

Secretary of State Business Filings Q3 2016 Data Analysis Summary

- Employment is projected to continue expanding in Q3 2016 and Q4 2016, but at a slightly more modest pace.
- Current Colorado economic indicators continue to show growth.
- Many rural Colorado counties are growing jobs, but remain in an employment deficit from the recession.
- Colorado recorded year-over-year job growth in 10 out of 11 industries in September 2016.

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



Q4 2016 vs. Q3 2016

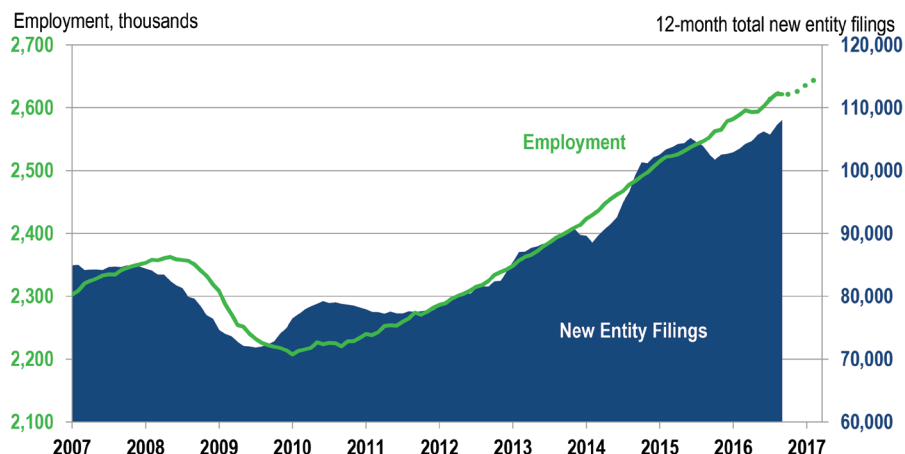


Q4 2016 vs. Q4 2015



Q1 2017 vs. Q4 2016

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 Q3 2016 Data Analysis Summary

New entity filings increased in Q3 2016. Total new entity filings increased by 7.3% year-over-year in Q3 2016, marking the third consecutive quarter of increases. Over the 12 months ending in September 2016, a total of 108,068 new business filings were recorded. Existing entity renewals, filed quarterly, increased to 482,202 for the four quarters ending in Q3 2016. Entities in good standing also increased, by 5.4% year-over-year, to 619,477 in Q3.

Existing businesses support job growth. Renewals in Q3 2016 suggest Colorado will experience employment growth through the end of the year. The total number of existing entities was up for the quarter by 4.1% year-over-year and 5.4% on a four quarter rolling basis through Q3.

Colorado business leaders' optimism down, then up. According to the Leeds Business Confidence Index (LBCI), confidence remained in positive territory among state business leaders ahead of both Q4 2016 and Q1 2017. Q4 expectations dropped, but the index recorded a notable increase in the Q1 2017 expectations. The state index remains above the national index, exhibiting greater confidence locally. The greatest optimism was in the state economy, sales, and hiring.

Lackluster GDP growth. U.S. real GDP increased at an annualized rate of 0.9% in Q4 2015, 0.8% in Q1 2016, and 1.4% in Q2 2016. A consensus of economists points to growth of 1.5% for the current year. According to the Bureau of Economic Analysis, the Q2 increase reflected positive contributions from personal consumption, nonresidential fixed investment, and exports, with drag from residential fixed investment, inventories, and state and federal government spending.

A total of 575,000 jobs were added in the United States in Q3 (156,000 in September),

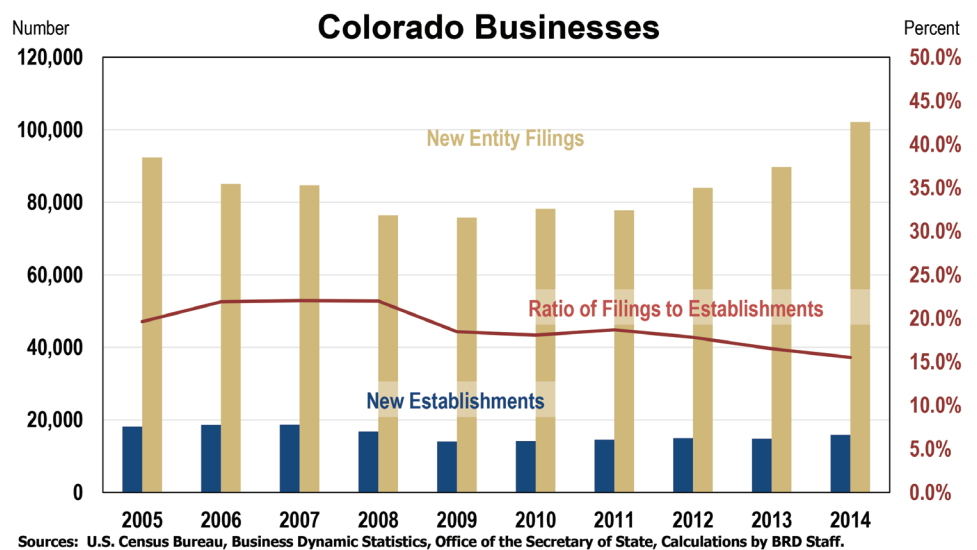
while the unemployment rate was 5% in September, hovering around early 2008 levels. Total wages grew by \$27.3 billion in Q1 2016, a 1.5% increase from Q1 2015 according to the Bureau of Labor Statistics (BLS). Initial jobless claims totaled 254,000 for the week of September 3, and continuing claims averaged 2.1 million nationwide.

Despite a modest uptick in national gasoline prices year-over-year (+1.2%) in October, consumers continue to benefit from low prices. In Colorado, gasoline prices decreased 0.8% over the same period, and Colorado prices remained below national prices. In August 2016, seasonally adjusted retail and food services sales increased 2.7% year-over-year nationally. According to the Consumer Price Index, national prices increased by 1.5% year-over-year in September 2016, while core inflation (all items less food and energy) rose 2.2% and shelter rose 3.4%. In Colorado, prices increased 3% year-over-year 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 2.4% year-over-year in Q1 2016. In September 2016, Colorado added approximately 69,200 jobs year-over-year. According to the BLS, year-over-year total wages and wages per employee increased in Q1, 1.8% and 1.8%, respectively.

Over the past 12 months, national residential construction rose 3.4% year-over-year through August based on Census building permit data. Over the same 12 months, residential construction in Colorado through August 2016 posted 12.6% growth year-over-year. Home prices in Colorado are growing at the third-fastest pace nationally (10.2%) according to the Q2 Federal Housing Finance Agency Purchase Only Index.

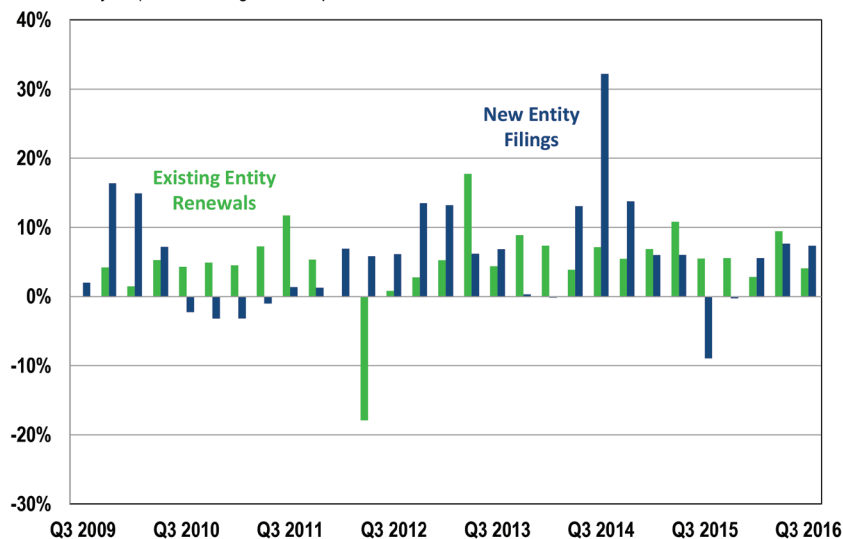
The ratio of new establishments to new entity filings has remained stable from 2005 to 2014, ranging from 15.5% to 22%. New entity filings may or may not become establishments, which are single physical locations where business is conducted or where services or industrial operations are performed according to the U.S. Census Bureau.



Business Filings Overview

Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



Business formation exhibits steady growth in Q3 2016.

In the third quarter of 2016, a total of 27,008 new business filings were recorded in Colorado, notching a 7.3% increase over the same period in 2015. For the four quarters ending in Q3 2016, 108,068 businesses have been formed in the state, exhibiting both annual growth (5.2%) and quarterly growth (1.7%).

Renewals of existing entities were 119,385 in Q3 2016, up from 119,132 the prior quarter (0.2%) and 114,677 in Q3 2015 (4.1%). In Q3, dissolution filings increased year-over-year by 6.1%.

Trademark and trade name filings both increased year-over-year—21.4% and 0.3%, respectively. As well, businesses in good standing continued to increase, recording 5.4% growth year-over-year, to 619,477 in Q3 2016.

	Q3 2016	Q2 2016	Q3 2015	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	20,678	21,574	18,920	9.3%	▲	8.7%	▲
Domestic Nonprofit Corporation	877	853	833	5.3%	▲	5.5%	▲
Domestic Corporation	2,580	2,691	2,608	-1.1%	▼	2.7%	▲
Other Entity Types	2,873	2,955	2,803	2.5%	▲	8.6%	▲
Total New Entity Filings	27,008	28,073	25,164	7.3%	▲	7.9%	▲
Total New Entity Filings - 12 mo. trailing	108,068	106,224	102,724	5.2%	▲	6.9%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	69,315	68,738	65,216	6.3%	▲	7.1%	▲
Domestic Nonprofit Corporation	10,542	10,433	10,631	-0.8%	▼	1.0%	▲
Domestic Corporation	24,923	25,676	25,359	-1.7%	▼	-1.5%	▼
Other Entity Types	14,605	14,285	13,471	8.4%	▲	7.0%	▲
Total Existing Entity Renewals	119,385	119,132	114,677	4.1%	▲	4.4%	▲
Total Existing Entity Renewals - 12 mo. trailing	482,202	477,494	457,642	5.4%	▲	4.6%	▲
Other Business Filings							
Dissolution Filings	5,673	6,009	5,346	6.1%	▲	4.9%	▲
Dissolution Filings - 12 mo. trailing	25,345	25,018	23,673	7.1%	▲	5.0%	▲
Trademarks	858	878	707	21.4%	▲	12.0%	▲
Trademarks - 12 mo. trailing	3,601	3,450	3,163	13.8%	▲	9.2%	▲
Trade Names	10,613	11,359	10,580	0.3%	▲	-0.4%	▼
Trade Names - 12 mo. trailing	43,906	43,873	43,910	0.0%	▼	-1.1%	▼
Entities in Good Standing							
Corporation	122,480	122,534	123,060	-0.5%	▼	-0.2%	▼
Foreign	64,672	63,530	60,738	6.5%	▲	7.5%	▲
Limited Liability Company	373,757	366,174	346,826	7.8%	▲	8.6%	▲
Nonprofit Corporation	47,447	47,232	46,580	1.9%	▲	2.3%	▲
Other Entity Types	11,121	10,577	10,536	5.6%	▲	1.6%	▲
Total Entities in Good Standing	619,477	610,047	587,740	5.4%	▲	5.7%	▲

^a Compound Annual Growth Rate.

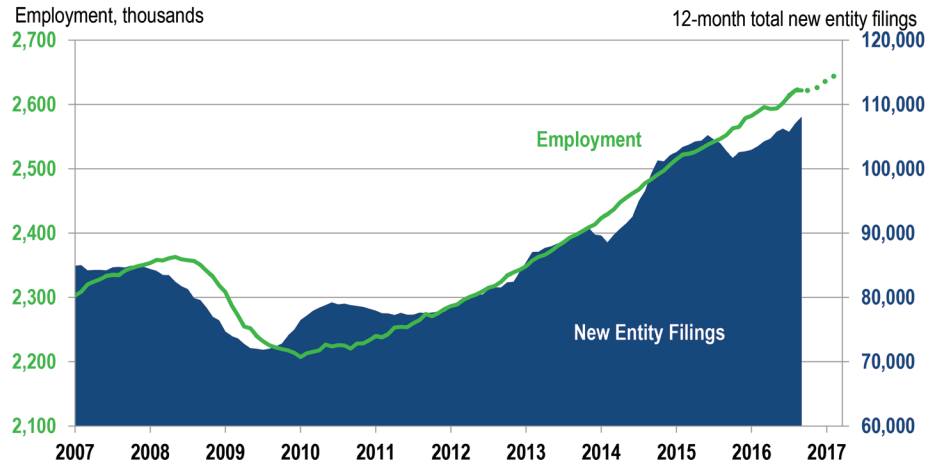
New Entity Filings & Existing Entity Renewals

Business filings in Q3 2016 increased compared to Q3 2015. New entity filings increased by 7.3% year-over-year, but were down 3.8% from Q2 2016, reflecting the seasonality of business filings. To adjust for this seasonality, the four quarter rolling total in Q3 2016 increased 5.2% over the Q3 2015 total and 1.7% above Q2 2016. LLC filings recorded the largest growth compared to other categories, 9.3% year-over-year, while domestic corporations contracted for the second consecutive quarter, 1.1%. Nonprofit filings increased by 5.3%.

Existing entity renewals continued 17 consecutive quarters of year-over-year increases in Q3. Renewals totaled 119,385 in Q3 2016, up 0.2% from the previous quarter. Year-over-year growth continued to show strength, increasing 4.1%. The four quarter rolling total in Q3 2016 rose by 5.4% year-over-year. Domestic corporation renewals decreased by 1.7% year-over-year.

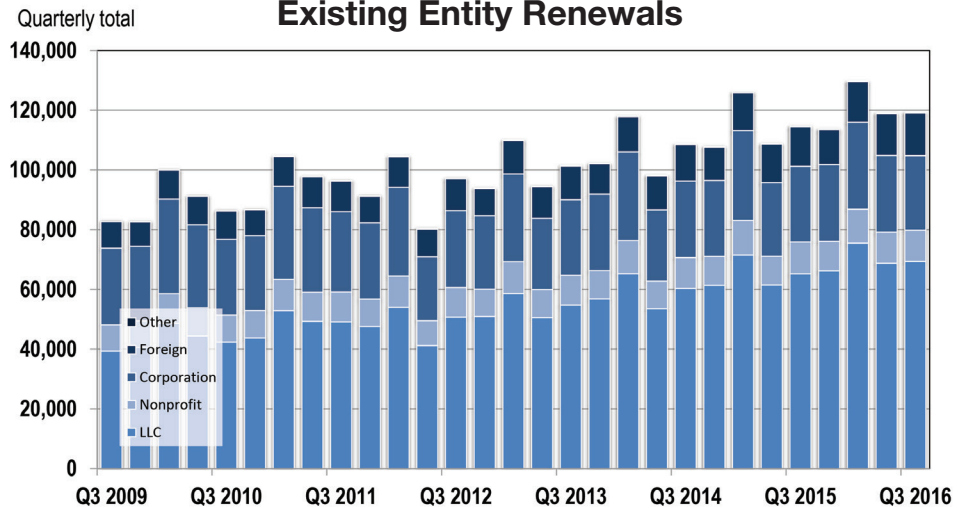
Businesses in good standing continue to increase in 2016. From Q3 2015 to Q3 2016, the number of entities in good standing in the state increased by 5.4%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate of 5.7%. Limited liability companies drove year-over-year growth (7.8%), followed by foreign entities in good standing (6.5%).

Employment and New Entity Filings

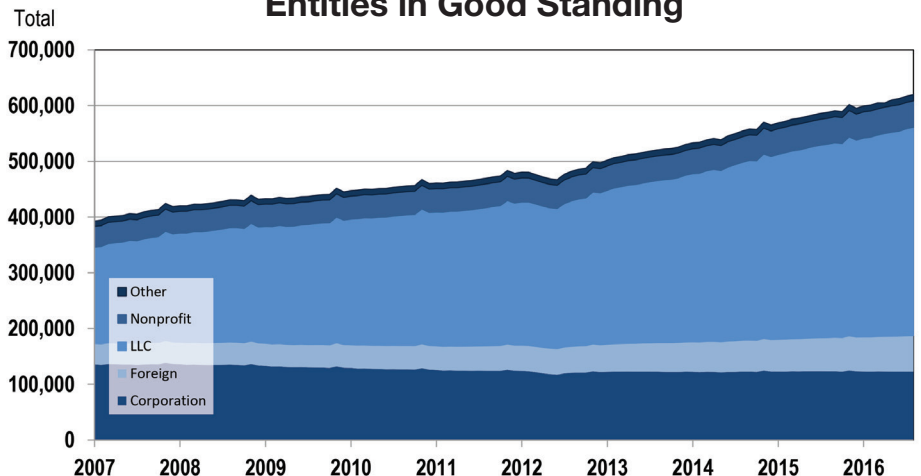


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Existing Entity Renewals



Entities in Good Standing



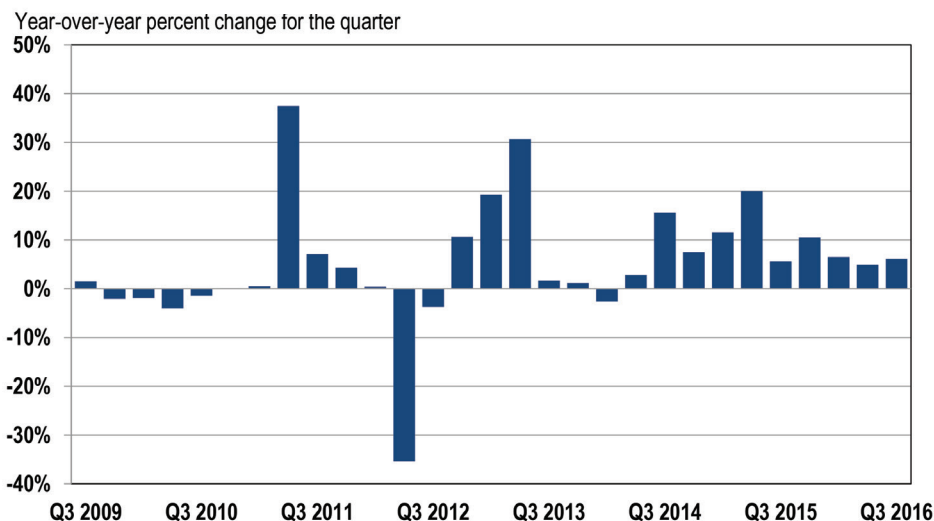
Dissolutions, Trade Names, & Trademarks

Dissolution filings have experienced year-over-year increases for 10 consecutive quarters. Filings in Q3 2016 grew at a faster pace year-over-year than in Q2, at 6.1%. In Q3 2016, a total of 5,673 businesses dissolved. Compared to the prior quarter, dissolution filings declined 5.6%. The 12-month rolling sum increased by 7.1% year-over-year and 1.3% quarter-over-quarter. Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

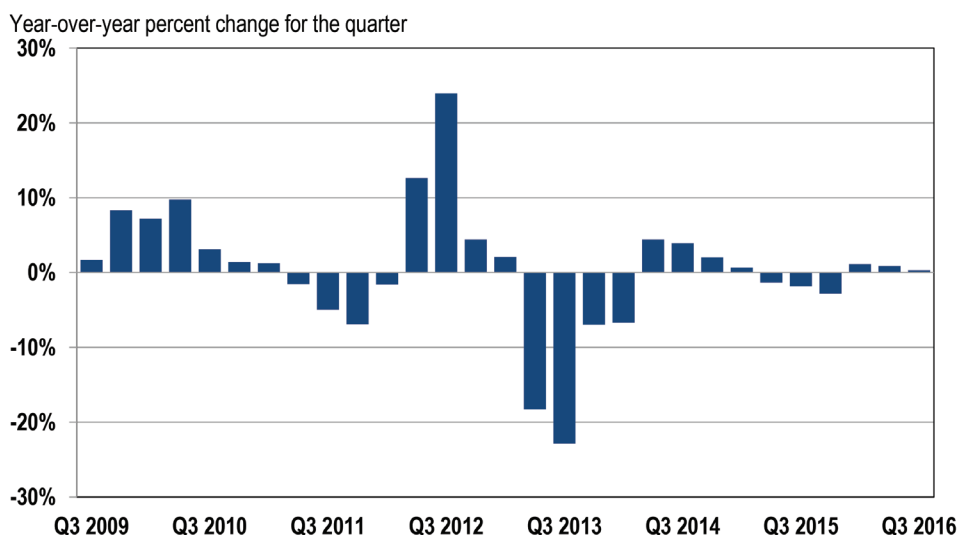
Trade name filings grow modestly. In Q3 2016, a total of 10,613 trade names were filed, an increase of 0.3% year-over-year but a 6.6% decline quarter-over-quarter. Mitigating seasonality, the 12-month trailing total of trade name filings—43,906—was stagnant year-over-year in Q3 2016 compared to 43,910 in Q3 2015. 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. While trademark filings declined from 878 in Q2 2016 to 858 in Q3 2016, year-over-year growth was strong, rising 21.4%. The four quarter rolling total of trademark filings increased in Q3 2016 by 13.8% over the prior year and 4.4% from Q2. Trademarks protect the symbols and words used in commerce.

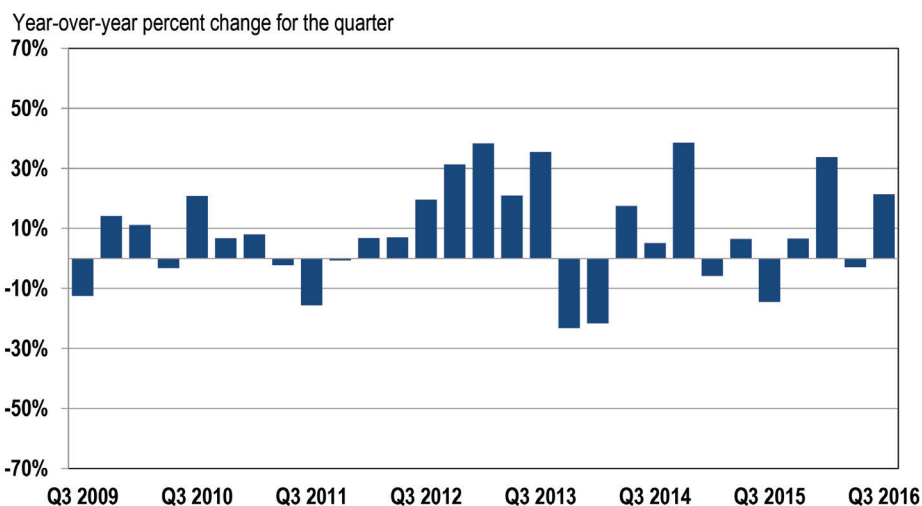
Dissolution Filings



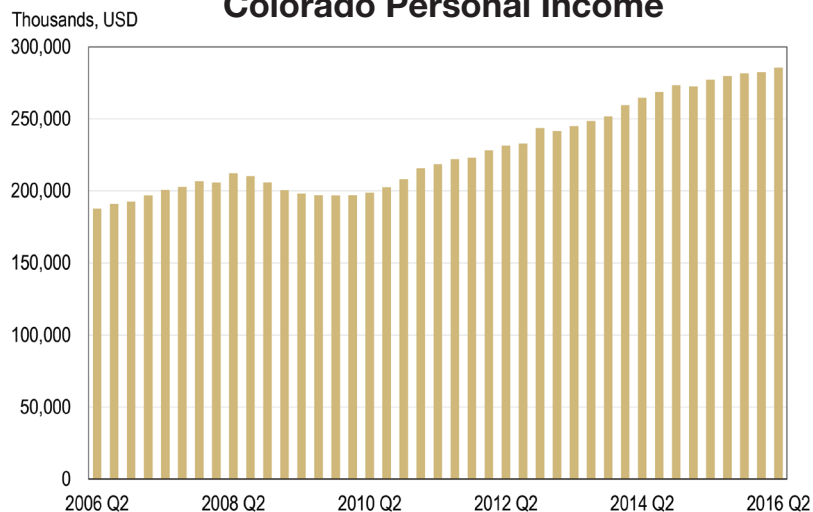
Trade Name Filings



Trademark Filings



Colorado Personal Income



Source: Bureau of Economic Analysis.

in September 2016, which is below the five-year CAGR of 2.9%. The unemployment rate improved to 3.6% in September; however, it increased every month from April to July—a reflection of labor force participation. State GDP in Q1 2016 grew 3% over the previous period at a seasonally adjusted annual rate and increased 2% year-over-year. Total business bankruptcy filings decreased by 9.5%, from 116 in Q1 to 105 in Q2. 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 2.2% from Q1 2016 to Q2 2016. Housing prices also grew 10.2% year-over-year. While the number of oil rigs in Colorado has fluctuated throughout 2016, the number of rigs in 2016 remains well below the 2015 number. Colorado averaged 19 oil rigs in August 2016, down from 33 in August 2015.

Colorado Economic Indicators

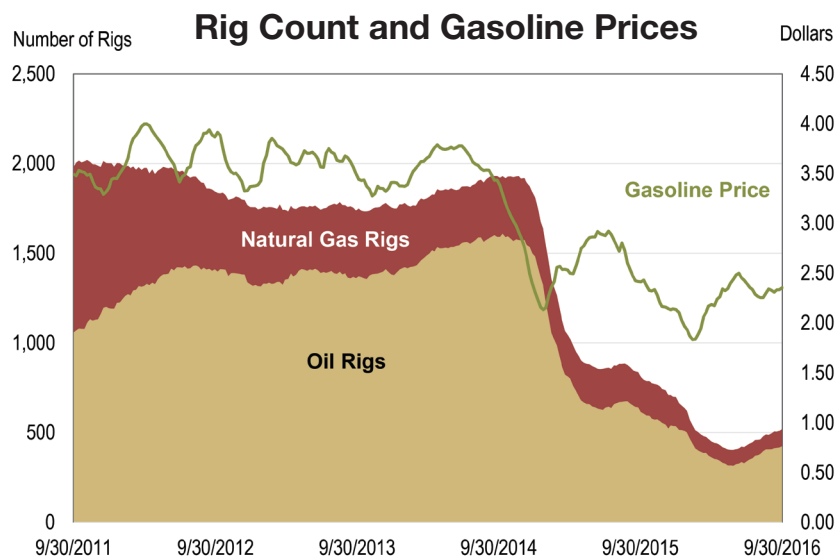
Incomes rise in the state. Colorado continues to set new state records for personal income, increasing quarter-over-quarter for 24 of the last 26 months. The most recent data from the Bureau of Economic Analysis, through Q2 2016, show personal income increasing 1.1% over the last quarter and 3% year-over-year. Although Colorado has experienced consistent personal income growth, it is increasing at a decreasing rate. The Q2 2016 year-over-year growth rate was the lowest since Q3 2010. Personal income has recorded a higher five-year compound annual growth rate (CAGR) than the CAGR for annual wages, increasing 5.5% compared to 2.2%, respectively.

Employment in Colorado increased year-over-year by 2.7%

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (millions of dollars)	285,499	282,317	1.1%	▲	3.0%	▲	5.5%	▲
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)	55.3	58.6	-5.7%	▼	-0.6%	▼	1.6%	▲
Profit Expectations (LBCI)	52.2	56.9	-8.1%	▼	-2.6%	▼	1.1%	▲
Business Outlays								
Annual Wages Per Employee (\$)	54,019	54,182	-0.3%	▼	1.8%	▲	2.2%	▲
Hiring Expectations (LBCI)	53.2	53.4	-0.3%	▼	0.4%	▲	2.6%	▲
Capital Expenditures Expectations (LBCI)	51.7	54.4	-5.1%	▼	-2.6%	▼	2.0%	▲
Retail Gasoline Price (dollars per gallon)	2.27	2.26	0.3%	▲	-0.8%	▼	-8.6%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	293,171	291,043	3.0%	▲	2.4%	▲	2.9%	▲
Employment (in thousands)	2,621.4	2,602.0	0.7%	▲	2.7%	▲	2.9%	▲
Unemployment Rate ^b	3.6%	3.7%	-0.1%	▼	0.0%	▷	-4.6%	▼
Initial Jobless Claims	1,916	2,208	-13.2%	▼	-11.9%	▼	-9.9%	▼
Continuing Jobless Claims	24,053	27,711	-13.2%	▼	-4.9%	▼	-11.8%	▼
Building Permits, Number of Units, 12 mo. trailing	33,750	33,491	0.8%	▲	12.6%	▲	20.9%	▲
Valuation (millions of dollars), 12 mo. trailing	9,998	9,850	1.5%	▲	46.8%	▲	27.8%	▲
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	386	378	2.2%	▲	10.2%	▲	8.9%	▲
Private Firms	186,835	184,233	1.4%	▲	3.6%	▲	2.5%	▲
Rotary Rig Count	19	19	0.0%	▷	-36.7%	▼	-24.8%	▼
Total Business Bankruptcy Filings	105	116	-9.5%	▼	-10.3%	▼	-19.2%	▼
Chapter 7	80	82	-2.4%	▼	1.3%	▲	-21.4%	▼
Chapter 11	14	24	-41.7%	▼	-56.3%	▼	-13.6%	▼
Chapter 13	11	10	10.0%	▲	83.3%	▲	1.9%	▲
State Economy Expectations (LBCI)	57.5	57.4	0.2%	▲	0.6%	▲	3.2%	▲

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) (Q2 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) (Q1 16); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/24/16); Bureau of Economic Analysis, (SAAR) (Q1 16); Bureau of Labor Statistics, CES (SA) (09/16); Bureau of Labor Statistics, LAUS (SA) (09/16); U.S. Department of Labor, Employment and Training Administration (NSA) (09/17/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (08/16); Colorado Division of Housing, Foreclosure Report (Q2 16); FHFA Purchase-Only Home Price Index (SA) (Q2 16); Bureau of Labor Statistics, QCEW (Q1 2016); Baker-Hughes (09/16); Administrative Office of the U.S. Courts (Q2 16); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 16).

^aCompound Annual Growth Rate. ^bPercentage point change.



Source: Baker-Hughes and Energy Information Association (EIA), Weekly U.S. All Grade All Formulations Retail Gasoline Prices.

National Economic Indicators

Rotary rig count increases after rise in prices. The U.S. rotary rig count comprises natural gas rigs and oil rigs. The rig count began to decrease in December 2014, with the largest decreases occurring in February 2015. In May 2016, the total number of operational rigs reached a low of 403. In June 2016, the rig count experienced its first month-over-month increase since August 2015. The largest month-over-month increase in the past five years occurred in September, growing 9.3% over the previous month. As of September 30, the number of natural gas and oil rigs totaled 522, a 29.3% increase from the low in May. Gasoline prices began to see large decreases month-over-month in October 2014, reaching a low of \$1.83 per gallon, but started increasing in February 2016. Prices increased 28.4% from February to September after experiencing a small decrease in July.

GDP grew at a 1.4% annualized rate in the second quarter of 2016 and 1.6% year-over-year. Employment also continued to grow moderately, adding 1.7% year-over-year in August 2016. Personal income and average annual pay grew year-over-year, at 3.2% and 2.6%, respectively. Wages decreased 0.1% in Q1 2016 but still recorded positive year-over-year growth of 2.6%. 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 ^a	
Wealth & Income								
Personal Income (billions of dollars)	15,893	15,740	1.0%	▲	3.2%	▲	3.8%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,430.9	5,395.7	0.7%	▲	2.7%	▲	3.9%	▲
S&P 500	2,139.4	2,166.6	-1.3%	▼	3.3%	▲	11.5%	▲
Annual Wages Per Employee	53,001	53,062	-0.1%	▼	2.6%	▲	2.9%	▲
Business Outlays								
Consumer Price Index	241.0	239.9	0.5%	▲	1.5%	▲	1.2%	▲
Core Inflation (All Items Less Food & Energy)	248.6	247.5	0.5%	▲	2.2%	▲	1.9%	▲
Shelter	290.4	287.8	0.9%	▲	3.4%	▲	2.8%	▲
Retail Gasoline Price (dollars per gallon)	2.35	2.29	2.8%	▲	1.2%	▲	-7.7%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	16,583	16,525	1.4%	▲	1.6%	▲	2.0%	▲
Employment (in thousands)	144,747	144,172	0.4%	▲	1.7%	▲	1.8%	▲
Unemployment Rate ^b	5.0%	4.9%	0.1%	▲	-0.1%	▼	-4.0%	▼
Initial Jobless Claims	254,000	270,000	-5.9%	▼	-8.3%	▼	-9.0%	▼
Continuing Jobless Claims	2,062,000	2,117,000	-2.6%	▼	-6.9%	▼	-11.1%	▼
Building Permits, Number of Units, 12 mo. trailing	1,178,358	1,191,387	-1.1%	▼	3.4%	▲	14.9%	▲
Valuation (millions of dollars), 12 mo. trailing	227,683	226,306	0.6%	▲	7.5%	▲	17.8%	▲
FHFA Home Price Index	231.0	228.3	1.2%	▲	5.6%	▲	5.3%	▲
Rotary Rig Count	522	431	21.1%	▲	-35.5%	▼	-23.5%	▼
Total Business Bankruptcy Filings	6,537	6,227	5.0%	▲	6.0%	▲	-11.9%	▼
Chapter 7	3,760	3,885	-3.2%	▼	-7.3%	▼	-15.4%	▼
Chapter 11	1,996	1,596	25.1%	▲	35.4%	▲	-4.9%	▼
Chapter 13	591	578	2.2%	▲	17.3%	▲	-7.7%	▼
National Economy Expectations (LBICI)	48.2	47.2	2.3%	▲	-1.1%	▼	3.6%	▲

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) (Q2 16), U.S. Census Bureau (NSA) (8/16), Yahoo Finance (10/26/16), Bureau of Labor Statistics, QCEW (NSA) (Q1 16); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (09/16); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/24/16); Bureau of Economic Analysis (SAAR) (Q2 16); Bureau of Labor Statistics, CES (SA) (09/16); Bureau of Labor Statistics (SA) (09/16); U.S. Department of Labor, Employment and Training Administration (SA) (9/24/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (08/16); FHFA Purchase-Only Home Price Index (SA) (Q2 16); Baker-Hughes (09/16); Administrative Office of the U.S. Courts (Q2 16); Leeds School of Business, Leeds Business Confidence Index (LBICI) (Q4 16).

^aCompound Annual Growth Rate. ^bPercentage 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 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.



A partnership between the
Colorado Secretary of State's Office
and the
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