

Secretary of State Business Filings Q1 2015 Data Analysis Summary

- New business filings continue to increase, albeit at a slower pace following the filing fee reduction in Q3 2014.
- Employment projected to continue expanding in Q2 2015 and Q3 2015 overall, but at a slightly slower pace.
- Current Colorado economic indicators continue to show strong growth.
- National growth slowed in the latest data for employment and GDP.
- Year-over-year new business filings, existing entity renewals, and trade names all increased.

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



Q2 2015 vs. Q1 2015

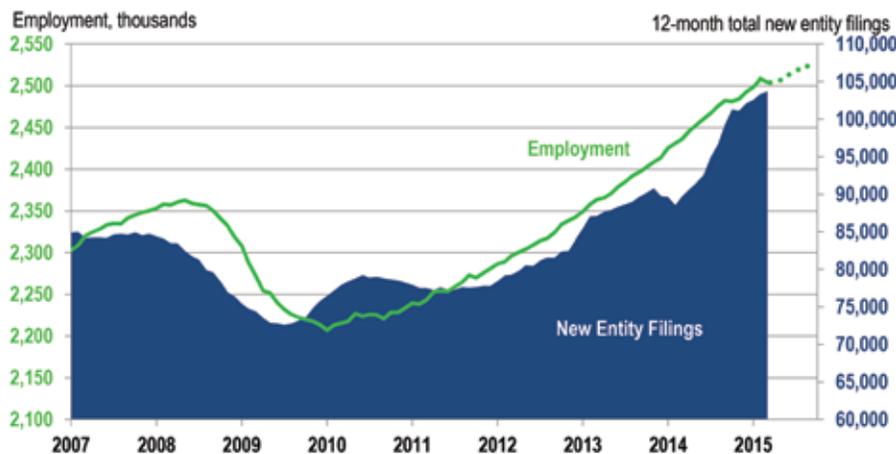


Q2 2015 vs. Q2 2014



Q3 2015 vs. Q3 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 steady. The state recorded year-over-year growth in new entity filings, existing entity renewals, trade names, and entities in good standing in the first quarter of 2015. A total of 103,719 businesses were formed in the 12-month period ending in March. Quarterly existing entity renewals spiked in Q1 to a record 126,282. The number of entities in good standing ticked up 7% compared to a year prior.

Job growth rooted in new entity filing activity. Business formation in the first quarter indicates the state will experience employment expansions in Q2 and Q3 2015.

Colorado business leaders weigh in. Confidence among state business leaders continued its streak of stability looking ahead of Q2 2015. Sales and hiring expectations contributed the greatest boosts in optimism.

Economic activity stable. Real GDP expanded by 2.2% in Q4 2014 after spiking 5% in the prior quarter. Personal consumption expenditures and residential fixed investment provided the two largest contributions to GDP growth last quarter. A total of 591,000 jobs were added in the United States in Q1 (126,000 in March), and unemployment held steady, at 5.5%. Total wages expanded by 5% in the third quarter of 2014 (most recent data available), and according to the Bureau of Labor Statistics, jobless rates were down year-over-year in 366 of 387 U.S. metro areas in February 2015.

Consumers got an extra boost from low gasoline prices driven off the steep decline in crude oil. January seasonally adjusted retail and food services sales increased 3.6% year-over-year; sales at gasoline stations were down 24.1%. Core inflation (all items less food and energy) remained muted in February, rising 0.2%, while the energy index picked up, increasing 1%.

The Colorado economy continues to gain ground. Colorado employment totaled 67,700 more jobs in March 2015 compared to March 2014. Preliminary numbers from the Bureau of Labor Statistics show that total wages for the state increased 6.8% year-over-year in Q3 2014, following growth rates of 7.5% and 6.5% in the first two quarters of the year—the fastest three quarters of annual growth in nine years.

Residential construction increased 9% nationally based on Census building permit data through February 2015. Residential construction in Colorado slowed in the first two months of 2015, with permits declining 9.3% compared to January and February 2014. Home prices in Colorado keep the state in the top five for appreciation year-over-year.

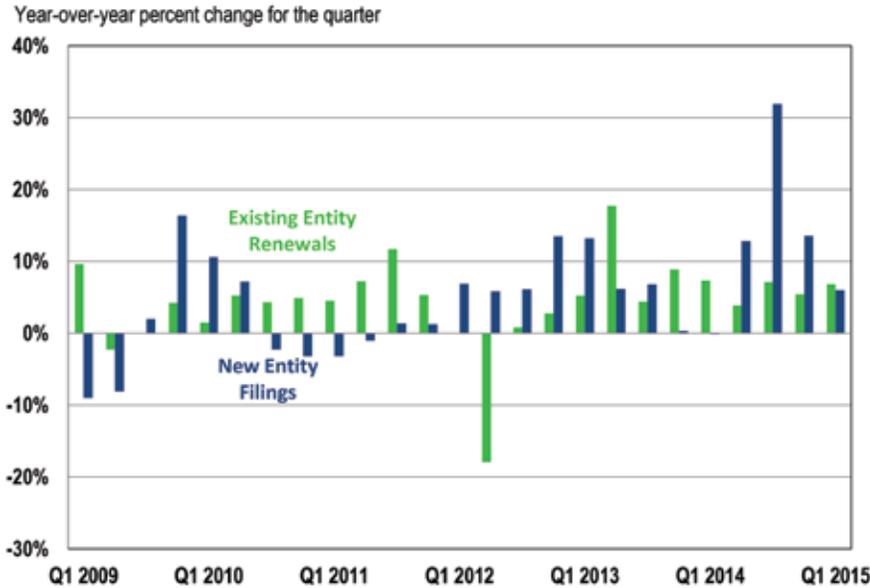


The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics.

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. **Visit leeds.colorado.edu/brd to learn more.**

Business Filings Overview

Existing Entity Renewals and New Entity Filings



Colorado sees steady growth in business formation in Q1. A total of 28,115 businesses were formed in the state in Q1 2015 compared to 26,523 in Q1 2014 (6%). A 12-month trailing sum of new entity filings increased by 15.7%, buoyed by particularly strong growth in January (10,247 filings).

Existing entity renewals picked up slightly in the first quarter, expanding by 6.9%, to 126,282, after slowing in Q4 with a total of 107,851 filings. A 12-month trailing sum of renewals increased at a rate of 7.4%.

Dissolution filings increased 11.6% year-over-year following a 6% rise last quarter. Trademark filings fell 5.8% in Q1, while trade name filings inched forward 0.7%. The total number of entities in good standing stood at 571,386 in Q1 2015.

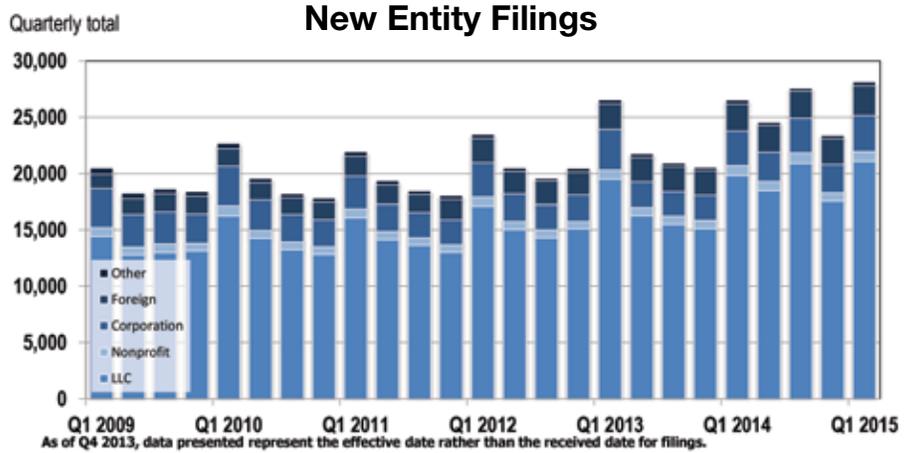
	Q1 2015	Q4 2014	Q1 2014	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	21,078	17,534	19,821	6.3%	▲	5.4%	▲
Domestic Nonprofit Corporation	887	748	887	0.0%	▷	-0.4%	▲
Domestic Corporation	3,190	2,532	3,050	4.6%	▲	-2.0%	▼
Other Entity Types	2,960	2,546	2,765	7.1%	▲	8.2%	▲
Total New Entity Filings	28,115	23,360	26,523	6.0%	▲	4.4%	▲
Total New Entity Filings - 12 mo. trailing	103,719	102,127	89,618	15.7%	▲	5.9%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	71,506	61,342	65,233	9.6%	▲	8.0%	▲
Domestic Nonprofit Corporation	11,605	9,703	11,126	4.3%	▲	3.1%	▲
Domestic Corporation	30,039	25,411	29,689	1.2%	▲	-1.0%	▼
Other Entity Types	13,132	11,395	12,119	8.4%	▲	6.0%	▲
Total Existing Entity Renewals	126,282	107,851	118,167	6.9%	▲	4.8%	▲
Total Existing Entity Renewals - 12 mo. trailing	441,065	432,950	410,666	7.4%	▲	4.6%	▲
Other Business Filings							
Dissolution Filings	6,474	6,124	5,802	11.6%	▲	5.5%	▲
Dissolution Filings - 12 mo. trailing	22,432	21,760	20,410	9.9%	▲	4.2%	▲
Trademarks	776	776	824	-5.8%	▼	3.3%	▲
Trademarks - 12 mo. trailing	3,228	3,276	2,976	8.5%	▲	7.5%	▲
Trade Names	12,277	9,792	12,195	0.7%	▲	-0.9%	▼
Trade Names - 12 mo. trailing	44,257	44,175	43,726	1.2%	▲	-0.5%	▼
Entities in Good Standing							
Corporation	122,527	124,297	121,609	0.8%	▲	-0.9%	▼
Foreign	58,437	57,905	54,083	8.1%	▲	6.8%	▲
Limited Liability Company	333,808	331,064	303,007	10.2%	▲	8.1%	▲
Nonprofit Corporation	46,143	46,228	44,789	3.0%	▲	2.2%	▲
Other Entity Types	10,471	10,599	10,439	0.3%	▲	1.5%	▲
Total Entities in Good Standing	571,386	570,093	533,927	7.0%	▲	5.0%	▲

^aCompound Annual Growth Rate.

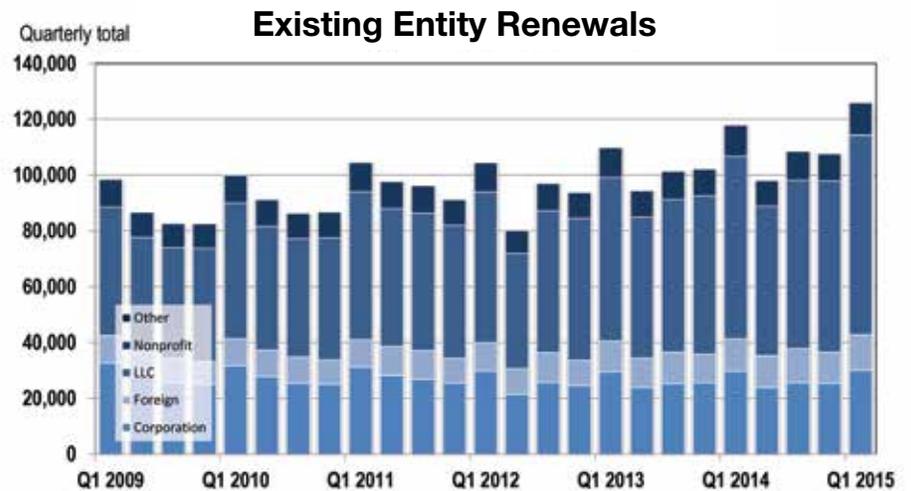
Note: As of Q4 2013, data presented represent the effective date rather than the received date for filings.

New Entity Filings & Existing Entity Renewals

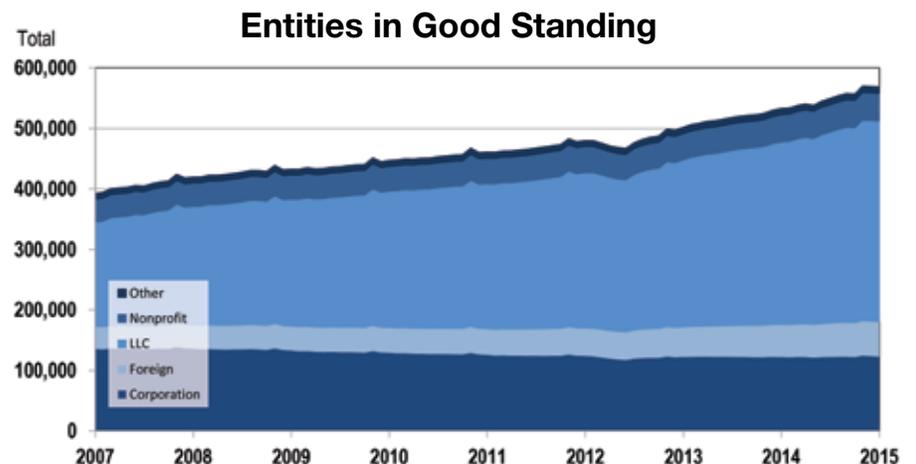
Business formation expands in Q1. A total of 28,115 establishments were formed in Q1 2015. While new business filings exhibit seasonal fluctuation, a 12-month trailing total of new entity filings increased by 15.7% year-over-year and 1.6% over the prior quarter. The two largest increases were in other entity types, up 7.1% year-over-year, and domestic limited liability companies, up 6.3% year-over-year.



Record number of existing entity renewals. Examining data back to 1990, the state reached a record high in the total number of existing entity renewals in Q1 2015 (126,282). Business renewals increased at an annual rate of 6.9% and over the past five years rose at a compound annual growth rate of 4.8%. The number of nonprofit corporations that filed renewals in Q1 increased to 11,605 compared to 9,703 the previous quarter.



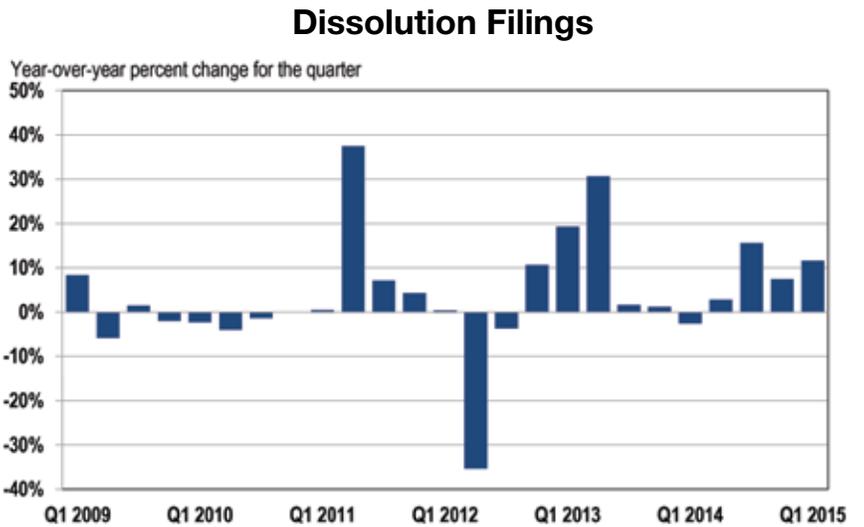
The number of entities in good standing holds steady. Annual growth in the number of Colorado entities in good standing increased in the first quarter to a total of 571,386 (7% year-over-year). Limited liability companies and foreign entities recorded the largest annual gain in good standing—up 9.3% and 7.1%, respectively.



Dissolutions, Trade Names, & Trademarks

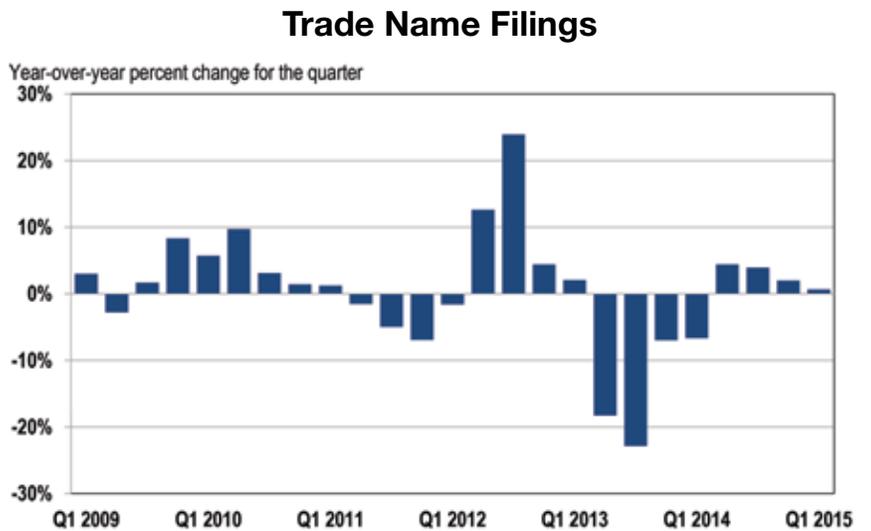
Moderated growth in dissolution filings.

Dissolution filings rose 11.6% year-over-year as a total of 6,474 business dissolved in the quarter ending in March. This figure is subject to the fact that businesses do not always voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution. The five-year compound annual growth rate for dissolution filings increased 5.5%, while the 12-month rolling sum rose at an annual rate of 9.9%.



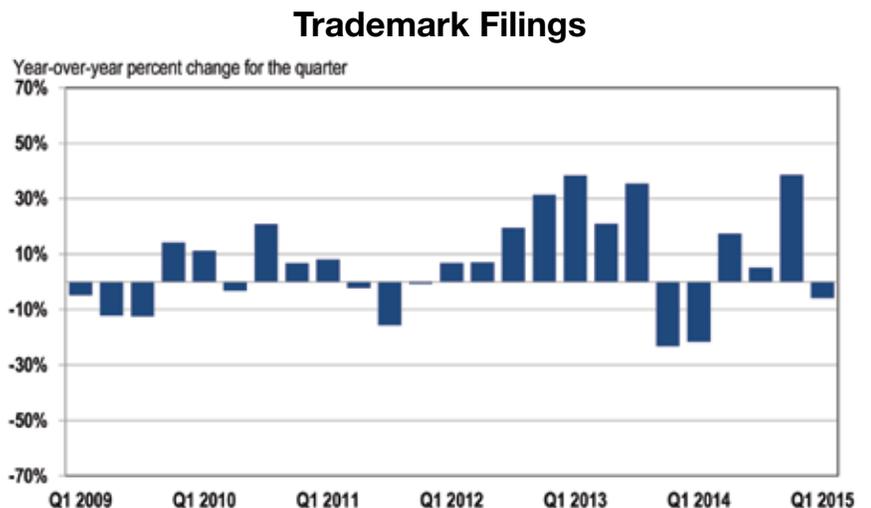
Trade name filings remain in positive territory in Q1.

A total of 12,277 trade names were filed in Q1 2015, continuing a positive but slowing pace of growth. The 12-month trailing sum of new trade name filings rose 1.2% year-over-year, though filings did tick up 25.4% from 9,792 in the prior quarter. Entities must file a statement of trade name when operating under any name other than their true name.



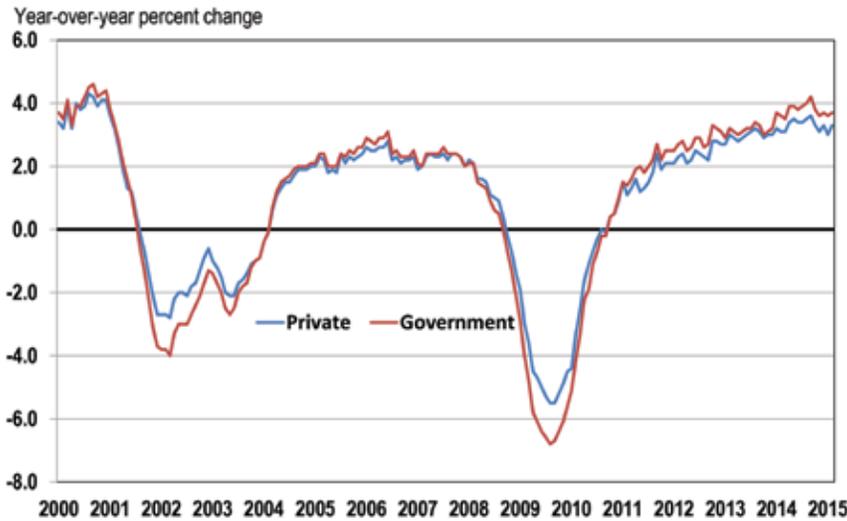
Trademark filings stagnate following spike in Q4.

Protecting the symbols and words used by businesses, the number of trademark filings in Colorado totaled 776 in Q1 2015. While new trademark filings were down 5.8% over the prior year, when they totaled 824, the five-year compound annual growth rate was 3.3% for first quarter. The 12-month trailing sum of trademark filings compounded at an annual rate of 7.5% from Q1 2010 to Q1 2015.



Colorado Economic Indicators

Colorado Employment Growth



Source: Bureau of Labor Statistics.

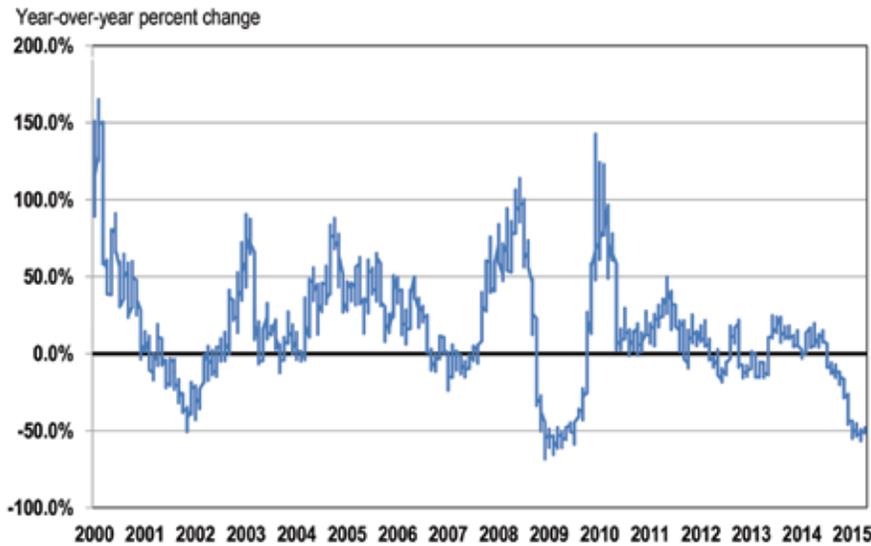
Colorado's healthy economy continues to post gains. Job growth in 2014 proved to be the largest since 2000 according to revised data from the Bureau of Labor Statistics. State employment grew 3.3% in 2014, ranking Colorado third nationally. Job growth continued in 2015, with Colorado adding 67,700 jobs year-over-year in March. Job growth continues despite the troubled oil and gas industry, although energy-producing areas of the state showed wavering employment growth in February and March. Personal income continues to trek upward, reaching \$265.7 billion in Q4 2014. Building activity slipped across the state in Q1 2015, and the 12-month trailing total of building permits was valued at \$6.5 billion in February 2015. Colorado business leaders' perceptions of the state economy improved ahead of Q2 2015 according to the Leeds Business Confidence Index.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth								
Personal Income (millions of dollars)	265,704	262,682	1.2%	▲	5.9%	▲	5.2%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	176,682	174,095	1.5%	▲	5.8%	▲	4.6%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	82,593	80,827	2.2%	▲	8.0%	▲	5.2%	▲
Sales Expectations (LBCI)	64.3	61.8	4.0%	▲	2.6%	▲	2.4%	▲
Profit Expectations (LBCI)	60.7	59.0	2.9%	▲	-1.0%	▼	3.0%	▲
Business Outlays								
Annual Wages Per Employee (\$)	52,131	51,421	1.4%	▲	2.3%	▲	2.3%	▲
Hiring Expectations (LBCI)	62.1	58.2	6.7%	▲	4.3%	▲	4.6%	▲
Capital Expenditures Expectations (LBCI)	59.3	59.4	-0.2%	▼	1.3%	▲	4.2%	▲
Retail Gasoline Price (dollars per gallon)	2.28	2.21	2.9%	▲	-37.3%	▼	-3.5%	▼
Economic Overview								
Employment (in thousands)	2,504.1	2,492.8	0.5%	▲	2.8%	▲	2.5%	▲
Unemployment Rate ^b	4.2%	4.2%	0.0%	▷	-1.3%	▼	-4.5%	▼
Initial Jobless Claims	2,394	2,533	-5.5%	▼	-2.9%	▼	-9.1%	▼
Continuing Jobless Claims	34,296	29,050	18.1%	▲	-16.5%	▼	-14.7%	▼
Building Permits, Number of Units, 12 mo. trailing	29,043	29,598	-1.9%	▼	7.5%	▲	23.9%	▲
Valuation (millions of dollars), 12 mo. trailing	6,496	6,530	-0.5%	▼	10.5%	▲	22.9%	▲
FHFA Purchase-Only Home Price Index	332	324	2.4%	▲	7.9%	▲	4.6%	▲
Private Firms	177,519	175,288	1.3%	▲	3.0%	▲	0.5%	▲
Oil Rig Count	37	66	-43.9%	▼	-40.3%	▼	NA	-
Total Business Bankruptcy Filings	110	114	-3.5%	▼	-29.5%	▼	-22.1%	▼
Chapter 7	80	90	-11.1%	▼	-38.0%	▼	-23.5%	▼
Chapter 11	17	19	-10.5%	▼	0.0%	▷	-20.9%	▼
Chapter 13	9	4	125.0%	▲	12.5%	▲	-11.9%	▼
State Economy Expectations (LBCI)	61.7	60.8	1.5%	▲	1.0%	▲	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) (Q4 14); Colorado Department of Revenue (NSA) (7/14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 15); Colorado Department of Labor and Employment, QCEW (NSA) (Q3 14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (03/30/15); Bureau of Labor Statistics, CES (SA) (03/15); Bureau of Labor Statistics (SA) (03/15); U.S. Department of Labor, Employment and Training Administration (NSA) (03/28/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (02/15); FHFA Purchase-Only Home Price Index (SA) (Q4 15); Baker-Hughes (04/02/15); Administrative Office of the U.S. Courts (Q4 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 15); ^aCompound Annual Growth Rate. ^bPercentage point change.

National Economic Indicators

WTI Price Percentage Change, Year-over-Year



Source: Energy Information Administration, Cushing, OK WTI Spot Price FOB (Dollars per Barrel)

Energy prices depress U.S. energy economy.

The sharp decline in energy prices has begun to impact energy employment, but analysts contend that the price decline is a net positive for the national economy due to consumer savings. West Texas Intermediate (WTI) crude oil prices stood at \$52.08 per barrel in early April, and according to the Energy Information Administration are expected to average \$52.48 per barrel in 2015 and \$70.00 in 2016.

Both GDP and employment grew, but at a slower rate, in the latest metrics. GDP ticked up 2.2% in Q4 2014 after growing 5% in Q3. Employment grew by 126,000 in March compared to 264,000 in February and 201,000 in January. Personal income and average annual pay both increased for the quarter, residential building permits and home values improved, and the S&P 500 rose 12.2% 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)	14,958	14,811	1.0%	▲	4.5%	▲	4.3%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,291.1	5,249.0	0.8%	▲	4.1%	▲	5.2%	▲
S&P 500	2,100.4	2,022.6	3.8%	▲	12.2%	▲	11.7%	▲
Business Outlays								
Annual Wages Per Employee	50,883	50,544	0.7%	▲	2.2%	▲	3.0%	▲
Consumer Price Index	235.2	237.1	-0.8%	▼	-0.1%	▼	1.6%	▲
Energy	200.6	230.9	-13.1%	▼	-18.9%	▼	-0.9%	▼
Transportation Services	288.8	287.0	0.6%	▲	2.2%	▲	2.4%	▲
Retail Gasoline Price (dollars per gallon)	2.50	2.31	8.3%	▲	-31.9%	▼	-2.8%	▼
Economic Overview								
Real Gross Domestic Output (billions of chained 2009 dollars)	16,295	16,206	0.5%	▲	2.4%	▲	2.3%	▲
Employment (in thousands)	141,183	140,592	0.4%	▲	2.3%	▲	1.7%	▲
Unemployment Rate ^b	5.5%	5.6%	-0.1%	▼	-1.1%	▼	-4.4%	▼
Initial Jobless Claims	293,000	289,000	1.4%	▲	-9.3%	▼	-9.1%	▼
Continuing Jobless Claims	2,399,000	2,388,000	0.5%	▲	-15.6%	▼	-12.8%	▼
Building Permits, Number of Units, 12 mo. trailing	1,050,692	1,028,819	2.1%	▲	6.9%	▲	12.8%	▲
Valuation (millions of dollars), 12 mo. trailing	194,172	189,787	2.3%	▲	9.6%	▲	15.0%	▲
FHFA Home Price Index	214.0	211.1	1.4%	▲	4.9%	▲	2.2%	▲
Total Business Bankruptcy Filings	6,219	6,355	-2.1%	▼	-17.7%	▼	-16.2%	▼
Chapter 7	4,381	4,344	0.9%	▲	-16.1%	▼	-16.2%	▼
Chapter 11	1,238	1,363	-9.2%	▼	-24.6%	▼	-17.2%	▼
Chapter 13	510	557	-8.4%	▼	-12.7%	▼	-13.6%	▼
National Economy Expectations (LBCI)	60.4	60.0	0.6%	▲	5.0%	▲	4.0%	▲

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) (Q4 14); U.S. Census Bureau (NSA) (02/15); Bloomberg (04/20/15); Bureau of Labor Statistics, QCEW (NSA) (Q3 14); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (02/15); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (04/06/15); Bureau of Economic Analysis (SA) (Q4 14); Bureau of Labor Statistics, CES (SA) (03/15); Bureau of Labor Statistics (SA) (03/15); U.S. Department of Labor, Employment and Training Administration (SA) (03/07/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (02/15); FHFA Purchase-Only Home Price Index (SA) (Q4 15); Administrative Office of the U.S. Courts (Q4 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 15).

^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, Fate Restaurants, LLC began operating Boulder-based Fate Brewing Company in 2012.

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. Big Brothers Big Sisters Colorado operates as a DNC with the mission to provide at-risk youth with professionally supported relationships.

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. The Girls Athletic Leadership School of Denver (GALS) is an example of a foreign entity in Colorado.



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