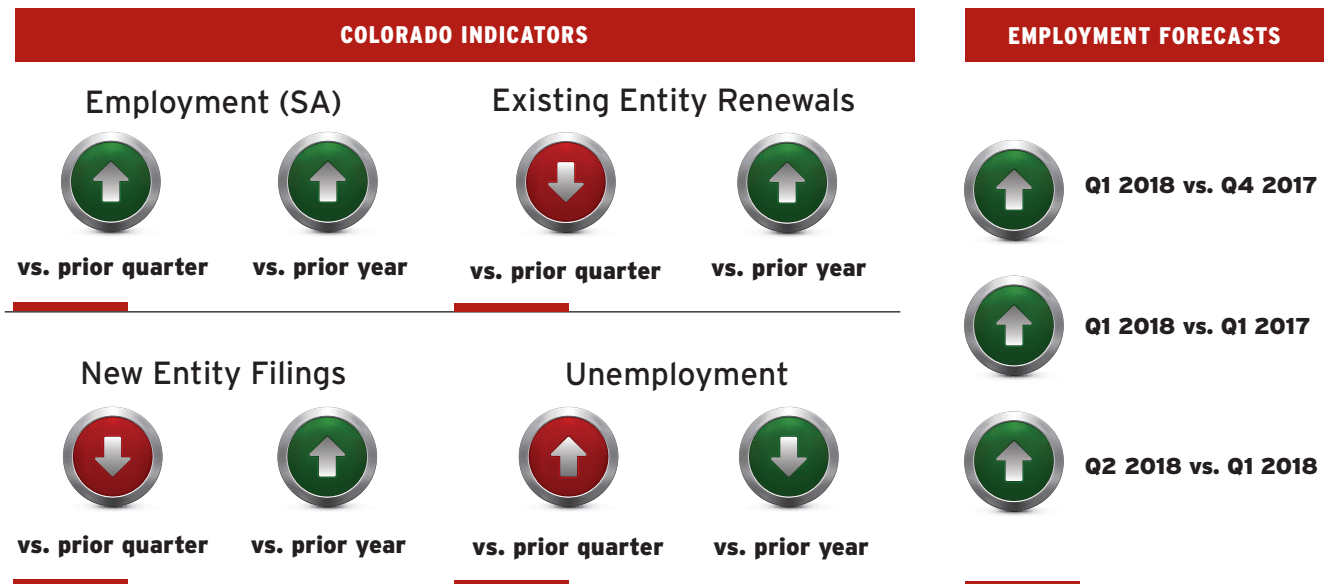
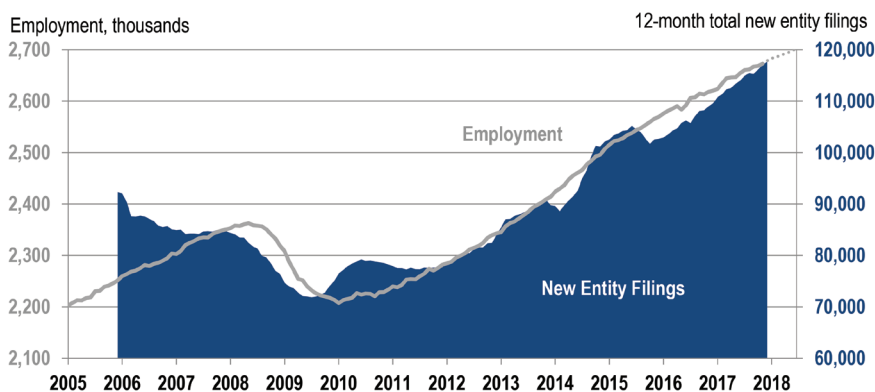


Secretary of State Business Filings Q4 2017 Data Analysis Summary

- New entity filings continued to gain in Q4 2017.
- State employment projections for the first half of 2018 show continued, but slower, growth.
- Colorado indicators show economy is fundamentally strong.
- Wage growth picked up in Q2, but generally remains slow.



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.

Wayne W. Williams
 Colorado Secretary of State
 1700 Broadway, Suite 200
 Denver, CO 80290
www.sos.state.co.us

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 Q4 2017 Data Analysis Summary

Colorado will add jobs at a slower pace in 2018. Total new entity filings increased 9.4% year-over-year in Q4 2017 and decreased 4.5% compared to last quarter. Over the 12 months ending in Q4 2017, a total of 117,648 new business filings were recorded. Given the relationship between new business filings, new business formation, and employment growth, the increase in filings points to job growth in the state for the near term in 2018.

Existing entity filings up over 2016. Existing entity renewals increased to 125,480 in Q4 2017, a bump of 5.2% year-over-year. Entities in good standing reached 674,979 in Q4 2017—a record for Colorado.

Colorado business leaders' optimism rebounds ahead of Q1 and Q2 2018. Business leaders' confidence increased ahead of Q1 and Q2, with a large increase in national expectations. Overall, panelists remained bullish on sales, profits, hiring, and capital expenditures for their industries in 2018.

Strong GDP growth. U.S. real GDP continued to increase in Q3, accelerating the pace of growth. GDP increased by 1.2% in Q1 2017, 3.1% in Q2 2017, and 3.2% in Q3 2017. According to the Bureau of Economic Analysis, the Q3 increase reflected positive contributions from personal consumption, inventory, nonresidential fixed investment, government spending, and trade, with drag from residential fixed investment.

According to the Bureau of Labor Statistics, a total of 148,000 jobs were added nationally in December 2017, a slowdown from the prior two months of strong growth. Employment growth in 2017 averaged 171,000 per month, compared to 187,000 per month in 2016. The national unemployment rate was 4.1% in December for the third consecutive month. Total wages increased \$369 billion in 12 months ending in Q2 2017, a 4.9% year-

over-year increase according to the Bureau of Labor Statistics. Initial jobless claims were 225,000 in early December, and continuing claims 1.9 million nationwide.

A 12-month trailing total of retail and food services sales show an increase of 4.1% year-over-year nationally. Gasoline prices increased 6.1% over the last 12 months. According to the Consumer Price Index, national prices increased 2.2% in November 2017 year-over-year, just above the Fed target rate, while core inflation (all items less food and energy) rose 1.7% and shelter climbed 3.2%.

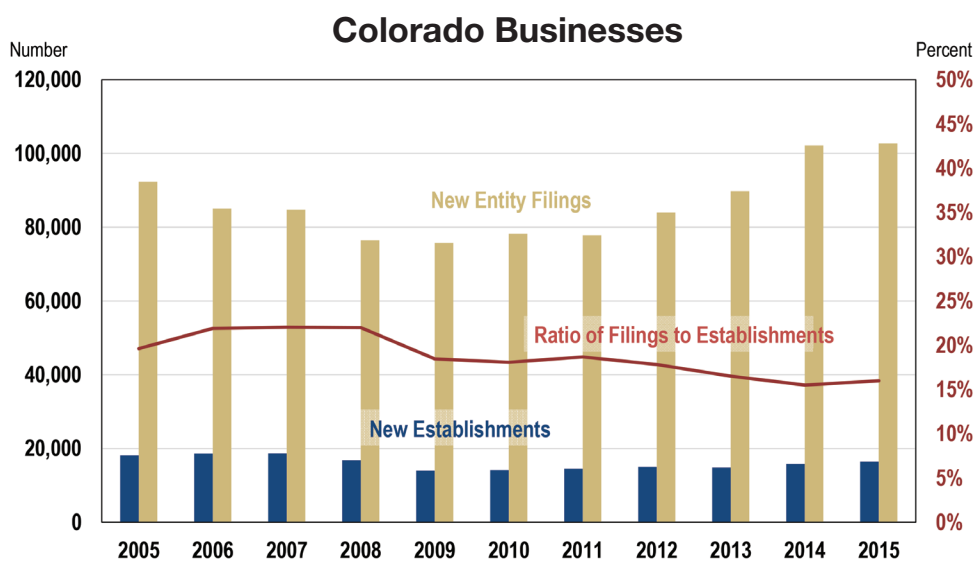
In Colorado, prices increased 3.1% in the first half of 2017, while core inflation and shelter rose 2.7% and 5.3%, respectively, according to the Denver-Boulder-Greeley index.

Colorado's economy grew 3.6% year-over-year in Q2 2017, according to the Bureau of Economic Analysis. In November 2017, Colorado added approximately 54,800 jobs year-over-year (1.7%). Based on data from the Bureau of Labor Statistics, year-over-year

total wages and wages per employee for the 12 months ending in Q2 increased 6.2% and 3.9%, respectively, in Colorado.

Building permits increased 5.7% nationally for the 12 months ending in November based on Census building permit data. Residential construction in Colorado for the 12 months ending in November posted 32.4% growth year-over-year. Home prices in Colorado grew at the sixth-fastest pace nationally (9.3%) according to the Q2 Federal Housing Finance Agency All Transactions Index.

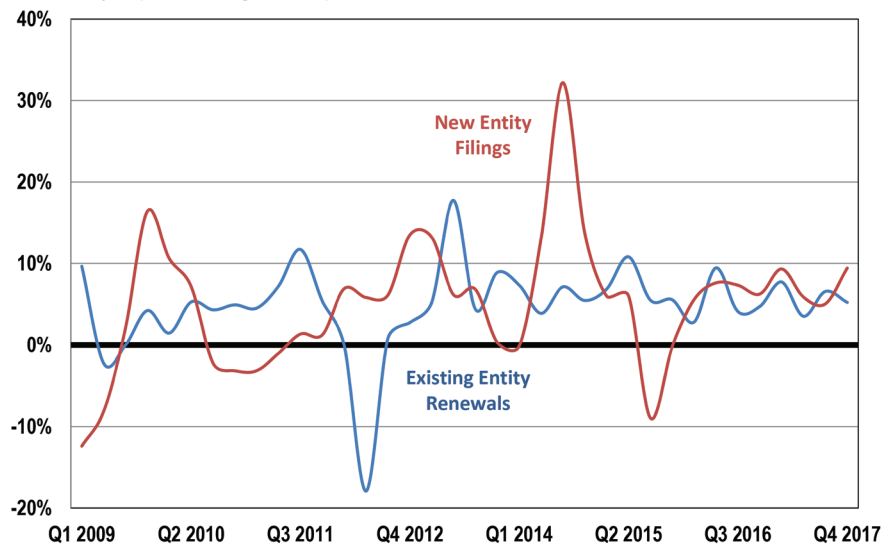
The ratio of new establishments to new entity filings has remained stable from 2005 to 2015, ranging from 15.5% to 22%. The ratio was 16.5% in 2013, 15.5% in 2014, and 16% in 2015. New entity filings may or may not become establishments, which are single physical locations where business is conducted or where services or industrial operations are performed according to the U.S. Census Bureau. The 2016 data will become available in late 2018.



Sources: U.S. Census Bureau, Business Dynamic Statistics, Office of the Secretary of State, Calculations by BRD Staff.

Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



Business Filings Overview

Upward momentum in Q4.

In the fourth quarter of 2017, a total of 27,098 new business filings were recorded in Colorado, representing a 9.4% increase over the same period in 2016. For the four quarters ending Q4 2017, a total of 117,648 new business filings were recorded in the state, exhibiting both annual growth (7.4%) and quarterly growth (2%).

Renewals of existing entities were 125,480 in Q4 2017, a strong increase from the prior year. However, in Q4 dissolution filings also recorded a strong increase.

Quarterly trademark filings and trade name filings increased, and businesses in good standing continued to climb to record levels.

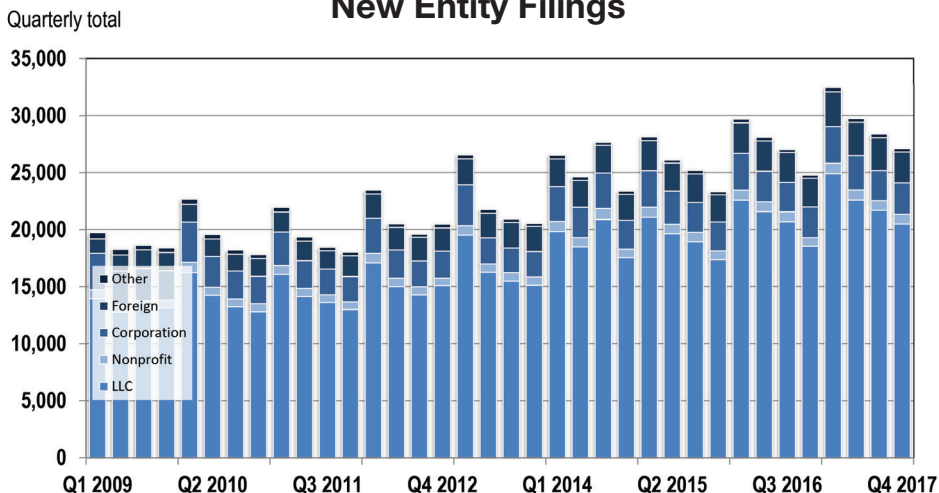
	Q4 2017	Q3 2017	Q4 2016	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	20,482	21,692	18,548	10.4%	▲	6.3%	▲
Domestic Nonprofit Corporation	857	839	743	15.3%	▲	5.5%	▲
Domestic Corporation	2,751	2,626	2,695	2.1%	▲	3.1%	▲
Other Entity Types	3,008	3,215	2,777	8.3%	▲	4.9%	▲
Total New Entity Filings	27,098	28,372	24,763	9.4%	▲	5.8%	▲
Total New Entity Filings - 12 mo. trailing	117,648	115,313	109,526	7.4%	▲	7.0%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	75,900	75,720	70,828	7.2%	▲	8.3%	▲
Domestic Nonprofit Corporation	10,248	10,767	10,035	2.1%	▲	2.3%	▲
Domestic Corporation	25,782	25,299	25,782	0.0%	▷	1.0%	▲
Other Entity Types	13,550	15,442	12,595	7.6%	▲	8.0%	▲
Total Existing Entity Renewals	125,480	127,228	119,240	5.2%	▲	6.0%	▲
Total Existing Entity Renewals - 12 mo. trailing	515,938	509,698	487,592	5.8%	▲	6.5%	▲
Other Business Filings							
Dissolution Filings	8,082	6,698	7,449	8.5%	▲	7.5%	▲
Dissolution Filings - 12 mo. trailing	29,260	28,627	26,024	12.4%	▲	9.6%	▲
Trademarks	836	875	834	0.2%	▲	2.8%	▲
Trademarks - 12 mo. trailing	3,612	3,610	3,608	0.1%	▲	6.2%	▲
Trade Names	9,697	10,438	9,598	1.0%	▲	-1.2%	▼
Trade Names - 12 mo. trailing	43,911	43,812	43,988	-0.2%	▼	-2.5%	▼
Entities in Good Standing							
Corporation	125,177	123,028	124,500	0.5%	▲	0.4%	▲
Foreign	71,089	69,257	66,343	7.2%	▲	7.6%	▲
Limited Liability Company	417,964	404,127	386,359	8.2%	▲	8.9%	▲
Nonprofit Corporation	49,201	48,339	48,233	2.0%	▲	2.4%	▲
Other Entity Types	11,548	11,393	11,325	2.0%	▲	1.3%	▲
Total Entities in Good Standing	674,979	656,144	636,760	6.0%	▲	6.2%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

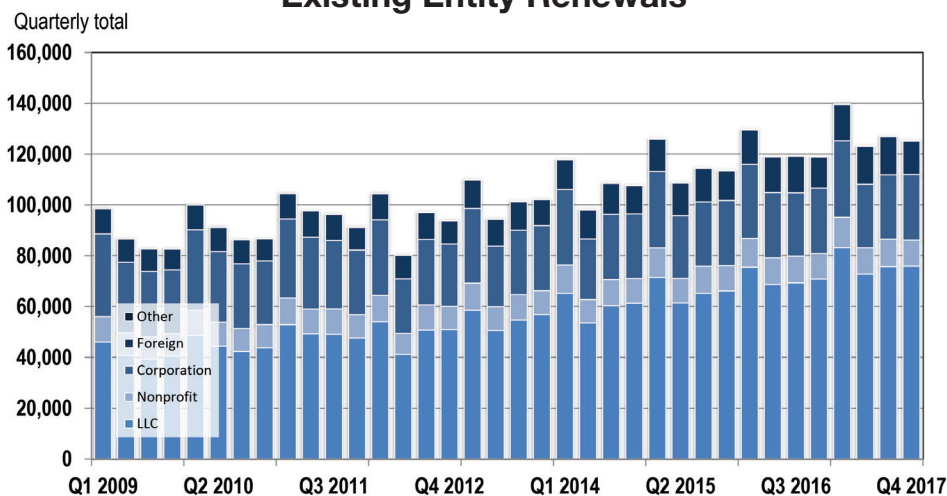
Business filings in Q4 2017 increased over Q4 2016. New entity filings increased by 9.4% year-over-year but fell, in seasonal fashion, by 4.5% compared to Q3 2017. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 7.4% increase in Q4 2017 compared to Q4 2016 and a 2% rise over Q3 2017. Quarterly filings were up year-over-year for all filing types, but domestic nonprofit corporations recorded the largest gain.

New Entity Filings



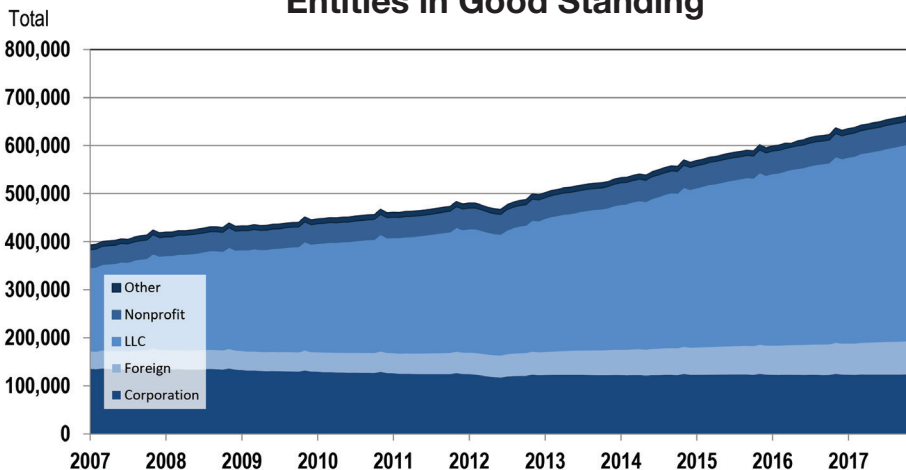
Business renewals also gained in Q4. Renewals totaled 125,480 in Q4 2017, increasing 5.2% compared to Q4 2016. The four-quarter rolling total in Q4 2017 rose 5.8% year-over-year. Renewals also exhibit seasonality.

Existing Entity Renewals



Record number of businesses in good standing in Q4. From Q4 2016 to Q4 2017, the number of entities in good standing in the state increased by 6%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.2%. LLCs drove year-over-year growth (8.2%), followed by foreign entities in good standing (7.2%).

Entities in Good Standing

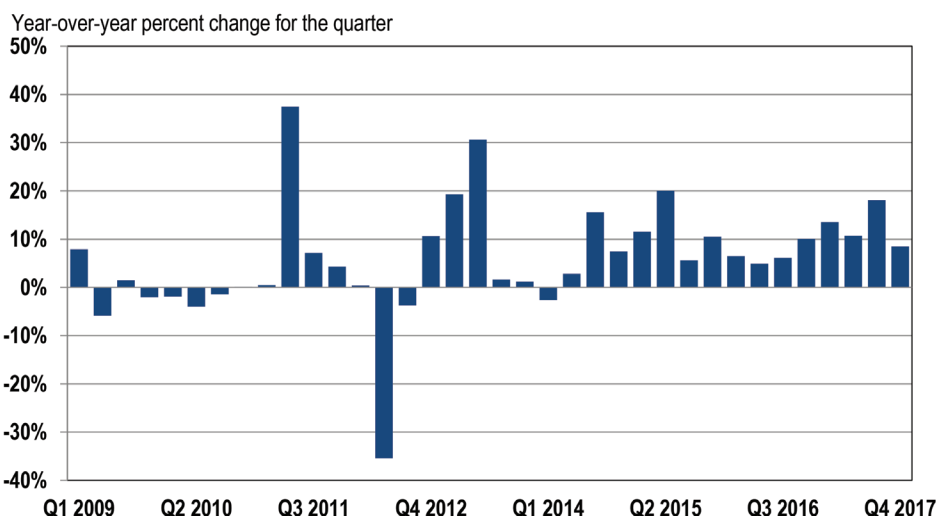


Dissolutions, Trade Names, & Trademarks

Dissolution filings increased in Q4 2017.

Dissolution filings increased 8.5% in Q4 2017 compared to Q4 2016, representing a total of 8,082 businesses dissolving. Filings also increased compared to the prior quarter. The 12-month rolling sum increased by 12.4% year-over-year, and also increased over the prior quarter (2.2%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



Trade name filings rose modestly.

In Q4 2017, a total of 9,697 trade names were filed, an increase of 1% year-over-year but a decrease quarter-over-quarter. The 12-month trailing total of trade name filings—43,911—was down only slightly (0.2%) year-over-year and up 0.2% compared to the prior quarter. Entities must file a statement of trade name when operating under any name other than their true name.

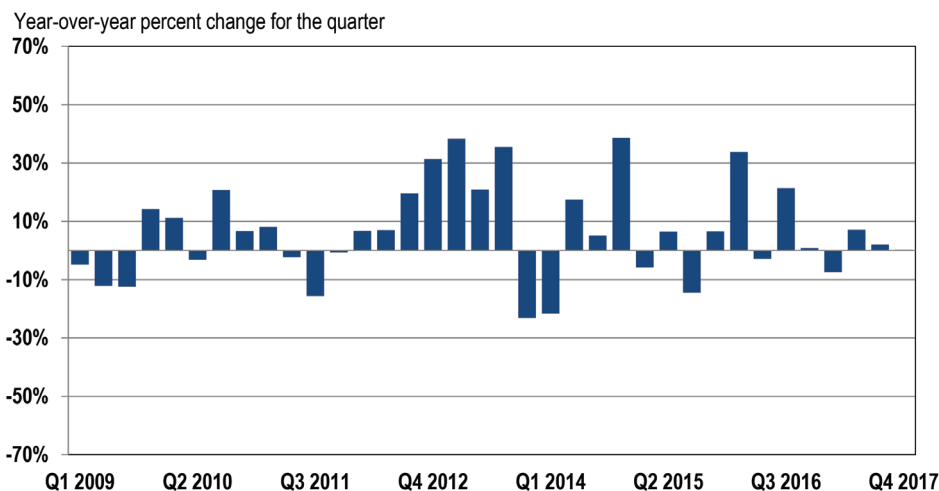
Trade Name Filings



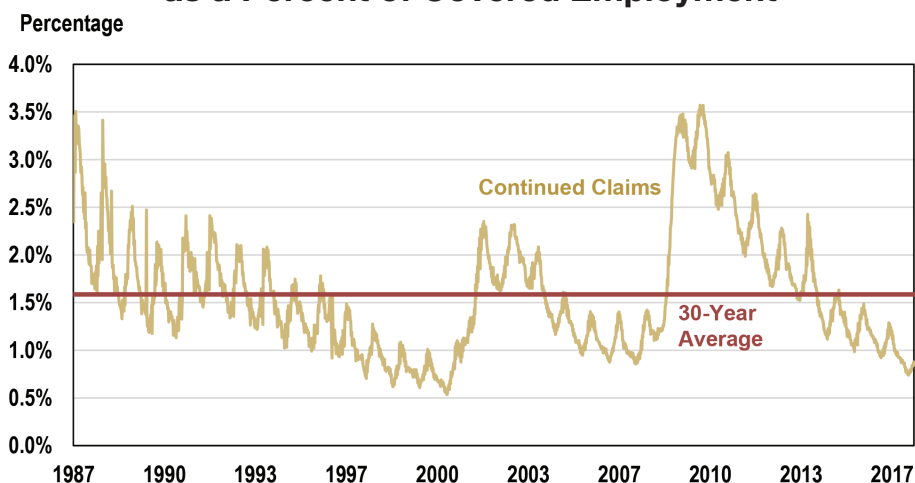
The total number of trademark filings nearly unchanged year-over-year.

Trademark filings increased from 834 in Q4 2016 to 836 in Q4 2017, but quarter-over-quarter filings were down 4.5%. The four-quarter rolling total of trademark filings increased in Q4 2017 by 0.1% over the prior year and 0.1% from Q3. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Continued Unemployment Claims as a Percent of Covered Employment



Source: Bureau of Labor Statistics, Unemployment Insurance Weekly Claims Data.

Colorado Economic Indicators

Labor market remains strong in Colorado.

In November 2017, Colorado's unemployment rate was 5th-lowest in the nation, at 2.9%, and covered employment grew 1.7%, or 13th-best. Continued unemployment claims totaled 22,057 at the end of December, illustrating the lowest sustained levels of claims since the late 1990s.

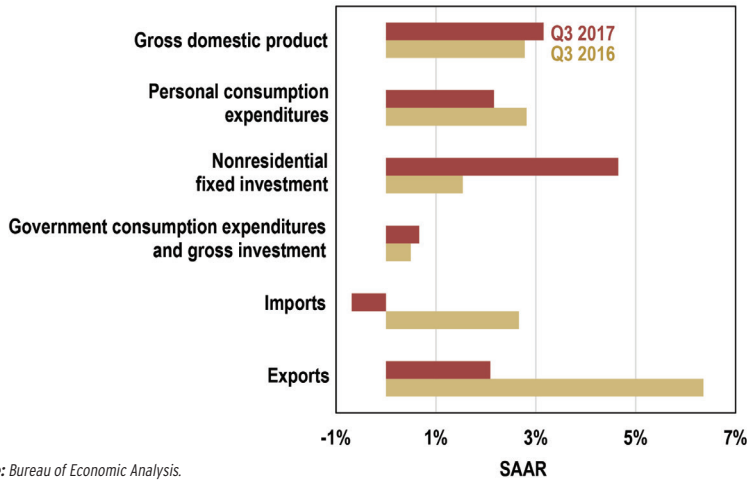
Wage growth picked up in 2017, with 3.1% growth for the four quarters ending in Q1 and 3.9% for the four quarters ending in Q2 2017. The much broader measure of income—personal income—grew 0.5% for the quarter and 2.9% year-over-year.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (millions of dollars)	298,915	297,451	0.5%	▲	2.9%	▲	5.1%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	2.8	2.8	1.5%	▲	6.5%	▲	5.3%	▲
Sales Expectations (LBCI)	57.6	58.2	-1.0%	▼	-9.8%	▼	2.7%	▲
Profit Expectations (LBCI)	62.6	61.6	1.7%	▲	-2.6%	▼	0.1%	▲
Business Outlays								
Annual Wages Per Employee (\$)	56,232	55,701	1.0%	▲	3.9%	▲	2.4%	▲
Hiring Expectations (LBCI)	61.5	60.6	1.5%	▲	-2.0%	▼	0.7%	▲
Capital Expenditures Expectations (LBCI)	58.4	59.3	-1.5%	▼	-5.3%	▼	0.3%	▲
Retail Gasoline Price (dollars per gallon)	2.51	2.57	-2.3%	▼	7.4%	▲	-3.7%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	299,660	296,889	3.8%	▲	3.6%	▲	3.0%	▲
Employment (in thousands)	2,672.8	2,661.7	0.4%	▲	2.1%	▲	2.7%	▲
Unemployment Rate ^b	2.9%	2.4%	0.5%	▲	-0.1%	▼	-4.6%	▼
Initial Jobless Claims	2,887	1,609	79.4%	▲	1.2%	▲	-6.7%	▼
Continuing Jobless Claims	22,057	19,036	15.9%	▲	-19.6%	▼	-13.1%	▼
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	433	433	0.0%	▲	8.5%	▲	9.6%	▲
Private Firms	194,966	192,823	1.1%	▲	3.9%	▲	3.0%	▲
Rotary Rig Count	34	33	3.0%	▲	21.4%	▲	-9.8%	▼
Total Business Bankruptcy Filings	111	110	0.9%	▲	20.7%	▲	-14.1%	▼
Chapter 7	77	76	1.3%	▲	6.9%	▲	-17.0%	▼
Chapter 11	26	22	18.2%	▲	62.5%	▲	-4.7%	▼
Chapter 13	7	11	-36.4%	▼	75.0%	▲	-2.6%	▼
State Economy Expectations (LBCI)	58.6	58.2	0.6%	▲	-12.6%	▼	-1.2%	▼

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) (Q3 17); Colorado Department of Revenue, Office of Research and Analysis (NSA) (01/01/17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 17); Colorado Department of Labor and Employment, QCEW (NSA) (Q2 17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (01/01/18); Bureau of Economic Analysis, (SAAR) (Q2 17); Bureau of Labor Statistics, CES (SA) (11/17); Bureau of Labor Statistics, LAUS (SA) (11/17); U.S. Department of Labor, Employment and Training Administration (NSA) (12/23/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (9/17); Colorado Division of Housing, Foreclosure Report (Q1 17); FHFA Purchase-Only Home Price Index (SA) (Q3 17); Bureau of Labor Statistics, QCEW (Q2 2017); Baker-Hughes (12/29/17); Administrative Office of the U.S. Courts (Q3 17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 18).

^aCompound Annual Growth Rate. ^bPercentage point change.

GDP Growth Q3 2017 v Q3 2016



Source: Bureau of Economic Analysis.

National Economic Indicators

GDP recorded strong growth in Q2 and Q3 2017.

In Q2 and Q3, the seasonally adjusted annual rates of GDP growth totaled 3.1% and 3.2%, respectively, the strongest growth since Q1 2015. Compared to the prior year, the strongest increase came from nonresidential fixed investment, which represents about 17% of GDP—the second-largest contributor to GDP behind personal consumption (69%). The federal tax cut should add fuel to GDP growth in the short term.

Other national economic indicators continue to point to an improving economy. Personal income, employment, retail sales, wealth, and wages continue to climb. However, prices showed an increase, too.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	16,452	16,340	0.7%	▲	2.6%	▲	3.5%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,703.7	5,642.0	1.1%	▲	4.1%	▲	3.5%	▲
S&P 500	2,713.1	2,529.1	7.3%	▲	20.2%	▲	13.2%	▲
Annual Wages Per Employee	54,923	54,520	0.7%	▲	3.4%	▲	3.0%	▲
Business Outlays								
Consumer Price Index	247.6	245.0	1.0%	▲	2.2%	▲	1.4%	▲
Core Inflation (All Items Less Food & Energy)	253.7	252.5	0.5%	▲	1.7%	▲	1.9%	▲
Shelter	301.4	299.0	0.8%	▲	3.2%	▲	3.1%	▲
Retail Gasoline Price (dollars per gallon)	2.64	2.68	-1.7%	▼	6.1%	▲	-4.8%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	17,164	17,031	3.2%	▲	2.3%	▲	2.2%	▲
Employment (in thousands)	147,241	146,731	0.3%	▲	1.4%	▲	1.8%	▲
Unemployment Rate ^b	4.1%	4.4%	-0.3%	▼	-0.5%	▼	-3.6%	▼
Initial Jobless Claims	225,000	281,000	-19.9%	▼	-10.4%	▼	-14.7%	▼
Continuing Jobless Claims	1,936,000	1,979,000	-2.2%	▼	-5.3%	▼	-17.9%	▼
Building Permits, Number of Units, 12 mo. trailing	1,263,518	1,251,503	1.0%	▲	5.7%	▲	9.6%	▲
Valuation (millions of dollars), 12 mo. trailing	253,947	249,902	1.6%	▲	9.3%	▲	13.2%	▲
FHFA Home Price Index	248.7	245.3	1.4%	▲	6.5%	▲	6.1%	▲
Rotary Rig Count	929	940	-1.2%	▼	41.2%	▲	-12.0%	▼
Total Business Bankruptcy Filings	5,290	6,366	-16.9%	▼	-5.5%	▼	-10.6%	▼
Chapter 7	3,302	3,759	-12.2%	▼	-9.3%	▼	-12.3%	▼
Chapter 11	1,348	1,883	-28.4%	▼	6.0%	▲	-7.8%	▼
Chapter 13	505	528	-4.4%	▼	-9.8%	▼	-7.2%	▼
National Economy Expectations (LBCI)	57.6	58.2	-1.0%	▼	-9.8%	▼	2.7%	▲

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 17); U.S. Census Bureau (NSA) (10/17); Yahoo Finance (1/03/18); Bureau of Labor Statistics, QCEW (NSA) (Q2 17); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (11/17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (12/01/18); Bureau of Economic Analysis (SAAR) (Q3 17); Bureau of Labor Statistics, CES (SA) (11/17); Bureau of Labor Statistics (SA) (11/17); U.S. Department of Labor, Employment and Training Administration (SA) (12/09/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/17); FHFA Purchase-Only Home Price Index (SA) (Q3 17); Baker-Hughes (12/29/17); Administrative Office of the U.S. Courts (Q3 17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 18).

^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.



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

