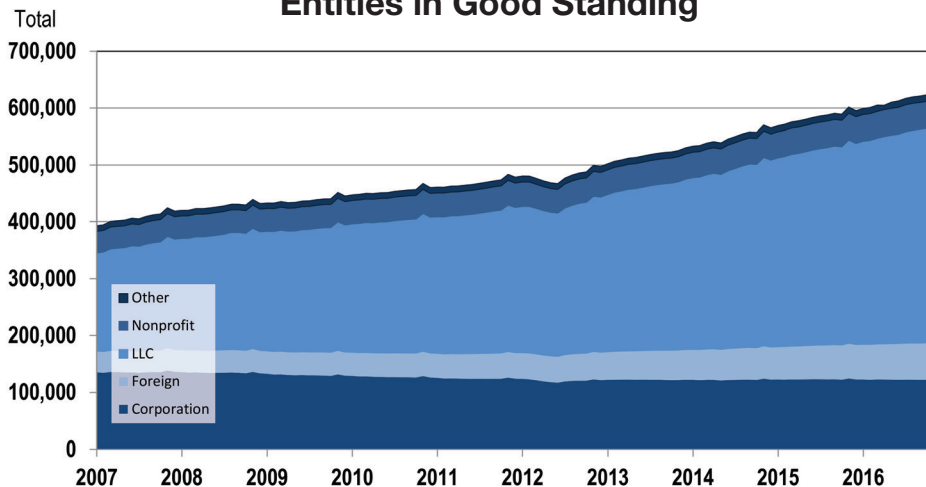
### New Entity Filings



### Existing Entity Renewals



### Entities in Good Standing



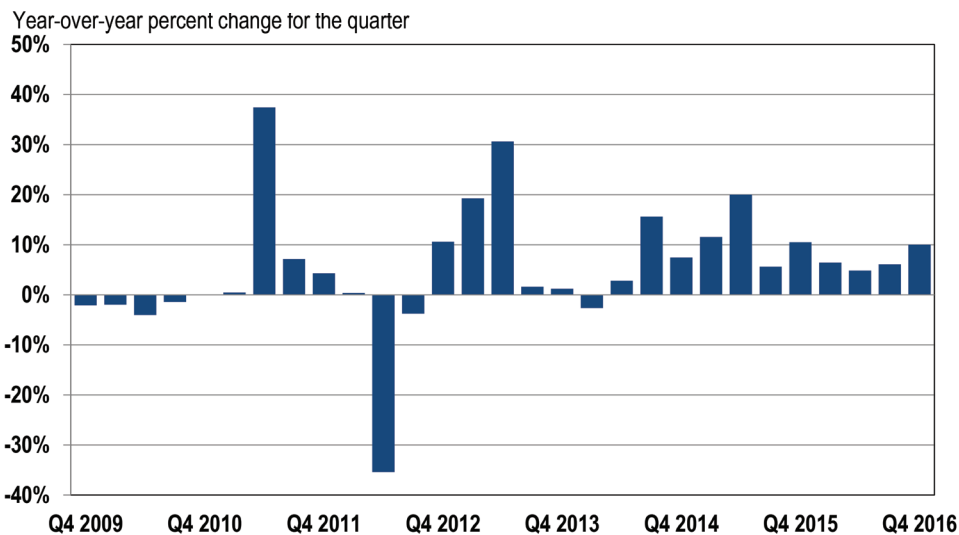
## Dissolutions, Trade Names, & Trademarks

**Dissolution filings have experienced year-over-year increases for 11 consecutive quarters.** Filings accelerated at a faster pace in Q4 2016 year-over-year compared to Q2 and Q3. Dissolution filings increased 10% in Q4 2016, representing a total of 7,449 businesses dissolving. Compared to the prior quarter, dissolution filings increased 31.3%. The 12-month rolling sum increased by 7% year-over-year and 2.7% quarter-over-quarter. Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

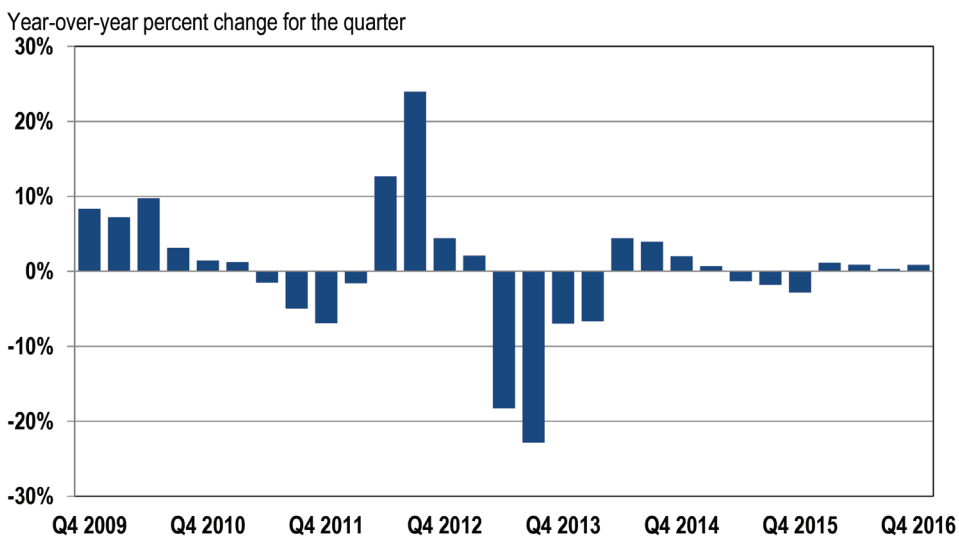
**Trade name filings grew modestly.** In Q4 2016, 9,598 trade names were filed, an increase of 0.9% year-over-year but a 9.6% decline quarter-over-quarter. Mitigating seasonality, the 12-month trailing total of trade name filings—43,988—was up modestly (0.8%) year-over-year and was nearly equal to the prior quarter total of 43,906. Entities must file a statement of trade name when operating under any name other than their true name.

**The total number of trademark filings expands.** Trademark filings declined from 858 in Q3 2016 to 834 in Q4 2016, but year-over-year growth was up 0.8%. The four quarter rolling total of trademark filings increased in Q4 2016 by 12.3% over the prior year and by 0.2% from Q3. Trademarks protect the symbols and words used in commerce.

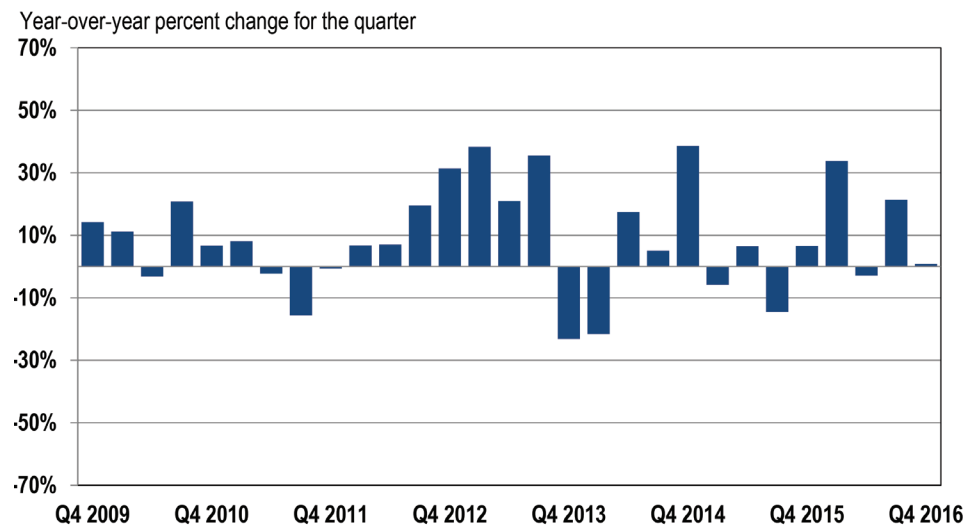
### Dissolution Filings



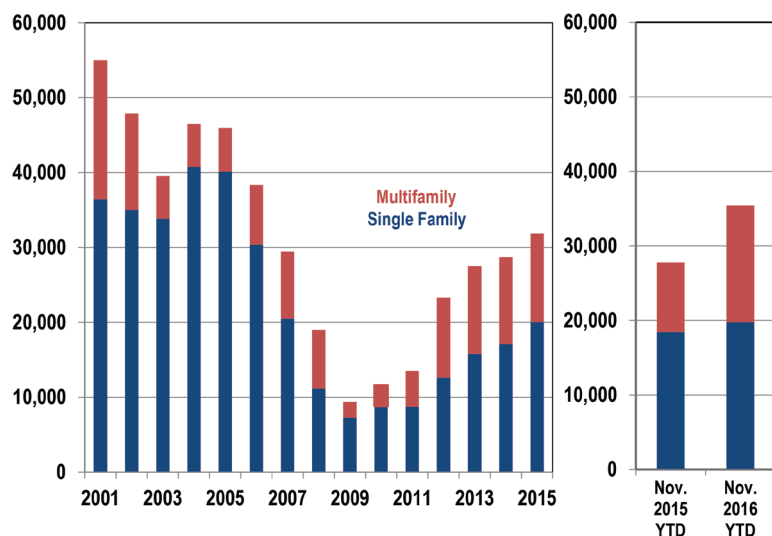
### Trade Name Filings



### Trademark Filings



## Colorado Residential Building Permits



Sources: U.S. Census Bureau.

adjusted annual rate and increased 0.1% year-over-year. Total business bankruptcy filings decreased by 12.4%, from 105 in Q2 to 92 in Q3. The number of foreclosure filings are down 17.9% from the previous quarter and 18% year-over-year. The Federal Housing Finance Agency (FHFA) seasonally adjusted Purchase-Only Home Price Index was up 2% from Q2 2016 to Q3 2016. Housing prices also grew 10% year-over-year.

## Colorado Economic Indicators

**The Colorado real estate market is far outpacing national growth, and the number of issued building permits reflects the expansion.** Although building permits have yet to surpass pre-recession highs, the number of units available continues to grow as the focus has shifted to multifamily building. The proportion of multifamily permits as a percentage of total permits has nearly tripled from 13% in 2005 to 37% in 2015. November 2016 year-to-date data show that 44% of new permits issued in 2016 were for multifamily building. As Colorado's population continues to grow, so will the necessity for affordable housing options as contractors begin to build up instead of out.

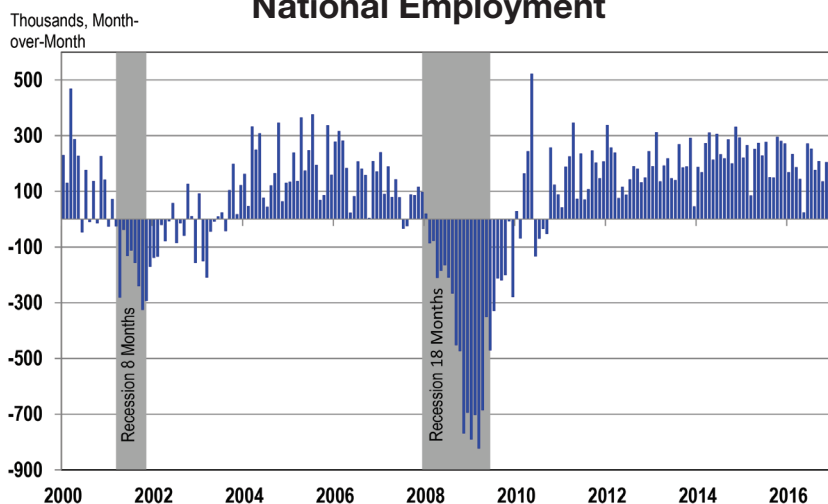
Employment in Colorado increased year-over-year by 2.2% in November 2016, which is below the five-year CAGR of 2.9%. The unemployment rate dropped to 3.2% in November. State GDP in Q2 2016 grew 1.1% over the previous period at a seasonally

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth &amp; Income</b>								
Personal Income (millions of dollars)	289,504	285,917	1.3%	▲	3.5%	▲	5.4%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	181,858	184,085	-1.2%	▼	-1.3%	▼	4.8%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	90,865	90,542	0.4%	▲	3.4%	▲	6.6%	▲
Sales Expectations (LBCI)	61.2	59.8	2.3%	▲	2.9%	▲	1.1%	▲
Profit Expectations (LBCI)	60.5	59.4	1.9%	▲	6.6%	▲	2.1%	▲
<b>Business Outlays</b>								
Annual Wages Per Employee (\$)	54,134	54,007	0.2%	▲	1.4%	▲	2.1%	▲
Hiring Expectations (LBCI)	58.2	59.5	-2.2%	▼	4.7%	▲	2.1%	▲
Capital Expenditures Expectations (LBCI)	58.8	59.1	-0.5%	▼	8.8%	▲	2.3%	▲
Retail Gasoline Price (dollars per gallon)	2.34	2.26	3.4%	▲	20.2%	▲	-5.5%	▼
<b>Economic Overview</b>								
Real Quarterly GDP (millions of chained 2009 dollars)	289,379	288,559	1.1%	▲	0.1%	▲	2.6%	▲
Employment (in thousands)	2,620.2	2,621.7	-0.1%	▼	2.2%	▲	2.9%	▲
Unemployment Rate <sup>b</sup>	3.2%	3.8%	-0.6%	▼	-0.3%	▼	-5.0%	▼
Initial Jobless Claims	2,853	1,954	46.0%	▲	14.3%	▲	-7.3%	▼
Continuing Jobless Claims	27,433	22,989	19.3%	▲	-4.9%	▼	-11.3%	▼
Building Permits, Number of Units, 12 mo. trailing	38,724	33,750	14.7%	▲	30.6%	▲	22.9%	▲
Valuation (millions of dollars), 12 mo. trailing	10,611	9,998	6.1%	▲	53.4%	▲	27.9%	▲
Foreclosures Filings, Number of Units	1,872	2,279	-17.9%	▼	-18.0%	▼	-23.9%	▼
Number of Sales	883	861	2.6%	▲	-16.9%	▼	-30.2%	▼
FHFA Purchase-Only Home Price Index	402	394	2.0%	▲	10.0%	▲	9.1%	▲
Private Firms	187,744	186,824	0.5%	▲	3.2%	▲	2.5%	▲
Rotary Rig Count	29	19	52.6%	▲	31.8%	▲	-17.7%	▼
Total Business Bankruptcy Filings	92	105	-12.4%	▼	-25.2%	▼	-21.0%	▼
Chapter 7	72	80	-10.0%	▼	-30.1%	▼	-22.0%	▼
Chapter 11	16	14	14.3%	▲	6.7%	▲	-14.0%	▼
Chapter 13	4	11	-63.6%	▼	0.0%	▷	-23.2%	▼
State Economy Expectations (LBCI)	64.9	62.8	3.3%	▲	13.2%	▲	2.1%	▲

Sources in order as metrics appear and dates in parentheses indicate most recent data at time of publication: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q3 16); Colorado Department of Revenue (NSA) (02/16); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 16); Colorado Department of Labor and Employment, QCEW (NSA) (Q2 16); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (01/02/17); Bureau of Economic Analysis, (SAAR) (Q2 16); Bureau of Labor Statistics, CES (SA) (11/16); Bureau of Labor Statistics, LAUS (SA) (11/16); U.S. Department of Labor, Employment and Training Administration (NSA) (12/24/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/16); Colorado Division of Housing, Foreclosure Report (Q3 16); FHFA Purchase-Only Home Price Index (SA) (Q3 16); Bureau of Labor Statistics, QCEW (Q2 2016); Baker-Hughes (01/17); Administrative Office of the U.S. Courts (Q3 16); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 16).

<sup>a</sup>Compound Annual Growth Rate. <sup>b</sup>Percentage point change.

### National Employment



Source: Bureau of Labor Statistics (Seasonally Adjusted).

### National Economic Indicators

National employment continued growth in 2016, although at a slower rate than the post-recession recovery average. There are three reasons for the plateauing growth. The first is a low labor force participation rate as fewer prime-age workers are actively seeking employment. Second, the U.S. economy is nearing full employment, and jobless claims are at a 10-year low; fewer workers are leaving the workforce. Finally, gradual increases in interest rates by the Fed will slow the economy and temper hiring growth. December 2016 year-over-year employment growth slowed to 1.5% compared to 2% in December 2015. The December 2016 growth rate is also below the five-year CAGR of 1.8%.

GDP grew at a 3.5% annualized rate in the fourth quarter of 2016 and 1.3% year-over-year. The unemployment rate declined moderately, decreasing 0.2% in December 2016. Personal income and average annual pay grew year-over-year, at 3.5% and 2.4%, respectively. Wages increased 0.5% in Q3 2016 and recorded positive year-over-year growth of 2.4%. The housing market continues to exhibit strength, with housing prices, permits, and sales still on the rise year-over-year.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth &amp; Income</b>								
Personal Income (billions of dollars)	16,102	15,929	1.1%	▲	3.5%	▲	3.8%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,480.8	5,431.0	0.9%	▲	3.2%	▲	3.7%	▲
S&P 500	2,277.0	2,159.7	5.4%	▲	14.4%	▲	12.2%	▲
Annual Wages Per Employee	53,249	52,988	0.5%	▲	2.4%	▲	2.8%	▲
<b>Business Outlays</b>								
Consumer Price Index	242.3	240.3	0.9%	▲	1.7%	▲	1.3%	▲
Core Inflation (All Items Less Food & Energy)	249.4	248.3	0.4%	▲	2.1%	▲	1.9%	▲
Shelter	292.3	289.4	1.0%	▲	3.6%	▲	2.9%	▲
Retail Gasoline Price (dollars per gallon)	2.49	2.35	5.6%	▲	16.4%	▲	-5.8%	▼
<b>Economic Overview</b>								
Real Quarterly GDP (billions of chained 2009 dollars)	16,727	16,583	3.5%	▲	1.3%	▲	2.2%	▲
Employment (in thousands)	145,303	144,808	0.3%	▲	1.5%	▲	1.8%	▲
Unemployment Rate <sup>b</sup>	4.7%	4.9%	-0.2%	▼	-0.3%	▼	-3.8%	▼
Initial Jobless Claims	254,000	260,000	-2.3%	▼	-7.6%	▼	-7.1%	▼
Continuing Jobless Claims	2,039,000	2,108,000	-3.3%	▼	-7.1%	▼	-10.5%	▼
Building Permits, Number of Units, 12 mo. trailing	1,195,471	1,178,358	1.5%	▲	2.5%	▲	14.5%	▲
Valuation (millions of dollars), 12 mo. trailing	232,374	227,683	2.1%	▲	6.5%	▲	17.5%	▲
FHFA Home Price Index	234.7	231.2	1.5%	▲	6.1%	▲	5.6%	▲
Rotary Rig Count	665	524	26.9%	▲	0.2%	▲	-19.8%	▼
Total Business Bankruptcy Filings	5,597	6,537	-14.4%	▼	-11.7%	▼	-13.7%	▼
Chapter 7	3,639	3,760	-3.2%	▼	-8.4%	▼	-15.4%	▼
Chapter 11	1,272	1,996	-36.3%	▼	-26.2%	▼	-10.7%	▼
Chapter 13	560	591	-5.2%	▼	6.7%	▲	-9.1%	▼
National Economy Expectations (LBCI)	60.3	53.0	13.7%	▲	8.9%	▲	2.1%	▲

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<sup>a</sup>Compound Annual Growth Rate. <sup>b</sup>Percentage point change.

The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics. The Business Research Division (BRD) conducts marketing and economic impact studies and customized research projects that assist companies, associations, nonprofits, and governmental agencies with making sound business and policy decisions. Visit [colorado.edu/business/brd](http://colorado.edu/business/brd) to learn more.



## Overview of Business Types

Businesses are established under several different entity types. The most commonly formed is a *domestic limited liability company* (DLLC), blending structures from both corporations and partnerships/sole proprietorships. DLLCs provide owners with protection from personal liability and also offer benefits from the effects of pass-through income taxation. As an example, Indigo Partners is the parent company of Frontier Airlines, a low-cost carrier headquartered in Denver.

*Domestic corporations* (DCs) are the second-most popular business filing received by the Secretary of State. DCs provide owners with limited liability, similar to DLLCs, and business must be conducted in the state in which it was formed. Coors Brewing Company is a well-known DC in Colorado.

A third entity type is a *domestic nonprofit corporation* (DNC). DNCs differ from DLLCs and DCs in that they are formed not for profit

and pursue an agenda of social responsibility. Building a Better Colorado operates as a DNC with the goal of facilitating conversation between Colorado voters to improve the state government.

*Public benefit corporations* create a framework for companies that seek to solve social and environmental problems while benefiting their shareholders. Group14 Engineering, which provides sustainable energy and environmental solutions for buildings, is example of this type of corporation in Colorado.

*Foreign entities*, or business entities registered in a different state, are authorized to transact business or conduct activities in the state of Colorado. According to the Colorado Secretary of State, all foreign entity types are functionally equivalent to their domestic counterparts. Simple Energy Inc. is an example of a foreign entity in Colorado.



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