

Secretary of State Business Filings Q2 2015 Data Analysis Summary

- New business filings and employment inched to new heights in Q2 2015.
- Employment projected to continue expanding in Q3 2015 and Q4 2015 overall, up about 2.6% year-over-year.
- Current Colorado economic indicators continue to show strong growth.
- Year-over-year new business filings, existing entity renewals, and trademarks all increased for the quarter.

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



Q3 2015 vs. Q2 2015

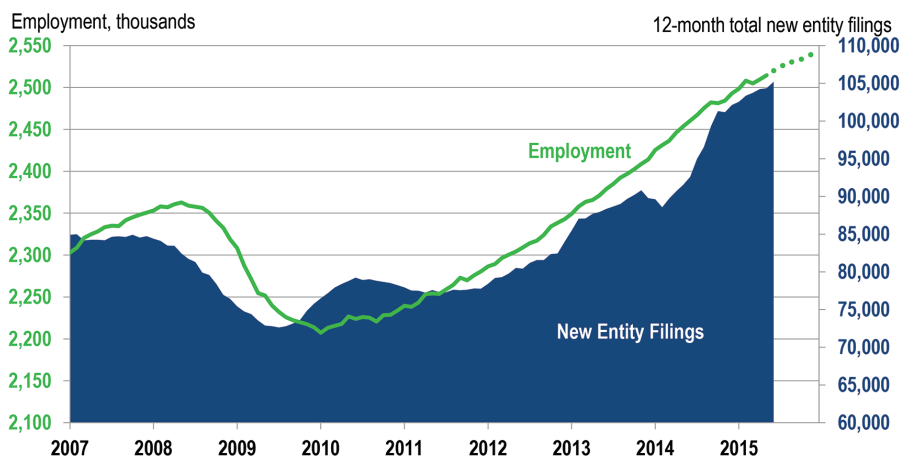


Q3 2015 vs. Q3 2014



Q4 2015 vs. Q4 2014

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.

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Business formation uninterrupted.

The state recorded year-over-year growth in new entity filings, existing entity renewals, trademarks, and entities in good standing in the second quarter of 2015. A total of 105,202 businesses were formed in the 12-month period ending in June. Quarterly existing entity renewals dropped for the quarter, to 108,842. The number of entities in good standing ticked up 7.2% compared to a year prior.

Job growth rooted in new entity filing activity. Business formation in the second quarter indicates the state will experience uninterrupted employment expansions in Q3 and Q4 2015.

Colorado business leaders hesitate.

Confidence among state business leaders paused ahead of Q3, with expectations slipping 3.4 points although the overall index remained positive. The national economy and industry sales expectations took the biggest steps back.

Economic activity stable. Real GDP declined 0.2% in Q1 2015 after expanding by 2.2% in Q4 2014 (the Q2 advance estimate will be released July 30). According to the Q2 release, the decline was driven by slower growth in personal consumption expenditures (2.1%); decreases were recorded in exports (5.9%), nonresidential fixed investment (2%), and government consumption (0.6%).

A total of 664,000 jobs were added in the United States in Q2 (223,000 in June), and unemployment dropped to its lowest in 2015, at 5.3%. Total wages grew by \$343.5 million in 2014, a 5.1% increase from 2013 according to the Bureau of Labor Statistics. Jobless claims averaged 2.3 million in June 2015 nationwide.

Consumers are still benefiting from low gasoline prices after the price of oil dropped in 2014, though the price of gasoline is up 17.1% from Q1 2015. In Q2 2015, seasonally adjusted retail and food services sales increased 3.2% year-over-year and

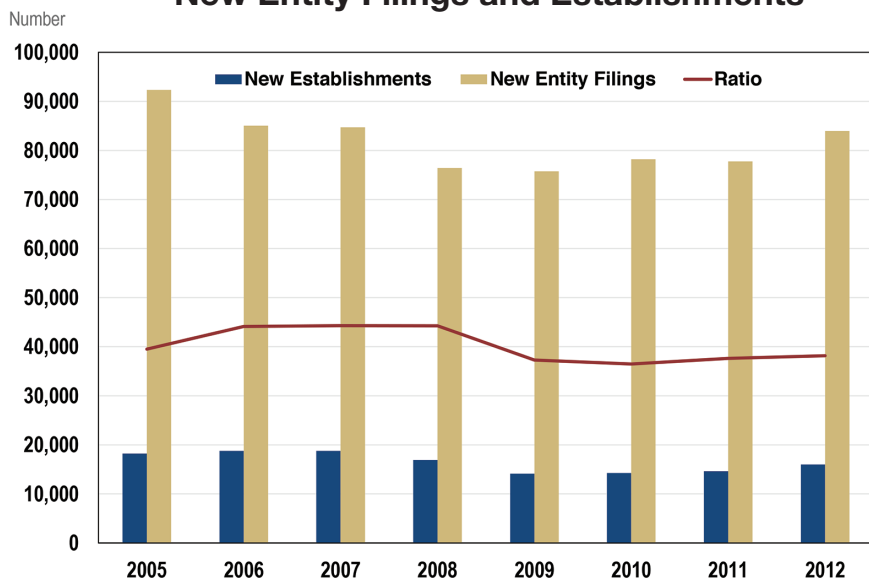
0.4% from the first quarter. Core inflation (all items less food and energy) rose 0.6% in Q2, while the energy index increased significantly, 4.8%, from Q1 to Q2 2015.

Colorado's economy continued its strong growth in Q2 2015. As of June 2015, Colorado added 65,400 jobs year-over-year, with 20,700 of those jobs being added in Q2 2015 alone. According to the Bureau of Labor Statistics, total wages in the state increased by 7.3% in 2014, with 9.3% growth in quarterly wages from Q3 to Q4 2014.

National residential construction grew 9.2% year-over-year based on Census building permit data through May 2015. Residential construction in Colorado picked up slightly through May 2015, posting 6.8% growth year-over-year. Home prices in Colorado have risen, with Denver area housing prices outpacing every other metropolitan area according to the April 2015 S&P Case-Shiller 20-City Home Price Index (most recent data available).

The ratio of new establishments to new entity filings has remained stable from 2005 to 2012, ranging from 18.2% to 22.2%. New entity filings may or may not become establishments, which are single physical locations where business is conducted or where services or industrial operations are performed.

New Entity Filings and Establishments



Sources: U.S. Census Bureau, Business Dynamic Statistics, Office of the Secretary of State, Calculations by BRD Staff.

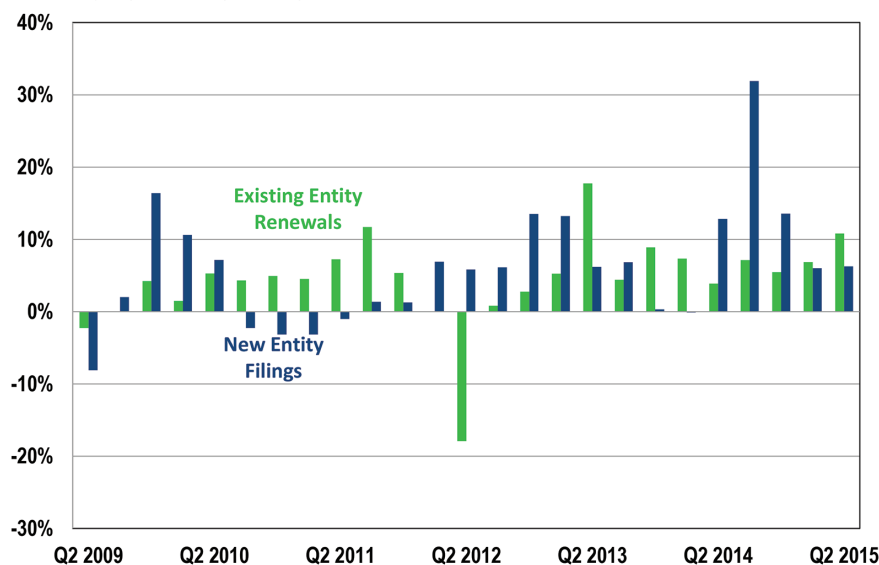
The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics. The Business Research Division (BRD) of the Leeds School of Business conducts marketing and economic impact studies and customized research projects that assist companies, associations, nonprofits, and governmental agencies with making sound business and policy decisions.

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Business Filings Overview

Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



Business formation stable headed into Q3.

The state saw a total of 26,085 businesses formed in the second quarter this year. This compares to 28,115 last quarter and 24,602 last year. Since June 2014, a total of 105,202 businesses have been created (13.6% year-over-year).

Existing entity renewals totaled 108,842 in Q2 2015, down from last quarter's 126,274 but up 10.8% since Q2 2014. Dissolution filings dropped to 5,729 after reaching 6,473 in Q1 2015. This compares to 4,773 dissolved businesses in Q2 last year.

Trademark filings rose 6.5%, while trade names fell slightly (1.3%). The total number of businesses in good standing was 577,452 (7.2% year-over-year).

	Q2 2015	Q1 2015	Q2 2014	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	19,619	21,078	18,478	6.2%	▲	6.6%	▲
Domestic Nonprofit Corporation	848	887	820	3.4%	▲	4.1%	▲
Domestic Corporation	2,902	3,190	2,659	9.1%	▲	1.3%	▲
Other Entity Types	2,716	2,960	2,645	2.7%	▲	7.3%	▲
Total New Entity Filings	26,085	28,115	24,602	6.0%	▲	5.9%	▲
Total New Entity Filings - 12 mo. trailing	105,202	103,719	92,570	13.6%	▲	5.8%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	61,424	71,502	53,508	14.8%	▲	6.7%	▲
Domestic Nonprofit Corporation	9,627	11,598	9,230	4.3%	▲	0.3%	▲
Domestic Corporation	24,696	30,037	23,843	3.6%	▲	-2.3%	▼
Other Entity Types	13,095	13,137	11,647	12.4%	▲	6.4%	▲
Total Existing Entity Renewals	108,842	126,274	98,228	10.8%	▲	3.6%	▲
Total Existing Entity Renewals - 12 mo. trailing	451,671	441,057	420,127	7.5%	▲	4.8%	▲
Other Business Filings							
Dissolution Filings	5,729	6,473	4,773	20.0%	▲	7.4%	▲
Dissolution Filings - 12 mo. trailing	23,388	22,432	20,652	13.2%	▲	5.3%	▲
Trademarks	904	776	849	6.5%	▲	9.6%	▲
Trademarks - 12 mo. trailing	3,283	3,228	3,020	8.7%	▲	8.0%	▲
Trade Names	11,259	12,277	11,413	-1.3%	▼	-1.4%	▼
Trade Names - 12 mo. trailing	44,104	44,258	43,574	1.2%	▲	-1.0%	▼
Entities in Good Standing							
Corporation	122,871	122,527	121,030	1.5%	▲	-0.7%	▼
Foreign	59,035	58,437	54,953	7.4%	▲	6.8%	▲
Limited Liability Company	338,487	333,808	307,424	10.1%	▲	8.1%	▲
Nonprofit Corporation	46,320	46,143	44,778	3.4%	▲	2.3%	▲
Other Entity Types	10,739	10,471	10,386	3.4%	▲	1.7%	▲
Total Entities in Good Standing	577,452	571,386	538,571	7.2%	▲	5.1%	▲

^aCompound Annual Growth Rate.

Note: As of Q4 2013, data presented represent the effective date rather than the received date for filings.

New Entity Filings & Existing Entity Renewals

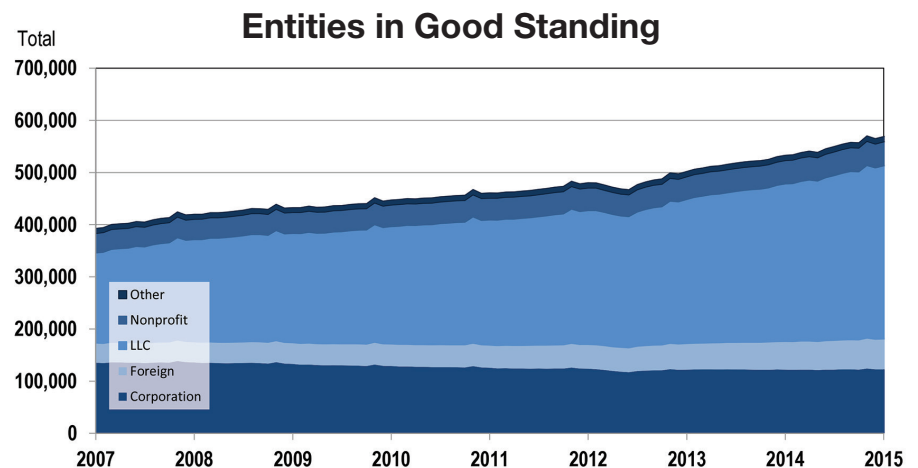
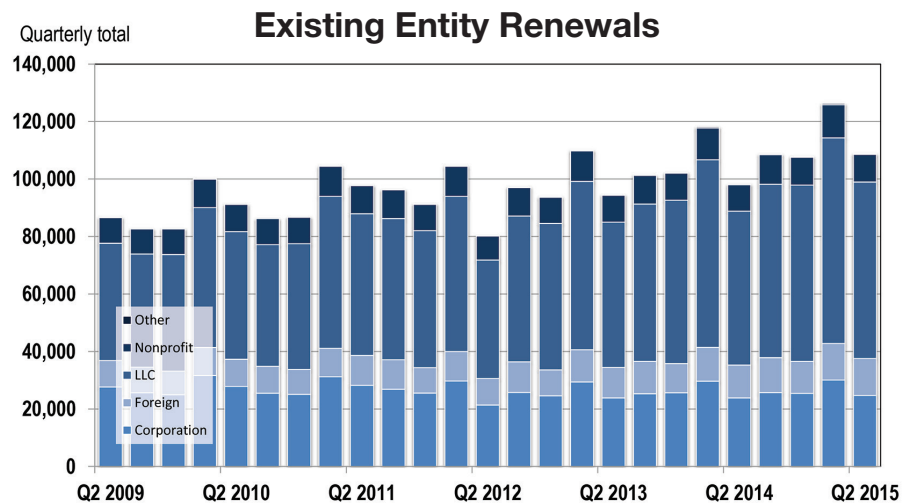
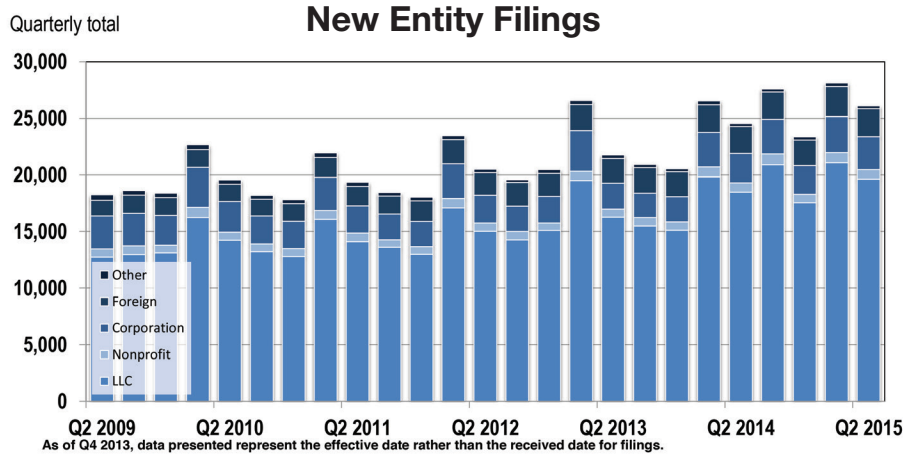
Business filings continued year-over-year growth. Quarterly filings increased 6% year-over-year, but were down compared to the previous quarter. Accounting for the seasonal fluctuations new business filings exhibit, a 12-month trailing total of new entity filings rose 13.6% year-over-year in Q2 2015 and 1.4% since Q1. Filings for domestic corporations increased 9.1% year-over-year in Q2, and nonprofit corporations, 3.4%.

Renewals settle after strong Q1.

After totaling over 126,274 in Q1 2015, business renewals settled at 108,842 in Q2—a number close to the Q3 and Q4 2014 levels. Growth in the number of nonprofit entity renewals outpaced that for domestic corporations in the second quarter in Colorado (4.3% compared to 3.6%, respectively).

Well over half a million businesses are in good standing in Colorado.

Since Q2 2014, the number of entities in good standing in the state has increased by 7.2% in Q2 2015, compounding at an annual rate of 5.1% in the five-year period since 2010. Limited liability companies drove year-over-year growth (10.1%), while foreign entities in good standing followed with year-over-year growth of 7.4%.



Dissolutions, Trade Names, & Trademarks

A total of 5,729 businesses dissolved in Q2 2015.

Dissolution filings dropped from last quarter (11.5%), but increased 20% annually. A 12-month trailing sum of dissolution filings increased 13.2% year-over-year with a five-year compound annual growth rate of 5.3%. Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

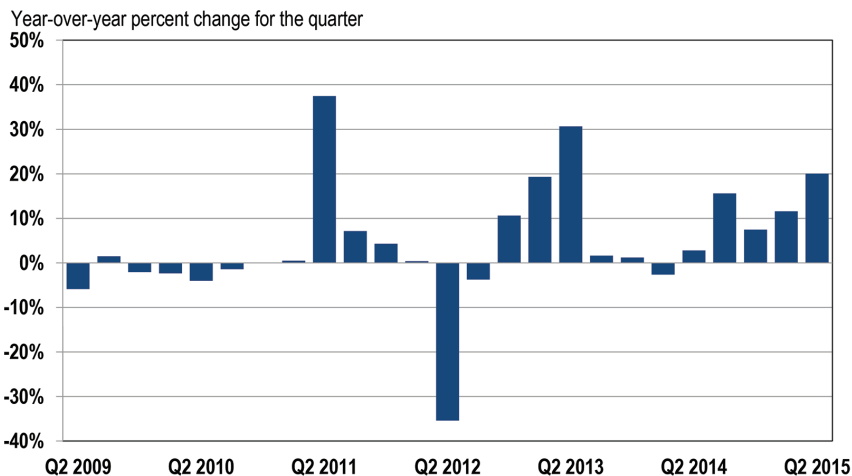
Trade name filings continue sluggish trend while remaining positive.

A total of 11,259 trade names were filed in Q2 2015 compared to 12,277 last quarter and 11,413 a year ago. A 12-month trailing sum of trade name filings reached 44,104, reflecting a 1.2% growth over the prior year. Entities must file a statement of trade name when operating under any name other than their true name.

Number of trademark filings edge closer to 1,000.

The number of trademark filings in Colorado totaled 904 this quarter compared to 776 in Q1 2015 and 849 last year. While trademark filings were up 6.5% over the prior year, a 12-month trailing total increased 8.7% year-over-year, totaling 3,283. The five-year compound annual growth rate was 8% for the second quarter. Trademarks protect the symbols and words used in commerce.

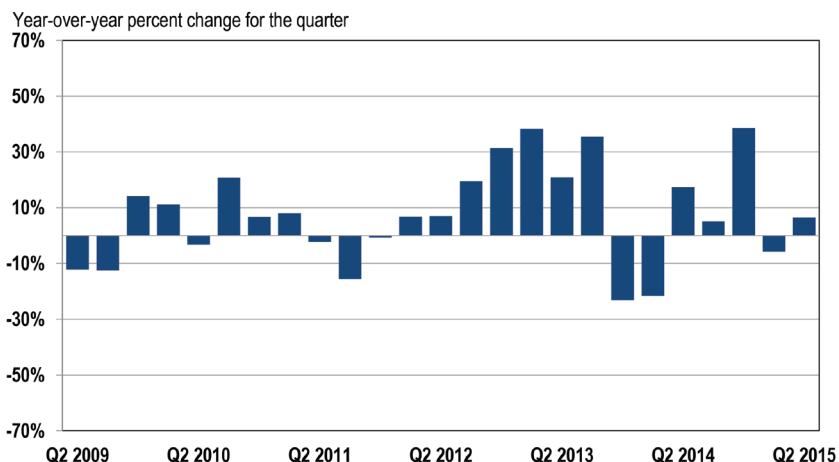
Dissolution Filings



Trade Name Filings

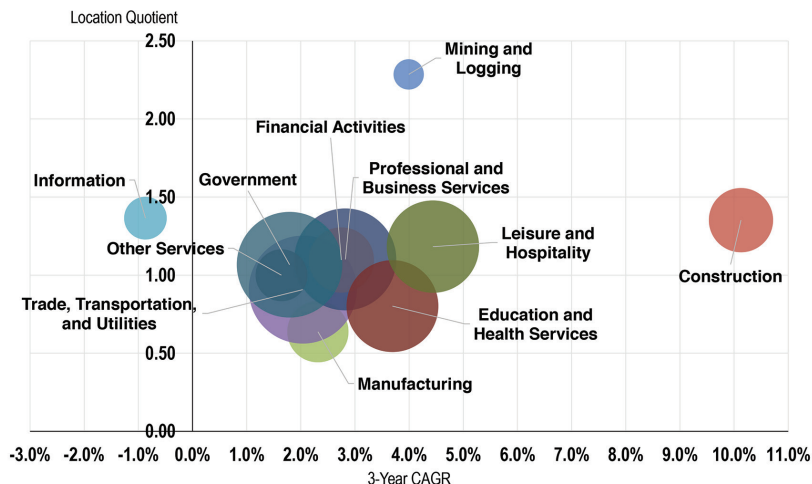


Trademark Filings



Colorado Economic Indicators

Colorado Sector Highlights



Source: Bureau of Labor Statistics. Note: Size of the bubble indicates size of employment.

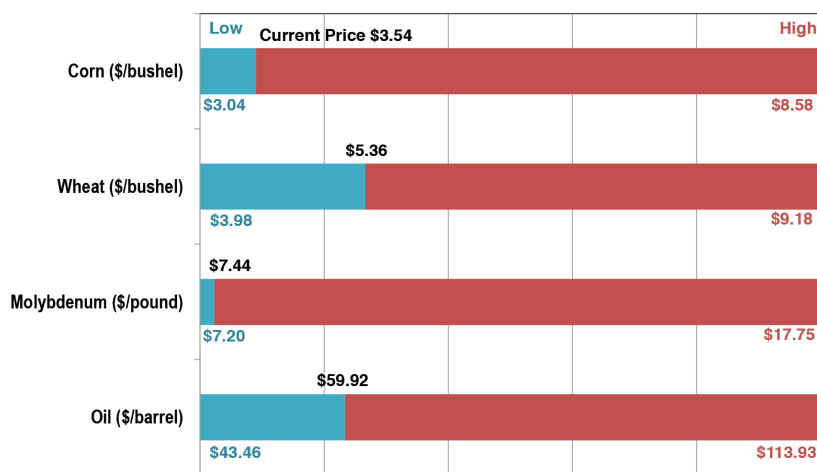
Colorado's economy remains healthy and continues its growth. Job growth has continued through Q2 2015 according to data from the Bureau of Labor Statistics, with Colorado growing 2.7% year-over-year as of June 2015, ranking eighth nationally. The Construction Sector has shown the strongest annual job growth over the last three years, followed by Leisure and Hospitality, and Mining and Logging. Mining and Logging in Colorado has a noticeably higher employment concentration than the United States, followed by the Information and Construction sectors. Personal income continues to trek upward, reaching \$270 billion in Q2 2015. Building activity in Q2 2015 recovered from a slip in Q1, growing 3.6% through May compared to the same period in 2014 according to data from Dodge Data and Analytics. The 12-month trailing total valuation of building permits was valued at \$1,821 billion in May 2015. Colorado business leaders' perceptions of the state economy have declined from Q2 2015 to Q3 2015 according to the Leeds Business Confidence Index, though the index is still firmly positive.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth								
Personal Income (millions of dollars)	270,031	267,552	0.9%	▲	5.6%	▲	5.5%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	182,306	179,384	1.6%	▲	6.4%	▲	6.3%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	86,479	84,344	2.5%	▲	9.8%	▲	7.2%	▲
Sales Expectations (LBCI)	59.8	64.3	-7.0%	▼	-5.7%	▼	0.1%	▲
Profit Expectations (LBCI)	58.5	60.7	-3.6%	▼	-4.3%	▼	0.7%	▲
Business Outlays								
Annual Wages Per Employee (\$)	52,709	52,132	1.1%	▲	3.6%	▲	2.4%	▲
Hiring Expectations (LBCI)	57.3	62.1	-7.8%	▼	-3.7%	▼	1.5%	▲
Capital Expenditures Expectations (LBCI)	57.5	59.3	-3.0%	▼	-3.5%	▼	1.4%	▲
Retail Gasoline Price (dollars per gallon)	2.76	2.31	19.3%	▲	-24.6%	▼	0.5%	▲
Economic Overview								
Employment (in thousands)	2,525.6	2,504.9	0.8%	▲	2.7%	▲	2.6%	▲
Unemployment Rate ^b	4.4%	4.2%	0.2%	▲	-0.6%	▼	-4.4%	▼
Initial Jobless Claims	2,146	3,475	-38.2%	▼	-9.6%	▼	-12.9%	▼
Continuing Jobless Claims	28,881	36,961	-21.9%	▼	-11.2%	▼	-13.9%	▼
Building Permits, Number of Units, 12 mo. trailing	29,519	29,043	1.6%	▲	6.8%	▲	22.8%	▲
Valuation (millions of dollars), 12 mo. trailing	6,528	6,496	0.5%	▲	6.4%	▲	21.9%	▲
FHFA Purchase-Only Home Price Index	350	333	5.2%	▲	11.2%	▲	5.5%	▲
Private Firms	177,256	177,483	-0.1%	▼	3.2%	▲	1.0%	▲
Oil Rig Count	39	36	8.3%	▲	-43.5%	▼	NA	-
Total Business Bankruptcy Filings	106	110	-3.6%	▼	-15.2%	▼	-22.3%	▼
Chapter 7	83	80	3.8%	▲	-11.7%	▼	-22.9%	▼
Chapter 11	13	17	-23.5%	▼	-38.1%	▼	-23.3%	▼
Chapter 13	8	9	-11.1%	▼	-20.0%	▼	-15.9%	▼
State Economy Expectations (LBCI)	58.3	61.7	-5.5%	▼	-4.7%	▼	1.3%	▲

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) (Q1 15); Colorado Department of Revenue (NSA) (07/15); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 15); Colorado Department of Labor and Employment, QCEW (NSA) (Q4 14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (07/13/15); Bureau of Labor Statistics, CES (SA) (06/15); Bureau of Labor Statistics, LAUS (SA) (06/15); U.S. Department of Labor, Employment and Training Administration (NSA) (07/04/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (07/15); FHFA Purchase-Only Home Price Index (SA) (Q1 15); Baker-Hughes (07/17/15); Administrative Office of the U.S. Courts (Q1 15); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 15); ^aCompound Annual Growth Rate. ^bPercentage point change.

National Economic Indicators

Commodity Prices, June 2015, Averages Compared to Five-Year High and Low



Source: Bloomberg.

Commodity prices are slumping. Prices are down, in part, due to the strengthening of the U.S. dollar. There is a potential interest rate rise on the horizon, which would further strengthen the U.S. dollar and lower commodity prices. Bonds and equities are more attractive to investors as the U.S. and European economies strengthen, furthering the withdrawal of funds from commodities. West Texas Intermediate (WTI) crude oil prices were \$59.92 per barrel in June, well below the five-year high of \$113.93. Corn prices remain more than 50% below their five-year high, while molybdenum and wheat prices both sit around their five-year lows.

Despite a slight setback in GDP growth in Q1 (-0.2%), employment continued to grow throughout the first six months of 2015. Employment was up 2.1% year-over-year in June 2015. Personal income and average annual pay both grew year-over-year at 4.5% and 3.1%, respectively. Residential building permits and valuations increased over the past three months, indicating a continued pipeline of construction activity nationally. The S&P 500 rose 7.5% year-over-year.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a		
Wealth									
Personal Income (billions of dollars)	15,133	14,979	1.0%	▲	4.5%	▲	4.4%	▲	
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,258.5	5,237.0	0.4%	▲	3.2%	▲	4.7%	▲	
S&P 500	2,126.6	2,100.4	1.2%	▲	7.5%	▲	14.7%	▲	
Business Outlays									
Annual Wages Per Employee	51,361	50,885	0.9%	▲	3.1%	▲	3.0%	▲	
Consumer Price Index	237.8	235.7	0.9%	▲	0.2%	▲	1.8%	▲	
Energy	212.7	202.9	4.8%	▲	-15.0%	▼	0.9%	▲	
Transportation Services	292.3	288.9	1.2%	▲	1.7%	▲	2.4%	▲	
Retail Gasoline Price (dollars per gallon)	2.92	2.49	17.1%	▲	-21.3%	▼	1.1%	▲	
Economic Overview									
Real Gross Domestic Output (billions of chained 2009 dollars)	16,288	16,295	0.0%	▼	2.9%	▲	2.2%	▲	
Employment (in thousands)	141,842	141,178	0.5%	▲	2.1%	▲	1.7%	▲	
Unemployment Rate ^b	5.3%	5.5%	-0.2%	▼	-0.8%	▼	-4.1%	▼	
Initial Jobless Claims	271,000	288,000	-5.9%	▼	-13.4%	▼	-9.7%	▼	
Continuing Jobless Claims	2,265,000	2,327,000	-2.7%	▼	-12.6%	▼	-13.3%	▼	
Building Permits, Number of Units, 12 mo. trailing	1,085,642	1,050,692	3.3%	▲	9.2%	▲	12.3%	▲	
Valuation (millions of dollars), 12 mo. trailing	202,138	194,172	4.1%	▲	11.8%	▲	14.4%	▲	
FHFA Home Price Index	216.7	213.9	1.3%	▲	5.0%	▲	2.7%	▲	
Total Business Bankruptcy Filings	6,159	6,219	-1.0%	▼	-11.9%	▼	-15.9%	▼	
Chapter 7	3,986	4,381	-9.0%	▼	-14.0%	▼	-16.9%	▼	
Chapter 11	1,496	1,238	20.8%	▲	-8.5%	▼	-14.6%	▼	
Chapter 13	558	510	9.4%	▲	-8.4%	▼	-11.8%	▼	
National Economy Expectations (LBCI)	55.4	60.4	-8.2%	▼	-3.7%	▼	2.1%	▲	

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^aCompound Annual Growth Rate. ^bPercentage point change.



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, Crossfit, LLC is a company that provides a fitness community different than traditional gyms.

Domestic corporations (DCs) are the second-most popular business filing received by the Secretary of State. DCs provide owners limited liability, similar to DLLCs, and business must be conducted in the state in which it was formed. Comcast 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. The Kempe Foundation operates as a DNC with the goal of preventing and treating child abuse and neglect.

Public benefit corporations create a framework for companies that seek to solve social and environmental problems while benefiting their shareholders. ThinkImpact of Denver, which provides global experiential education programs with offices in Ghana, Kenya, Rwanda, and South Africa, is an 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. Flagship Food Group LLC is an example of a foreign entity in Colorado.



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