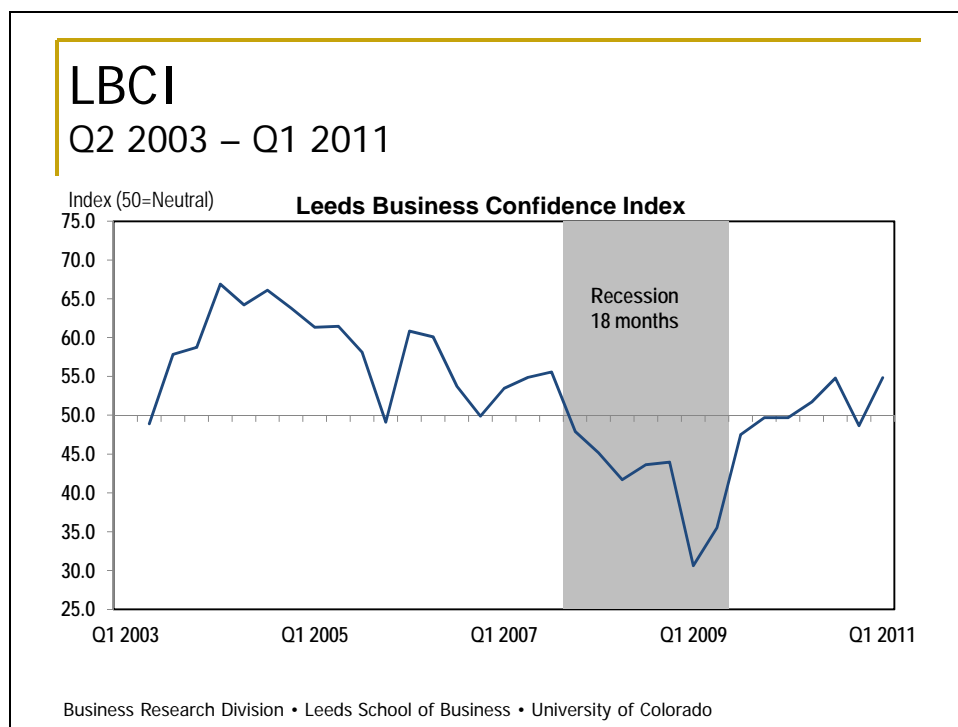


Overview — 2011 Kicks Off with Confidence

Colorado business leaders' confidence bounced back to pre-recession levels in Q1 2011 after slipping in Q4 2010. From 48.6 in Q4, the Leeds Business Confidence Index (LBCI) moved to a level nearly identical to Q2 2007, 54.8. Although the index has been volatile, the storm of the Great Recession is starting to clear.

All metrics are above the neutral marker (50) this quarter. The state economy, sales, and profits received the highest positive responses by business leaders. They anticipate that healthcare, benefits, and labor costs will record the greatest increase in business expenses in 2011. Their expected rate of inflation for the cost of doing business averaged 2.26%.



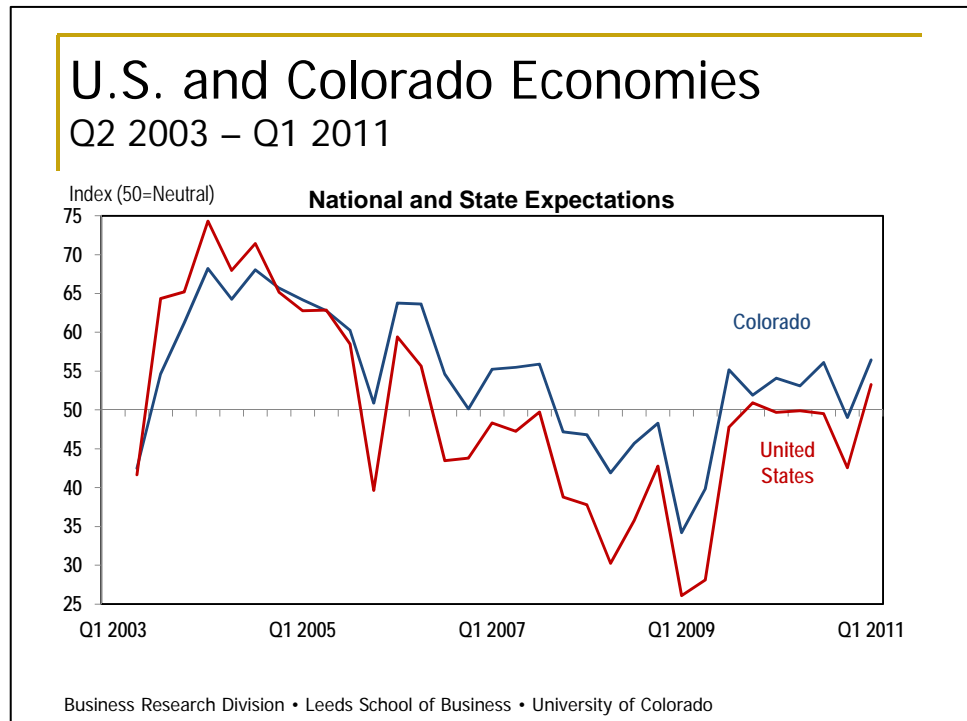
National and State Economies — Nation Plays “Catch Up”

For more than five years, Colorado business leaders have projected that the state’s economy will outperform the nation’s. Colorado’s lagging entry into and exit from the recession has not hindered business leaders’ optimism for the state to continue this trend.

Economic projections from Moody’s Economy.com indicate that national real GDP will grow by 2.8% in 2010. Quarterly GDP ranged from 1.7% to 3.7% in 2010. GDP growth in 2011 is also projected to grow by 2.8%. When final 2010 employment numbers are reported, national employment will likely record a 0.5% loss for the year, while state employment will be down 1.5%. It is anticipated that Colorado will experience notable employment gains in 2011, albeit over a smaller base, putting the state in the top half in terms of employment growth. Population continues to increase at a rate faster than the nation. Nationally, inflation-adjusted consumption is expected to grow 1.5%, and consumer prices are anticipated to climb 2.7% after teetering on deflation.

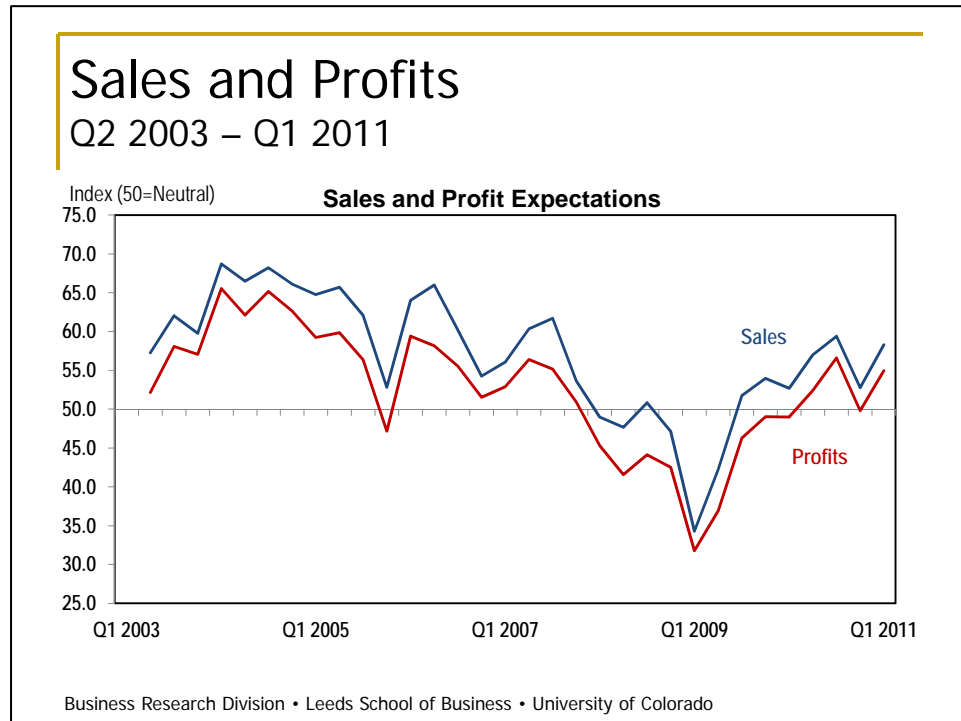
Confidence in both the U.S. and Colorado economy grew. Expectations for Q1 2011 were 53.3 and 56.4, respectively. For the nation, this is an increase from the previous quarter’s 42.6. The state economy showed comparable gains from 49.0 last quarter.

As the economy turns the corner into the New Year, major questions remain about U.S. government spending, the European debt crisis, and currency wars.



Sales and Profits — Businesses Bounce Back

Business leaders are optimistic about their industry in Q1 for both sales and profits. Sales expectations for Q1 increased from 52.8 to 58.3. More than 54.2% of respondents expect



industry sales to have moderate to strong increases during Q1. Approximately 25% of respondents do not expect sales to change. While 19% anticipate a moderate decrease in sales, only 2% expect a strong decrease.

Profit expectations climbed from a neutral reading in Q4 2010 (49.8) to 54.9 in Q1. More than 44% of

respondents anticipate moderate to strong growth in profits compared to about 23% who expect a strong or moderate decrease. Roughly 33% anticipate no change.

Capital Expenditures and Hiring Plans — Positive Signs for Vital Components

Capital expenditures and hiring, integral components for an economic recovery, are showing positive signs. Business leaders' investment and hiring expectations improved for Q1, to 52.5 and 53.6, respectively.

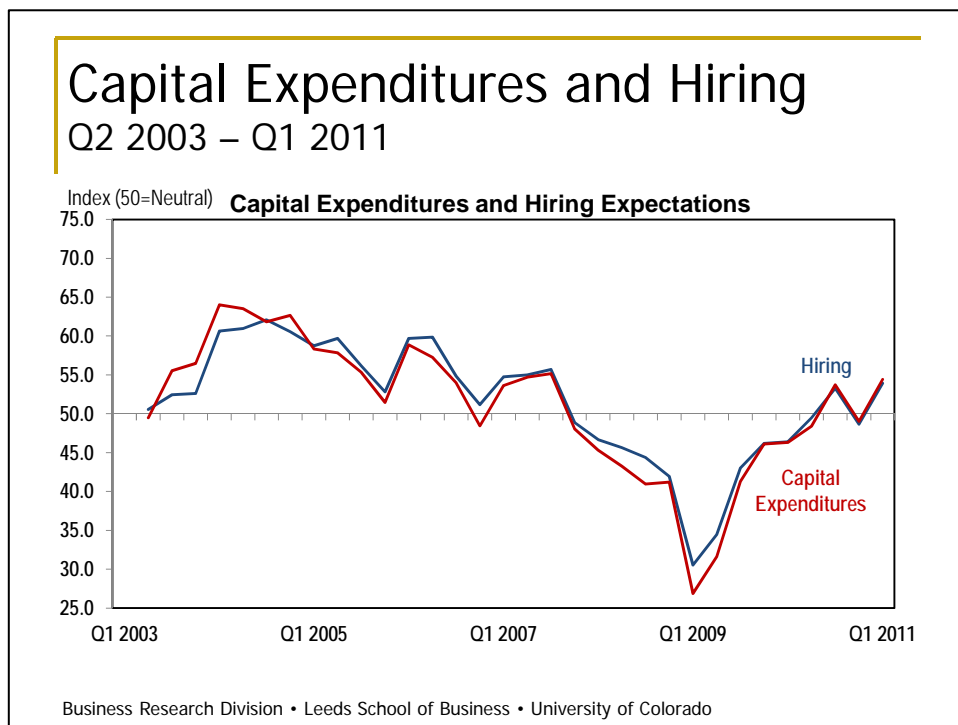
Q1 expectations for capital investment rallied from 49.0 to 53.6, with a majority of respondents remaining neutral (51.6%). Responses for moderate to strong increases outweighed those anticipating moderate to strong decreases by 18.4%.

While the expectations for hiring increased from 48.7 to 52.5, business leaders remain cautious about hiring. A majority of panelists are neutral regarding their hiring plans (53%). Responses for moderate to strong increases outweighed those anticipating moderate to strong decreases by 14.4%.

Employment numbers from the Bureau of Labor Statistics (BLS) show continued year-over-year job losses in Colorado, but indications are that the state will begin adding jobs in 2011. While Colorado was stemming employment losses in the latter months of 2010, the state will be left with an estimated 35,000 fewer jobs (-1.5%) according to the Colorado Business Economic Outlook. These declines come on top of the 106,300 job losses in 2009. Since employment peaked in 2008, 30 months have passed, and given slow growth, it will take more than 30 months to recoup the losses. Since 2008, the state has added more residents and graduates

who are queuing for jobs; thus, more positions will be needed to meet 2008 unemployment rates.

Colorado employment figures vary greatly by industry and by metropolitan statistical area (MSA) in Colorado. Seasonally adjusted November figures indicate meager



employment gains in the Denver-Aurora-Broomfield MSA (+0.2%), the Fort Collins-Loveland MSA (+0.7%), and Greeley (+1.9%). The Pueblo MSA recorded no change. The BLS data also reveal slight losses in the Boulder MSA (-0.3%) and Colorado Springs MSA (-0.9%). In 2010, the Education and Health Services and Government sectors added employment, while Construction recorded substantial losses.

Expected Inflation and Expenses

Panelists were asked to list the business expense that they expect to rise the most in the coming year. The most frequent responses were related to healthcare (26.4%), benefits (20.9%), and labor (20%).

Respondents were also asked to indicate their expectation for the inflation rate related to their overall costs of doing business (wages, salaries, input costs, and so forth) for the coming year. The average inflation rate was 2.26%, with a standard deviation of 1.67.

