

## Moderate growth expected in last half of 2014

- Strong increases in new business filings portend continued employment growth in Colorado.
- Employment projected to continue expanding in Q3 and Q4.
- Year-over-year new business filings, existing entity renewals, trademarks, and trade names all increased for the quarter.
- Data are consistent with strength exhibited in the broader Colorado economy.

### 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 2014 vs. Q2 2014

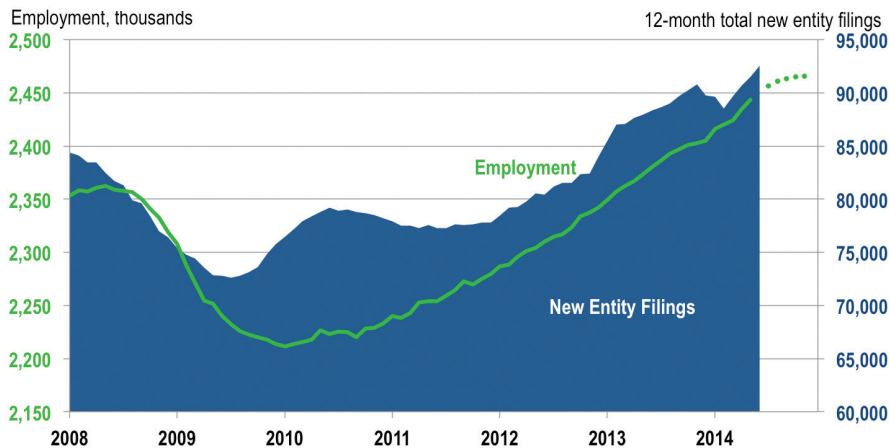


Q3 2014 vs. Q3 2013



Q4 2014 vs. Q4 2013

## Employment and New Entity Filings



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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.*

Note: Solid employment line displays actual seasonally adjusted employment numbers; dotted line reflects calculated forecasts. Source: Seasonally adjusted Colorado total nonfarm employees from the Colorado Department of Labor and Employment, Current Employment Statistics (CES), calculations by BRD research team. As of Q4 2013, data presented represent the effective date rather than the received date for filings.

## Secretary of State Business Filings Q2 2014 Data Analysis Summary

**Business filings on the rise.** Year-over-year improvements were recorded in new entity filings, existing entity renewals, trademarks, trade names, and entities in good standing in Q2 2014. Colorado gained 92,569 new entities over the last 12 months (4.8%) and 24,601 for the quarter ending in June. Despite quarterly losses in new and existing entity filings in Q2 2014, new entity filings jumped 13.1% year-over-year and existing entity filings, 3.9%. The number of entities in good standing expanded slightly for the quarter (0.9%), rising by 25,508 for the year.

**New entity filings forecast sustained employment growth.** Colorado's record of new business filings in Q2 2014 suggests that state employment will continue to grow into Q3 2014. However, monthly gains are expected to slow as we move into the last quarter of the year.

**State business leaders' confidence up.** Colorado's business leaders expressed continued confidence headed into Q3 2014. Overall, the Leeds Business Confidence Index increased from 61.0 to 61.2 in the Q3 survey. Over the past 12 months, survey respondents' confidence rose for all metrics except sales expectations. Profit expectations grew the most in this period, by 2.6 points, and sales expectations are looking up for Q3 2014 (0.8 points).

**Boosted employment, wealth, and income in Q2 2014.** National employment recorded a new peak in June 2014. Total nonfarm employment rose 1.8% yearly, and unemployment dropped to 6.1% in June 2014. Further growth in the national economy is expected, with gains in personal income and wealth (i.e., home prices and the S&P 500) mitigating less favorable business outlays. These include flat national wages and modest increases in prices.

The state economy also recorded a new employment peak this summer, with 66,300 seasonally adjusted jobs added year-over-year in June 2014. Aggressive building activity pushed building permits up 10.8% for the year and valuation to \$6.1 billion in a 12-month trailing total. Home prices across the state expanded 9.3% yearly in Q2 2014 and 2.6% over Q1 2014.

Wages per employee in Colorado were \$50,864 for Q2 2014 and have increased marginally since Q2 2013 (0.6%). State personal income recorded more substantial gains in this time period, increasing by 4.9% year-over-year. While foreclosure filings and sales increased measurably in Q2 2014 (15.4% and 4.1%, respectively), gains in employment, consumption, and income drove growth.

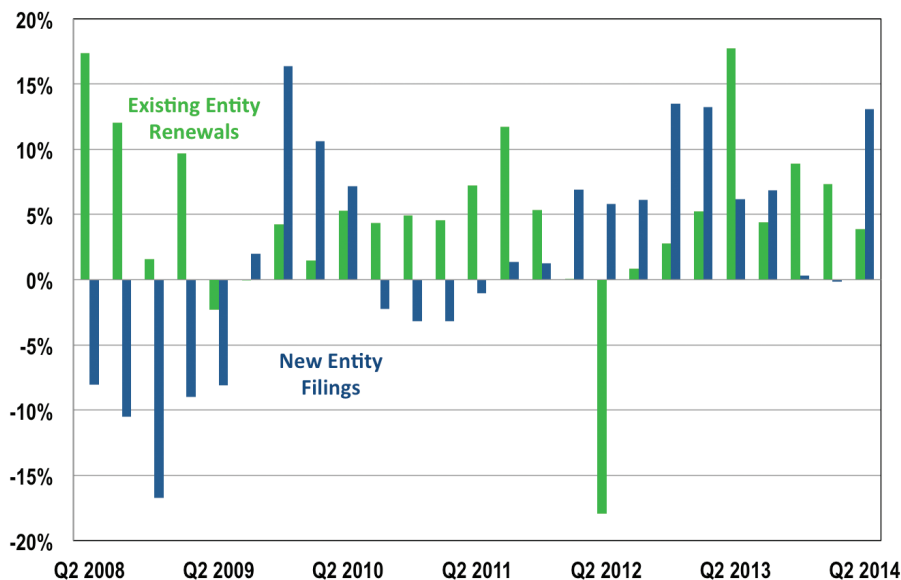


*The Quarterly Business & Economic Indicators*, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics.



## Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



## Business Filings Overview

**Annual new entity filings rise in Q2.** After falling slightly in Q1 2014, total new entity filings rebounded this quarter, increasing 13.1% year-over-year. Year-over-year existing entity renewals increased by nearly 4% in Q2, and the 12-month trailing sum of renewals totaled 420,129. Dissolution filings recorded a 1.8% decline over last quarter; however, they increased 2.8% for the year. After recording a large decline last quarter, trademark filings rose 17.4% year-over-year in Q2. The number of entities in good standing reached 538,571 in the second quarter. Starting July 1, the Secretary of State's office is offering reduced filings fees of \$1 to new businesses this summer.

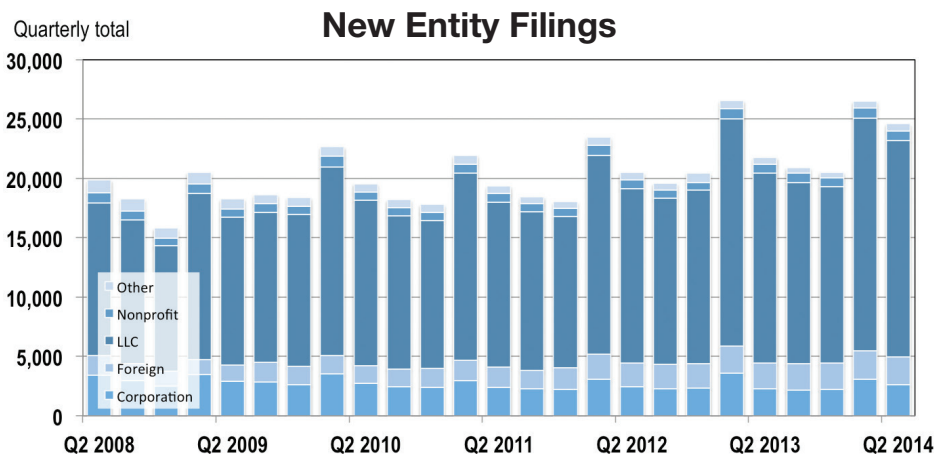
	Q2 2014	Q1 2014	Q2 2013	Percent Change over Prior Year		5-Year CAGR <sup>a</sup>	
<b>New Entity Filings</b>							
Domestic Limited Liability Company	18,234	19,568	16,000	14.0%	▲	8.0%	▲
Domestic Nonprofit Corporation	820	887	728	12.6%	▲	2.2%	▲
Domestic Corporation	2,602	3,050	2,290	13.6%	▲	-2.1%	▲
Other Entity Types	2,945	3,018	2,736	7.6%	▲	5.9%	▲
Total New Entity Filings	24,601	26,523	21,754	13.1%	▲	6.2%	▲
Total New Entity Filings - 12 mo. trailing	92,569	89,722	88,352	4.8%	▲	4.9%	▲
<b>Existing Entity Renewals</b>							
Domestic Limited Liability Company	51,984	62,770	48,968	6.2%	▲	5.9%	▲
Domestic Nonprofit Corporation	9,231	11,126	9,388	-1.7%	▼	0.6%	▲
Domestic Corporation	23,842	29,689	23,859	-0.1%	▼	-2.9%	▼
Other Entity Types	13,173	14,582	12,335	6.8%	▲	3.7%	▲
Total Existing Entity Renewals	98,230	118,167	94,550	3.9%	▲	2.5%	▲
Total Existing Entity Renewals - 12 mo. trailing	420,129	416,449	395,735	6.2%	▲	3.9%	▲
<b>Other Business Filings</b>							
Dissolution Filings	4,773	5,802	4,642	2.8%	▲	2.7%	▲
Dissolution Filings - 12 mo. trailing	20,652	20,521	20,539	0.6%	▲	2.3%	▲
Trademarks	849	824	723	17.4%	▲	7.5%	▲
Trademarks - 12 mo. trailing	3,020	2,894	3,084	-2.1%	▼	6.7%	▲
Trade Names	11,413	12,195	10,930	4.4%	▲	0.8%	▲
Trade Names - 12 mo. trailing	43,574	43,091	47,758	-8.8%	▼	-0.1%	▼
<b>Entities in Good Standing</b>							
Corporation	121,030	121,609	122,400	-1.1%	▼	-1.4%	▼
Foreign	54,953	54,083	51,021	7.7%	▲	6.0%	▲
Limited Liability Company	307,424	303,007	285,039	7.9%	▲	7.7%	▲
Nonprofit Corporation	44,778	44,789	44,088	1.6%	▲	2.0%	▲
Other Entity Types	10,386	10,439	10,515	-1.2%	▼	1.6%	▲
Total Entities in Good Standing	538,571	533,927	513,063	5.0%	▲	4.4%	▲

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

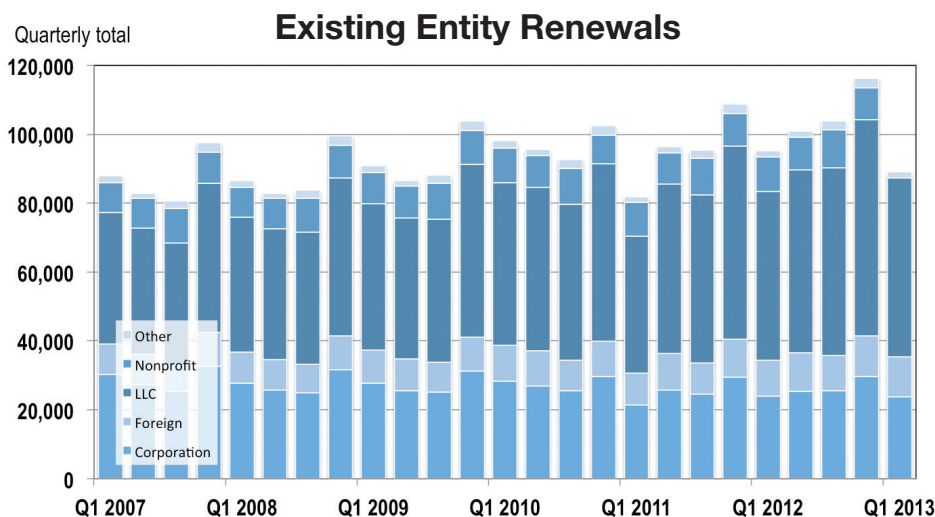
Note: As of Q4 2013, data presented represent the effective date rather than the received date for filings.

## New Entity Filings & Existing Entity Renewals

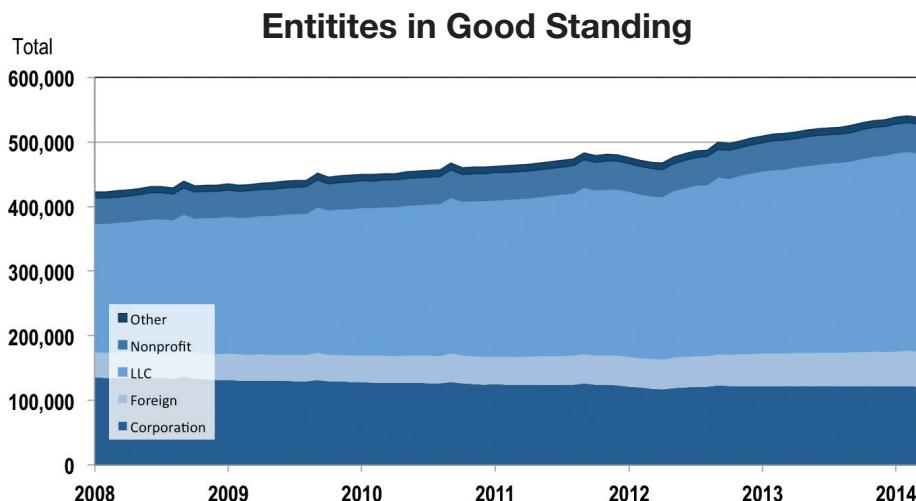
**Moderate growth in business formation.** A total of 24,601 new entities were formed in Q2 2014, reflecting a five-year compound annual growth rate of 6.2%. A 12-month trailing total of new entity filings increased by 4.8% year-over-year and 3.2% over last quarter. Domestic limited liability companies, which continue to account for roughly three-quarters of all new entity filings, jumped 14% year-over-year in Q2 2014 despite falling slightly since Q1.



**Annual existing entity renewals up.** Total existing entity renewals rose 3.9% year-over-year in the quarter ending in June. While falling nearly 17% quarter-over-quarter, a 12-month trailing sum of existing entity renewals increased by 6.2% year-over-year. Renewals totaled 98,230 in Q2 2014, marking an increase of 3.9% compared to Q2 2013.



**Entities in good standing expand.** The total number of firms in good standing rose to 538,571 in Q2 2014. This represents a 5.0% increase over last year and a 0.9% increase over last quarter. Limited liability companies (LLC) still account for roughly 57% of all entities in good standing and recorded an increase of 7.9% year-over-year. The number of corporations in good standing continues to decline, while foreign and nonprofit corporations both recorded yearly gains.





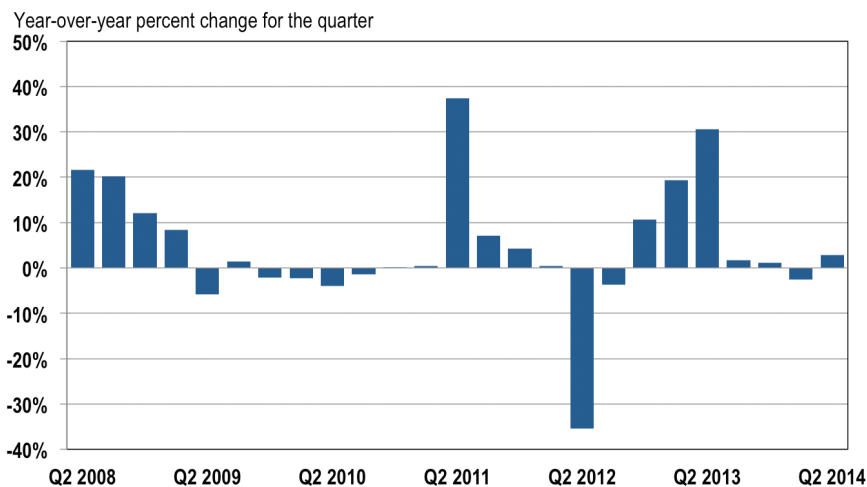
## Dissolutions, Trade Names, & Trademarks

**Quarterly dissolution filings drop.** Dissolution filings rose 2.8% year-over-year in Q2 2014, though fell 17.7% compared with the previous quarter. Across the 12 months ending June 2014, dissolutions rose slightly to 20,652 (0.6%). A total of 4,773 businesses dissolved in Q2 2014, reflecting a five-year annual compound growth rate of 2.7%. It is important to note that entities do not always voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

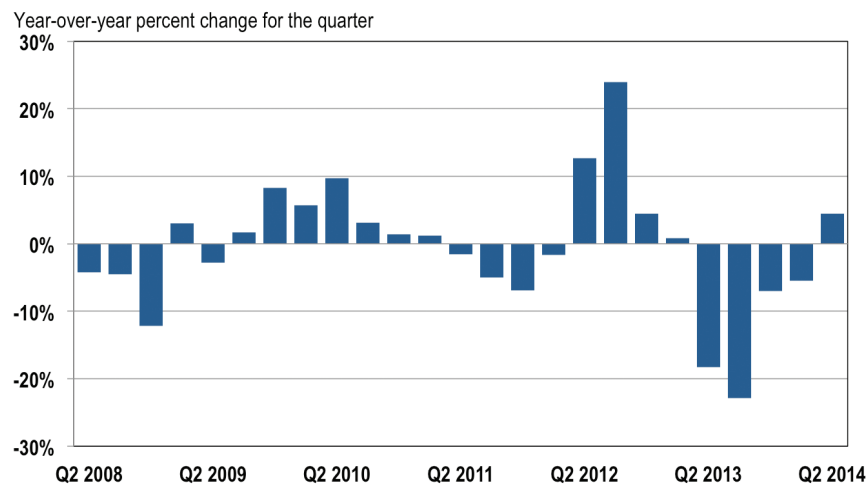
**Trade name filings finally pick up.** A total of 11,413 trade name were filed in Q2, marking the first year-over-year increase in four quarters (4.4%). Entities must file a statement of trade name when operating under any name other than their true name.

**Annual trademark filings surge.** A trademark protects the symbols and words an entity uses in commerce. The number of trademark filings in Colorado totaled 849 in Q2 2014. This reflects an annual increase of 17.4% and a more modest quarterly increase of 3.0%. In a 12-month trailing sum ending Q2 2014, trademark filings totaled 3,020. This represents a five-year compound annual growth rate of 6.7%.

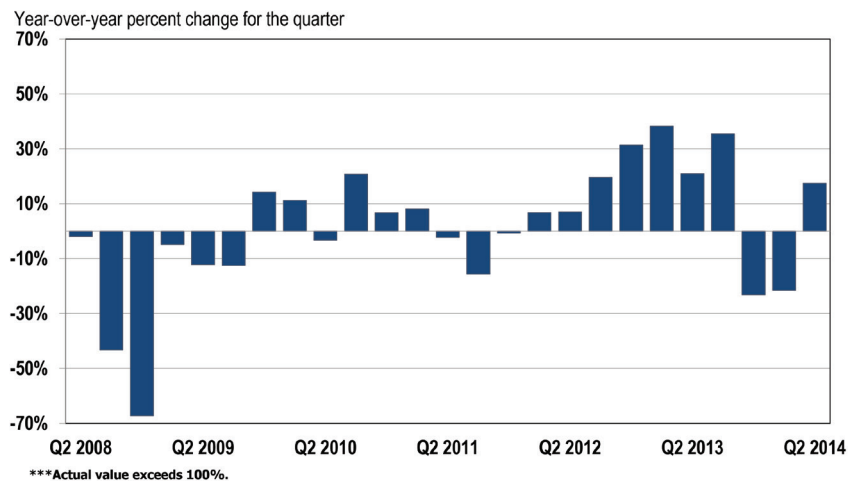
### Dissolution Filings



### Trade Name Filings

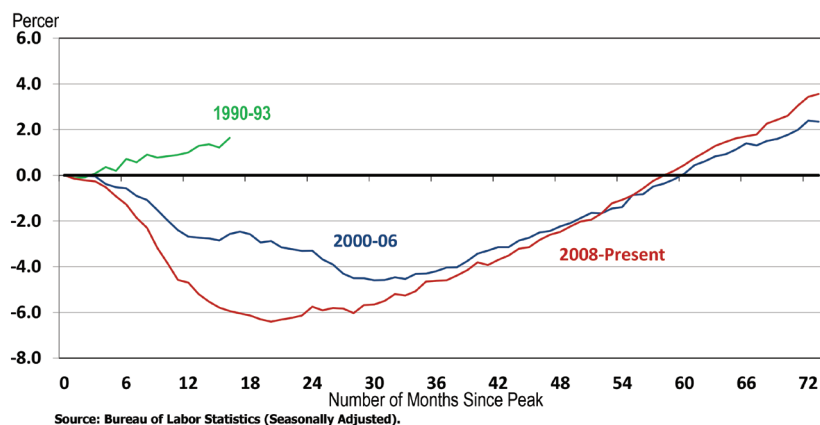


### Trademark Filings



## Colorado Economic Indicators

### Colorado Employment Months to Recovery



**The Colorado economy continues to improve.** State employment, wealth, and building activity point toward sustained economic growth in the last half of 2014. Employment rose 2.8% year-over-year in Q2 2014, reaching a new peak of 2.4 million in June 2014. Personal income totaled \$252.6 billion in the quarter ending June 2014, marking an increase of 4.9% year-over-year. While annual wages per employee fell slightly quarter-over-quarter (0.2%), consumption in the state continued to drive growth. The 12-month trailing total of retail sales was \$173 billion for Q2 2014, reflecting an increase of 1.1% over last quarter. Sales expectations on the Leeds Business Confidence Index indicate this upward trend in consumption will continue. Annual foreclosure filings and sales decreased dramatically in Q2 2014 (24.7% and 41.5%, respectively).

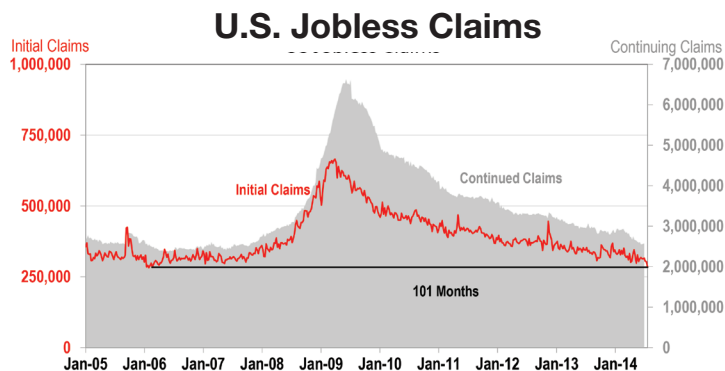
	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth</b>								
Personal Income (millions of dollars)	252,613	249,384	1.3%	▲	4.9%	▲	4.0%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	173,004	171,085	1.1%	▲	5.5%	▲	3.0%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	80,067	78,680	1.8%	▲	6.9%	▲	3.4%	▲
Sales Expectations (LBCI)	63.4	62.7	1.2%	▲	-0.4%	▼	4.2%	▲
Profit Expectations (LBCI)	61.2	61.3	-0.2%	▼	4.5%	▲	5.7%	▲
<b>Business Outlays</b>								
Annual Wages Per Employee (\$)	50,864	50,964	-0.2%	▼	0.6%	▲	2.2%	▲
Hiring Expectations (LBCI)	59.5	59.6	-0.2%	▼	1.0%	▲	6.7%	▲
Capital Expenditures Expectations (LBCI)	59.6	58.6	1.8%	▲	0.6%	▲	7.6%	▲
Retail Gasoline Price (dollars per gallon)	3.66	3.58	2.2%	▲	2.1%	▲	8.1%	▲
<b>Economic Overview</b>								
Employment (in thousands)	2,446.8	2,424.2	0.9%	▲	2.8%	▲	1.8%	▲
Unemployment Rate	5.5%	6.2%	-0.7 pp	▲	-1.4 pp	▼	-3.0 pp	▼
Initial Jobless Claims	2,916	3,270	-10.8%	▼	-12.4%	▼	-13.2%	▼
Continuing Jobless Claims	30,957	39,020	-20.7%	▼	-16.3%	▼	-15.9%	▼
Building Permits, Number of Units, 12 mo. trailing	27,646	27,025	2.3%	▲	10.8%	▲	15.1%	▲
Valuation (millions of dollars), 12 mo. trailing	6,137	5,879	4.4%	▲	17.1%	▲	15.6%	▲
FHFA Purchase-Only Home Price Index	317	309	2.6%	▲	9.3%	▲	3.5%	▲
Foreclosure Filings	3,441	2,981	15.4%	▲	-24.7%	▼	-20.0%	▼
Foreclosure Sales	1,718	1,650	4.1%	▲	-41.5%	▼	-17.0%	▼
Total Business Bankruptcy Filings	125	156	-19.9%	▼	-30.6%	▼	-14.6%	▼
Chapter 7	94	129	-27.1%	▼	-29.9%	▼	-16.2%	▼
Chapter 11	21	17	23.5%	▲	-38.2%	▼	-8.1%	▼
Chapter 13	10	8	25.0%	▲	-9.1%	▼	-6.5%	▼
State Economy Expectations (LBCI)	61.2	61.0	0.2%	▲	1.1%	▲	5.2%	▲

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) (Q1 14); Colorado Department of Revenue (NSA) (3/14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 14); Colorado Department of Labor and Employment, QCEW (NSA) (Q1 14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (7/21/14); Bureau of Labor Statistics, CES (SA) (5/14); Bureau of Labor Statistics (SA) (6/14); U.S. Department of Labor, Employment and Training Administration (NSA) (7/12/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/14); FHFA Purchase-Only Home Price Index (SA) (Q1 14); Colorado Department of Local Affairs, Colorado Division of Housing (Q1 14); Administrative Office of the U.S. Courts (Q1 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 14);

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



## National Economic Indicators



Source: US Department of Labor and the Employment and Training Administration (Seasonally Adjusted).

### National economy bolstered by growth in employment and wealth in Q2 2014.

In the 12 months ending June 2014, the nation added a total of 2.5 million jobs and unemployment dropped 0.8 points, to 6.1%. National wealth and income were up in Q2 2014. Personal income totaled \$14.4 trillion (3.5% over last year), and 12-month trailing retail sales totaled \$4.6 trillion. Annual wages per employee remained flat quarter-over-quarter in Q4 2013, at \$49,804 (most recent data available). Increased prices around the country continue to inflate the consumer price index. Since last quarter, energy prices have risen 2.8% and transportation prices by 1.8%. According to the Bureau of Economic Analysis, annualized GDP fell in Q1 2014, but has risen 1.5% since Q1 2013. Increased consumption expenditures help offset weaker business outlays, with retail sales growing 4.0% year-over-year in May 2014. Initial and continuing jobless claims

continue to decline, and total bankruptcy filings fell 7.5% from last quarter. Following a 6.9% quarterly decline in Q1 2014, the number of bankruptcy filings can be expected to continue on this trajectory. Expectations for the national economy in the Leeds Business Confidence Index (LBCI) remained the same looking toward Q3 2014.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth</b>								
Personal Income (billions of dollars)	14,410	14,301	0.8%	▲	3.5%	▲	3.7%	▲
Retail Sales, 12 mo. trailing (billions of dollars)	4,589.1	4,540.5	1.1%	▲	4.0%	▲	4.2%	▲
S&P 500	1,987.0	1,878.6	5.8%	▲	17.5%	▲	15.3%	▲
<b>Business Outlays</b>								
Annual Wages Per Employee	49,804	49,804	0.0%	▼	1.0%	▲	2.2%	▲
Consumer Price Index	237.7	235.6	0.9%	▲	2.1%	▲	2.0%	▲
Energy	253.1	246.0	2.8%	▲	3.1%	▲	5.1%	▲
Transportation Services	288.0	283.0	1.8%	▲	3.1%	▲	3.0%	▲
Retail Gasoline Price (dollars per gallon)	3.67	3.76	-2.3%	▼	-2.1%	▼	7.8%	▲
<b>Economic Overview</b>								
Real Gross Domestic Output (billions of chained 2009 dollars)	15,824	15,942	-0.7%	▼	1.5%	▲	1.9%	▲
Employment (in thousands)	138,780	137,964	0.6%	▲	1.8%	▲	1.2%	▲
Unemployment Rate	6.1%	6.7%	-0.6 pp	▲	-0.8 pp	▼	-2.0 pp	▼
Initial Jobless Claims	284,000	330,000	-13.9%	▼	-17.2%	▼	-12.7%	▼
Continuing Jobless Claims	2,500,000	2,674,000	-6.5%	▼	-16.4%	▼	-16.4%	▼
Building Permits, Number of Units, 12 mo. trailing	982,293	972,900	1.0%	▲	10.0%	▲	7.3%	▲
Valuation (millions of dollars), 12 mo. trailing	178,185	175,088	1.8%	▲	14.7%	▲	10.7%	▲
FHFA Home Price Index	207.3	204.7	1.3%	▲	6.6%	▲	1.1%	▲
Total Business Bankruptcy Filings	6,992	7,556	-7.5%	▼	-17.9%	▼	-13.4%	▼
Chapter 7	4,633	5,221	-11.3%	▼	-18.8%	▼	-13.7%	▼
Chapter 11	1,635	1,641	-0.4%	▼	-17.8%	▼	-13.8%	▼
Chapter 13	609	584	4.3%	▲	-11.6%	▼	-10.2%	▼
National Economy Expectations (LBCI)	57.5	57.5	0.0%	▷	-1.0%	▼	15.4%	▲

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 14), U.S. Census Bureau (NSA) (5/14), Bloomberg (7/23/14), Bureau of Labor Statistics, QCEW (NSA) (Q4 13); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (6/14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (7/21/14); Bureau of Economic Analysis (SA) (Q4 13); Bureau of Labor Statistics, CES (SA) (6/14); Bureau of Labor Statistics (SA) (6/14); U.S. Department of Labor, Employment and Training Administration (SA) (7/19/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/14); FHFA Purchase-Only Home Price Index (SA) (Q1 14); Administrative Office of the U.S. Courts (Q1 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 14).

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

## Overview of Business Types

Business filings with the Secretary of State occur under several different entity types. The most popular is a *domestic limited liability company* (DLLC), blending structures from both corporations and partnerships/sole proprietorships. DLLCs provide owners with protection from personal liability for business debts and claims, and also offer benefits from the effects of pass-through income taxation. As a domestic entity, business must be conducted in the state where the company was formed. An example of a DLLC operating in Colorado is Chipotle Mexican Grill.

The second-most popular business filing the Secretary of State receives is for *domestic corporations* (DCs). DCs provide owners limited liability, similar to DLLCs, and business must be conducted in the state in which it was formed.

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.

A new class of corporations, *B corporations* (or *B corps*), was recently formed in Colorado, creating a framework for companies that seek to solve social and environmental problems while benefiting their shareholders. An example of a company formed under this class is Addict to Athlete, based in Pueblo.

*Foreign entity* is another entity type that may be formed. Foreign entities 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.



A partnership between the  
**Colorado Secretary of State's Office**  
and the  
**University of Colorado Boulder**  
**Leeds School of Business**  
**Business Research Division**

