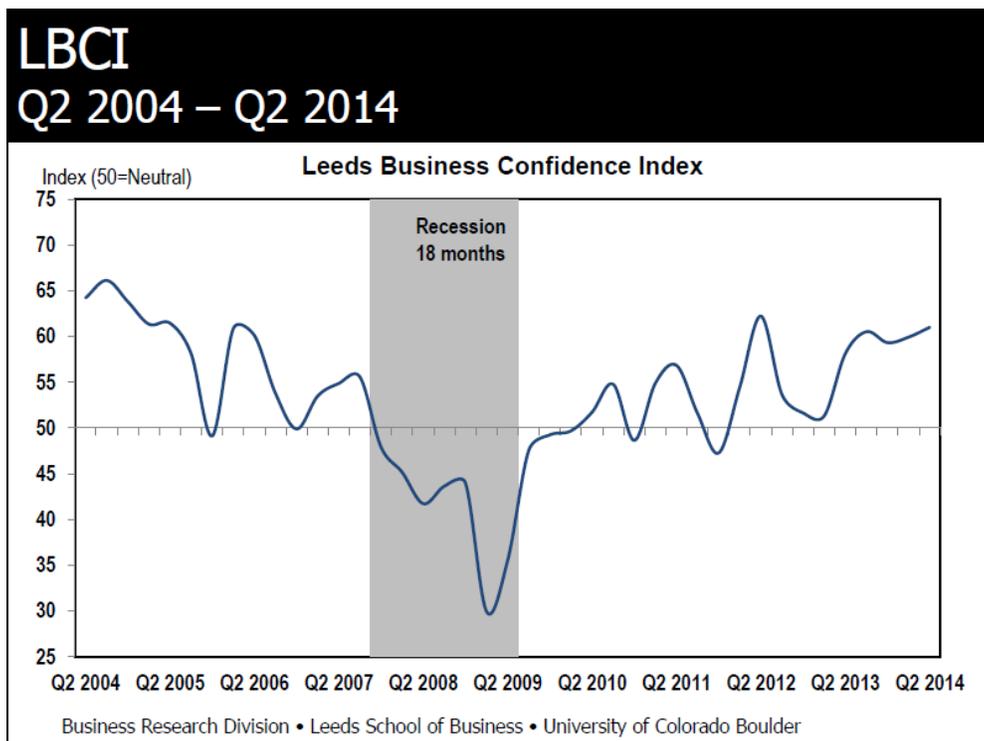


Overview — Positive Outlook Remains

Colorado business leaders' expectations going into Q2 2014 remain positive as economic conditions continue to improve and political risks subside. The Leeds Business Confidence Index (LBCI) measures the confidence of Colorado business leaders in six categories: national economy, state economy, industry sales, industry profits, hiring plans, and capital expenditures. The LBCI increased slightly, from 59.9 in Q1 2014 to 61 in Q2 2014. There were 345 panelist responses to the Q2 2014 survey.

Expectations continue to stay in positive territory (above 50) for all metrics. Compared to the Q1 2014 survey, Q2 survey respondents' confidence improved for all metrics except capital expenditures, with the greatest gain recorded in expectations for profits, increasing 3.4 points. The ongoing differential between the state and the nation increased in Q2, indicating that Colorado business leaders still have greater confidence in the local economy than the national economy. Businesses with 50 or more employees measured higher optimism than comparatively small businesses by 5 points.

Respondents' continued confidence in Q2 represents 10 consecutive quarters of positive expectations—surpassing the record for optimism set from 2003–2005. This confidence coincides with positive signals from the market—accelerating GDP growth, employment gains, and rebounding wealth, as well as a federal budget compromise and a reduction in stimulus by the Fed.



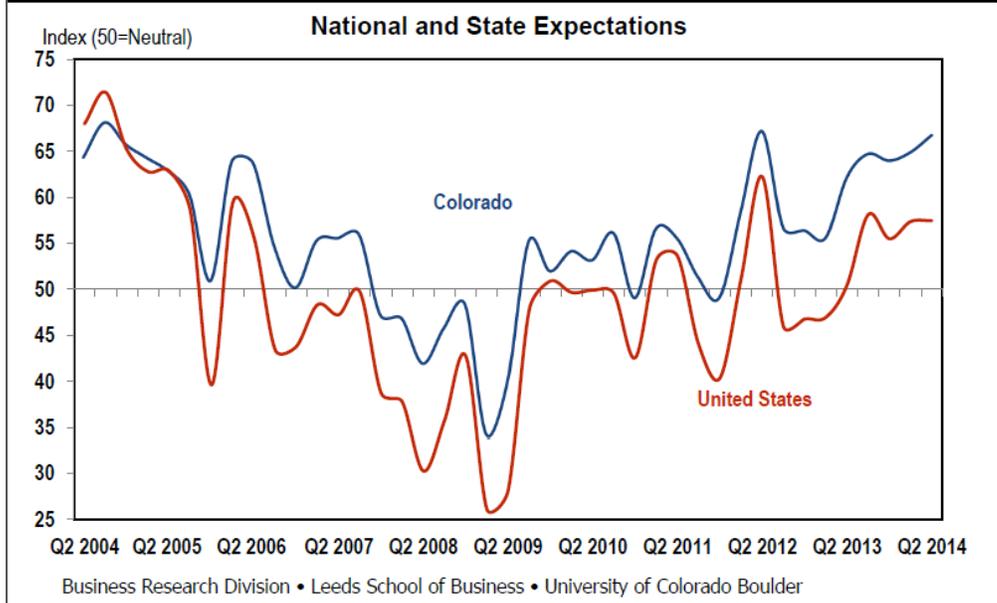
National and State Economies — Improved Expectations

Respondents have a positive outlook for the national and state economies in Q2 2014. While both metrics increased compared to Q1 2014, optimism about the local economy continues to outstrip that for the nation—a 36-quarter trend in the index.

Confidence in the state economy increased to 66.7. Just over 66% expect the state economy to expand, and 29% of respondents are neutral. The gap between the two “tails” of the survey scale, strong increase and strong decrease, narrowed slightly in Q2, to 5.8% and 0.3%, respectively.

Confidence in the national economy was nearly flat, at 57.5, (compared to 57.4 in Q1), with optimists outweighing pessimists 45.5% to 16.2%. Roughly 38% of survey respondents remain neutral.

U.S. and Colorado Economies Q2 2004 – Q2 2014

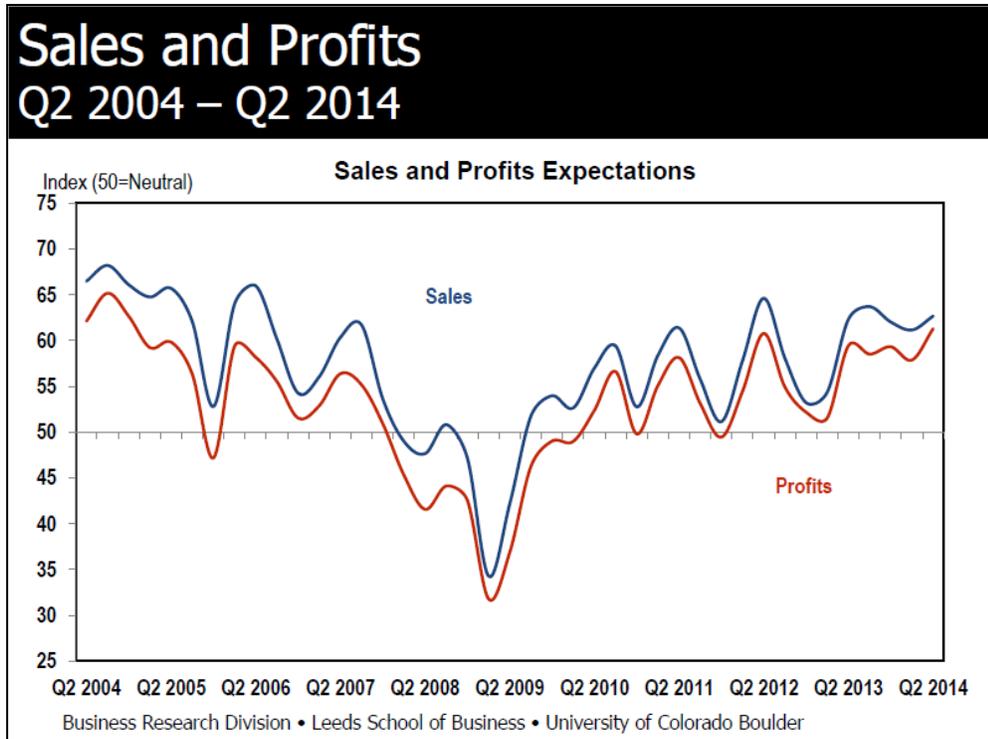


Economic data released during the first quarter suggest improving conditions. The Bureau of Economic Analysis (BEA) reports U.S. real GDP expanded at an annual rate of 1.1% in Q1 2013, 2.5% in Q2, 4.1% in Q3, and 2.6% in Q4. March projections for annual average real GDP provided by the National Association for Business Economics stood at 2.8% for 2014 and 3.1% for 2015, with poor weather conditions weighing on 2014 GDP. The concern about fiscal drag has abated, but spending cuts and the federal shutdown had a measurable impact on GDP in 2013. The shift in Fed policy to begin “tapering” is a positive signal about the health of the economy, but its impact on interest rates threatens growth.

Seasonally adjusted month-over-month U.S. employment gains were recorded for the 41st-consecutive month in February. The data indicate strength, with month-over-month gains averaging 194,000 in 2013. Colorado’s month-over-month gains totaled 7,300 in January 2014 and averaged a gain of 5,300 month-over-month in 2013. Nationally, the Bureau of Labor Statistics (BLS) reported the Consumer Price Index for All Urban Consumers rose 1.1% year-over-year in February, while core inflation was up 1.6% for the same period. Consumer prices and inflation-adjusted consumption levels are expected to grow at 1.6% and 2.8%, respectively, in 2014.

Sales and Profits — Holding Strong

Respondents remain strong on sales and profits looking ahead to Q2, with both measures showing an increase in optimism compared to Q1 2014. Expectations for both metrics remain well in the positive territory moving into Q2. The sales index recorded a reading of 62.7, and profits, 61.3.



The positive sales index was sustained by the 59.4% of respondents who anticipate an increase in sales in Q2 versus only 12.2% who expect a decline. About 28% are neutral. Few respondents are on the extreme tails of the scale; 4.3% expect strong increases and 0.9% anticipate strong decreases.

The profit index rose from 57.9 to 61.3. Those expecting growth in profits (56.2%) outweighed those anticipating declines (11.3%). Approximately 32.5% remain neutral on their profit outlook. The profit index recorded the greatest increase of the six measured components in Q2.

Personal consumption accounts for roughly 68% of GDP, and consumer strength is a key indicator for future sales and profits. Consumption is affected by employment, and both job growth and the unemployment rate have been improving. The January seasonally adjusted unemployment rate fell to 6.6% for the United States and to 6.1% in Colorado. According to the BEA, personal income rose in the state 3.4% in 2013, ranking the state sixth nationally. Home prices in the state rose 8.2% year-over-year in Q4 2013 according to the FHFA all-transactions index. Retail sales continue moderate year-over-year growth, with statewide taxable sales up 10.2% for the month of November and 5.8% comparing the cumulative last 12 months to the 12 months prior.

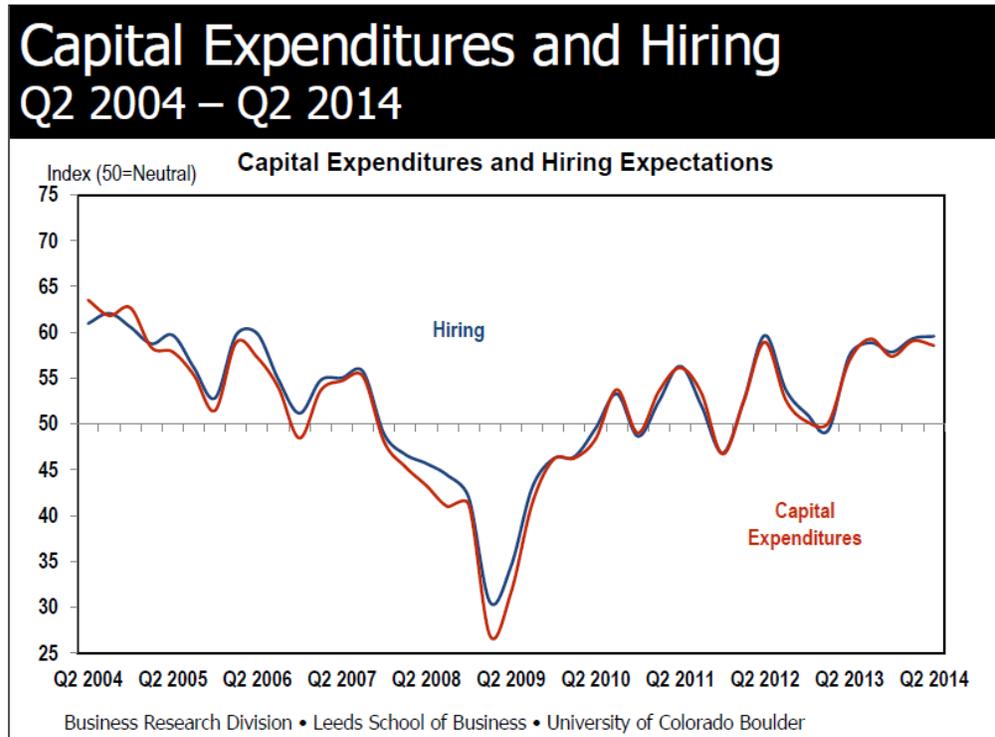
Capital Expenditures and Hiring Plans — Mixed Signals

The expectations for capital expenditures slipped in Q2, but hiring expectations increased. Both remain strong.

Capital investment expectations measured 58.6, a slight decrease from 59 in Q1 2014. While 46.4% of respondents are neutral, 43.2% expect a boost in capital expenditures. The tails, strong increase and strong decrease, tilted positive at 3.8% and 2.3%, respectively.

Hiring expectations increased slightly from 59.3 in Q1 to 59.6 in Q2. Around 43.5% of respondents are neutral on hiring, and 46.4% are positive.

Employment in Colorado has recorded 40 months of year-over-year growth. After revisions, Colorado employment increased 68,100 jobs, or 2.9%, in 2013, making it the best growth year since 2000. The state is now 2.1% above the prerecession employment peak. The 2014 Colorado



Business Economic Outlook projects growth to slow to 2.6% in 2014. Data from Moody's Economy.com pegs Colorado growth sixth nationally in 2014 and third in 2015.

While Colorado employment figures vary greatly by industry and by metropolitan statistical area (MSA), all of Colorado MSAs recorded year-over-year growth in January. Seasonally adjusted January employment figures showed the highest year-over-year growth rates in the Greeley (+6.3%), Fort Collins-Loveland (+3.3%), Denver-Aurora-Broomfield (+2.5%), Boulder (+2.5%), and Pueblo (+2.8%) MSAs. The Colorado Springs (+1.1%) and Grand Junction (+1.5%) MSAs also recorded year-over-year growth, but remain the only two MSAs in Colorado that have not recouped prerecession employment.

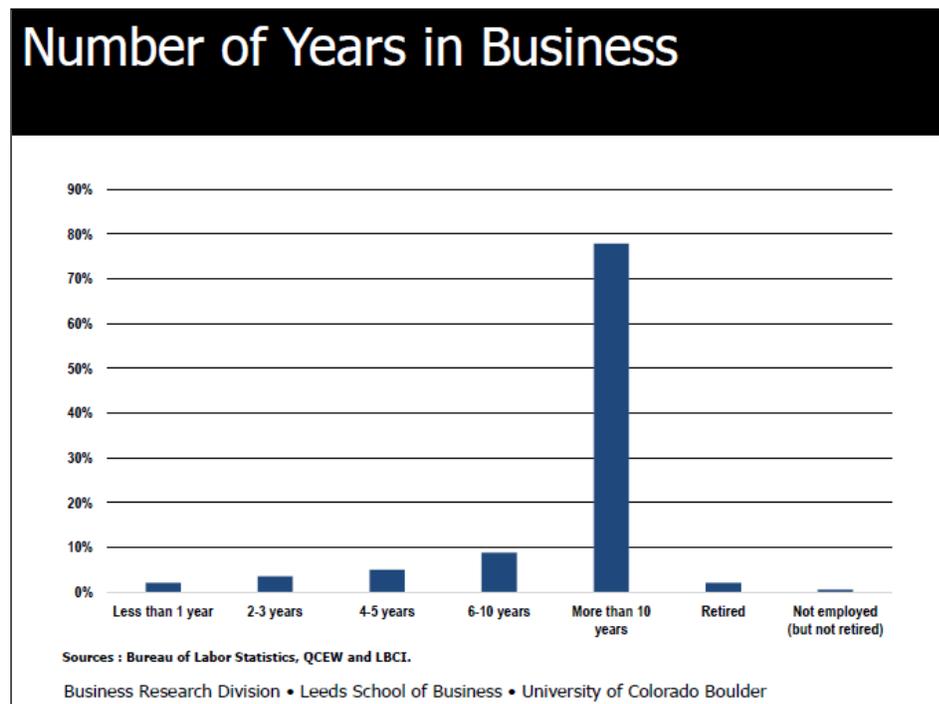
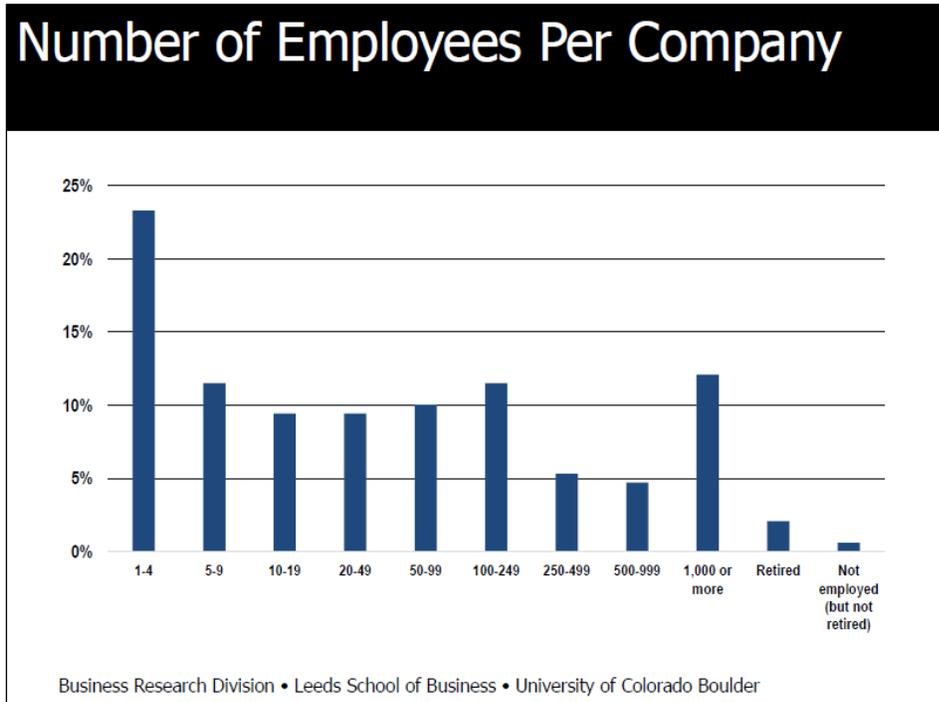
Statewide, the greatest employment gains year-over-year in January were in the Leisure and Hospitality Services, Education and Health Services, and Construction industries.

About the Panel — Company Size and Length of Time in Business

Panelists were asked two additional questions, one about the size of their company and the other about how long their company has been in business. More than half (53.7%) of survey respondents work for companies with fewer than 50 employees, and 43.7% work for companies with 50 or more employees (the remainder are retired or unemployed). The two largest groups were represented by companies with 1-4 employees (23.3%), and 1,000 or more employees (12.1%). Comparing the sample to Colorado total covered nonfarm employment

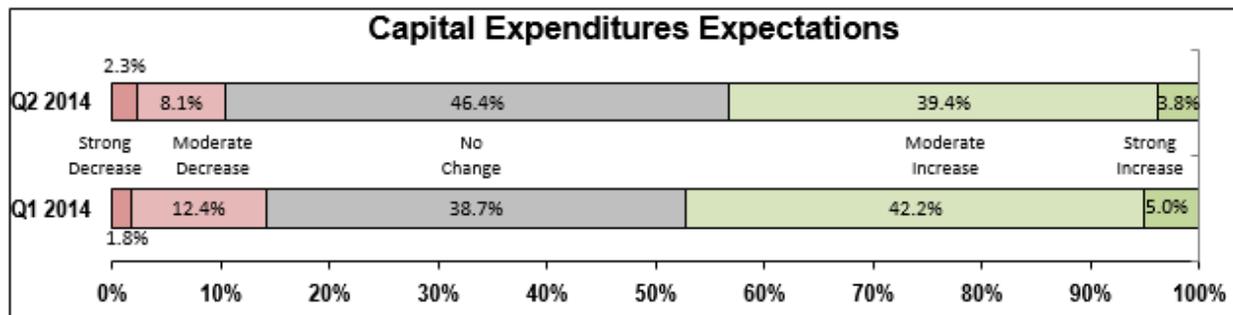
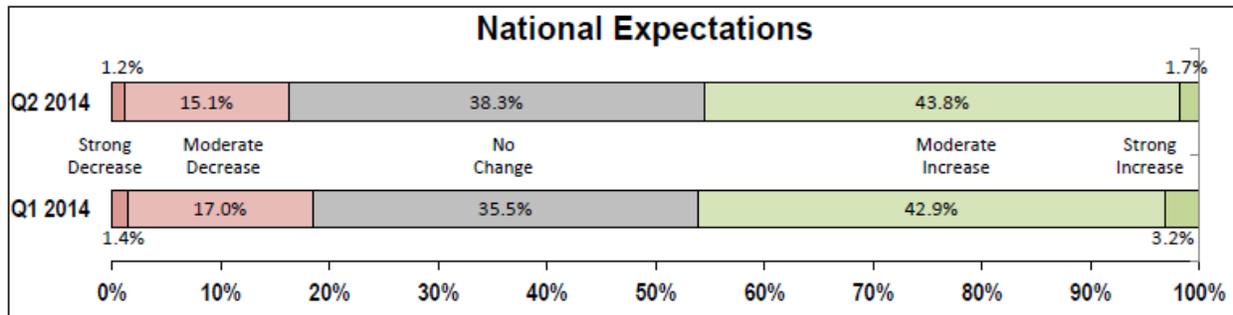
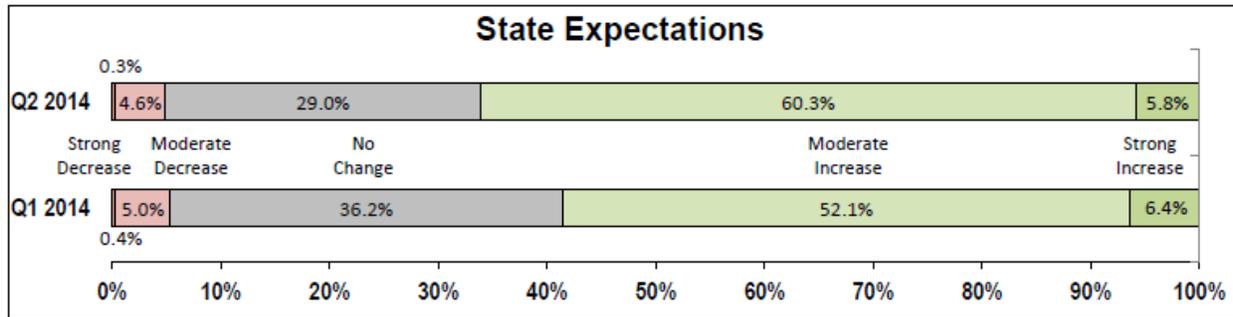
(which excludes sole proprietors), the responding panel represented more small businesses and large businesses than overall employment in the state. Survey responses are unweighted.

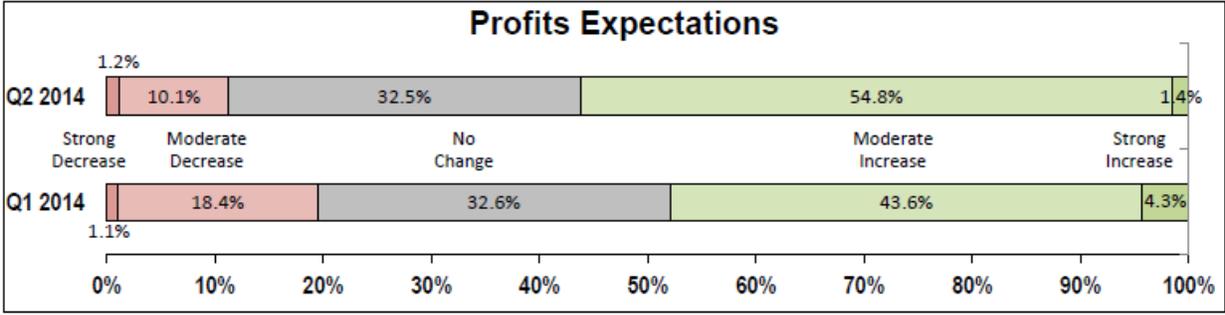
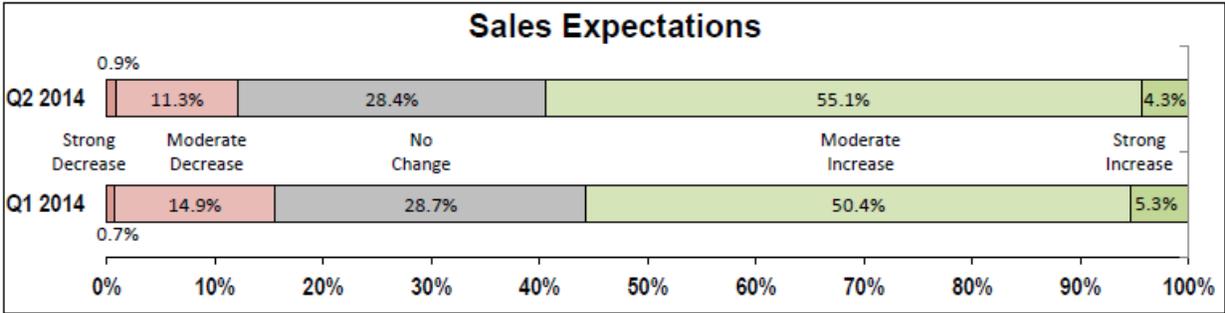
More than three-quarters (78%) of survey respondents work at a company that has been in business for more than 10 years.



While responding panelists represented nearly every industry in the state, most respondents to the Q2 survey represented three sectors: Professional and Technical Services (25.3%), Finance and Insurance (16.8%), and Real Estate and Rental and Leasing (10.3%).

Distribution of Expectations





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For more information about the LBCI and to become a panelist, go to:
<http://leeds.colorado.edu/brd#leedsbusinessconfidenceindex>