

Secretary of State Business Filings Q4 2014 Data Analysis Summary

- New business filings increase a quarter after the filing fee holiday.
- Employment projected to continue expanding in Q1 2015 and Q2 2015 overall; slow wage growth is a concern.
- Current Colorado economic indicators continue to show strong growth.
- Year-over-year new business filings, existing entity renewals, trademarks, and trade names all increased for the quarter.
- Slowing global economic growth poses a risk to domestic economic growth.
- Energy prices offer benefits and costs to the 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



Q1 2015 vs. Q4 2014

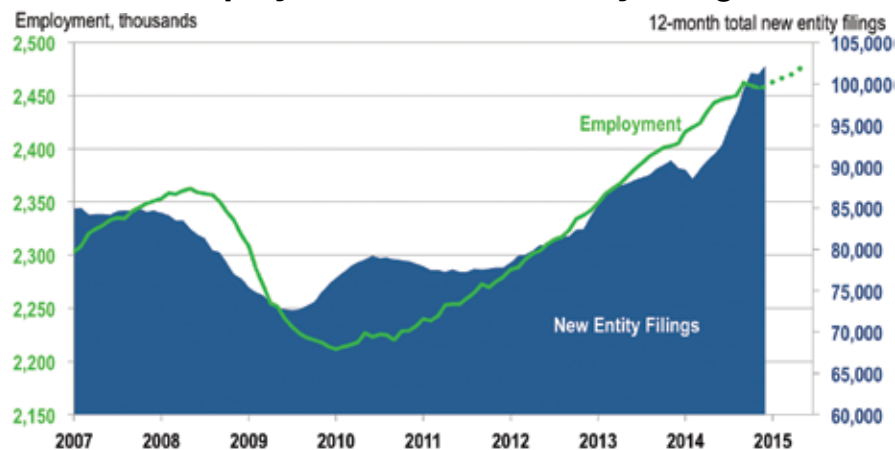


Q1 2015 vs. Q1 2014



Q2 2015 vs. Q2 2014

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 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.

Secretary of State Business Filings Q4 2014 Data Analysis

Business filings continue to increase.

Year-over-year improvements were recorded in new entity filings, existing entity renewals, trademarks, trade names, and entities in good standing in Q4 2014. Colorado gained 102,127 new entities over the last 12 months (13.8% increase) and 23,320 for the quarter ending in December. Quarterly and annual existing entity renewals expanded in Q4, up 5.5% and 6%. The number of entities in good standing increased 8.5% compared to a year ago.

New entity filings point to further employment growth in 2015. Colorado's record of new business filings in Q3 2014 suggests that state employment will continue to grow into Q1 and Q2 2015. However, projected monthly gains are revised slower from last quarter.

Consistency from state business leaders. Confidence among business leaders increased slightly heading into Q1 2015. Most noteworthy is the consistency

observed in the index over the past seven quarters—a period notably less volatile than any other period in the 11-year index.

Colorado's business leaders maintained an overall optimistic outlook. The Leeds Business Confidence Index moved from 59.5 to 60.8 in the Q1 survey—well above the neutral mark of 50. The expectations for the state economy and the national economy recorded the strongest growth in this period.

Economic metric up, but wages lag.

GDP accelerated growth in Q3 2014 after a dismal Q1 estimate and strong Q2. Employment growth nationally continued an upward climb in Q4 2014, with the month-to-month growth averaging 289,000 jobs during the quarter. This is the fastest quarterly growth recorded in 16 years, dating back to December 1999. Total nonfarm employment rose 2.1% yearly, and unemployment dropped to 5.6% in December.

Consumer indicators continue to improve. With the gain in employment, total wages have increased (though average wages did not), wealth is generally higher, and consumer confidence ticked up in December. Consumers got an extra boost from low gasoline prices driven off the steep decline in crude oil. Despite this boost, December seasonally adjusted retail sales declined 0.9%. Core inflation (all items less food and energy) was muted in December, while overall prices fell due to falling fuel prices.

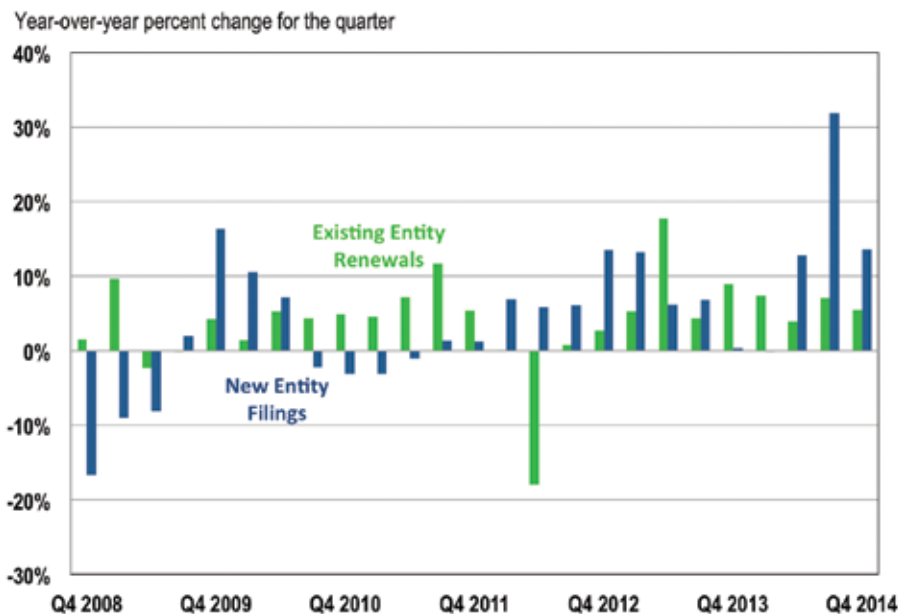
The state economy recorded generally positive metrics with the latest data. The state continues to notch new employment peaks, with 54,400 seasonally adjusted jobs added year-over-year in November 2014. Wages per employee in Colorado were \$51,763 for the year ending in Q2 2014, increasing 2% year-over-year. State personal income recorded more substantial gains in this time period, increasing by 5.3% 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](http://leeds.colorado.edu/brd) to learn more.

Existing Entity Renewals and New Entity Filings



Business Filings Overview

New entity filings moderate in Q4.

Following robust growth in Q3 2014 partially driven by a temporary reduction in business filing fees to \$1, Q4 2014 filing continued to grow, but at a slower rate. Filings grew at 13.6% year-over-year, marking three consecutive months of robust growth.

Yearly existing entity renewals increased by 5.5% in Q4, with a 12-month trailing sum of renewals totaling 432,950.

Dissolution filings recorded a 7.5% increase in Q4 2014 compared to Q4 2013, and annual dissolutions were up 5.2%. Trademark and trade names both increased, up 38.6% and 2% year-over-year in Q4. The number of entities in good standing, a cumulative metric, reached 570,093 in the quarter ending in December.

	Q4 2014	Q3 2014	Q4 2013	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	17,534	20,883	15,110	16.0%	▲	6.0%	▲
Domestic Nonprofit Corporation	748	972	733	2.0%	▲	1.7%	▲
Domestic Corporation	2,492	3,051	2,226	11.9%	▲	-0.9%	▼
Other Entity Types	2,546	2,678	2,464	3.3%	▲	5.2%	▲
Total New Entity Filings	23,320	27,584	20,533	13.6%	▲	4.9%	▲
Total New Entity Filings - 12 mo. trailing	102,127	99,300	89,756	13.8%	▲	6.2%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	61,342	60,321	56,805	8.0%	▲	8.6%	▲
Domestic Nonprofit Corporation	9,703	10,305	9,446	2.7%	▲	1.7%	▲
Domestic Corporation	25,408	25,663	25,616	-0.8%	▼	0.3%	▲
Other Entity Types	11,395	12,414	10,394	9.6%	▲	6.7%	▲
Total Existing Entity Renewals	107,848	108,703	102,261	5.5%	▲	5.5%	▲
Total Existing Entity Renewals - 12 mo. trailing	432,950	427,360	408,366	6.0%	▲	4.3%	▲
Other Business Filings							
Dissolution Filings	6,125	5,061	5,699	7.5%	▲	4.7%	▲
Dissolution Filings - 12 mo. trailing	21,761	21,335	20,677	5.2%	▲	3.5%	▲
Trademarks	776	827	560	38.6%	▲	8.2%	▲
Trademarks - 12 mo. trailing	3,276	3,060	3,121	5.0%	▲	8.4%	▲
Trade Names	9,792	10,775	9,599	2.0%	▲	-1.3%	▼
Trade Names - 12 mo. trailing	44,175	43,982	43,964	0.5%	▲	-0.2%	▼
Entities in Good Standing							
Corporation	124,297	122,532	121,858	2.0%	▲	-1.2%	▼
Foreign	57,905	56,460	53,038	9.2%	▲	6.4%	▲
Limited Liability Company	331,064	319,333	295,519	12.0%	▲	8.0%	▲
Nonprofit Corporation	46,228	45,577	44,339	4.3%	▲	2.1%	▲
Other Entity Types	10,599	10,516	10,520	0.8%	▲	1.4%	▲
Total Entities in Good Standing	570,093	554,418	525,274	8.5%	▲	4.8%	▲

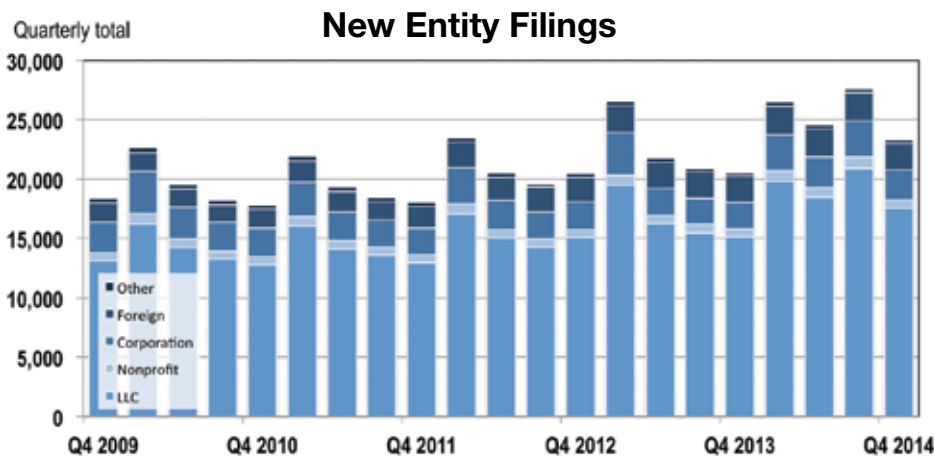
^aCompound Annual Growth Rate.

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

New Entity Filings & Existing Entity Renewals

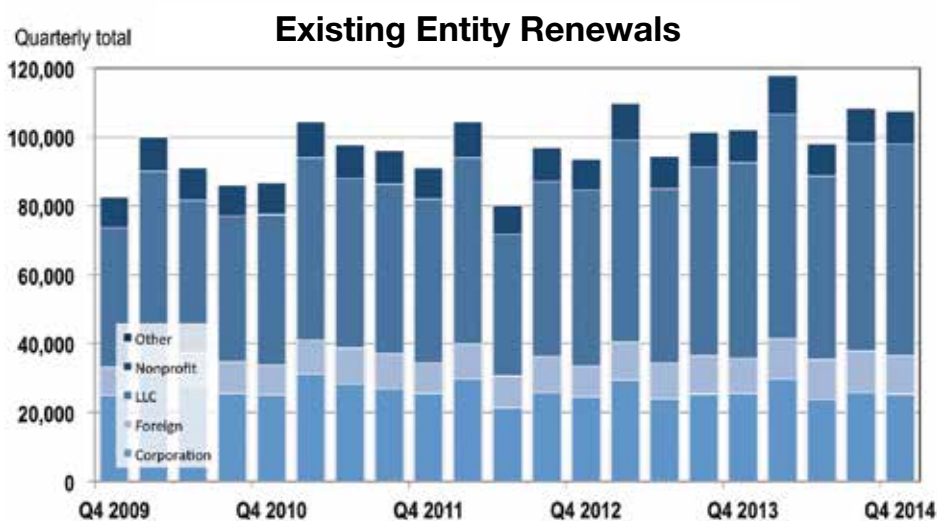
Moderate growth in business formation.

A total of 23,320 new entities were formed in Q4 2014, an increase of 13.6% year-over-year. New business filings exhibit a seasonal fluctuation. A 12-month trailing total of new entity filings increased by 13.8% year-over-year and 2.8% over last quarter. The two largest increases were in domestic limited liability companies, up 16% year-over-year, and domestic corporations, up 11.9% year-over-year in Q4 2014.



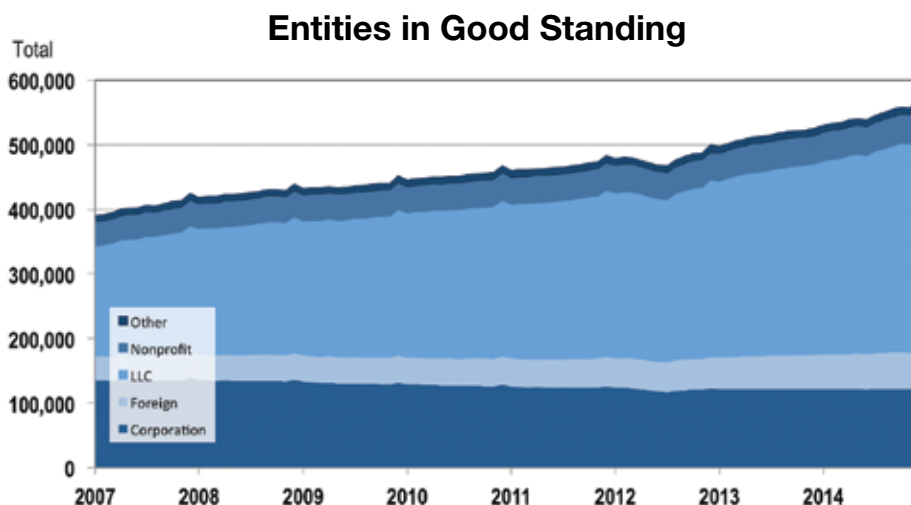
Annual existing entity renewals up.

Total existing entity renewals rose 5.5% year-over-year in the quarter ending in December. A 12-month trailing sum of existing entity renewals increased 6% year-over-year. Renewals totaled 107,848 in Q4 2014.



Entities in good standing expand.

The total number of firms in good standing rose to 570,093 in Q4 2014. This represents an 8.5% increase over last year and a 2.8% increase over last quarter. Limited liability companies, which still account for nearly 58% of all entities in good standing, recorded the largest quarterly increase, up 12% year-over-year.



Dissolutions, Trade Names, & Trademarks

Dissolution filings rise. After increasing 15.6% in Q3 2014, dissolution filings moderated year-over-year in Q4 2014. A total of 6,125 businesses dissolved in the quarter ending in December, reflecting a five-year compound annual growth rate of 4.7%. Compared to last quarter, dissolution filings rose 21%. 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 at a slower rate in Q4. A total of 9,792 trade names were filed in Q4, continuing growth recorded in Q3, albeit at a slower rate (2%). Entities must file a statement of trade name when operating under any name other than their true name.

Annual trademark filings spike year-over-year. Protecting the symbols and words an entity uses in commerce, the number of trademark filings in Colorado totaled 776 in Q4 2014. This reflects an annual increase of 38.6%. In a 12-month trailing sum ending Q4 2014, the total number of trademark filings was 3,276. This represents a five-year compound annual growth rate of 8.4%.

Dissolution Filings



Trade Name Filings

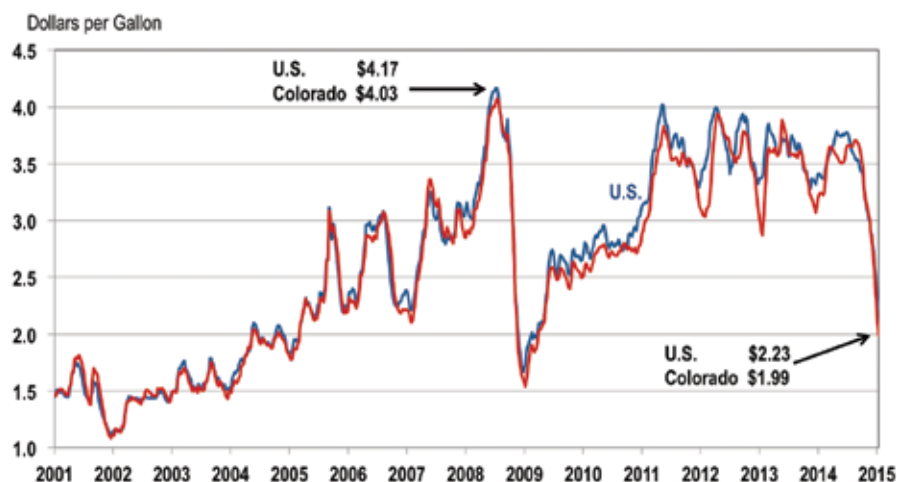


Trademark Filings



Colorado Economic Indicators

Retail Gasoline Prices



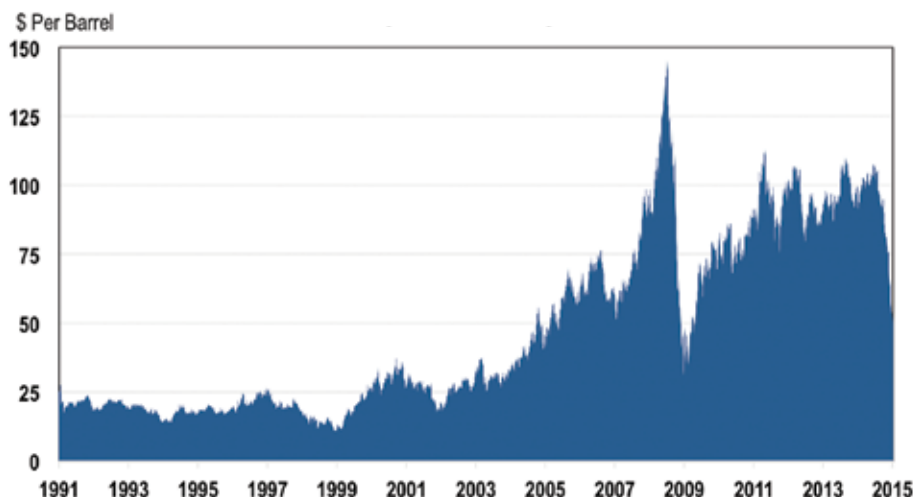
Jobs, wealth, and building activity drive growth in the Colorado economy. State employment continues to grow year-over-year. While growth in employment slowed through the end of the year, the state still added a total of 54,400 jobs year-over-year in November 2014. Personal income continues to trek upward, reaching \$262.1 billion in Q3 2014. Building activity picked up across the state in the last half of 2014, with a 12-month trailing total of building permits valued at \$6.5 million in November 2014 (14.3% over 3 months prior). Colorado business leaders rated the state economy the highest component of the Leeds Business Confidence Index ahead of Q1 2015, increasing 2.3 points from Q4 2014, to 66.2.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth								
Personal Income (millions of dollars)	262,104	259,695	0.9%	▲	5.3%	▲	5.0%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	174,471	172,336	1.2%	▲	5.4%	▲	3.7%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	81,281	79,524	2.2%	▲	7.4%	▲	4.3%	▲
Sales Expectations (LBCI)	61.8	62.1	-0.5%	▼	1.0%	▲	3.3%	▲
Profit Expectations (LBCI)	59.0	58.8	0.3%	▲	1.9%	▲	3.8%	▲
Business Outlays								
Annual Wages Per Employee (\$)	51,763	51,423	0.7%	▲	2.0%	▲	2.2%	▲
Hiring Expectations (LBCI)	58.2	57.9	0.5%	▲	-1.9%	▼	4.6%	▲
Capital Expenditures Expectations (LBCI)	59.4	57.8	2.9%	▲	0.6%	▲	5.1%	▲
Retail Gasoline Price (dollars per gallon)	2.12	3.46	-38.9%	▼	-34.3%	▼	-3.4%	▼
Economic Overview								
Employment (in thousands)	2,457.3	2,449.9	0.3%	▲	2.3%	▲	2.1%	▲
Unemployment Rate ^b	4.1%	5.1%	-1.0%	▼	-2.2%	▼	-4.3%	▼
Initial Jobless Claims	3,345	2,182	53.3%	▲	-1.7%	▼	-9.0%	▼
Continuing Jobless Claims	31,784	29,401	8.1%	▲	-20.3%	▼	-15.5%	▼
Building Permits, Number of Units, 12 mo. trailing	29,598	28,264	4.7%	▲	11.8%	▲	26.3%	▲
Valuation (millions of dollars), 12 mo. trailing	6,530	6,260	4.3%	▲	14.3%	▲	24.8%	▲
FHFA Purchase-Only Home Price Index	324	320	1.2%	▲	7.0%	▲	4.0%	▲
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	114	121	-5.8%	▼	-47.0%	▼	-21.6%	▼
Chapter 7	90	102	-11.8%	▼	-45.8%	▼	-22.4%	▼
Chapter 11	19	12	58.3%	▲	-40.6%	▼	-16.9%	▼
Chapter 13	4	6	-33.3%	▼	-76.5%	▼	-26.0%	▼
State Economy Expectations (LBCI)	60.8	59.5	2.1%	▲	1.4%	▲	4.1%	▲

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) (Q3 14); Colorado Department of Revenue (NSA) (5/14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 15); Colorado Department of Labor and Employment, QCEW (NSA) (Q3 14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (01/05/15); Bureau of Labor Statistics, CES (SA) (11/14); Bureau of Labor Statistics (SA) (11/14); U.S. Department of Labor, Employment and Training Administration (NSA) (12/20/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/14); 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 (Q3 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 15); ^aCompound Annual Growth Rate. ^bPercentage point change.

National Economic Indicators

Weekly WTI Crude Oil Spot Price, January 1991-January 2015



Source: Energy Information Administration (EIA).

Energy prices a point of uncertainty for U.S. economy. The year 2014 ended with the lowest gasoline prices recorded in the nation since May 2009. West Texas Intermediate (WTI) crude oil prices fell to \$53.45 per barrel at the end of December, and according to the Energy Information Administration, are expected to average \$58 per barrel through Q2 2015. Home prices are still on the rise, but in Q3 2014 annual appreciations cooled to the lowest levels seen since Q3 2012 (4.5%). The nation added approximately 2.5 million jobs in 2014. In October 2014, the nation recorded the lowest number of initial jobless claims filed since 2000 (266,000), and both initial and continuing claims remain far below levels recorded a year ago. Real GDP climbed 5% year-over-year in Q3 2014, totaling \$16.2 trillion.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a		
Wealth									
Personal Income (billions of dollars)	14,792	14,661	0.9%	▲	3.8%	▲	4.2%	▲	
Retail Sales, 12 mo. trailing (billions of dollars)	4,683.0	4,634.2	1.1%	▲	3.8%	▲	5.3%	▲	
S&P 500	2,002.6	1,935.1	3.5%	▲	8.9%	▲	12.0%	▲	
Business Outlays									
Annual Wages Per Employee	50,544	50,299	0.5%	▲	1.9%	▲	2.8%	▲	
Consumer Price Index	237.0	237.4	-0.2%	▼	1.3%	▲	1.8%	▲	
Energy	230.4	245.7	-6.2%	▼	-4.9%	▼	1.8%	▲	
Transportation Services	287.7	284.1	1.3%	▲	1.8%	▲	2.4%	▲	
Retail Gasoline Price (dollars per gallon)	2.31	3.38	-31.8%	▼	-32.3%	▼	-3.2%	▼	
Economic Overview									
Real Gross Domestic Output (billions of chained 2009 dollars)	16,206	16,010	1.2%	▲	2.7%	▲	2.4%	▲	
Employment (in thousands)	140,347	139,481	0.6%	▲	2.1%	▲	1.6%	▲	
Unemployment Rate ^b	5.6%	5.9%	-0.3%	▼	-1.1%	▼	-4.3%	▼	
Initial Jobless Claims	295,000	316,000	-6.6%	▼	-17.6%	▼	-9.9%	▼	
Continuing Jobless Claims	2,378,000	2,432,000	-2.2%	▼	-17.6%	▼	-14.8%	▼	
Building Permits, Number of Units, 12 mo. trailing	1,016,999	1,002,087	1.5%	▲	6.3%	▲	12.8%	▲	
Valuation (millions of dollars), 12 mo. trailing	186,722	182,818	2.1%	▲	9.8%	▲	15.2%	▲	
FHFA Home Price Index	211.0	209.1	0.9%	▲	4.5%	▲	1.9%	▲	
Total Business Bankruptcy Filings	6,355	7,283	-12.7%	▼	-21.7%	▼	-16.0%	▼	
Chapter 7	4,344	4,733	-8.2%	▼	-18.3%	▼	-16.6%	▼	
Chapter 11	1,363	1,842	-26.0%	▼	-31.3%	▼	-14.9%	▼	
Chapter 13	557	576	-3.3%	▼	-20.5%	▼	-13.5%	▼	
National Economy Expectations (LBCI)	60.0	56.4	6.4%	▲	4.6%	▲	3.3%	▲	

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) (Q3 14); U.S. Census Bureau (NSA) (11/14); Bloomberg (01/06/15); Bureau of Labor Statistics, QCEW (NSA) (Q2 14); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (12/14); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (01/05/14); Bureau of Economic Analysis (SA) (Q3 14); Bureau of Labor Statistics, CES (SA) (12/14); Bureau of Labor Statistics (SA) (12/14); U.S. Department of Labor, Employment and Training Administration (SA) (12/06/14); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/14); FHFA Purchase-Only Home Price Index (SA) (Q3 14); Administrative Office of the U.S. Courts (Q3 14); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 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. Front Range Ski Bus is an example of a DLLC in Colorado.

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 Wild Animal Sanctuary of Keenesburg, Colorado, a 720-acre refuge for lions, tigers, bears, and other large carnivores, is an example of a DNC.

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. Cabela's is an example of a foreign entity in Colorado.



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