

Secretary of State Business Filings Q3 2017 Data Analysis Summary

- New entity filings continued to post an annual increase in Q3 2017 compared to last year.
- Employment projections for year-end 2017 improve based on third quarter data.
- Positive but lower employment growth projected in Q1 2018.
- Colorado indicators show economy is fundamentally strong.
- Residential construction poised for strong finish in 2017.

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 2017 vs. Q3 2017

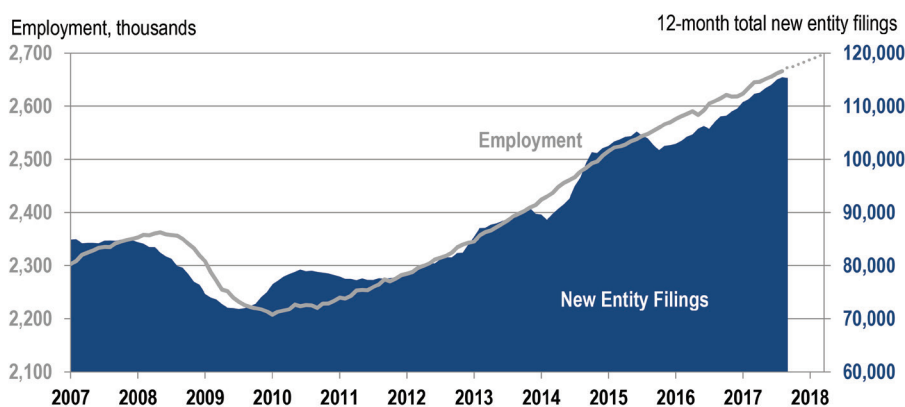


Q4 2017 vs. Q4 2016



Q1 2018 vs. Q4 2017

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 2017 Data Analysis Summary

Colorado will continue to add jobs into 2018. Total new entity filings increased 5.1% year-over-year in Q3 2017 and decreased 4.6% compared to last quarter. Over the 12 months ending in Q3 2017, a total of 115,313 new business filings were recorded. Given the relationship between new business filings, new business formation, and employment growth, the increase in filings points to increased jobs in the state for the remainder of 2017 and into early 2018. However, employment growth is projected to slow next year.

Existing entity filings up. Existing entity renewals increased to 127,228 in Q3 2017. Entities in good standing reached 656,144 in Q3 2017, an increase of 5.9% year-over-year.

Colorado business leaders' optimism cools ahead of Q4 2017 and Q1 2018. While business leaders' confidence remained in positive territory ahead of Q4 2017 and Q1 2018, expectations decreased slightly. Overall, business leaders remain bullish on the Colorado economy, but less bullish on the national economy.

Stable GDP growth. U.S real GDP continued to increase in Q2, accelerating the pace of growth. GDP increased by 1.2% in Q1 2017 and 3.1% in Q2 2017. According to the Bureau of Economic Analysis, the Q2 increase reflected positive contributions from personal consumption, nonresidential fixed business investment, exports, federal government spending, and inventories, with drag from state and local government spending and residential fixed investment.

According to the Bureau of labor Statistics, a total of 33,000 jobs were lost in the United States in August 2017, largely attributable to the hurricanes. Employment growth in 2017 year-to-date averaged 148,000 in September, compared to 200,000 through September 2016. The national unemployment rate was 4.2% in September, marking further improvement. Total wages increased \$353

billion in the 12 months ending in Q1 2017, year-over-year, a 4.8% increase according to the Bureau of Labor Statistics. Initial jobless claims were 298,000 in early September, and continuing claims averaged 1.9 million nationwide.

A 12-month trailing total of retail and food services sales shows an increase of 3.7% year-over-year nationally. Gasoline prices increased in September, largely in relation to hurricane Maria in Texas. According to the Consumer Price Index, national prices increased 1.9% in August 2017 year-over-year, remaining just shy of the Fed target rate, while core inflation (all items less food and energy) rose 1.7% and shelter climbed 3.3%.

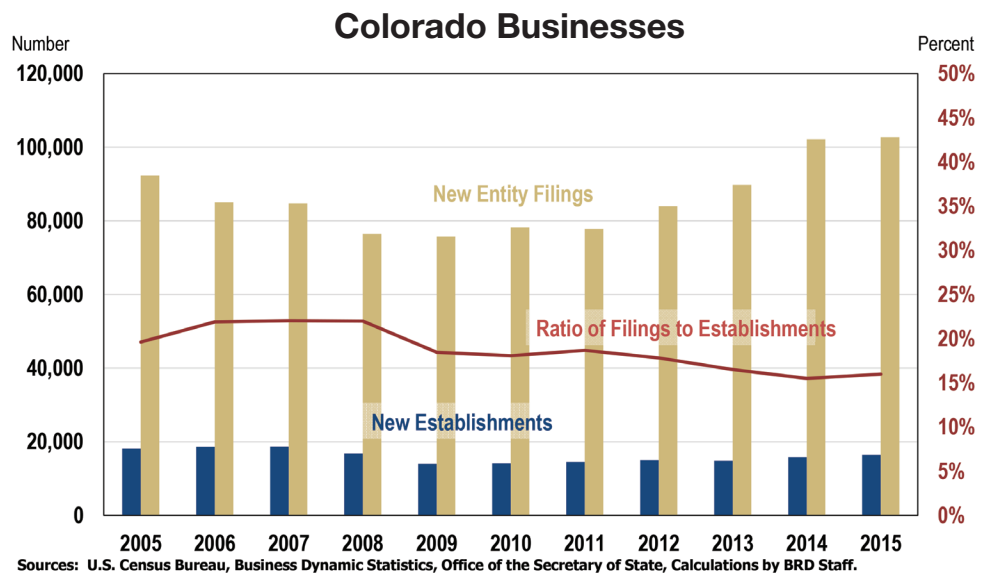
In Colorado, prices increased 3.1% in the first half of 2017, while core inflation and shelter rose 2.7% and 5.3%, respectively, according to the Denver-Boulder-Greeley index.

Colorado's economy grew 2.4% year-over-year in Q1 2017, according to the Bureau of Economic Analysis. In August 2017, Colorado added approximately 45,800 jobs

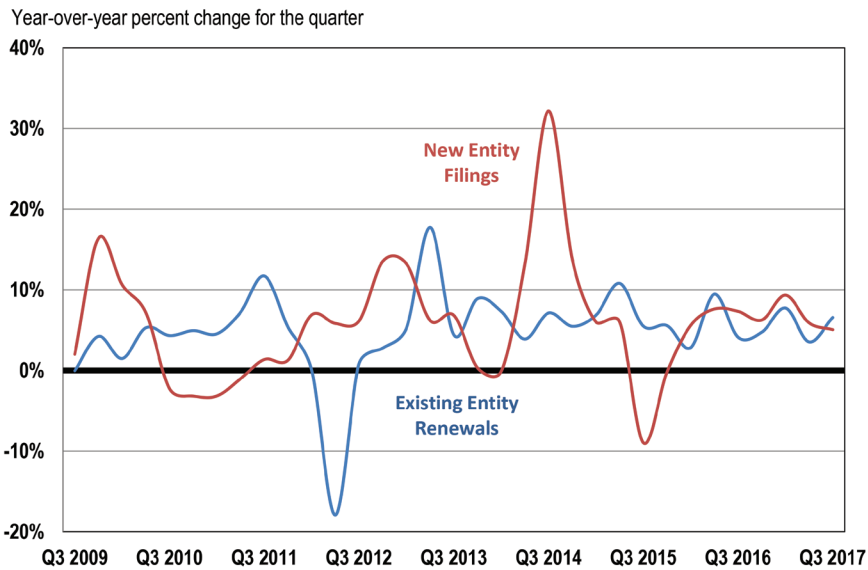
year-over-year (1.8%). Based on data from the Bureau of Labor Statistics, year-over-year total wages and wages per employee for the 12 months ending in Q1 increased 5.5% and 3.1%, respectively, in Colorado.

Building permits increased 6.2% nationally for the 12 months ending in August based on Census building permit data. Residential construction in Colorado for the 12 months ending in August posted 32% growth year-over-year. Home prices in Colorado grew at the third-fastest pace nationally (10.4%) according to the Q2 Federal Housing Finance Agency All Transactions Index.

The ratio of new establishments to new entity filings has remained stable from 2005 to 2015, ranging from 15.5% to 22%. The ratio was 16.5% in 2013, 15.5% in 2014, and 16% in 2015. 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. The 2016 data will become available in late 2018.



Existing Entity Renewals and New Entity Filings



Business Filings Overview

Continued expansion in Q3 2017. In the third quarter of 2017, a total of 28,372 new business filings were recorded in Colorado, representing a 5.1% increase over the same period in 2016. For the four quarters ending Q3 2017, a total of 115,313 new business filings were recorded in the state, exhibiting both annual growth (6.7%) and quarterly growth (1.2%).

Renewals of existing entities were 127,228 in Q3 2017, a strong increase from the prior quarter and year-over-year. However, in Q1 dissolution filings also recorded a strong increase.

Compared to last year, trademark filings increased, trade name filings fell, and businesses in good standing continued to climb to record levels.

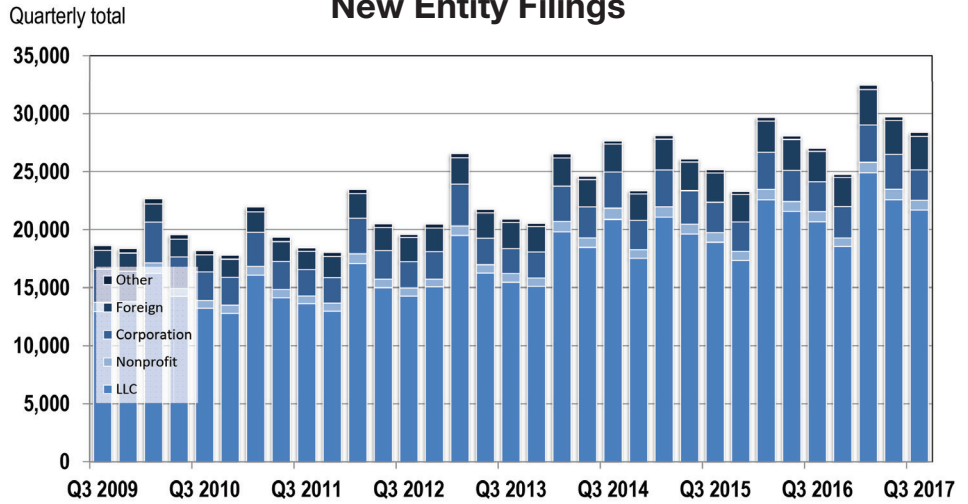
	Q3 2017	Q2 2017	Q3 2016	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	21,694	22,582	20,678	4.9%	▲	8.7%	▲
Domestic Nonprofit Corporation	839	895	877	-4.3%	▼	3.2%	▲
Domestic Corporation	2,627	3,012	2,580	1.8%	▲	3.1%	▲
Other Entity Types	3,212	3,239	2,873	11.8%	▲	6.6%	▲
Total New Entity Filings	28,372	29,728	27,008	5.1%	▲	7.7%	▲
Total New Entity Filings - 12 mo. trailing	115,313	113,949	108,069	6.7%	▲	7.2%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	75,720	72,752	69,313	9.2%	▲	8.3%	▲
Domestic Nonprofit Corporation	10,767	10,399	10,542	2.1%	▲	1.7%	▲
Domestic Corporation	25,299	24,973	24,922	1.5%	▲	-0.3%	▼
Other Entity Types	15,442	15,223	14,607	5.7%	▲	7.3%	▲
Total Existing Entity Renewals	127,228	123,347	119,384	6.6%	▲	5.5%	▲
Total Existing Entity Renewals - 12 mo. trailing	509,698	501,854	482,201	5.7%	▲	6.4%	▲
Other Business Filings							
Dissolution Filings	6,698	6,653	5,673	18.1%	▲	9.2%	▲
Dissolution Filings - 12 mo. trailing	28,627	27,602	25,345	12.9%	▲	9.8%	▲
Trademarks	875	940	858	2.0%	▲	8.5%	▲
Trademarks - 12 mo. trailing	3,610	3,593	3,601	0.2%	▲	7.7%	▲
Trade Names	10,438	11,202	10,613	-1.6%	▼	-4.9%	▼
Trade Names - 12 mo. trailing	43,812	43,987	43,906	-0.2%	▼	-2.4%	▼
Entities in Good Standing							
Corporation	123,028	123,003	122,480	0.4%	▲	0.4%	▲
Foreign	69,257	68,087	64,672	7.1%	▲	7.7%	▲
Limited Liability Company	404,127	396,655	373,757	8.1%	▲	9.1%	▲
Nonprofit Corporation	48,339	48,210	47,447	1.9%	▲	2.4%	▲
Other Entity Types	11,393	11,291	11,121	2.4%	▲	2.2%	▲
Total Entities in Good Standing	656,144	647,246	619,477	5.9%	▲	6.4%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

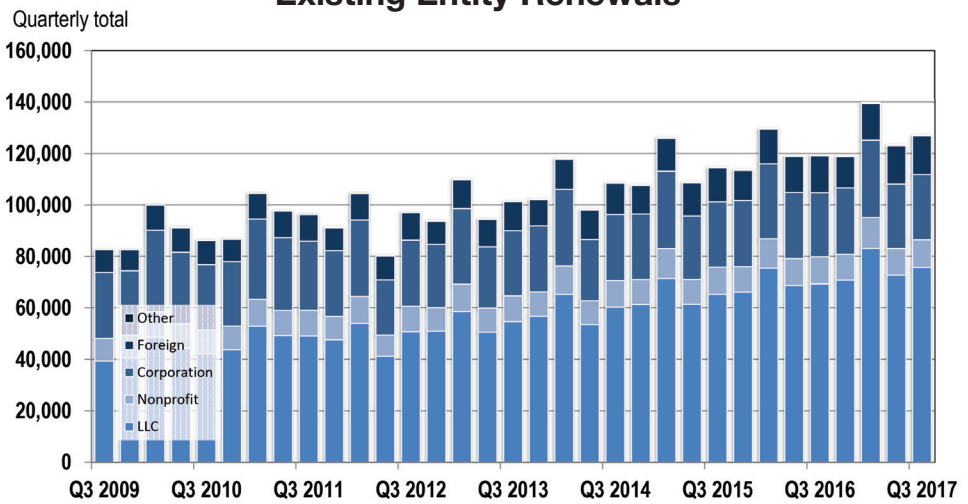
Business filings in Q3 2017 continued an upward climb compared to Q3 2016. New entity filings increased by 5.1% year-over-year but fell, in seasonal fashion, by 4.6% compared to Q2 2017. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 6.7% increase in Q3 2017 compared to Q3 2016 and a 1.2% rise over Q2 2017. Quarterly filings were down for all filing types, but year-over-year filings increased for all but domestic nonprofit corporations.

New Entity Filings



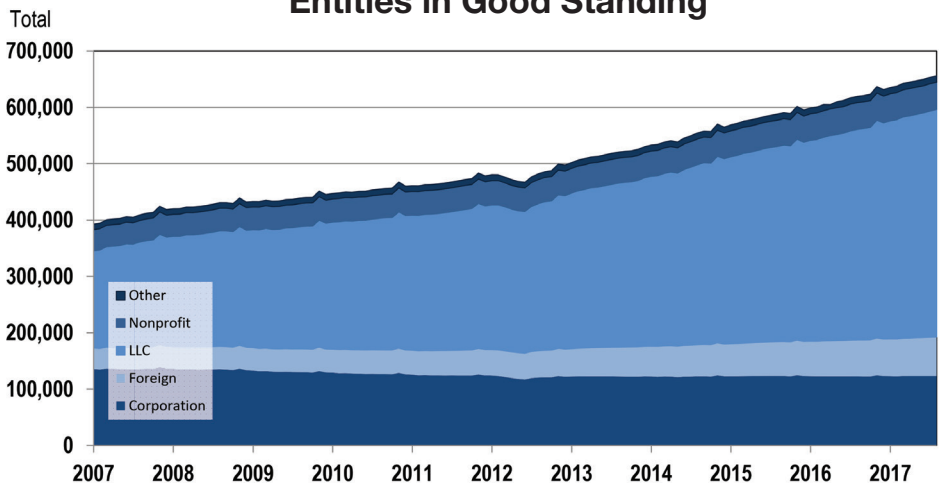
Business renewals also gained in Q3. Renewals totaled 127,228 in Q3 2017, increasing 6.6% compared to Q3 2016. The four-quarter rolling total in Q3 2017 rose 5.7% year-over-year. Domestic limited liability companies recorded the strongest growth year-over-year.

Existing Entity Renewals



Record number of businesses in good standing in Q3. From Q3 2016 to Q3 2017, the number of entities in good standing in the state increased by 5.9%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.4%. Limited liability companies (LLCs) drove year-over-year growth (8.1%), followed by foreign entities in good standing (7.1%).

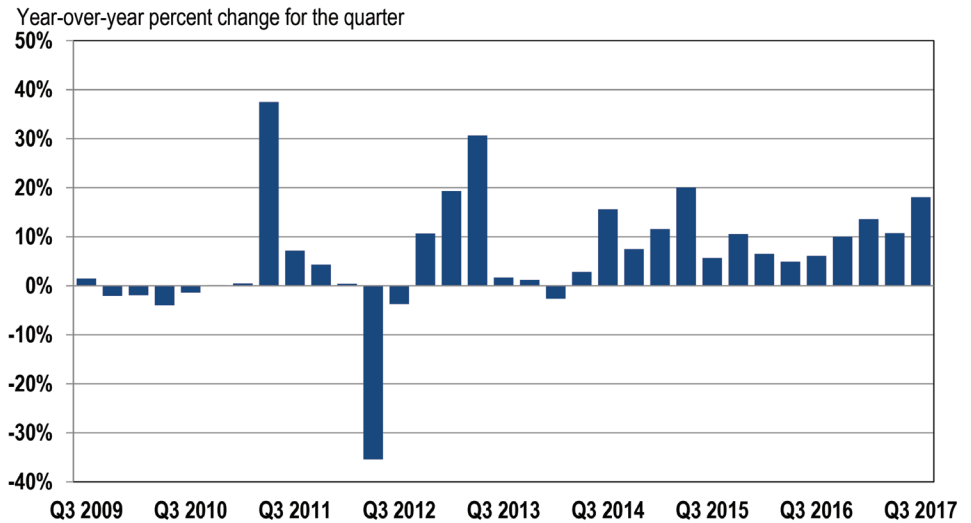
Entities in Good Standing



Dissolutions, Trade Names, & Trademarks

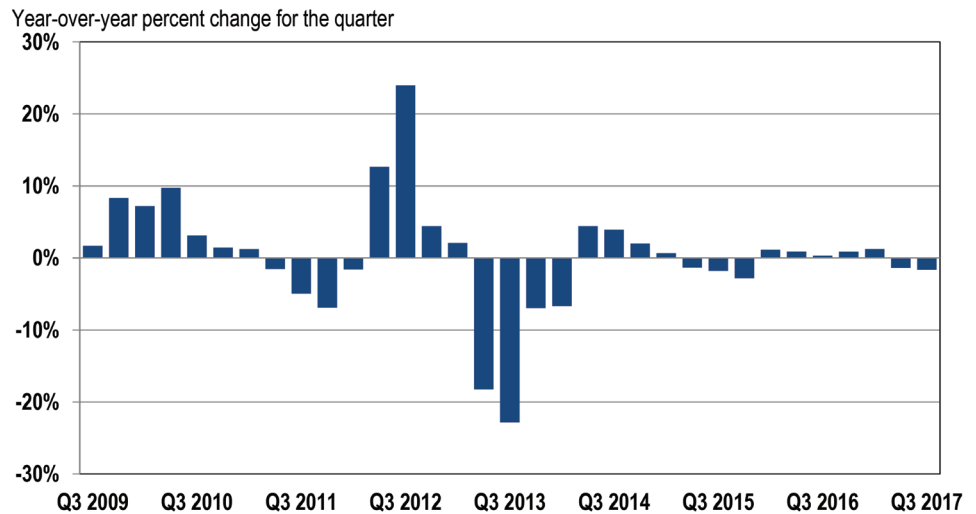
The pace of dissolution filings accelerated in Q3 2017. Dissolution filings increased 18.1% in Q3 2017 compared to Q3 2016, representing a total of 6,698 businesses dissolving. Filings also increased compared to the prior quarter. The 12-month rolling sum increased by 12.9% year-over-year, and also increased over the prior quarter (3.7%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



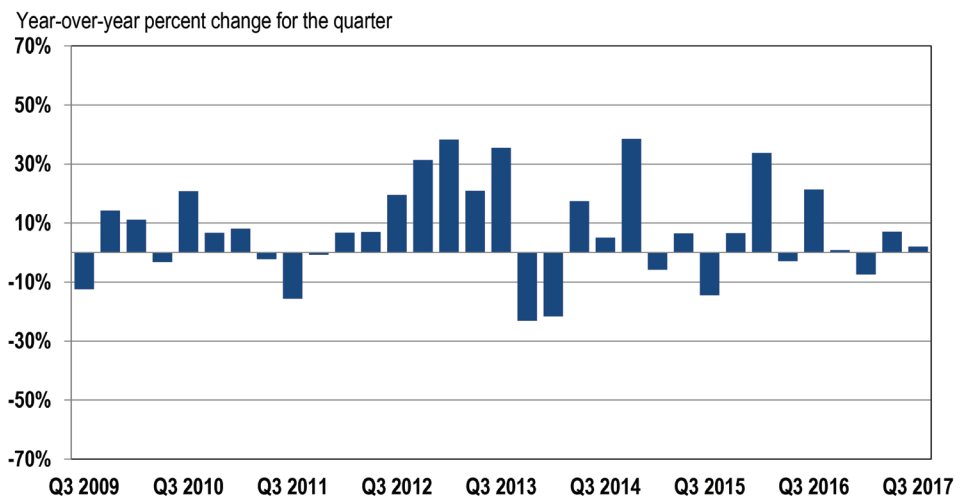
Trade name filings fell modestly. In Q3 2017, a total of 10,438 trade names were filed, a decrease of 1.6% year-over-year and 6.8% quarter-over-quarter. The 12-month trailing total of trade name filings—43,812—was down only slightly (0.2%) year-over-year and fell 0.4% compared to the prior quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings

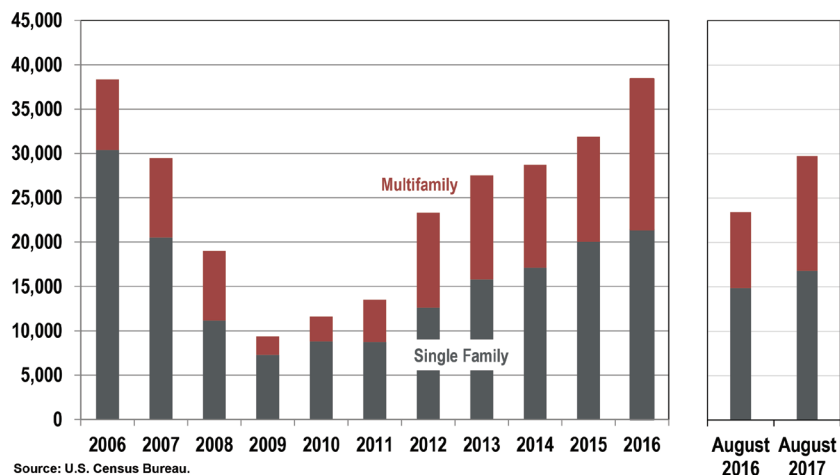


The total number of trademark filings increased compared to last year. Trademark filings increased from 858 in Q3 2016 to 875 in Q3 2017, but quarter-over-quarter growth was down 6.9%. The four-quarter rolling total of trademark filings increased in Q3 2017 by 0.2% over the prior year and 0.5% from Q2. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Residential Building Permits 2006-2017



Colorado Economic Indicators

Colorado's construction industry continues to improve. As of August 2017, residential building permits for the year increased 19.6% year-over-year. Strong increases were recorded in both single-family and multifamily permits. Permits continue to tip in favor of single-family building—year-to-date, 58% of permits were for single-family units in the state. The value per permit has decreased year-to-date for both single-family units and multifamily units. Paradoxically, industry employment continues to lag, with modest year-over-year growth (0.1%) and construction employment levels more than 8% below peak.

Aside from the construction industry, other economic indicators in Colorado continue to show improvement

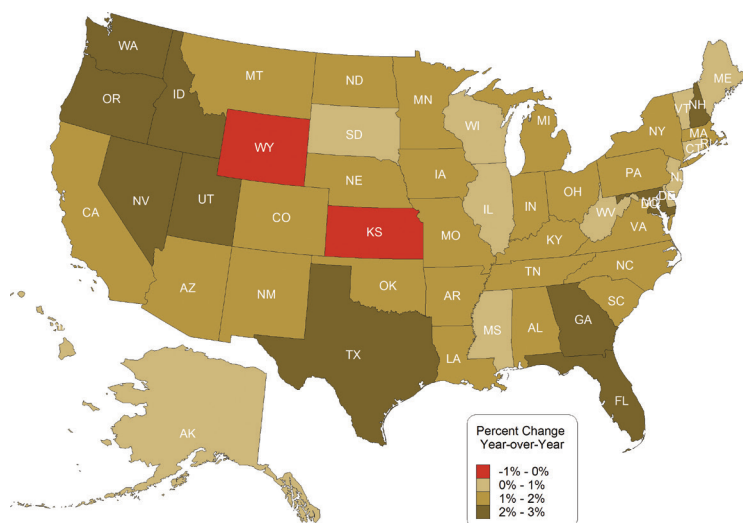
year-over-year. GDP, employment, and wages all increased, while jobless claims decreased and the unemployment rate remained at historically low levels. Personal income and sales tax receipts increased 3.9% and 5%, respectively. While Colorado business leaders' sales and profits expectations have deflated over the prior two quarters, expectations remain well-above neutral and are comfortably in expansion territory.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (millions of dollars)	298,440	295,961	0.8%	▲	3.9%	▲	5.2%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	2.7	2.7	1.5%	▲	5.0%	▲	5.4%	▲
Sales Expectations (LBCI)	51.4	54.6	-5.8%	▼	6.5%	▲	1.9%	▲
Profit Expectations (LBCI)	58.5	62.4	-6.3%	▼	5.8%	▲	1.9%	▲
Business Outlays								
Annual Wages Per Employee (\$)	55,699	54,664	1.9%	▲	3.1%	▲	2.3%	▲
Hiring Expectations (LBCI)	57.6	61.2	-5.8%	▼	10.3%	▲	2.0%	▲
Capital Expenditures Expectations (LBCI)	57.1	59.7	-4.5%	▼	7.2%	▲	2.3%	▲
Retail Gasoline Price (dollars per gallon)	2.57	2.30	11.8%	▲	13.7%	▲	-7.4%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	296,030	295,727	0.4%	▲	2.4%	▲	3.0%	▲
Employment (in thousands)	2,655.3	2,640.5	0.6%	▲	1.8%	▲	2.7%	▲
Unemployment Rate ^b	2.4%	2.3%	0.1%	▲	-0.9%	▼	-5.4%	▼
Initial Jobless Claims	1,613	1,928	-16.3%	▼	-15.8%	▼	-11.7%	▼
Continuing Jobless Claims	19,955	23,048	-13.4%	▼	-17.0%	▼	-11.8%	▼
Building Permits, Number of Units, 12 mo. trailing	44,674	40,530	10.2%	▲	32.4%	▲	5.8%	▲
Valuation (millions of dollars), 12 mo. trailing	9,339	8,946	4.4%	▲	-6.6%	▼	-1.4%	▼
Foreclosures Filings, Number of Units	1,756	1,794	-2.1%	▼	-22.9%	▼	-25.8%	▼
Number of Sales	648	633	2.4%	▲	-24.7%	▼	-30.7%	▼
FHFA Purchase-Only Home Price Index	432	415	4.3%	▲	10.3%	▲	9.8%	▲
Private Firms	192,747	189,345	1.8%	▲	3.2%	▲	2.9%	▲
Rotary Rig Count	33	36	-8.3%	▼	65.0%	▲	-11.8%	▼
Total Business Bankruptcy Filings	110	91	20.9%	▲	4.8%	▲	-14.7%	▼
Chapter 7	76	69	10.1%	▲	-5.0%	▼	-17.5%	▼
Chapter 11	22	18	22.2%	▲	57.1%	▲	-7.2%	▼
Chapter 13	11	4	175.0%	▲	0.0%	▷	0.0%	▷
State Economy Expectations (LBCI)	58.8	60.9	-3.4%	▼	2.3%	▲	0.9%	▲

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 17); Colorado Department of Revenue, Office of Research and Analysis (NSA) (08/17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 17); Colorado Department of Labor and Employment, QCEW (NSA) (Q1 17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (08/02/17); Bureau of Economic Analysis, (SAAR) (Q1 17); Bureau of Labor Statistics, CES (SA) (8/17); Bureau of Labor Statistics, LAUS (SA) (8/17); U.S. Department of Labor, Employment and Training Administration (NSA) (9/16/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/17); Colorado Division of Housing, Foreclosure Report (Q1 17); FHFA Purchase-Only Home Price Index (SA) (Q1 17); Bureau of Labor Statistics, QCEW (Q1 2017); Baker-Hughes (09/29/17); Administrative Office of the U.S. Courts (Q1 17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 17).

^aCompound Annual Growth Rate. ^bPercentage point change.

National Employment Growth August 2016 - August 2017



National Economic Indicators

Employment growth continues to vary nationally. In August, year-over-year employment grew fastest in Nevada, Georgia, Florida, and Utah. Two states recorded falling employment year-over-year—Kansas and Wyoming. The unemployment rate was under 5% in 40 states in August, and under 4% in 21 states. Although unemployment remains low, wages have generally lagged. However, average annual pay through Q1 2017 increased 3.1% year-over-year. As of Q4 2016, total wages increased 3.1% year-over-year.

Other national economic indicators continue to point to an improving economy. GDP, personal income, employment, retail sales, wealth, and wages continue to climb. However, business bankruptcies increased, as did prices.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	16,364	16,245	0.7%	▲	2.9%	▲	3.4%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,641.8	5,585.4	1.0%	▲	3.7%	▲	3.5%	▲
S&P 500	2,534.6	2,429.0	4.3%	▲	17.3%	▲	11.8%	▲
Annual Wages Per Employee	54,520	53,621	1.7%	▲	3.1%	▲	2.9%	▲
Business Outlays								
Consumer Price Index	245.0	243.8	0.5%	▲	1.9%	▲	1.3%	▲
Core Inflation (All Items Less Food & Energy)	252.5	251.3	0.5%	▲	1.7%	▲	1.9%	▲
Shelter	299.0	296.5	0.8%	▲	3.3%	▲	3.0%	▲
Retail Gasoline Price (dollars per gallon)	2.68	2.38	12.9%	▲	13.9%	▲	-7.1%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	17,031	16,903	3.1%	▲	2.2%	▲	2.1%	▲
Employment (in thousands)	146,659	146,385	0.2%	▲	1.2%	▲	1.7%	▲
Unemployment Rate ^b	4.2%	4.4%	-0.2%	▼	-0.7%	▼	-3.6%	▼
Initial Jobless Claims	298,000	245,000	21.6%	▲	16.0%	▲	-11.8%	▼
Continuing Jobless Claims	1,935,000	1,936,000	-0.1%	▼	-9.5%	▼	-20.5%	▼
Building Permits, Number of Units, 12 mo. trailing	1,251,503	1,220,878	2.5%	▲	6.2%	▲	11.2%	▲
Valuation (millions of dollars), 12 mo. trailing	249,902	242,480	3.1%	▲	9.8%	▲	14.8%	▲
FHFA Home Price Index	245.4	241.5	1.6%	▲	6.6%	▲	6.1%	▲
Rotary Rig Count	940	940	0.0%	▷	80.1%	▲	-12.6%	▼
Total Business Bankruptcy Filings	6,366	5,715	11.4%	▲	-2.6%	▼	-9.3%	▼
Chapter 7	3,759	3,604	4.3%	▲	0.0%	▼	-12.1%	▼
Chapter 11	1,883	1,435	31.2%	▲	-5.7%	▼	-3.3%	▼
Chapter 13	528	539	-2.0%	▼	-10.7%	▼	-8.8%	▼
National Economy Expectations (LBCI)	51.4	54.6	-5.8%	▼	6.5%	▲	1.9%	▲

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 17); U.S. Census Bureau (NSA) (8/17); Yahoo Finance (10/03/17); Bureau of Labor Statistics, QCEW (NSA) (Q1 17); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (8/17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/02/17); Bureau of Economic Analysis (SAAR) (Q2 17); Bureau of Labor Statistics, CES (SA) (9/17); Bureau of Labor Statistics (SA) (9/17); U.S. Department of Labor, Employment and Training Administration (SA) (9/2/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/17); FHFA Purchase-Only Home Price Index (SA) (Q2 17); Baker-Hughes (9/29/17); Administrative Office of the U.S. Courts (Q2 17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 17).

^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.



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