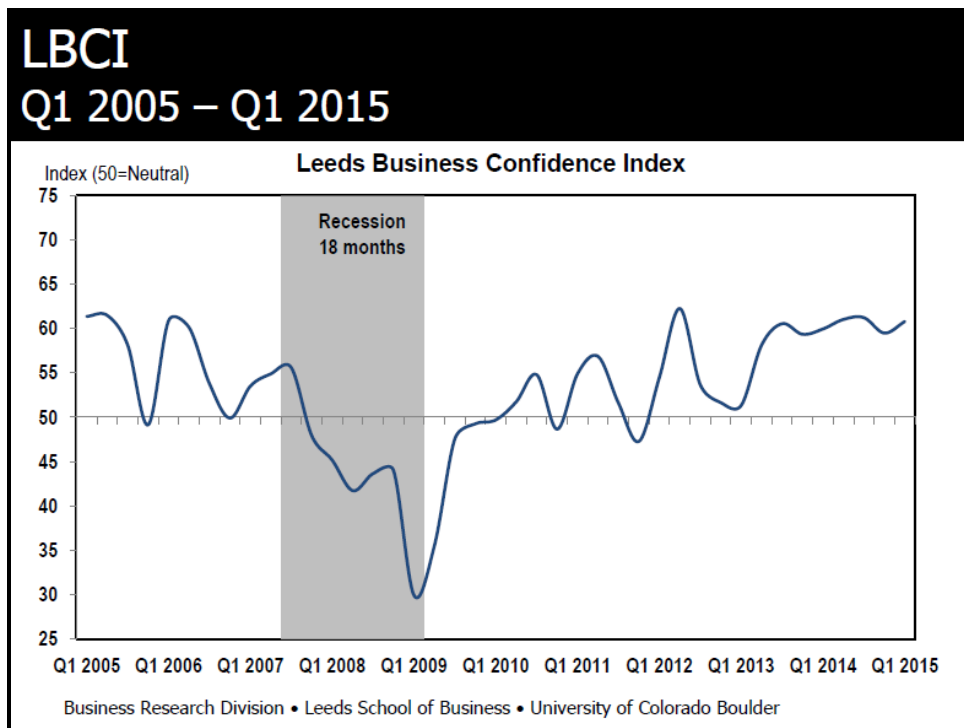


Summary — Optimism Stable Heading into the New Year

Optimism by Colorado business leaders is on more stable footing than at any time in the 11-year history of the index. The past seven quarters have recorded index values comfortably in positive territory, hovering around 60 (values above 50 indicate expansion). The standard deviation over the past seven quarters is a mere 0.7 compared to 7.9 for all of the quarters that preceded. Similarly, the index remains in positive territory (above 50) for all individual metrics of the index. Overall, the greatest optimism is behind the general Colorado economy, the greatest boost in optimism was recorded for the national economy, and hiring plans fell to the least bullish component of the index this quarter. The index coincides with positive signals observed in the national and Colorado economies.

The Leeds Business Confidence Index (LBCI), which captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures, is at 60.8 for Q1 2015 compared to 59.5 ahead of Q4 2014. Expectations remain the most bullish for the overall state economy and for sales. On the heels of good economic news, the state and national indices increased by the largest magnitude—2.3 points and 3.6 points, respectively. The LBCI is up 0.8 points from one year ago. There were 250 panelist responses to the Q1 2015 survey.



Total national employment is now 1.2% above the previous peak. Twenty-eight states have recovered employment lost during the recession, and seven other states are within 1% of their previous peak. Year-over-year, Colorado continues to add jobs. Personal income, total wages, and average wages are all increasing, and wealth has generally rebounded. The state's fiscal

situation improves with the passing of each quarter, inching Colorado near TABOR limits. Consumers received an extra boost in November and December, with a steep fall in gasoline prices.

Of notable concern are average wages, the labor force, home prices, and oil prices. While Colorado is recording slow wage growth overall, some industries are recording higher wage pressures with the shortage of labor. Worker shortages and the low unemployment rate are partially due to the slowly growing labor force. While the rebound in housing prices has helped with liquidity and labor mobility, home prices may be an inhibitor to continued robust growth looking ahead. Likewise, while lower gasoline prices are a boost to the consumer, lower oil prices may curtail new energy development in the state.

National and State Economies — Up for Q1 2015

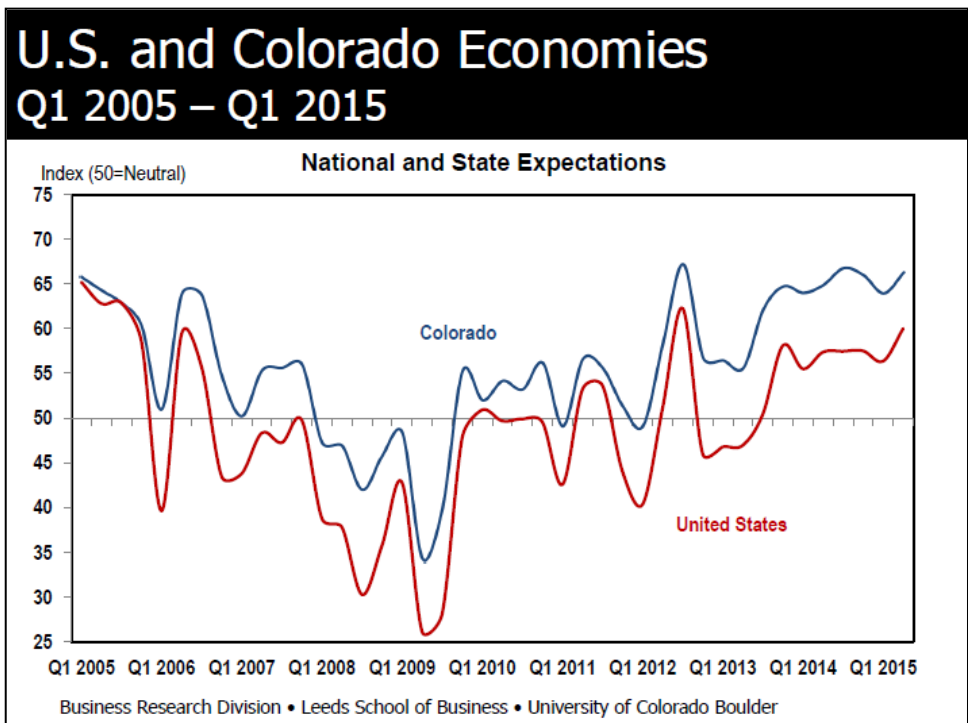
Both the national and state economies inched further into positive territory in the Q1 2015 survey. The biggest gain was in the national economy, increasing 3.6 points compared to the prior quarter—likely tied to strong Q3 GDP and November jobs reports.

Overall expectations for the state economy increased from 63.9 in Q4 2014 to 66.2 in Q1 2015. Nearly two-thirds of the panelists expect the state economy to expand (a boost from Q4), and 27.6% of respondents are neutral. A total of 5.2% of respondents expect a strong increase in the state economy, and no respondents expect a strong decrease.

Confidence in the national economy

increased to 60 from 56.4 in Q4 2014. Optimists grew from 40.8% to 52.4% in Q1 as people who were neutral migrated to positive. Only 12.4% of respondents remained bearish on the national economy.

After falling 2.1% in Q1 2014, U.S. real GDP rose at an annual rate of 4.6% in Q2 2014, and was revised up to 5% in Q3 2014, the fastest pace since 2003. According to the Bureau of Economic Analysis,



“The increase in real GDP in the third quarter primarily reflected positive contributions from PCE, nonresidential fixed investment, federal government spending, exports, state and local government spending, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.”

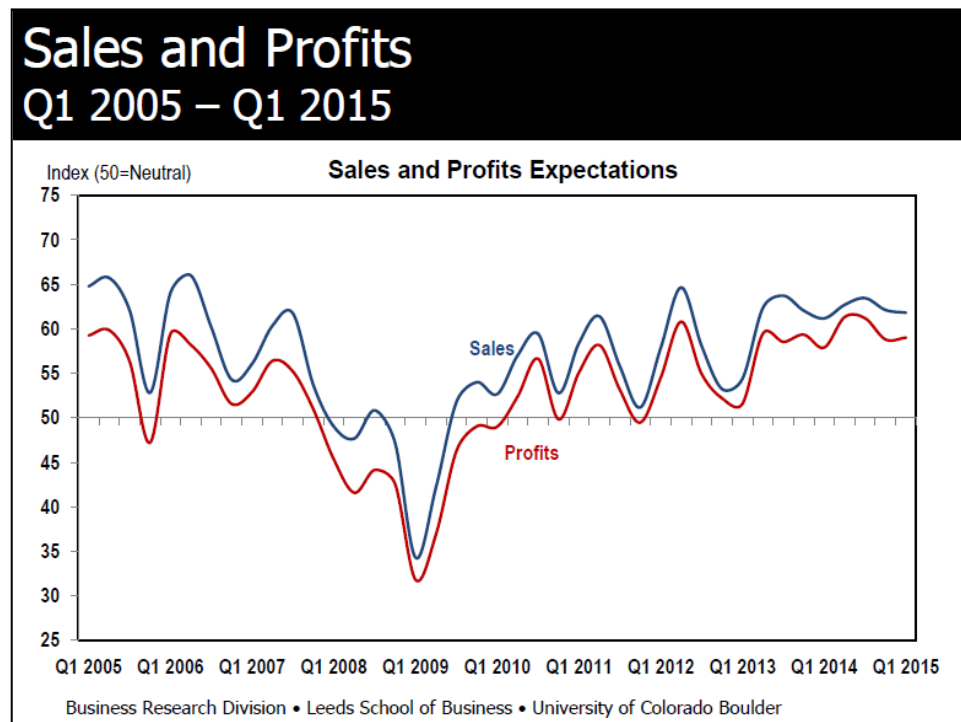
U.S. employment grew for the 50th-consecutive month in November, with 321,000 jobs added month-over-month (seasonally adjusted). Average growth in 2014 is 241,000 jobs year-to-date, exceeding average annual growth back to 1999. November was the fastest single month of job gains since January 2012.

Total employment in Colorado fell by 2,500 jobs from October to November 2014, but increased by 54,400 jobs (2.3%) year-over-year. The state added an average of 4,800 jobs per month for the first 11 months of the year—a slightly slower pace than observed in 2013. However, the Colorado Department of Labor and Employment indicated Q2 Quarterly Census of Employment and Wages may warrant upward revisions to Colorado totals early next year.

Sales and Profits — Stable Ahead of Q1

Profits expectations increased and sales expectations fell ahead of Q1 2015, though both metrics remain solidly in positive territory. The profits index recorded a 0.2 point increase, from 58.8 in Q4 2014 to 59, in the Q1 2015 survey. Sales expectations fell a fraction of a point, from 62.1 to 61.8.

The positive sales index was sustained by 60% of respondents who anticipate an increase in sales in Q1 versus 13.6% who expect a decline; 26.4% are neutral. Of the respondents on the extreme tails, 2.8% expect a strong increase and 2% expect a strong decrease.



The profit index increased from 58.8 in Q4 2014 to 59 in Q1 2015. Those expecting growth in profits (54.8%) outweighed those anticipating declines (17.6%), and 27.6% remained neutral.

According to the Bureau of Economic Analysis, state personal income rose 0.9% from the preceding quarter in Q3 2014

and 5.3% year-over-year, ranking the state 22nd and 4th, respectively, in personal income growth.

Nationally, home prices rose 4.5% year-over-year in Q3 2014 according to the Federal Housing Finance Agency (FHFA) home price index. The FHFA purchase-only home price index indicates home prices in the Colorado rose 7% year-over-year in Q3 2014 compared to 7.9% in the first quarter, ranking the state 8th for growth. The all-transactions index (which includes appraisals) increased from 8.7% year-over-year in Q3. Importantly, all MSAs recorded year-over-year growth in Q3, ranging from 3.7% (Colorado Springs) to 10.2% (Denver-Aurora-Lakewood).

Statewide retail sales totaled \$13.9 billion in May 2014, reflecting a 2.8% increase over the May 2013 total of \$13.6 billion, and taxable sales rose 6.8%. Retail sales for the last 12 months grew 4.3% year-over-year. In the same period, taxable sales increased 7.5% year-over-year.

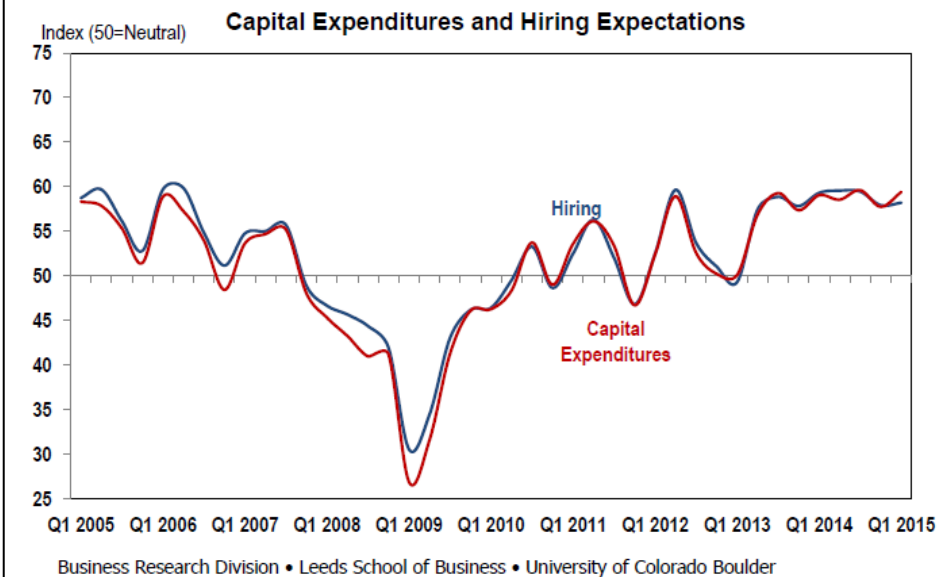
The Institute for Supply Management manufacturing index is averaging the highest levels since 2010, and the ISM nonmanufacturing index is averaging the highest levels since 2006. Notably, the indices recorded improvements in new orders and exports. However, the reports indicated employment is growing slower.

Capital Expenditures and Hiring Plans — Notched Positive

Capital expenditures expectations increased from 57.8 in Q4 2014 to 59.4 in Q1 2015. While 38.8% of respondents are neutral, 48% expect a boost in capital expenditures. The tails, strong increase and strong decrease, tilted positive at 4% and 1.2%, respectively. In the same period, hiring expectations increased in the Q1 2015 survey, from 57.9 to 58.2. Approximately 44.8% of respondents are neutral on hiring—the highest of the six components of the index. Another 43.2% of panelists noted positive expectations, and only 12% are negative, indicating employment in Colorado continues to have upward growth potential.

Colorado's unemployment rate fell to 4.1% in November 2014, which compares to the national unemployment rate of 5.8%. Colorado has recorded year-over-year employment growth for 49 consecutive months. In

Capital Expenditures and Hiring Q1 2005 – Q1 2015



November 2014, employment rose 2.3% year-over-year and 4% over the pre-recessionary peak. Colorado’s year-over-year growth in November ranked the state 13th, and in terms of employment recovery from the recession, Colorado ranked 5th.

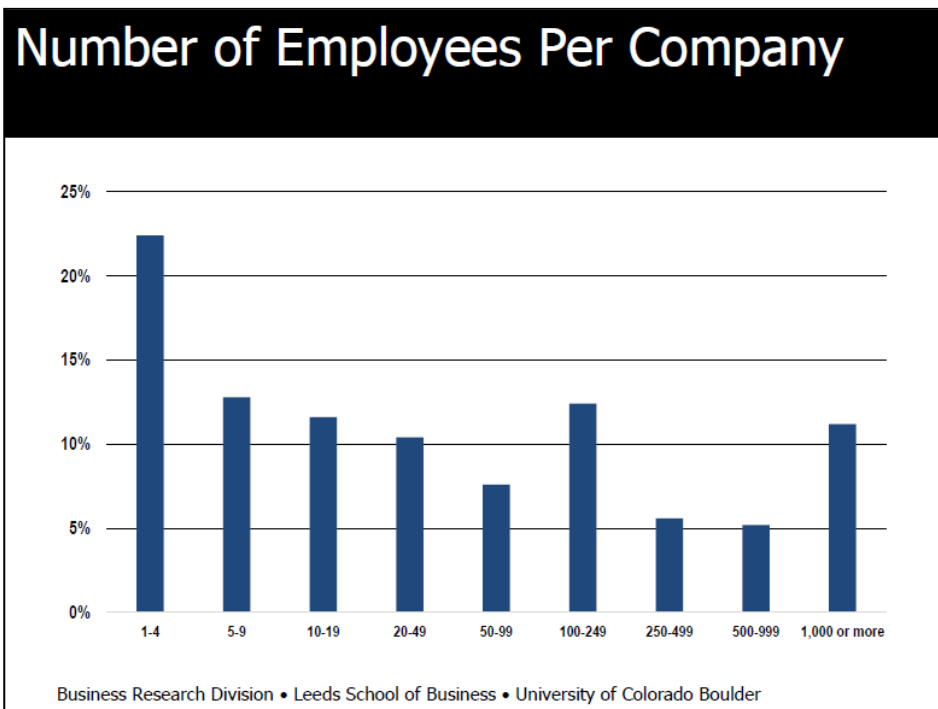
Employment growth is fragmented around the state. The Denver Metro area north and east continue to outperform the rest of the state. The greatest year-over-year growth was seen in the Greeley (4%), Denver-Aurora-Broomfield (2.7%), Boulder (2.3%), Fort Collins-Loveland (2%), and Pueblo (1.3%) MSAs while the Colorado Springs (flat), and Grand Junction MSAs (-1%) experienced the slowest growth.

As of November 2014, the Greeley MSA is 14.7% above pre-recession employment levels, whereas the Grand Junction MSA remains 9.7% below peak employment. The Colorado Springs MSA is the only other MSA that has still not reached pre-recession employment (-1.8%).

Across the state, Mining and Logging (13.8%), Construction (5.3%), and Leisure and Hospitality (4.6%) reported the greatest year-over-year employment gains in November. Information, Financial Activities, and Other Services are the only industries that experienced year-over-year declines for the month.

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 (57.2%) of survey respondents work for companies with fewer than 50 employees, and 42% work for companies with 50 or more employees (0.8% are currently unemployed). The three largest groups were represented by companies with 1–4 employees (22.4%), 5–9 employees (12.8%), and 100–249 employees (12.4%).

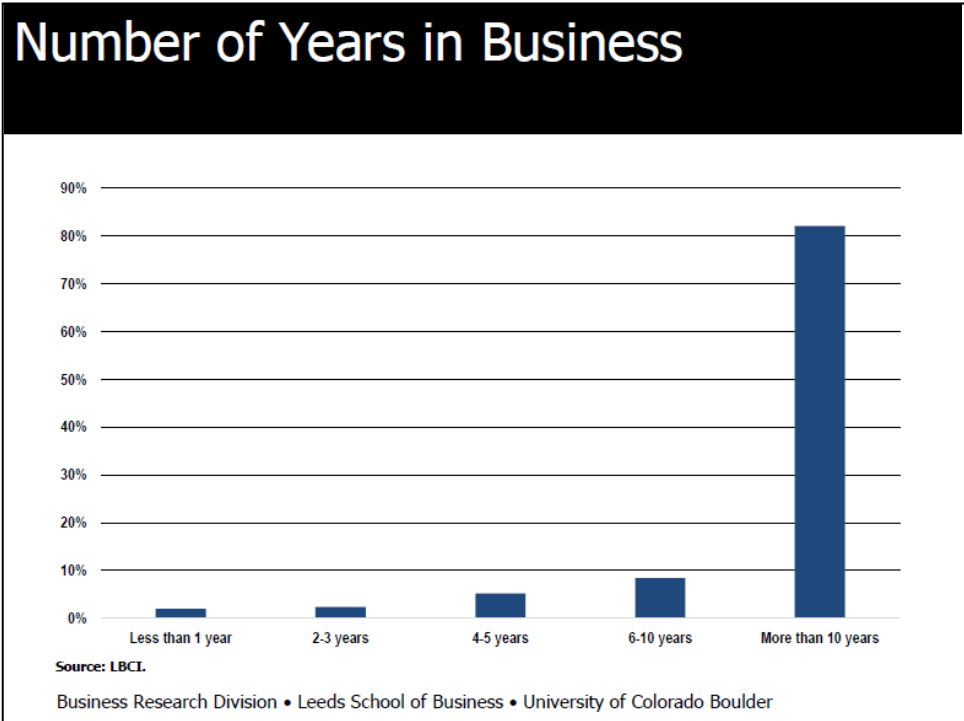


Both small and large employers’ expectations increased slightly ahead of Q1 (1.4 points and 0.9 points, respectively). While still resonating well above the neutral threshold, small employers (fewer than 50 employees) were notably less optimistic than large employers. The overall index for small employers rested at 58.8 versus 62.8 for large employers.

Among the greatest disparities between small firms and large firms were capital expenditures and hiring expectations—which are presumably a bigger relative commitment for small firms. However, expectations for the state and national economy were also lower for small businesses.

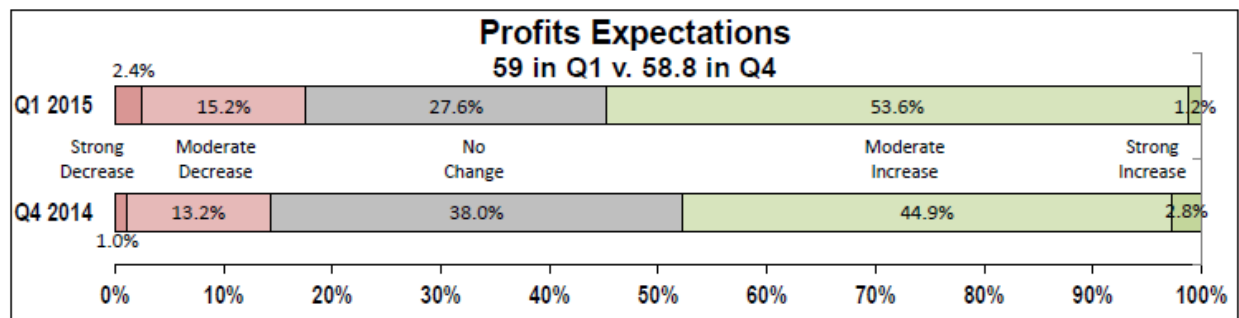
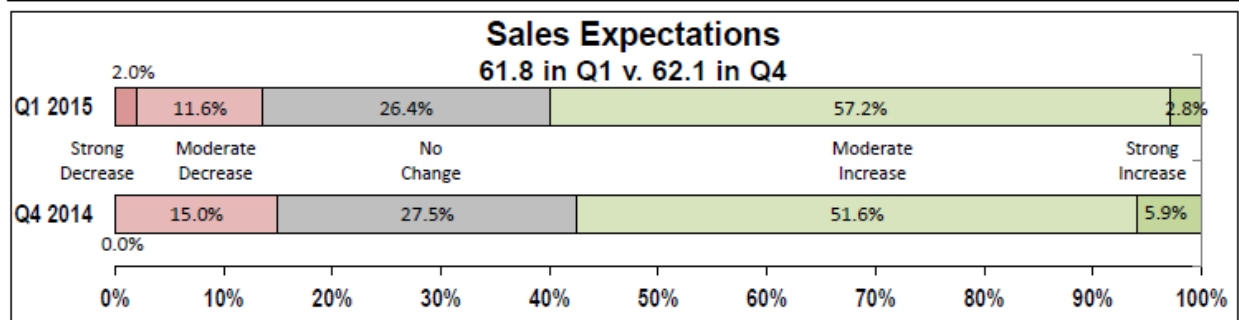
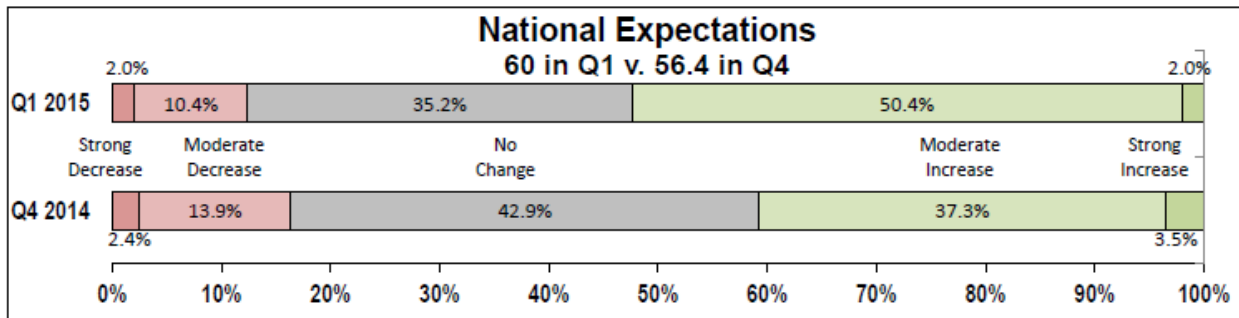
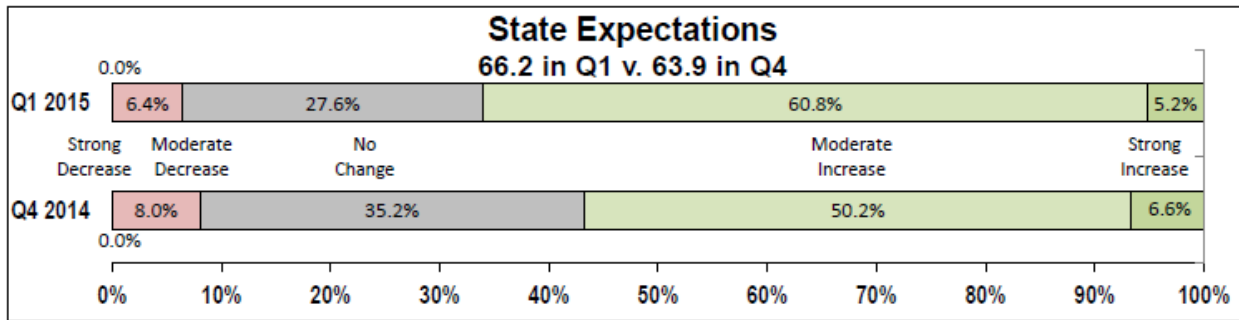
About 82% of survey respondents work at a long-standing company that has been in business for more than 10 years.

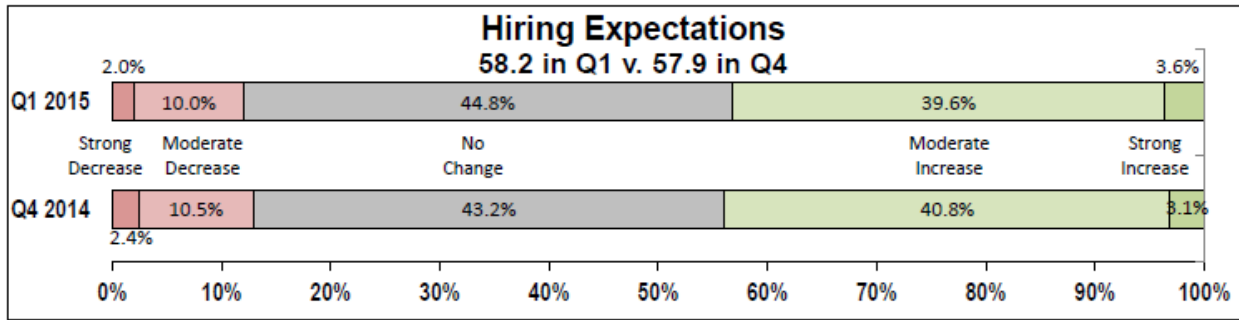
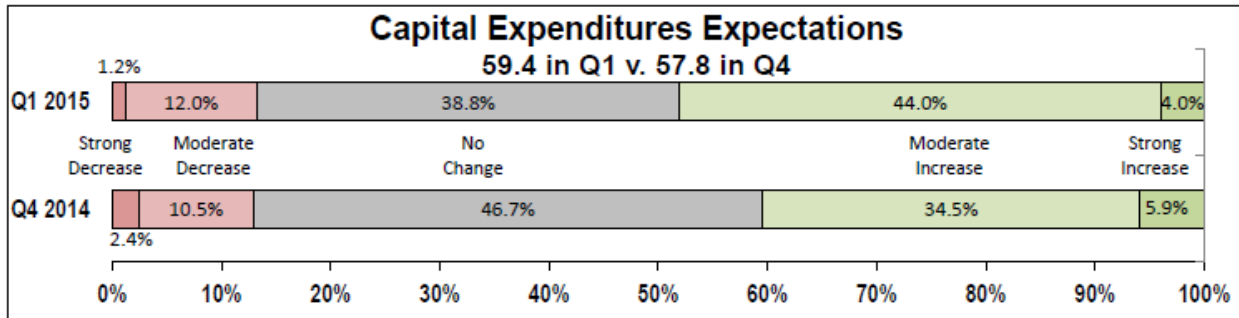
The index by firm tenure (how long it has been in business) was higher for firms in business less than 10 years (63.3) than for firms in business longer than 10 years (59.8). Younger businesses were more optimistic for most metrics, with the greatest difference in hiring expectations and the national economy.



While responding panelists represented nearly every industry in the state, most respondents to the Q1 survey work in three sectors: Professional and Technical Services (32.1%), Finance and Insurance (17.4%), and Real Estate and Rental and Leasing (12.1%).

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>