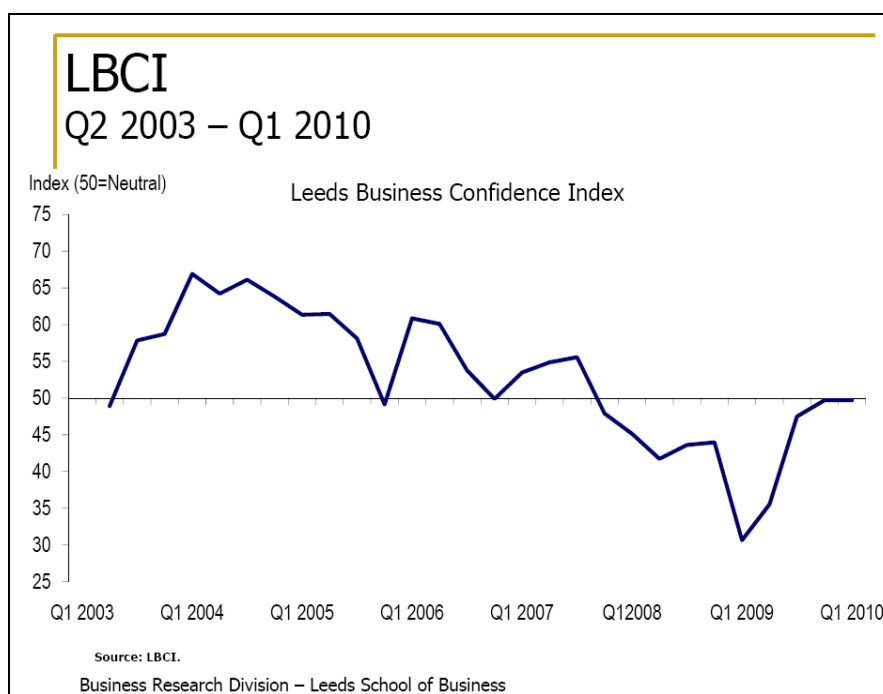


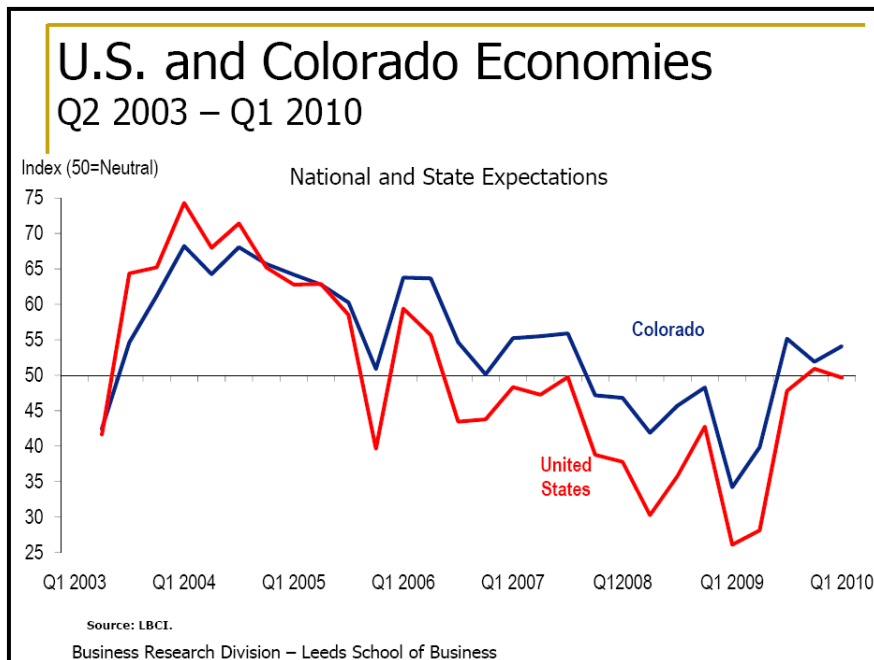
Overview — Business Confidence Index Points to Slow First Quarter

An increasing number of signs are pointing to a rebound in the U.S. and Colorado economies; however, the first quarter 2010 LBCI suggests that it will not occur in the short term. The LBCI has stalled at 49.7, the 10th-consecutive quarter that it has registered below the neutral mark of 50. Only three of the six index components recorded moderate gains, two of the components posted declines, and one remained flat. The only two components to post values above 50 were sales prospects and expectations for the state economy. Of particular note is the fact that business leaders expressed their greatest concerns about hiring and capital expenditures.



National and State Economies — Mixed Outlook

State business leaders remain bullish about the prospects for the state economy. Q1 is the third-consecutive quarter that the index component has been above 50, climbing from 51.9 to 54.1. While it is likely that the Colorado economy will outperform the U.S. economy in the



months ahead, growth will be constrained by the slow expansion of the national and global economies.

Colorado business leaders are clearly more doubtful about the national economy, which dipped from 50.9 to 49.7. Uncertainty about the U.S. economy may be driven by the recent downward revision in the third quarter GDP, the cost and content of the

proposed healthcare legislation, continued high unemployment, and the lack of measurable impact from the federal stimulus package.

It currently appears that the nation will experience below potential growth in the range of 2.0%-2.5% during 2010. Consumers will remain focused on savings and paying down debt. While this will have a long-term positive economic impact, it will restrict consumption during the year. Business growth will be constrained by excess capacity and limited access to funding.

Only 36% of survey panelists expect the U.S. economy to improve in Q1. Another 31% project no change, while the remaining one-third are pessimistic.

At the state level, almost 40% of business leaders believe the economy will improve, whereas about 38% anticipate no change and 22% foresee a decline. Factors that may have fostered a lack of confidence are state and local budgetary problems, continued layoff announcements, and concerns about the commercial real estate market. On a positive note, Colorado has a much lower unemployment rate than the nation and a more stable residential real estate market.

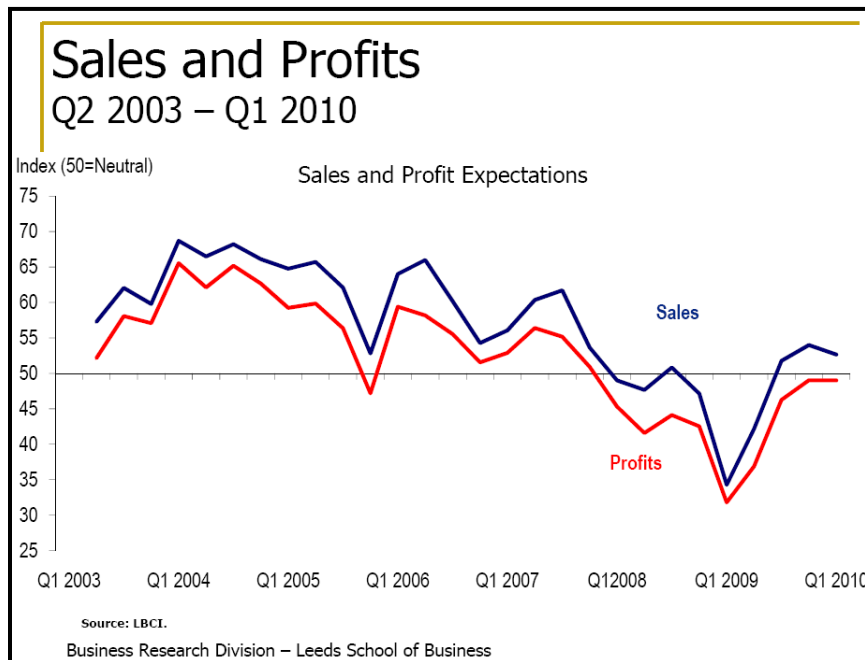
Sales and Profits — Business Leaders More Optimistic

Colorado business leaders remain upbeat about their industry sales for Q1 2010. The sales expectations component remained about 50 for the third-consecutive quarter, although it dropped slightly, from 54.0 to 52.7. Around 40% of respondents expect industry sales to

increase during Q1, and roughly 33% believe sales will stay about the same. Approximately 27% of respondents have a pessimistic outlook for their Q1 sales.

The outlook for profit expectations remained flat, at 49.0. Panelist expectations are split fairly evenly across the board, with a slight bias to the downside. Approximately 31% foresee an increase in profits, another 37% expect

no change, and the remaining 32% anticipate a decline. In the near term, business leaders face a number challenges ranging from cost containment to heavy discounting.



Capital Expenditures and Hiring Plans — Expansion Plans Still on Ice

The upward movement of the LBCI has been an encouraging indicator that the economy is improving; however, a full recovery will require business leaders to be more confident about making investments in capital goods and labor.

The values for both indicator components showed slight, but insignificant, gains for the upcoming quarter. Both remain below the neutral point of 50, suggesting no overall improvement in the short term.

The component measuring expectations for Q1 capital expenditures edged forward, from 46.1 to 46.3. Approximately 22% of respondents anticipate moderate or strong increases in capital spending. About 29% of the panelists project moderate or strong decreases in capital spending during the first quarter. Roughly half of the respondents expect no change in spending.

The expectations for hiring produced similar values, with an increase from 46.2 to 46.4. About 27% of Colorado business leaders believe that hiring will decline. Approximately 55% indicated that their employment for the first quarter will not change. Only 18% of respondents project increased hiring for Q1.

Various employment projections for 2009 point to job losses in the range of -3.7% to -4.4%. If these rates of decline hold true, Colorado would rank between 30th and 40th in percentage change in employment. Only North Dakota and the District of Columbia are expected to add jobs this year. As a point of reference, Michigan and Arizona will have job losses approaching 7%.



The 2010 employment outlook for Colorado is much improved, with various forecasts projecting employment losses in the range of -0.1% to -1.5%. Most of these forecasts tend to be -0.5% or better, which would place Colorado in the top 15 states in percentage change in employment, and position the state as a leader in the recovery.

Most sectors of the state economy are projected to show improvement in 2010. The healthcare sector, which has recorded job gains each year since 1990, will add 6,000 positions. After shedding nearly 27,000 positions in 2009, the Professional Business Services (PBS) Sector is anticipated to also add jobs in 2010. This is good news because overall PBS wages are higher than the state average. In addition, segments of the sector are essential components of Colorado's advanced technology cluster. PBS led the Colorado economy out of the 2001 recession, and preliminary indications show that it will lead the way in 2010.

From an employment perspective, it appears that most sectors of the economy will begin to show more normal employment patterns. The first quarter will be weak, with a gradual upward trend in subsequent quarters. While more jobs will be added as the year progresses, unemployment in Colorado will remain comparatively high, but at least two points lower than the national rate for much of the year.

Hang in there! The worst is behind us.