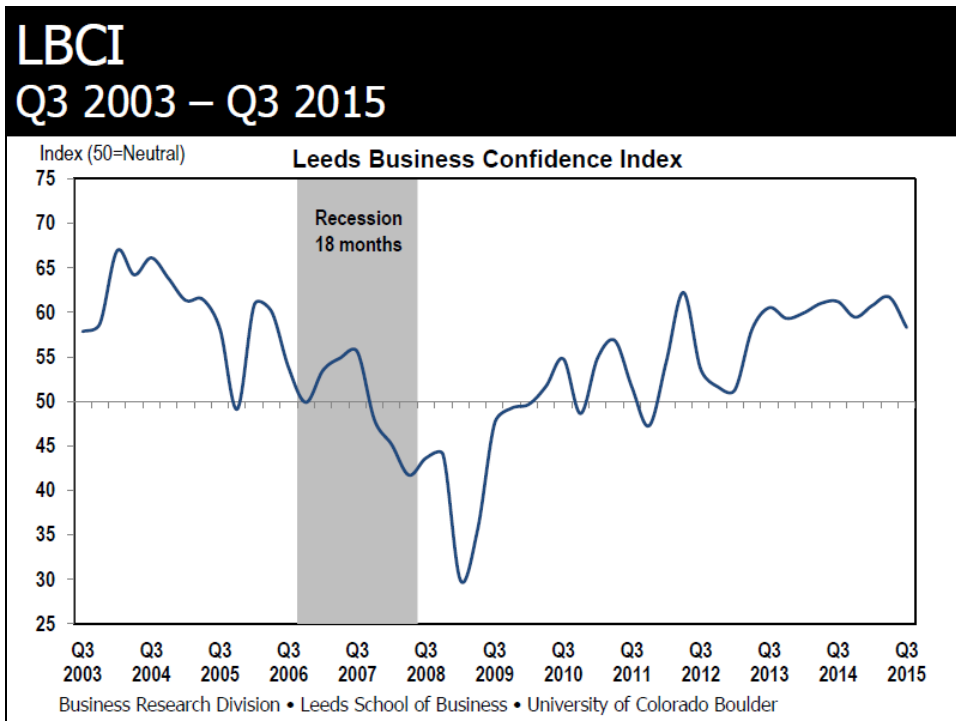


Summary — Expectations Tempered ahead of Q3

The panel of business leaders surveyed in the Leeds Business Confidence Index (LBCI) notched expectations downward ahead of Q3 2015, marking the largest decrease in confidence since Q2 2013. The index remains in positive territory (above 50) for all individual metrics of the index. The greatest optimism was in the state economy, which was also the source of the greatest decline in expectations compared to a year ago. Expectations for the national economy took the largest step back compared to a quarter ago coming on the heels of weak first-quarter real GDP growth. Hiring expectations recorded the second-largest quarterly reduction.

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 58.3 for Q3 2015 compared to 61.7 ahead of Q2 2015. The LBCI is down 2.9 points from one year ago and 3.4 points from last quarter. A total of 255 panelists responded to the Q3 2015 survey.



National and State Economies — Business Leaders Still Positive

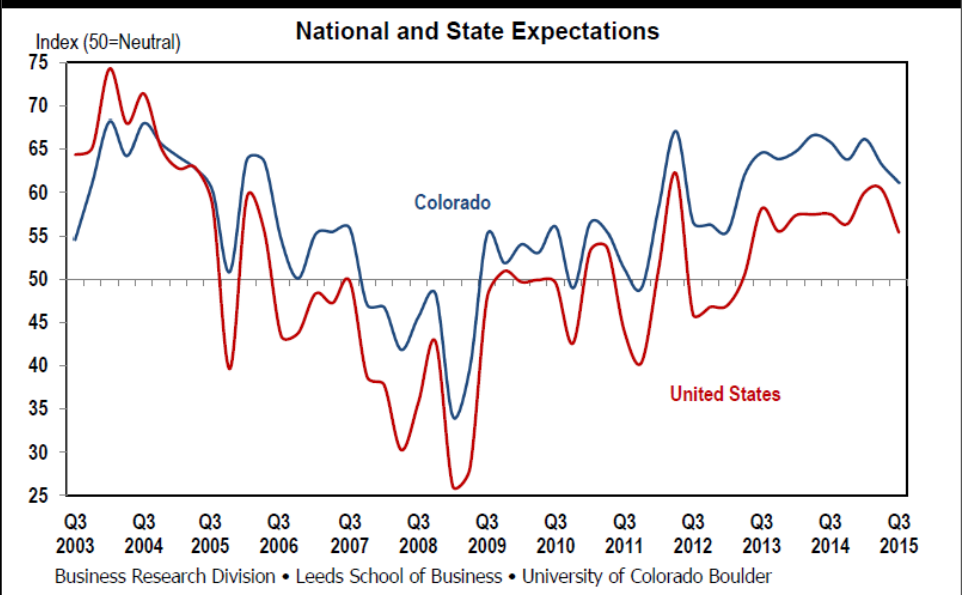
Expectations about the national and state economies remained positive in the Q3 2015 survey. Expectations about the state stepped back nearly 2.1 points while the national economy fell 5 points. Business leaders remained more positive about the state economy than the national economy. Real GDP growth was interrupted in Q1, contracting by 0.2% following growth of 2.2% in Q4 2014. National employment growth, however, has remained strong and the unemployment rate has decreased to 5.5%—the United States is averaging 217,000 jobs per month in 2015 through May. Concerns about exports, sharply lower energy prices, and inflated real estate may be dampening expectations at the state level.

Overall expectations for the state economy decreased from 63.2 in Q2 2015 to 61.2 in Q3 2015. Nearly 49% of panelists expect the state economy to expand, and 41% of respondents are neutral. Seven percent of respondents expect a strong increase in the state economy, and less than 1% of respondents anticipate a strong decrease.

Confidence in the national economy decreased ahead of Q3, to 55.4 from 60.4 in Q2 2015. Optimists fell from 52% to 38% in Q3; 18% of respondents are bearish on the national economy.

According to the third estimate from the Bureau of Economic Analysis (BEA), U.S. GDP in Q1 2015 experienced a 0.2% decrease. The BEA reported:

U.S. and Colorado Economies Q3 2003 – Q3 2015



The downturn in the percent change in real GDP primarily reflected a deceleration in PCE and downturns in exports, in nonresidential fixed investment, and in state and local government spending that were partly offset by a deceleration in imports and upturns in federal government spending and in private inventory investment.

In May 2015, the United States added 280,000 jobs (seasonally adjusted), a 0.2% month-over-month increase. The 2.2% year-over-year increase in May resulted in the addition of 3.0 million jobs since May 2014.

Total year-over-year employment growth has continued to slow in Colorado, dropping from the peak in September 2014 (3.6%) to May 2015 (2.5%), the lowest percentage growth in nearly three years. Jobs increased 4,900 jobs from April 2015 to May 2015, a 0.2% month-over-month increase (seasonally adjusted).

Sales and Profits — Expectations Slip Ahead of Q3

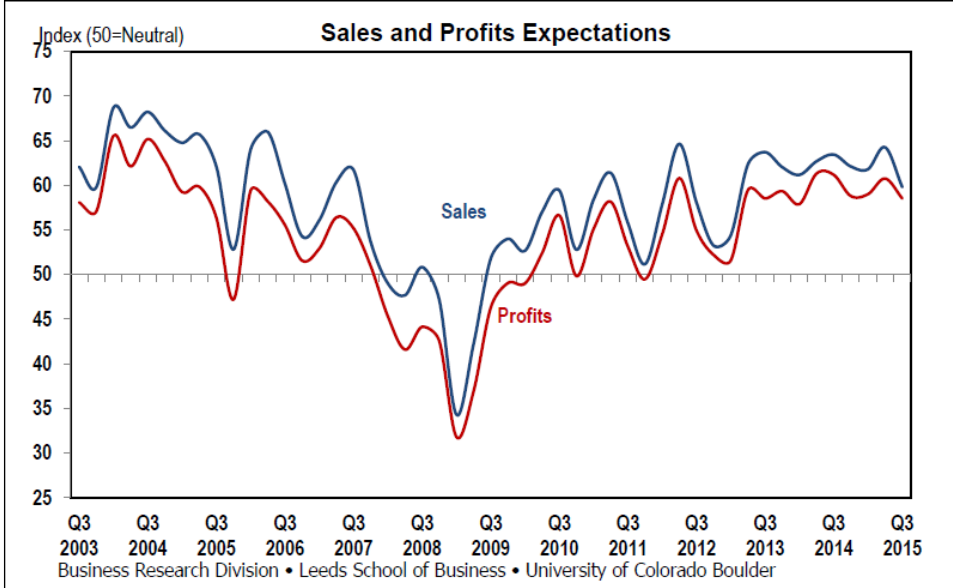
Profits and sales expectations fell ahead of Q3 2015, negating gains made last quarter. The profits index recorded a 2.2 point decrease, from 60.7 in Q2 2015 to 58.5 in the Q3 2015 survey. Sales expectations fell from 64.3 to 59.8.

The positive sales index was sustained by 51% of respondents who anticipate an increase in sales in Q3 versus 16% who expect a decline; 33% are neutral. Of the respondents on the extreme tails, 5% expect a strong increase and less than 1% anticipate a strong decrease.

The profit index decreased to 58.5 in Q3 2015, with those expecting growth in profits (48%)

outweighing those anticipating declines (18%). One-third remained neutral.

Sales and Profits Q3 2003 – Q3 2015



According to the Bureau of Economic Analysis, state personal income rose 0.9% from the preceding quarter in Q1 2015 and 5.6% year-over-year, ranking the state 29th and 3rd, respectively, for these metrics. Per capita personal income rose 3.9% in 2014, 1.1 percentage

points faster than overall price growth. Inflation (All Items index) increased 2.7% for the year in the Denver-Boulder-Greeley MSAs. Core inflation increased 2.9%, and shelter increased 5.1% for the year.

According to the Federal Housing Finance Agency (FHFA) home price index, between the first quarter of 2014 and the first quarter of 2015, home prices rose in 48 states. House prices rose 1.3% nationally—the 15th-consecutive quarter to show an increase. Colorado now ranks first in the nation in home price appreciation in Q1 2015, with a year-over-year increase of 11.2% and 5.2% gain over the previous quarter.

According to the Institute for Supply Management manufacturing index, May 2015 recorded the 24th consecutive month of expansion for manufacturing, as well as the 72nd month for overall economic growth. The May 2015 Purchasing Managers Index (PMI) posted an increase of 2.5% from the previous month.

Capital Expenditures and Hiring Plans — Realignment

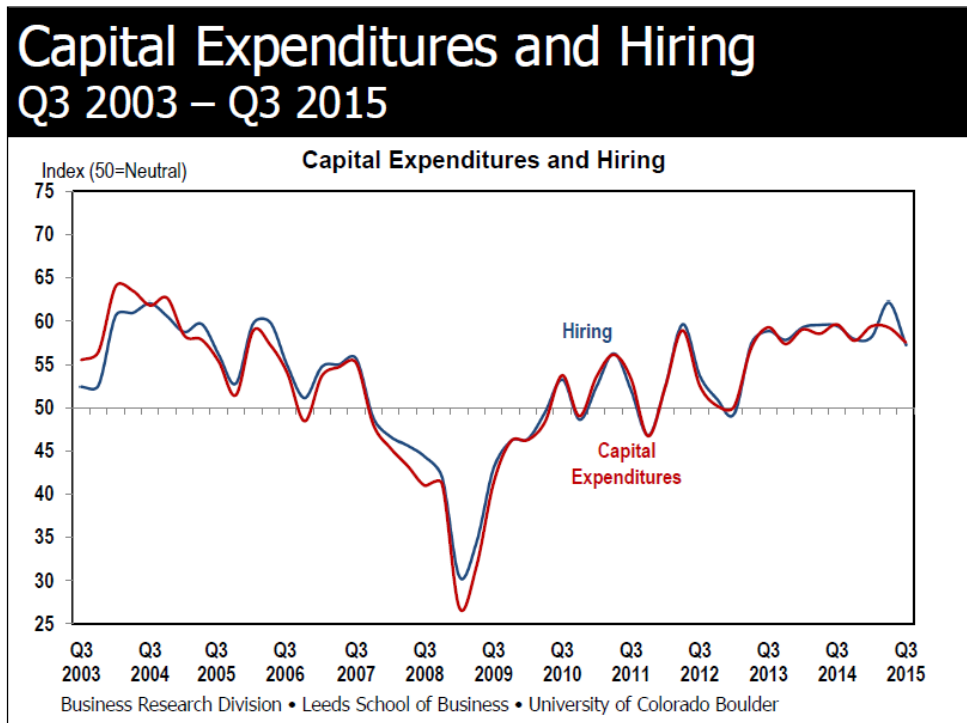
Hiring expectations came back into alignment ahead of Q3 after outpacing capital expenditures expectations last quarter. Both metrics came down this quarter—hiring expectations fell 4.9 points and capital expenditures expectations decreased 1.7 points.

While 43% of respondents are neutral, 43% expect a boost in capital expenditures. The tails, strong increase and strong decrease, are nearly equivalent, at 5% and 4%, respectively. Hiring expectations fell in the Q3 2015 survey, from 62.1 to 57.3. Approximately 38% of respondents are neutral on hiring. Another 45% of panelists note positive expectations, and only 16% are negative, indicating employment in Colorado continues to have upward growth potential.

The unemployment rate in Colorado increased to 4.3% in May 2015, which compares to the national unemployment rate of 5.5%. Employment growth was recorded year-over-year in nearly all metropolitan areas around the state, with the

Greeley MSA growing at a strong rate of 5.1% in May 2015. Following Greeley, the greatest year-over-year MSA growth in Colorado was in the Denver-Aurora-Broomfield (3%), Fort Collins-Loveland (2.4%), Boulder (1.8%), Colorado Springs (1.6%), Grand Junction (1.5%), and Pueblo (-0.1%) MSAs. Growth from April to May shows a changing employment story in Colorado. Month-over-month growth was recorded in the Boulder (0.4%), Denver-Aurora-Broomfield (0.2%), and Greeley (0.2%) MSAs. Month-over-month, Fort Collins-Loveland was flat, Colorado Springs fell 0.1%, Pueblo fell 0.2%, and Grand Junction fell 0.8%.

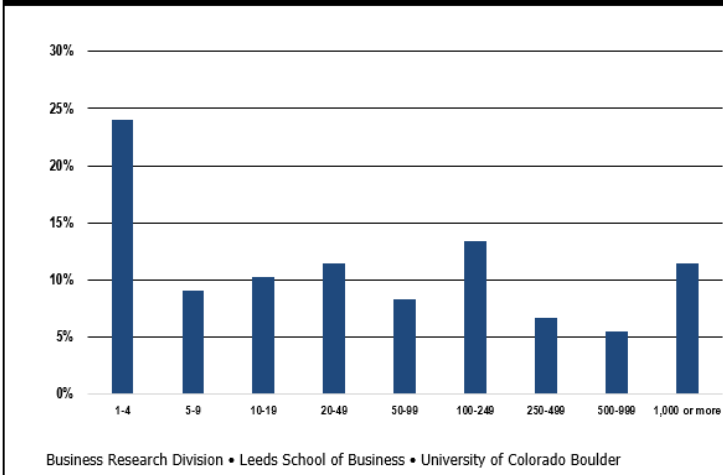
Across the state, the greatest year-over-year percentage gains in employment were in Construction (8.3%), Education and Health Services (5.3%), and Leisure and Hospitality (4.5%). The weakest sectors for growth continue to include Information (-2.1%) and Trade, Transportation, and Utilities (0.1%).



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 (55%) of survey respondents work for companies with fewer than 50 employees, and 45% work for companies with 50 or more employees. The three largest groups were represented by companies with 1–4 employees (24%), 100–249 employees (13%), 20–49 employees (11%), and 1,000 or more employees (11%).

Number of Employees Per Company



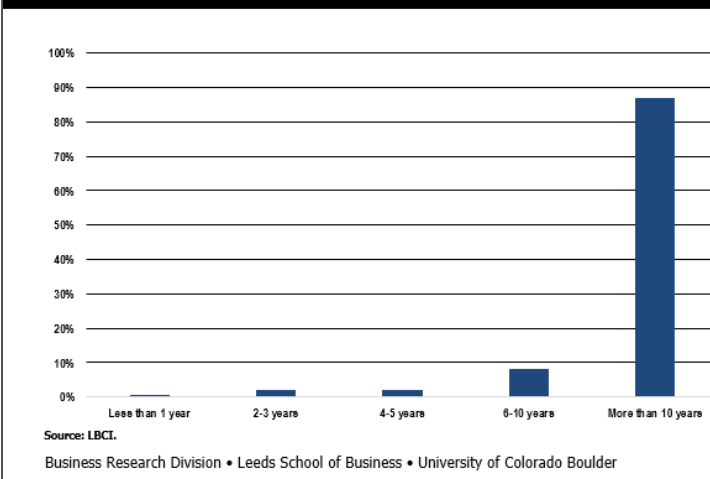
Small employers' expectations fell 3.7 points ahead of Q3 while large employers' expectations slipped 3.2 points. While still resonating well above the neutral threshold, small employers (fewer than 50 employees) were notably less optimistic than large employers. The overall index for small employers rested at 57 versus 59.8 for large employers. Large employers rated the general economy worse than small employers, but were more bullish about industry sales, profits, hiring, and capital expenditures.

About 87% of survey respondents work at a long-standing company that has been in business for more than 10 years.

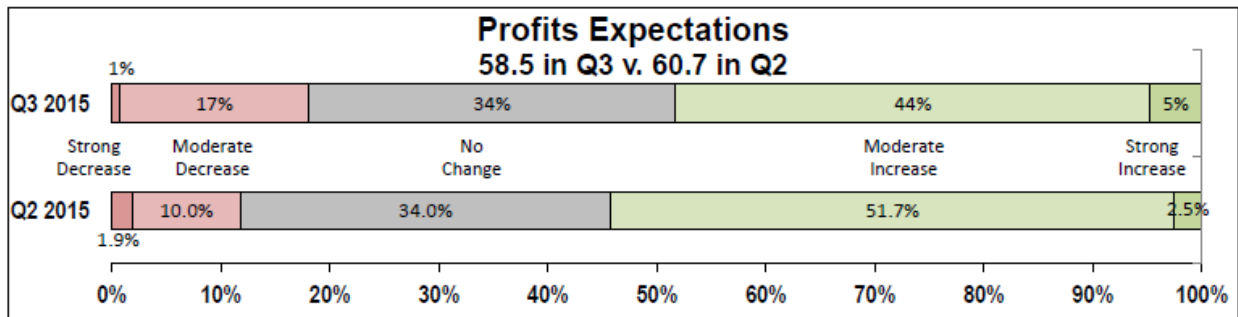
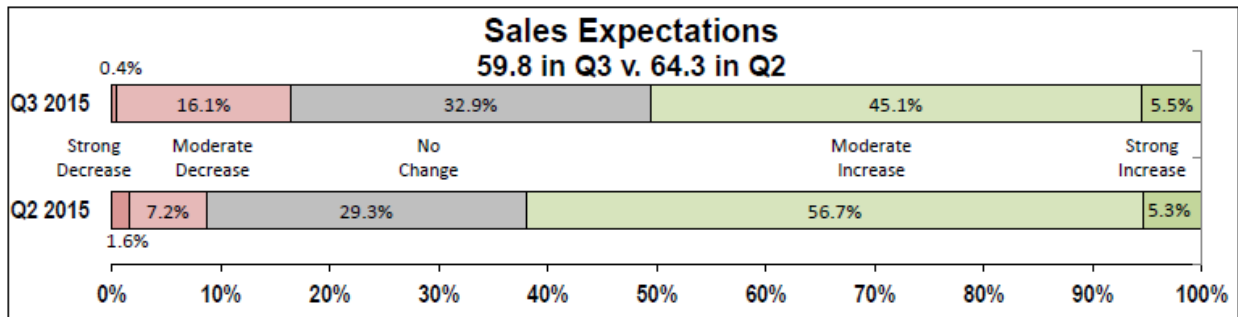
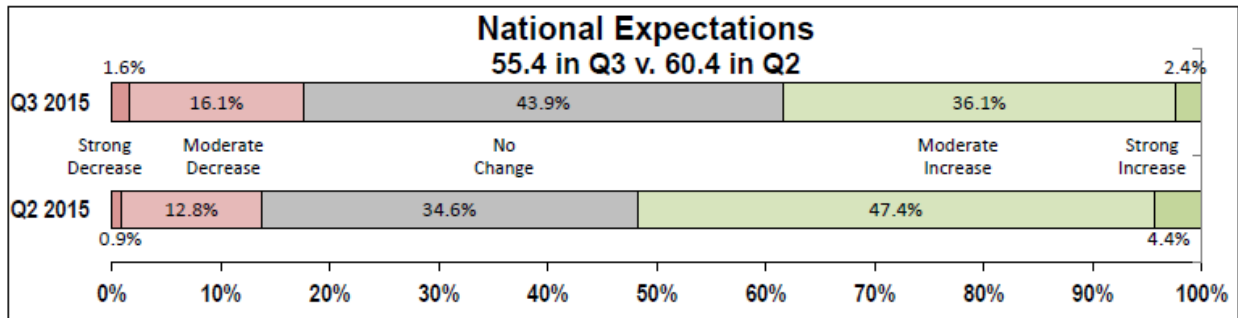
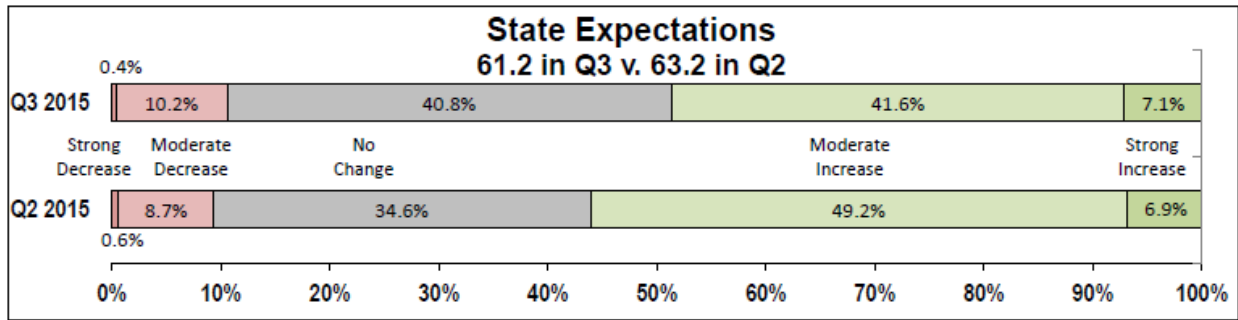
The index by firm tenure (how long it has been in business) was about equal for firms in business less than 10 years (58.9) than for firms in business longer than 10 years (58.2).

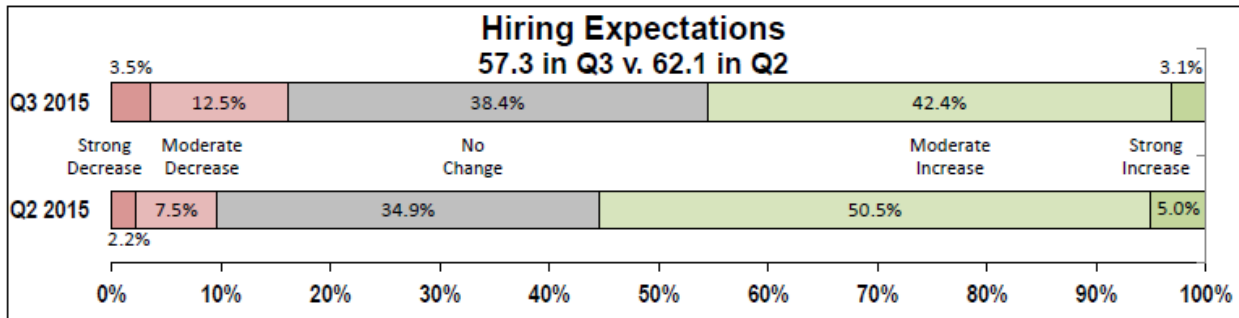
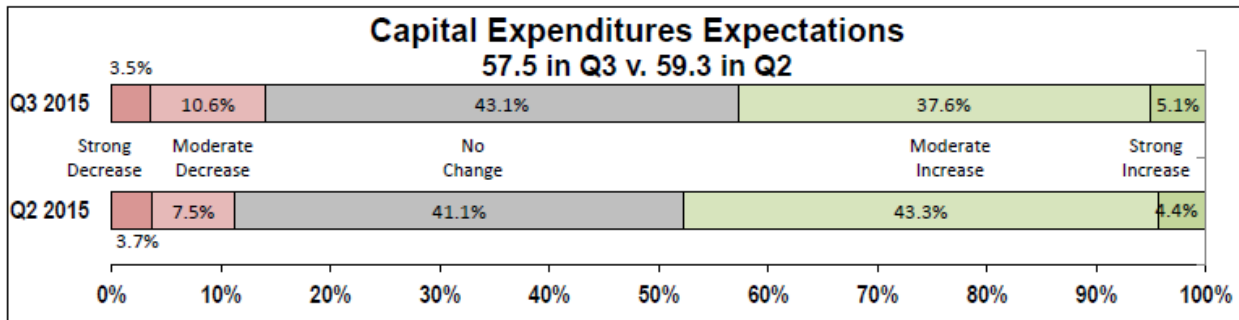
While responding panelists represented nearly every industry in the state, a majority of respondents to the Q3 survey work in three sectors: Professional and Technical Services (32%), Finance and Insurance (24%), and Public Administration (15%).

Number of Years in Business



Distribution of Expectations





###

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