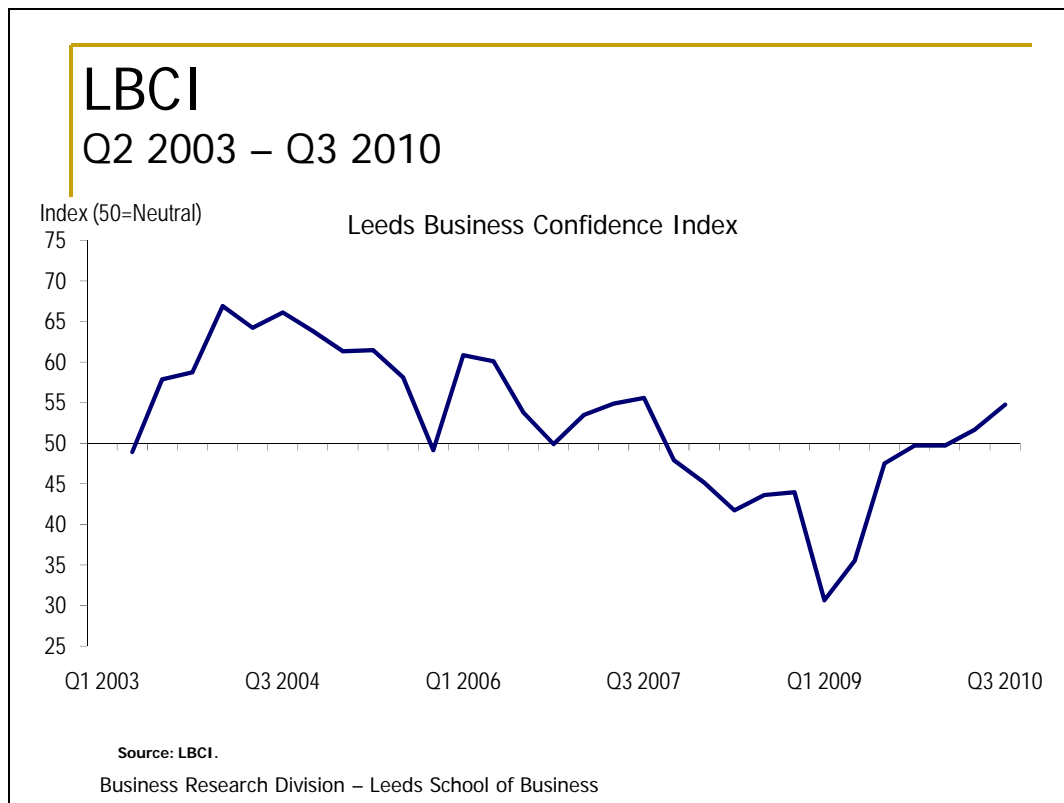


Overview — Increased Hiring and Spending Boost Confidence

For the first time in three years, Colorado business leaders foresee solid expansion in the Colorado economy. The LBCI posted a reading of 54.8, up from 51.7 last quarter and comparable to the Q2 2007 value of 54.8. Five of the six index components recorded moderate gains, with the exception of the outlook for the national economy, which remained flat. On a bright note, business leaders expressed optimism about the prospects for increased investment in both labor and capital. While many respondents remained neutral for the upcoming quarter, respondents indicating component increases outnumbered those expecting decreases—a shift from earlier surveys.

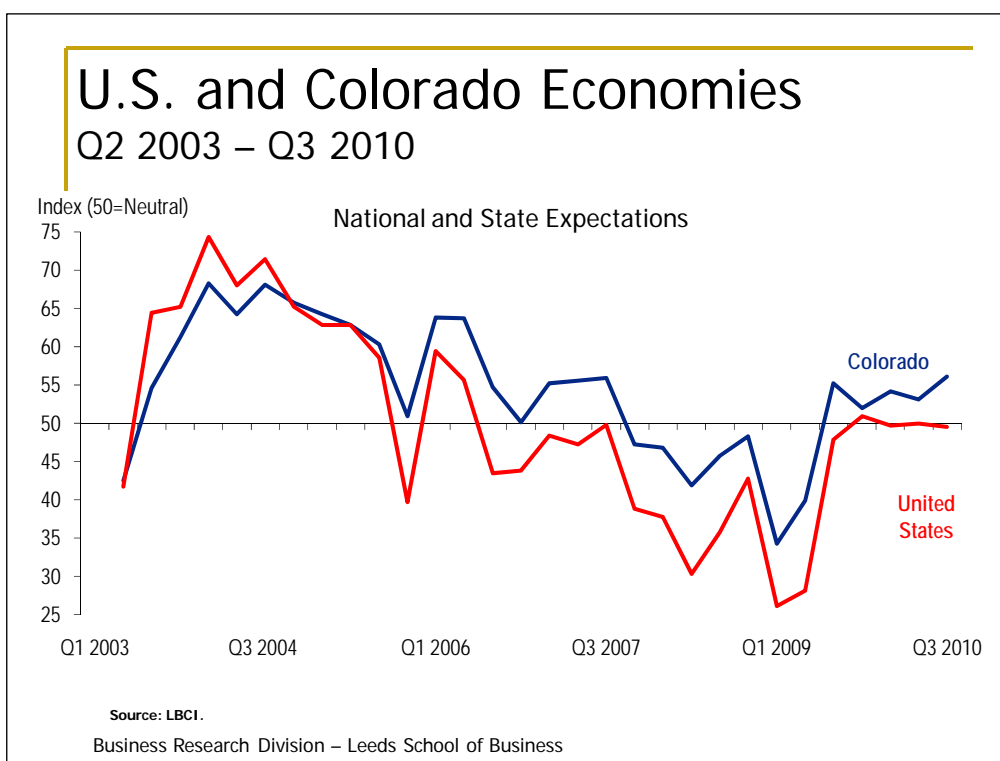


National and State Economies — Colorado Outperforms Nation

Colorado business leaders continue to be more optimistic that Colorado will outperform the national economy. The irony of this situation is that from an employment perspective, Colorado has lagged the nation in terms of entering and exiting the recession. National projections suggest that Colorado will be ranked in the bottom one-third of states in terms of jobs added in 2010, but will be in the top 10 next year.

Despite the lack of enthusiasm for the performance of the national economy, real GDP growth of 3.0 to 3.2% is projected for this year. At this time last year, most 2010 forecasts were for real growth less than 2.0%. Many economists expect stronger growth in 2011, with real growth projections ranging from 3.1% to 3.9%.

Looking back to Q2 2006, about 18 months before the national recession began, respondents' expectations about the U.S. economy recorded a value of 55.7 as Colorado business leaders expressed concern about the state of the U.S. economy.



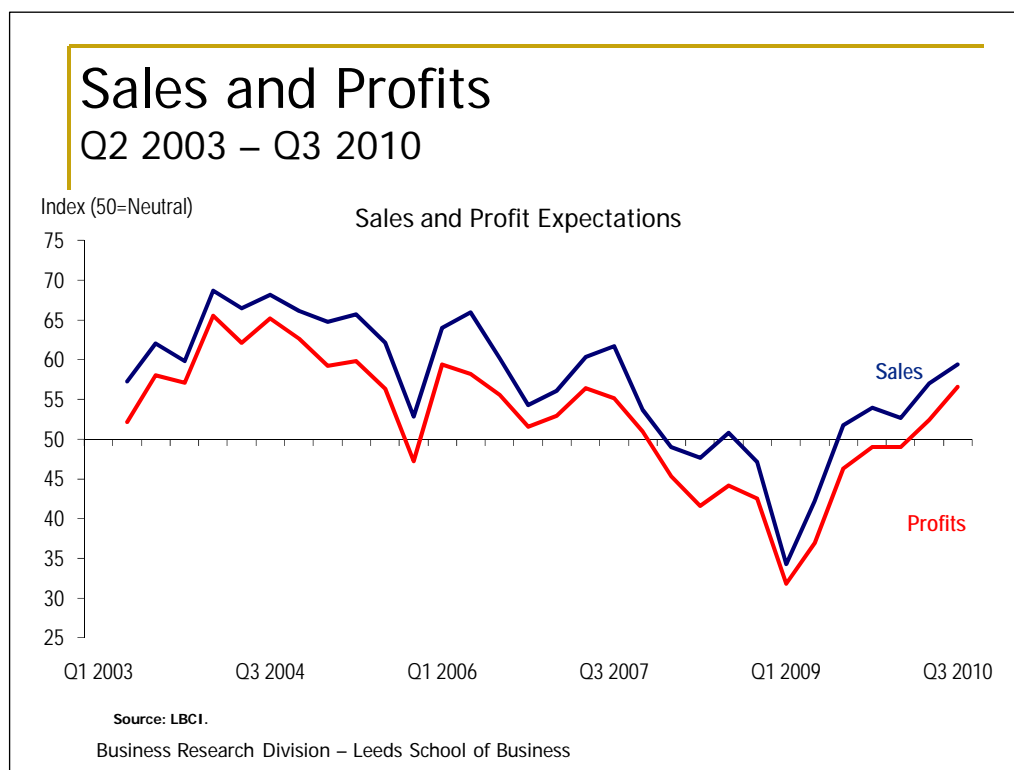
This component has hovered around 50 since Q3 2009, illustrating that this is not a typical v-shaped downturn and recovery.

The component measuring expectations of the national economy in Q3 dropped slightly, from 49.9 to 49.5. Respondents are split fairly evenly about the prospects for the national economy. About 34% expect the U.S. economy to improve in Q3 and 34% project no change. The remaining one-third of panelists point to further contraction.

State business leaders remain upbeat about the prospects for the Colorado economy. Q3 is the fifth-consecutive quarter that this index component has been above 50. At the state level, more than 43% of business leaders are optimistic about the prospects for the economy. Approximately 38% anticipate no change, and 19% foresee a decline.

Sales and Profits — Business Leaders Remain Optimistic

Business leaders are optimistic about the outlook for their industry. Sales expectations for Q3 posted a significant increase, from 57 to 59.4. More than 51% of respondents expect industry sales to increase during Q3, while about 35% believe sales will stay about the same. Only 14.2% of respondents forecast a decline for their Q3 sales prospects.



More optimistically, the expectations component for profits bumped up from 52.4 to 56.6. This is the second-consecutive quarter that profits expectations registered above 50. Those expecting growth in profits outweighed those forecasting a decline, 44.4% to 17.5%. About 38% expect no change.

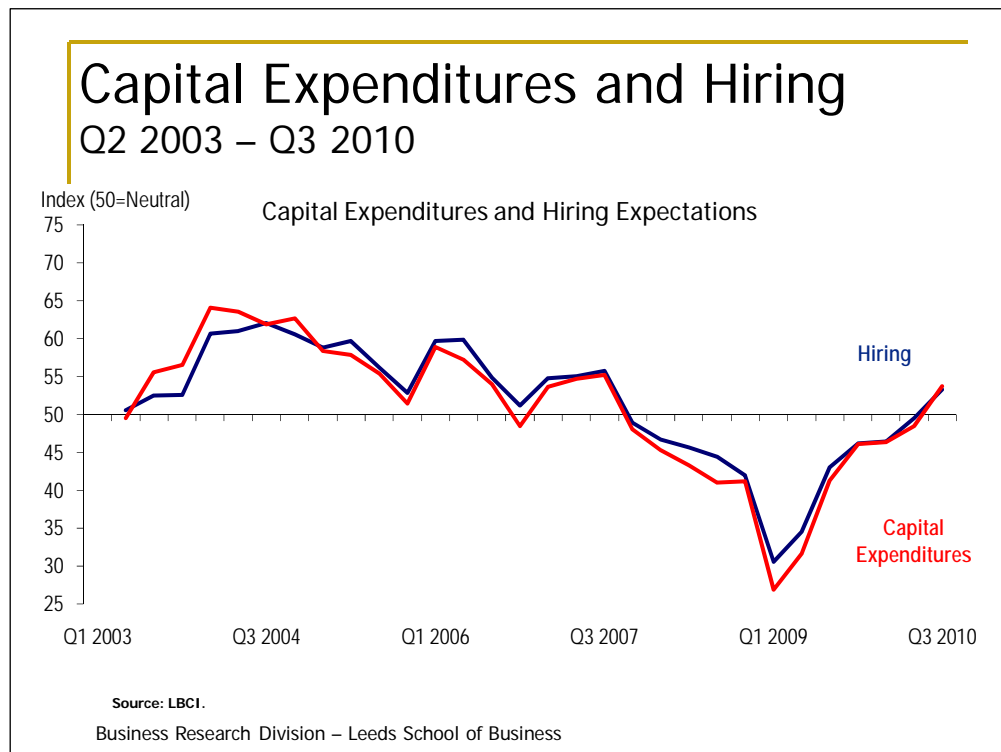
Profits will accompany improvements in sales as companies benefit from efforts undertaken to create leaner operations and increased productivity.

Capital Expenditures and Hiring Plans — Expansion Starting

Business leaders have finally shown optimism regarding hiring and investment—two integral elements for an economic recovery. The values for both components measuring expectations

broached 50 for the first time since Q4 2007. Hiring and capital expenditures figures crossed the 50 threshold, to 53.3 and 53.7, respectively.

The component measuring expectations for Q3 capital expenditures edged forward, from 48.4 to 53.7. Roughly 30.2% of panelists foresee moderate or strong increases in capital spending, while 55.2% anticipate no change. About 14.6% project moderate or strong decreases in capital spending during Q3.



The expectations for hiring produced similar values, climbing from 49.5 to 53.3. About 29.5% of Colorado business leaders believe that hiring will increase in Q3, while approximately 55.2% project no change. Roughly 15.3% of respondents anticipate decreased hiring in Q3, a positive shift from the 22% from the previous quarter.

The Department of Labor 2009 employment figures show 106,300 job losses in Colorado, a 4.5% decline, with the Grand Junction, Greeley, and Boulder MSAs losing the greatest percentage of employment (-6.4%, -4.9%, and -4.8%, respectively). While data through May of 2010 show continued job losses across the state, the year-over-year declines are improving each month, and are expected to turn positive later in the year. Employment changes vary greatly by sector. Construction employment continues to track well below even one year ago. However, Education and Health Services has continued to add jobs, and Professional and Business Services is showing signs of promise. The current outlook for 2010 employment shows continued employment losses, in the range of -0.9%, or 22,250 jobs.