

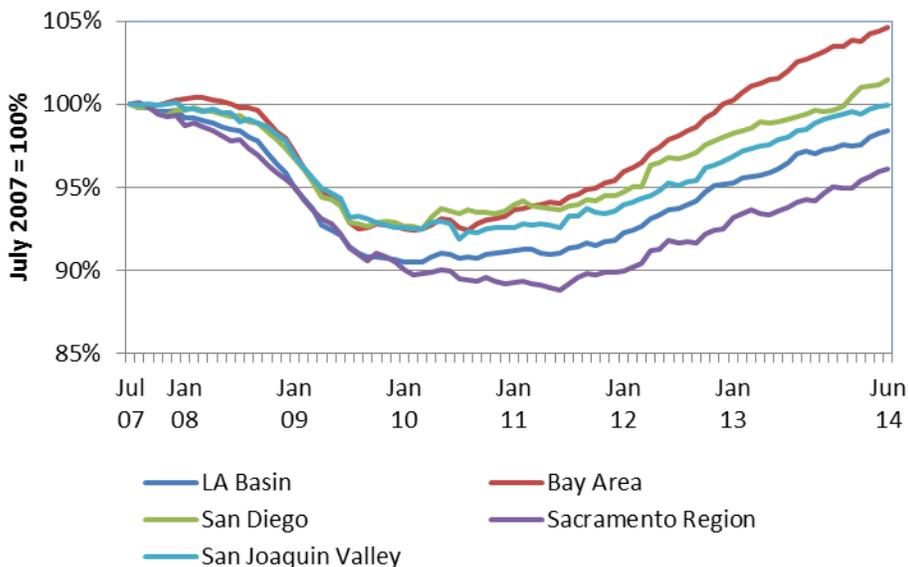
The June Jobs Report—The Economy at Midyear

In June the California economy added jobs and reduced the unemployment rate and number of unemployed residents to the lowest level since July 2008 as the recovery continued to gain strength in regions previously left behind.

The Regional Outlook

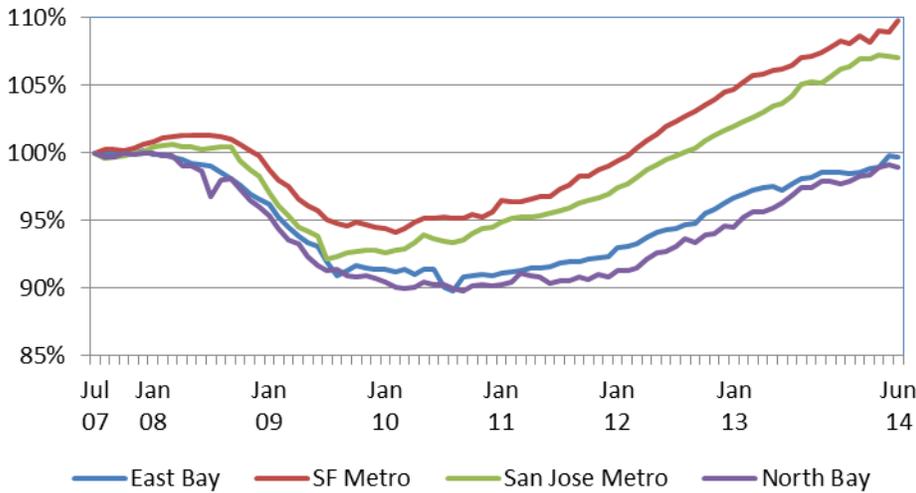
The Bay Area continues to be the state’s job growth leader with 5% more jobs in June 2014 than when the recession started. The San Diego County economy now also has more jobs than before the recession and in June the San Joaquin Valley reached pre-recession job levels. In addition the LA Basin and Sacramento regional economies added jobs and moved closer to recovering all the lost jobs from the recession. Unemployment rates in all regions are declining but remain above pre-recession levels showing that the state still has a way to go in reducing unemployment to normal levels.

Job Trends: A Regional Perspective



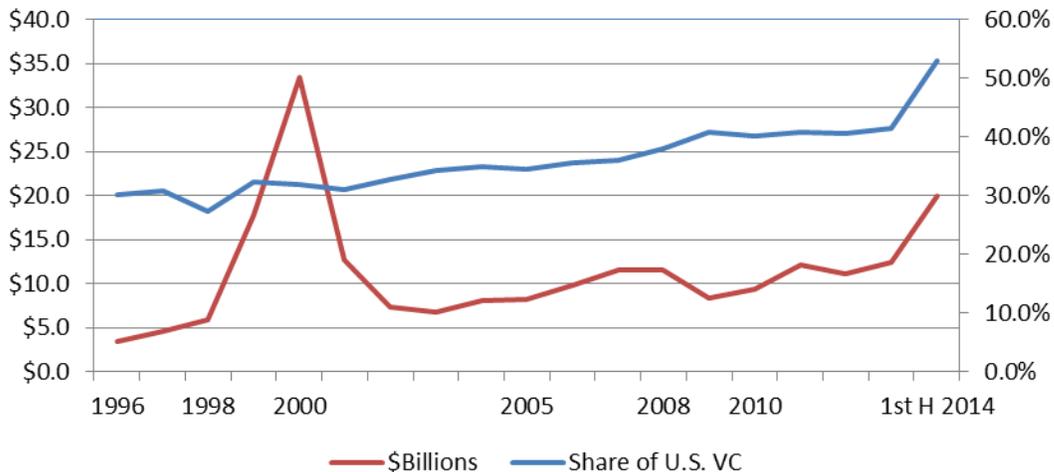
Previously lagging metro areas are also gaining within each region. The San Francisco and San Jose metro areas are the job growth leaders within the Bay Area. But the East and North Bay metro areas are now close to pre-recession job levels after losing nearly 10% of their job base. The region added 102,700 jobs (+3.0%) over the past 12 months with the East Bay adding 26,100 jobs (+2.5%) nearly matching the region average led by gains in construction, manufacturing, wholesale trade, professional services, health care and a strong rebound in local education hiring. The Peninsula metros were led by the continuing surge in Internet and other technology sectors.

Job Trends: SF Bay Area



And the Bay Area surge will continue in the near future as first half 2014 VC data showed another surge in funding. VC funding surged to over \$7 billion in Q2 2014 and over \$12 billion for the first half of the year nearly matching the 2013 total. The full year funding will be the second highest ever trailing only the dot.com peak in 2000. The region captured a record high 53% of U.S. funding so far in 2014 far exceeding the 32% share recorded in 2000.

Bay Area VC Funding Trends



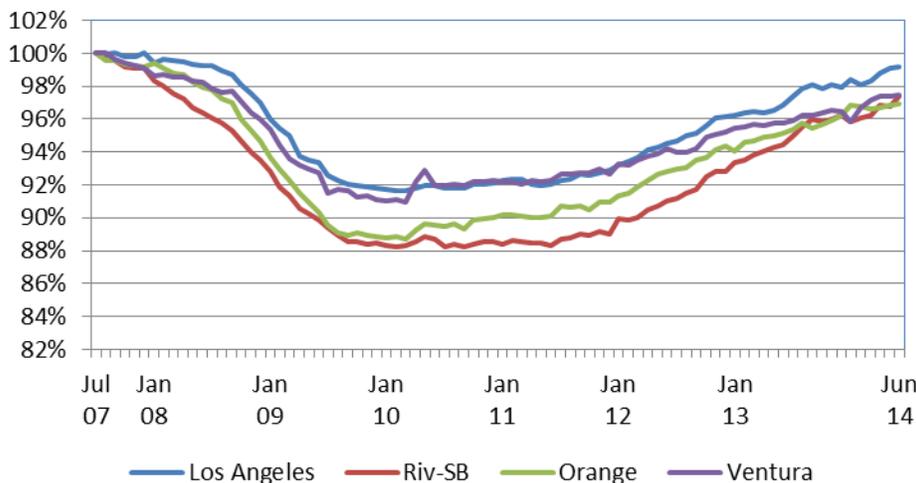
The five county LA Basin economy is moving closer to pre-recession job levels with Los Angeles County leading the recovery. Non-farm job levels in June 2014 were less than 1% below July 2007 levels after falling by nearly 250,000 jobs.

The sharpest recoveries, though, have been in the Inland Empire and Orange County that were the hardest hit during the construction led recession losing more than 10% of their job bases.

Los Angeles County added 96,100 jobs over the past year (+2.4%) but the Inland Empire was the growth leader with a gain of 3.1% or 38,200 jobs. The strengthening economy there and port growth led to gains in warehousing and wholesale trade while construction recovered and there were strong gains in professional and business services and health care. Population serving sectors including retail and restaurants also posted gains.

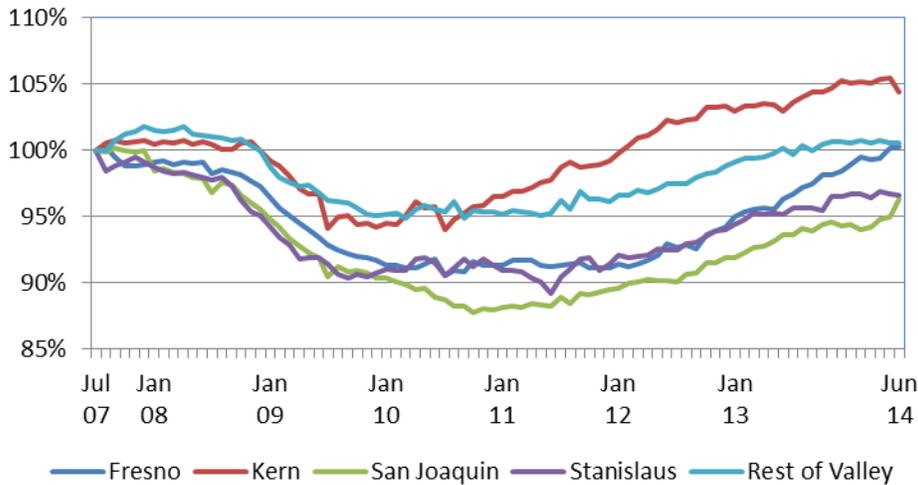
Orange County job growth was slightly below the regional average (+27,900 jobs or 1.9%) but the gains were concentrated in professional services, construction, health care and tourism and a rebound in school hiring—all good signs for the future.

Job Trends: LA Basin



Kern County has led the long-term recovery in the Valley with gains in oil & gas, construction and small gains in manufacturing. But recent strength has been led by Fresno County with job growth of 4.0% during the past 12 months and San Joaquin County (+2.5%). The Fresno gains were led by population serving sectors including health care and government plus gains in construction and business services. The San Joaquin County gains were also concentrated in population serving sectors. In addition the smaller Valley metro areas have now recovered all of the jobs lost during the recession.

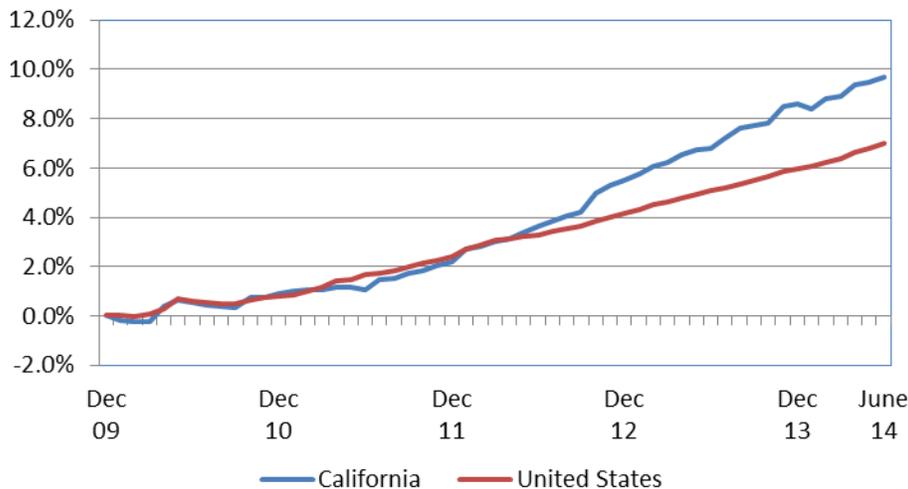
Job Trends: San Joaquin Valley



State Trends

State progress in adding jobs and reducing unemployment has been steady but as in most of the country slower than everyone would hope for. California added 24,200 jobs in June and nearly 1.4 million jobs since December 2009 for a 9.6% gain outpacing the national 7.0% growth. During the past 12 months the state

Job Growth Dec 2009--June 2014

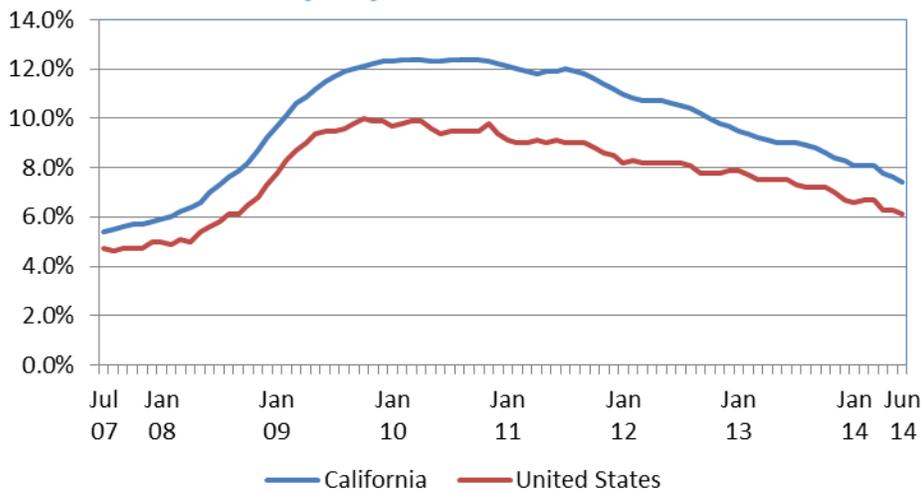


job growth rate was 2.7% compared to 1.8% nationally.

The California gains were solidly based led by growth in information services (+5.1%) over the past 12 months including Internet and motion picture job growth, construction (+4.7%) despite a decline in June, education and health services (+4.5%) and professional and business services (+4.0%). Government job levels are now positive for the past 12 months.

These gains have reduced the unemployment rate to a still above normal 7/4% in June but down from 12.4% at the peak.

Unemployment Rate Trends



This is now clearly a solid and sustainable recovery led by sectors with good future growth prospects. After a long and deep recession, the state has outpaced the nation in recovery for four straight years and is building on that record in 2014. A housing recovery will accelerate growth throughout the state; provide needed housing to support other job growth and will at the same time, along with infrastructure projects, add middle wage jobs that do not require a college degree.

California and Texas

There is good reason for California and Texas to be partners sharing interests in addressing common issues of immigration policy, ethnic diversity, poverty and foreign trade policy. But politics seems to make combatants of those who should be allies. On the economy side of things, there is no doubt that Texas is posting job growth far ahead of most states including California with lower unemployment and surging population growth.

But there is one area in which the competition is one-sided in California's favor and that is venture capital funding and the location and growth of startups.

California and the Bay Area are the nation's venture capital leaders with high and rising dollar volumes and shares of national activity. New England and the New York metro area are next with Southern California (Los Angeles-Orange and San Diego metro areas) in 4th place in terms of funding.

Southern California received \$1.5 billion in VC funding in the first half of 2014 compared to \$700 million for Texas. Southern California has received more VC funding than Texas in each year since the data series began in 1995.

Share of U.S. Venture Capital Funding

