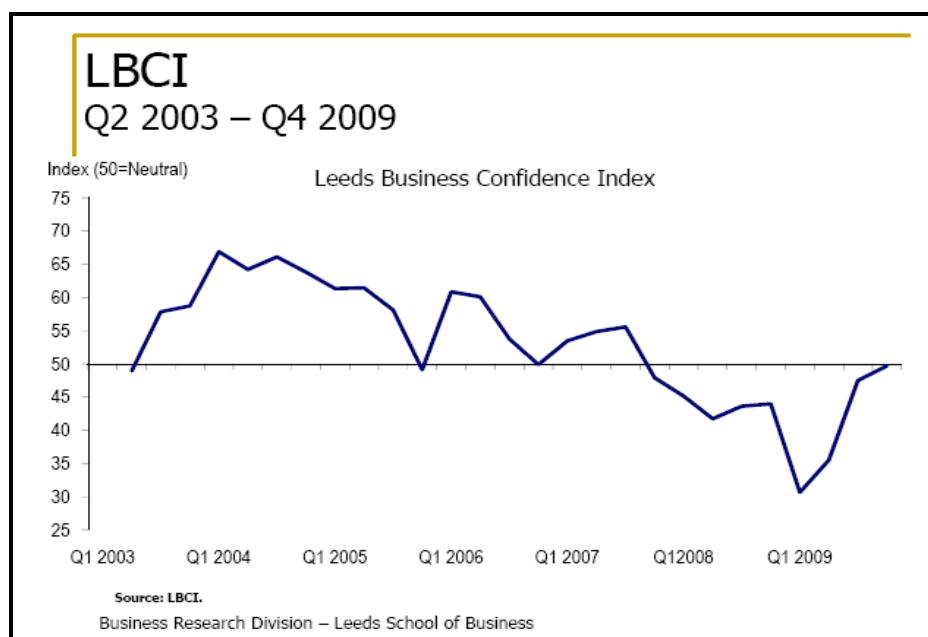


Overview – Business Confidence Index Records Uptick

The LBCI for the fourth quarter of 2009 increased for the third consecutive quarter, posting a slight increase, from 47.5 to 49.7. Five of the six index components recorded moderate gains, and three of the components exceeded the neutral mark of 50. The only component to register a decline is the one measuring expectations for the state economy. Despite increased optimism, the LBCI remains below 50 as leaders expressed continued concerns about profits, hiring, and capital expenditures.



National and State Economies – Outlook for National Economy Improves

On a positive note, state business leaders are again bullish about the prospects for the national economy as this component of the index edged forward from 47.8 to 50.9. This represents the first time since the second quarter of 2006 that this component has been above 50. At the same time, the outlook for the state economy dipped from 55.1 to 51.9. Most likely, this

downward movement is a reaction to concerns about continued job losses, state budget woes, and the lack of measurable impact from the federal stimulus package.

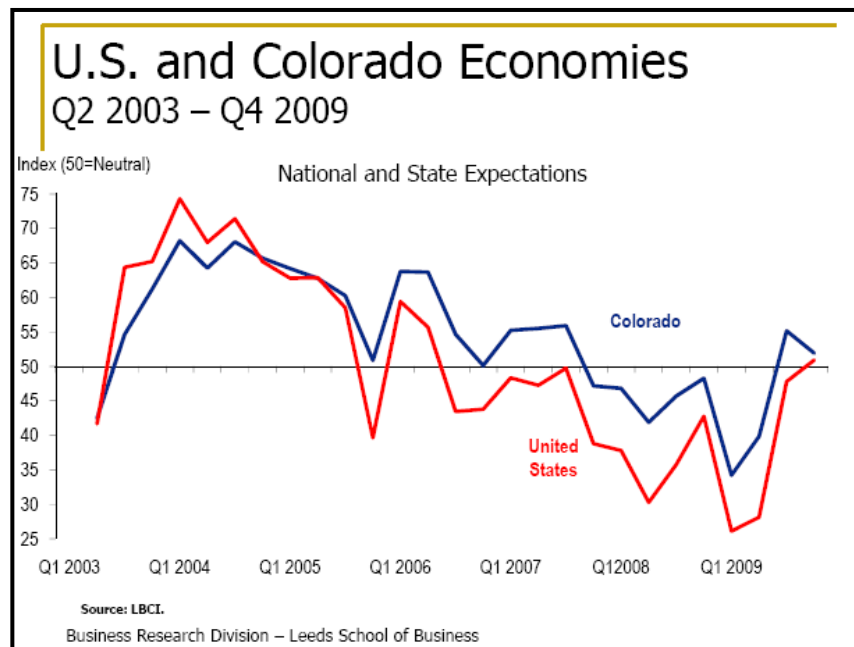
Almost 38% of survey panelists expect the national economy to improve in the months ahead, while another 35% project no change. About 27% do not foresee changes in the state economy in the upcoming quarter.

Looking ahead, it is likely that the nation will experience sluggish growth for an extended period. U.S. expansion will be constrained by limited growth in per capita income, as well as

consumers who are focusing on savings and reducing personal debt. Their actions are likely to benefit the economy in the long run; however, the short-term effect may not be conducive to increased personal consumption. On the business side of the equation, expansion will be held back by excess capacity and limited access to funding.

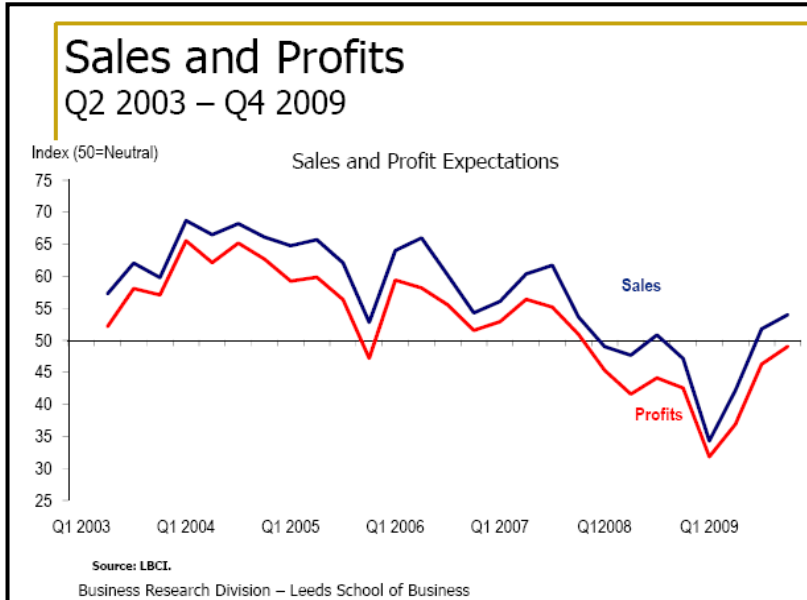
Globally, the Asia Pacific region will be the only bright spot in the near term, with the strongest growth projected for China. Next year, our NAFTA trading partners are expected to record growth rates similar to the United States, in the 2.1% to 2.3% range. The outlook for Western Europe is for a slower rate of growth than North America.

Colorado is currently ranked about 30th in employment for 2009 as the state is on track to post record job losses this year. On a brighter note, initial and continuing claims are slowly declining, an indicator that employment losses may have bottomed out. Looking ahead, Colorado is projected to be one of the top job-producing states in 2010. As such, it is expected to be one of a handful of states that may record flat or positive job growth next year.



Sales and Profits – Business Leaders More Optimistic about Sales and Profits

Colorado business leaders expressed increased optimism for their industry sales for Q4 2009. The sales expectations component rose for the third consecutive quarter, moving from 51.8 to 54.0. The breakdown of panelist responses by category is similar to Q3. Almost 43% of the respondents expect industry sales to increase during Q4. Likewise, roughly 26% believe sales will stay about the same, and about 31% of respondents have a pessimistic outlook for their Q4 sales.



The outlook for profit expectations edged forward, from 46.3 to 49.0. The fact that this value remains below 50 highlights the challenges facing business leaders. Obstacles facing business leaders run the gamut from cost containment to managing profit margins in markets with heavy discounting.

Panelists are split evenly about profits in the fourth quarter. About one-third of business

leaders foresee an increase in profits, another third expect no change, and the remaining third anticipate a decline.

Capital Expenditures and Hiring Plans Remain a Concern

The overall upward movement of the LBCI is a much-welcome sign that the economy is improving. Unfortunately, business leaders remain hesitant about increasing their investments for capital goods and labor. Although the values for both indicator components showed gains for the upcoming quarter, both remain below the neutral point of 50.

The component measuring expectations for Q4 capital expenditures moved forward, from 41.3 to 46.1. Approximately 22% of respondents anticipate moderate or strong increases in capital spending, up from 16% last quarter. About 28% of the panelists project moderate or strong decreases in capital spending during the fourth quarter, down from 37% last quarter. Roughly half of the respondents expect spending to remain constant.

The expectations for hiring produced similar values, with an increase from 43.0 to 46.2. About 29% of business leaders believe that hiring will decline. This represents a significant decrease from 37% last quarter.

Approximately 55% indicated that their employment for the fourth quarter will not change. Only 18% of Colorado business leaders project increased hiring for Q4.

The outlook for sales anticipates that companies and consumers may begin to loosen their purse strings in the months ahead. Most likely, capital expenditures and hiring will be delayed as long as possible.

Unfortunately, it is unlikely that pent-up demand will produce a spike in hiring or capital spending in the foreseeable future. Business leaders indicated that when investment does occur they are equally likely to invest in labor as they are to increase capital spending.

The U.S. economy has been slow to recover from the free fall of the financial market in the second half of 2008. Clearly, that series of events had a deeper and more far reaching negative impact on our economy than the terrorist attacks of September 11, 2001.

As a result, concerns about acquiring capital will continue to challenge business leaders whose companies are in a position to expand to product offerings or operations. Unfortunately, credit is not expected to loosen significantly until lending institutions have a clearer understanding of the true value of their assets.

On a positive note, the second quarter uptick in the equity markets has continued into the third quarter. In many parts of the country, housing prices have stabilized. These two factors have played a role in improving consumer and business sentiment in Colorado and other states. In addition, the LBCI is one of a few indicators that clearly point to a turnaround in the economy.

