

Secretary of State Business Filings Q3 2014 Data Analysis Summary

- Record increase in new business filings caused by filing fee reduction.
- Employment projected to continue expanding in Q4 2014 and Q1 2015 overall.
- 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.
- Global macroeconomic warnings loom over growth in the medium term.

INDICATORS

Employment (SA)



vs. prior quarter



vs. prior year

Unemployment



vs. prior quarter



vs. prior year

New Entity Filings



vs. prior quarter



vs. prior year

Existing Entity Renewals



vs. prior quarter



vs. prior year

EMPLOYMENT FORECASTS



Q4 2013 vs. Q3 2014

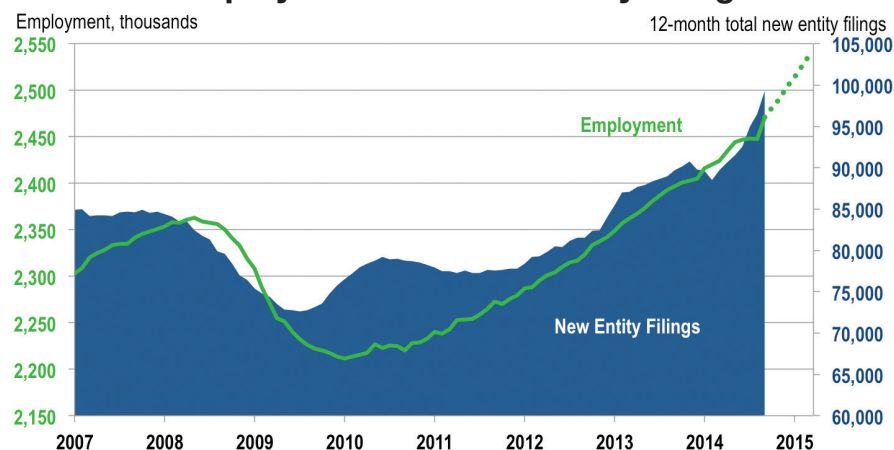


Q4 2013 vs. Q4 2013



Q1 2015 vs. Q1 2014

Employment and New Entity Filings



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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 Q3 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 Q3 2014. Colorado gained 99,297 new entities over the last 12 months (up 10.7%) and increased 27,640 for the quarter ending in September. Quarterly and annual existing entity renewals expanded in Q3, up 7.1% and 6.8%. The number of entities in good standing expanded slightly for the quarter (0.6%) and rose by 6.6% for the year.

New entity filings suggest employment growth into 2015. Colorado's record of new business filings in Q3 2014 suggests that state employment will continue to grow into Q1 2015. However, monthly gains are expected to be volatile based on filing declines in early 2014.

State business leaders' expectations remain stable. Despite a slight decrease in confidence heading into Q4, Colorado's business leaders maintained an overall

optimistic outlook. Overall, the Leeds Business Confidence Index moved from 61.2 to 59.5 in the Q4 survey—well above the neutral mark of 50. Over the past 12 months, survey respondents' confidence rose for all metrics except state economic outlook and profits expectations. The expectations for the national outlook and capital expenditures recorded the strongest growth in this period.

Warnings loom over generally positive economic metrics. National employment continued to set new records in Q3 2014. Total nonfarm employment rose 1.9% yearly, and unemployment dropped to 5.9% in September 2014. Further growth in the national economy was recorded, with gains in personal income and wealth and rebounding corporate profits.

However, wages and prices continue to grow slowly, leading the Fed to stay the course on a low interest rate environment. Retail sales and producer prices also

dropped in the most recent reports. A global economic slowdown poses risks—immediately observable in the stock market and in oil prices.

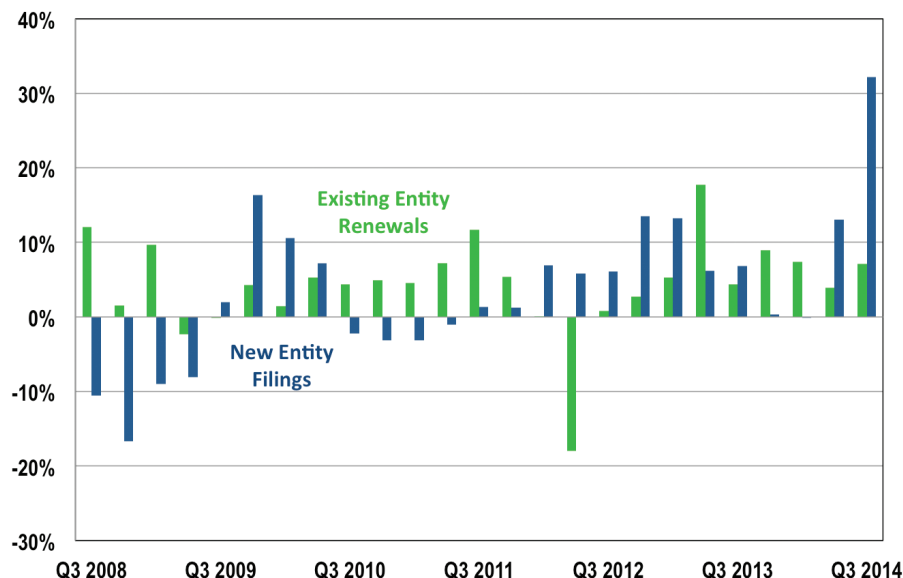
The state economy recorded overall positive metrics with the latest data. The state continues to notch new employment peaks, with 67,400 seasonally adjusted jobs added year-over-year in September 2014. Aggressive residential building activity pushed building permits up 11.8% for the year and valuation up 12.8% in a 12-month trailing total. Home prices across the nation expanded 5.2% and 7.8% in Colorado in Q2 2014.

Wages per employee in Colorado were \$51,425 for the year ending in Q1 2014, increasing 1.7% year-over-year. State personal income recorded more substantial gains in this time period, increasing by 6.1% year-over-year.



Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



Business Filings Overview

A sharp increase in new entity filings in Q3. In Q3 2014, new entity filings grew at the fastest pace within the analyzed dataset, expanding 32.2% and marking two consecutive quarters of strong growth. This was spurred by the reduction of filing fees to \$1 for the quarter. The next highest recorded filings occurred in Q4 2009, coming on the heels of the recession, where the state recorded robust year-over-year growth after declining during the recession.

Yearly existing entity renewals increased by 6.8% in Q3, with a 12-month trailing sum of renewals totaling 427,361.

Dissolution filings recorded a 15.6% increase over last quarter and a 3.5% gain for the year. Trademark filings rose 5.1% year-over-year in Q3, and trade names increased 3.9%. The number of entities in good standing reached 554,418 this quarter.

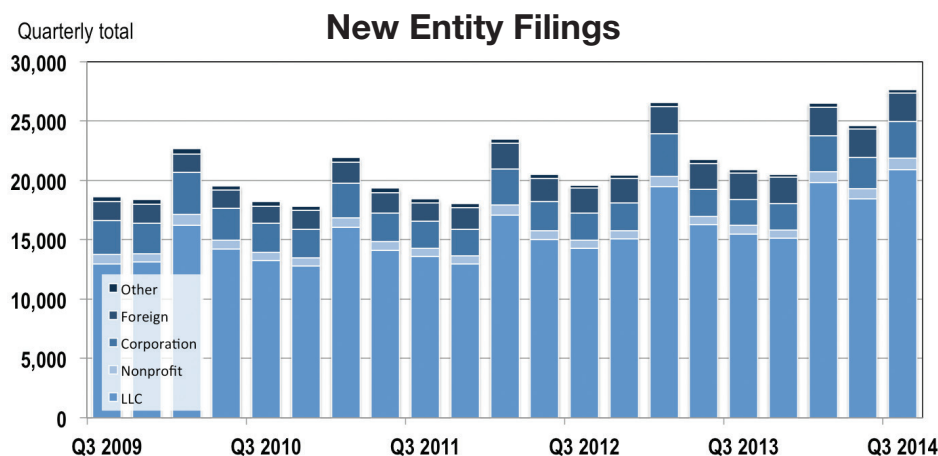
	Q3 2014	Q2 2014	Q3 2013	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	20,882	18,478	15,477	34.9%	▲	10.0%	▲
Domestic Nonprofit Corporation	972	820	748	29.9%	▲	5.7%	▲
Domestic Corporation	2,602	3,050	2,290	13.6%	▲	27.3%	▲
Other Entity Types	3,184	2,253	2,397	32.8%	▲	-5.1%	▼
Total New Entity Filings	27,640	24,601	20,912	32.2%	▲	8.2%	▲
Total New Entity Filings - 12 mo. trailing	99,297	96,553	89,690	10.7%	▲	6.3%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	60,321	53,508	54,697	10.3%	▲	8.9%	▲
Domestic Nonprofit Corporation	10,305	9,231	10,021	2.8%	▲	3.3%	▲
Domestic Corporation	25,664	23,843	25,290	1.5%	▲	0.0%	▲
Other Entity Types	12,414	11,647	11,463	8.3%	▲	6.8%	▲
Total Existing Entity Renewals	108,704	98,229	101,471	7.1%	▲	5.6%	▲
Total Existing Entity Renewals - 12 mo. trailing	427,361	424,902	400,012	6.8%	▲	4.2%	▲
Other Business Filings							
Dissolution Filings	5,060	4,773	4,378	15.6%	▲	3.6%	▲
Dissolution Filings - 12 mo. trailing	21,334	20,652	20,610	3.5%	▲	2.9%	▲
Trademarks	827	849	787	5.1%	▲	11.6%	▲
Trademarks - 12 mo. trailing	3,060	3,020	3,290	-7.0%	▼	7.6%	▲
Trade Names	10,775	11,413	10,367	3.9%	▲	-0.5%	▼
Trade Names - 12 mo. trailing	43,982	43,626	44,685	-1.6%	▼	0.1%	▲
Entities in Good Standing							
Corporation	122,532	121,030	122,351	0.1%	▲	-1.2%	▼
Foreign	56,460	54,953	52,079	8.4%	▲	6.4%	▲
Limited Liability Company	319,333	307,424	289,215	10.4%	▲	8.1%	▲
Nonprofit Corporation	45,577	44,778	44,286	2.9%	▲	2.2%	▲
Other Entity Types	10,516	10,386	12,381	-15.1%	▼	1.6%	▲
Total Entities in Good Standing	554,418	538,571	520,312	6.6%	▲	4.8%	▲

^aCompound Annual Growth Rate.

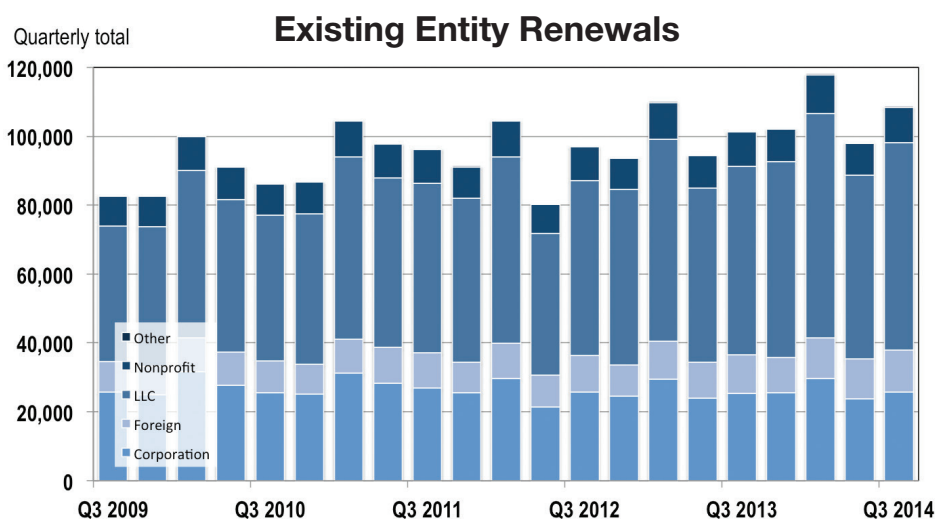
Note: As of Q4 2013, data presented represent the effective date rather than the received date for filings.

New Entity Filings & Existing Entity Renewals

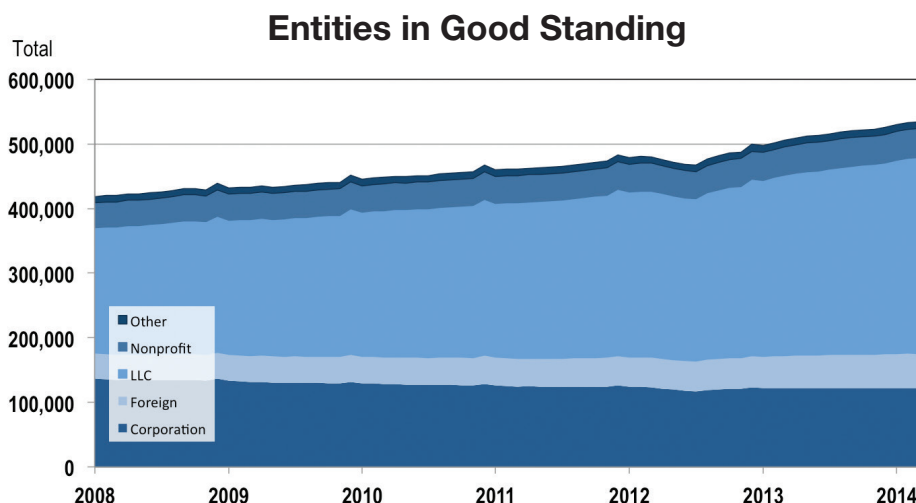
Moderate growth in business formation. A total of 27,640 new entities were formed in Q3 2014, an increase of 32.2% year-over-year. A 12-month trailing total of new entity filings increased by 10.3% year-over-year and 12.4% over last quarter. Domestic limited liability companies jumped 34.9% year-over-year in Q3 2014.



Annual existing entity renewals up. Total existing entity renewals rose 7.1% year-over-year in the quarter ending in September. A 12-month trailing sum of existing entity renewals increased 6.8% year-over-year. A total of 108,704 renewals took place in Q3 2014. The greatest increase was in domestic limited liability companies.



Entities in good standing expand. The total number of firms in good standing rose to 554,418 in Q3 2014. This represents a 6.6% increase over last year and a 2.9% increase over last quarter. Limited liability companies still account for nearly 58% of all entities in good standing and recorded an increase of 10.4% year-over-year. The number of corporations in good standing reversed trend and grew in Q3; foreign and nonprofit corporations both recorded yearly gains.



Dissolutions, Trade Names, & Trademarks

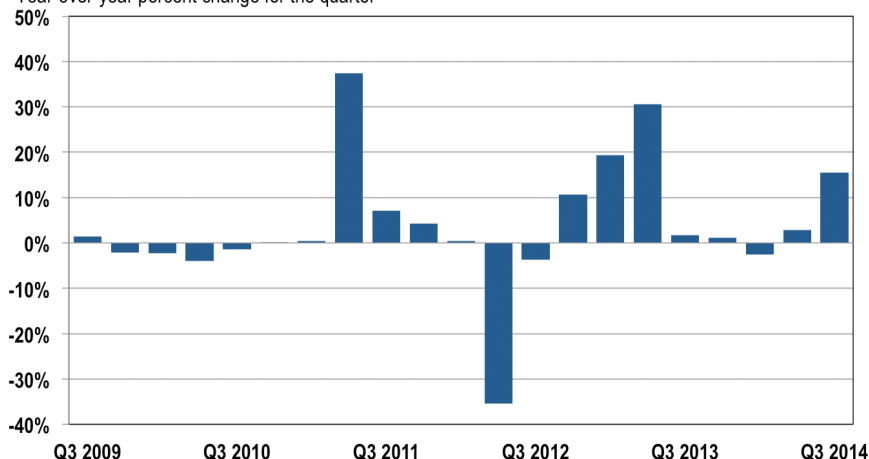
Dissolution filings rise. After increasing modestly in Q2 2014, dissolution filings shot up 15.6% year-over-year in Q3 2014. A total of 5,060 business dissolved in the quarter ending in September, reflecting a five-year compound annual growth rate of 3.6%. Compared to last quarter, dissolution filings rose 6%. 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 grow in Q3. A total of 10,775 trade names were filed in Q3, continuing growth recorded in Q2, albeit at a slower rate (3.9% year-over-year). Entities must file a statement of trade name when operating under any name other than their true name.

Annual trademark filings up year-over-year. Protecting the symbols and words an entity uses in commerce, the number of trademark filings in Colorado totaled 827 in Q3 2014. This reflects an annual increase of 5.1%. In a 12-month trailing sum ending Q3 2014, the total number of trademark filings was 3,060. This represents a five-year compound annual growth rate of 11.6%.

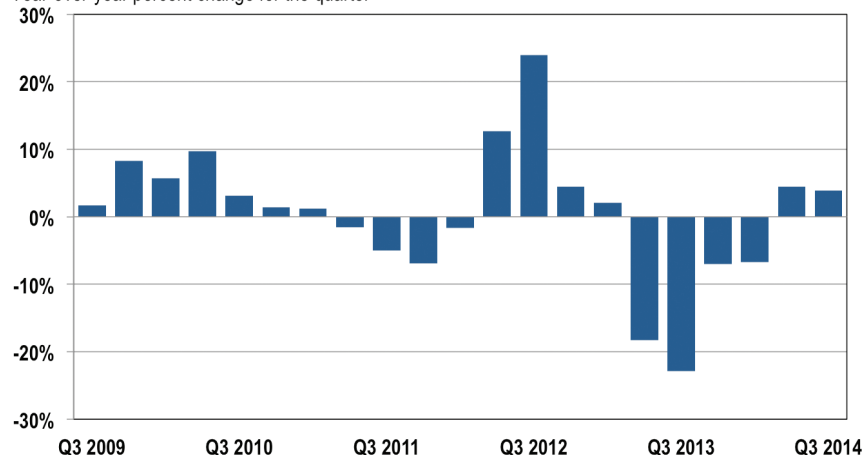
Dissolution Filings

Year-over-year percent change for the quarter



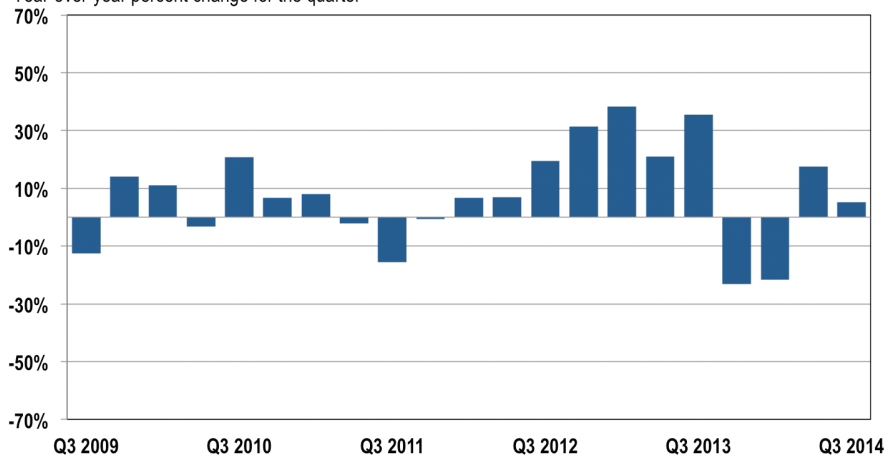
Trade Name Filings

Year-over-year percent change for the quarter

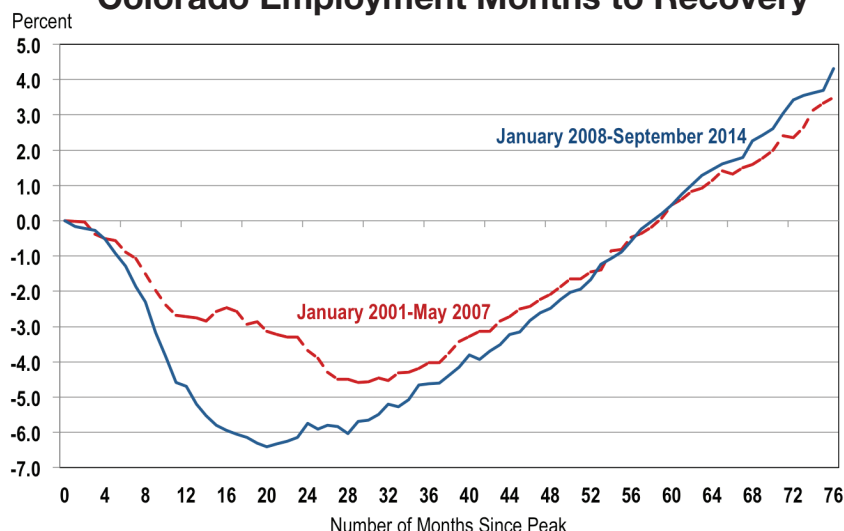


Trademark Filings

Year-over-year percent change for the quarter



Colorado Employment Months to Recovery



Colorado Economic Indicators

Sustained growth in the Colorado economy. Increases in employment, wages, and personal income fueled growth this quarter. In September, the state added a total of 67,400 jobs year-over-year. After 76 months of employment recovery, the state reached a new peak of 2.46 million workers in September 2014. The state currently records the fourth-best employment recovery from the recession. Annual wages per employee were \$51,425 as of Q1 2014 (most recent data available), which compares to last year's average of \$50,588. Personal income across Colorado expanded by 6.1% year-over-year in Q2 2014, amassing \$259.4 billion for the quarter. While state retail and taxable sales are up year-over-year according to the Leeds Business Confidence Index, Colorado business leaders anticipate softer sales activity for Q4 2014.

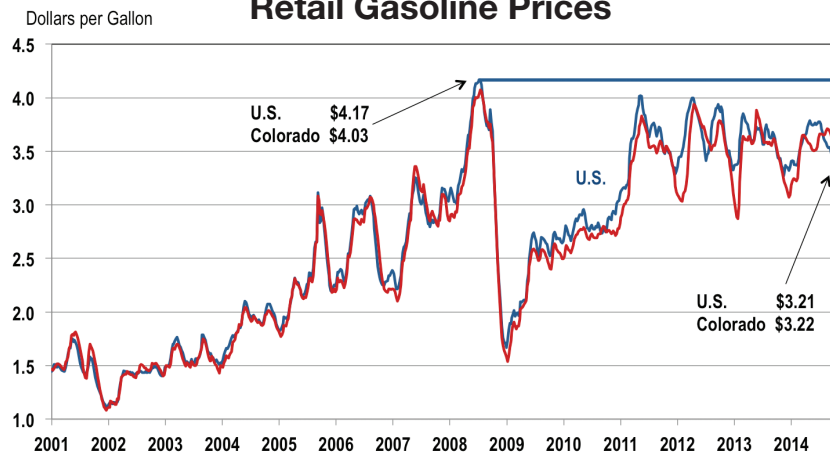
	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth								
Personal Income (millions of dollars)	259,385	255,136	1.7%	▲	5.4%	▲	4.7%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	173,940	171,805	1.2%	▲	5.8%	▲	3.4%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	80,793	79,034	2.2%	▲	7.5%	▲	3.9%	▲
Sales Expectations (LBCI)	62.1	63.4	-2.1%	▼	0.2%	▲	2.8%	▲
Profit Expectations (LBCI)	58.8	61.2	-3.9%	▼	-0.8%	▼	3.7%	▲
Business Outlays								
Annual Wages Per Employee (\$)	51,425	50,873	1.1%	▲	1.7%	▲	2.5%	▲
Hiring Expectations (LBCI)	57.9	59.5	-2.6%	▼	0.2%	▲	4.6%	▲
Capital Expenditures Expectations (LBCI)	57.8	59.6	-3.1%	▼	0.6%	▲	4.6%	▲
Retail Gasoline Price (dollars per gallon)	3.22	3.66	-12.1%	▼	-5.3%	▼	5.3%	▲
Economic Overview								
Employment (in thousands)	2,464.5	2,446.7	0.7%	▲	2.8%	▲	2.1%	▲
Unemployment Rate	4.7%	5.5%	-0.8 pp	▲	-1.9 pp	▼	-3.6 pp	▼
Initial Jobless Claims	2,923	2,946	-0.8%	▼	-23.9%	▼	-10.3%	▼
Continuing Jobless Claims	26,356	33,505	-21.3%	▼	-23.1%	▼	-16.8%	▼
Building Permits, Number of Units, 12 mo. trailing	28,264	27,646	2.2%	▲	11.8%	▲	20.1%	▲
Valuation (millions of dollars), 12 mo. trailing	6,260	6,137	2.0%	▲	12.8%	▲	19.9%	▲
FHFA Purchase-Only Home Price Index	320	318	0.7%	▲	7.8%	▲	3.7%	▲
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	121	125	-3.2%	▼	-35.3%	▼	-20.0%	▼
Chapter 7	102	94	8.5%	▲	-33.8%	▼	-20.1%	▼
Chapter 11	12	21	-42.9%	▼	-40.0%	▼	-21.4%	▼
Chapter 13	6	10	-40.0%	▼	-25.0%	▼	-12.9%	▼
State Economy Expectations (LBCI)	59.5	61.2	-2.7%	▼	0.3%	▲	3.9%	▲

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 14); Colorado Department of Revenue (NSA) (4/14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 14); Colorado Department of Labor and Employment, QCEW (NSA) (Q2 14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/20/14); Bureau of Labor Statistics, CES (SA) (9/14); Bureau of Labor Statistics (SA) (8/14); U.S. Department of Labor, Employment and Training Administration (NSA) (10/4/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/14); FHFA Purchase-Only Home Price Index (SA) (Q2 14); Colorado Department of Local Affairs, Colorado Division of Housing (Q1 14); Administrative Office of the U.S. Courts (Q2 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 14);

^aCompound Annual Growth Rate.

National Economic Indicators

Retail Gasoline Prices



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

Warnings for the U.S. economy. Expansions in employment, wealth, and building activity countered sluggish sales activity and a drop in consumer prices in Q3 2014. U.S. employment rose 1.9% year-over-year in September 2014, while unemployment fell to 5.9% in the same period. The nation added a total of 2.6 million jobs in the 12 months ending September 2014. Personal income totaled \$14.7 trillion in Q2 2014, rising 4.1% year-over-year. Average wages per employee also increased over last year, reaching \$50,305 in Q1 2014 (most recent data available). While a 12-month trailing sum of U.S. retail sales indicate sales activity is up year-over-year (3.8%), retail sales for the month of September fell by \$27.4 million month-over-month. In the same period, consumer prices dropped for the first time since April 2013 (-0.2%) but increased 0.1% from three months ago. Furthermore, the stock market and oil prices pulled back in October on indications of a softening global economy.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth								
Personal Income (billions of dollars)	14,708	14,485	1.5%	▲	4.1%	▲	4.0%	▲
Retail Sales, 12 mo. trailing (billions of dollars)	4,654.3	4,605.7	1.1%	▲	3.8%	▲	5.2%	▲
S&P 500	1,904.0	1,987.0	-4.2%	▼	9.0%	▲	11.8%	▲
Business Outlays								
Annual Wages Per Employee	50,305	49,804	1.0%	▲	1.9%	▲	2.7%	▲
Consumer Price Index	237.4	237.1	0.1%	▲	1.7%	▲	2.0%	▲
Energy	245.7	249.1	-1.4%	▼	0.3%	▲	4.0%	▲
Transportation Services	284.1	287.8	-1.3%	▼	1.5%	▲	2.5%	▲
Retail Gasoline Price (dollars per gallon)	3.21	3.67	-12.7%	▼	-6.7%	▼	4.1%	▲
Economic Overview								
Real Gross Domestic Output (billions of chained 2009 dollars)	16,010	15,832	1.1%	▲	2.6%	▲	2.2%	▲
Employment (in thousands)	139,435	138,764	0.5%	▲	1.9%	▲	1.4%	▲
Unemployment Rate	5.9%	6.1%	-0.1 pp	▲	-0.8 pp	▼	-2.0 pp	▼
Initial Jobless Claims	295,000	313,000	-5.8%	▼	-6.6%	▼	-11.3%	▼
Continuing Jobless Claims	2,402,000	2,575,000	-6.7%	▼	-17.6%	▼	-16.6%	▼
Building Permits, Number of Units, 12 mo. trailing	1,002,087	982,293	2.0%	▲	8.1%	▲	11.2%	▲
Valuation (millions of dollars), 12 mo. trailing	182,818	178,185	2.6%	▲	11.8%	▲	14.0%	▲
FHFA Home Price Index	208.9	207.3	0.8%	▲	5.2%	▲	1.6%	▲
Total Business Bankruptcy Filings	7,283	6,992	4.2%	▲	-17.9%	▼	-14.6%	▼
Chapter 7	4,733	4,633	2.2%	▲	-21.0%	▼	-15.0%	▼
Chapter 11	1,842	1,635	12.7%	▲	-9.2%	▼	-14.2%	▼
Chapter 13	576	609	-5.4%	▼	-20.9%	▼	-13.3%	▼
National Economy Expectations (LBCI)	56.4	57.5	-1.9%	▼	1.6%	▲	3.4%	▲

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) (Q2 14), U.S. Census Bureau (NSA) (8/14), Bloomberg (10/20/14), Bureau of Labor Statistics, QCEW (NSA) (Q1 14); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (8/14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/20/14); Bureau of Economic Analysis (SA) (Q2 14); Bureau of Labor Statistics, CES (SA) (9/14); Bureau of Labor Statistics (SA) (9/14); U.S. Department of Labor, Employment and Training Administration (SA) (09/20/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/14); FHFA Purchase-Only Home Price Index (SA) (Q2 14); Administrative Office of the U.S. Courts (Q2 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 14).

^aCompound 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 company that formed under this class in 2010 is the natural pet-food store Woofs and Hoofs, which is based in Littleton.

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. The Piton Foundation in Colorado was formed as a DNC in 1976.

A new class of corporations, public benefit corporations, was recently formed in Colorado, creating a framework for companies that seek to solve social and environmental problems while benefiting their shareholders. A well-known example of this type of corporation in Colorado is the New Belgium Brewing Company based out of Fort Collins.

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. Smashburger is one example of a foreign entity type that operates in the state.



BUSINESS RESEARCH DIVISION

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