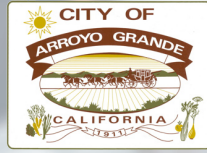


Q1 2009



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

Arroyo Grande In Brief

Receipts for Arroyo Grande's first quarter sales were 14.0% lower than the same quarter one year ago. Actual sales were down 15.4% when reporting aberrations were factored out.

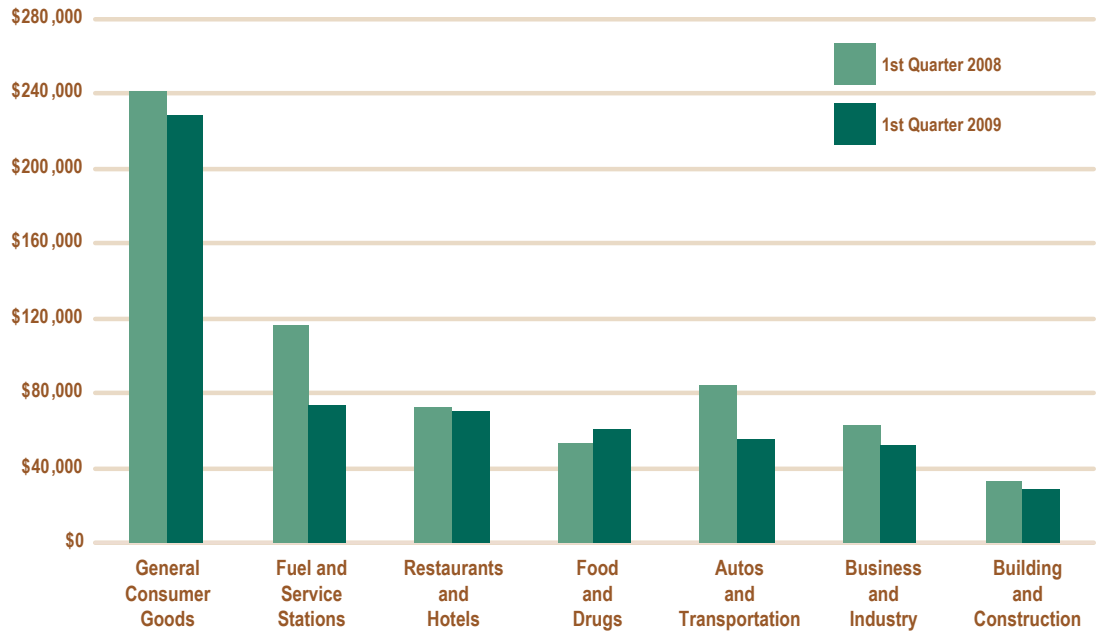
Lower fuel prices and a decline in sales from the autos & transportation and building & construction sectors were primarily responsible for the current decrease. A business closeout reduced receipts from home furnishings.

The losses were partially offset by a onetime accounting adjustment in the comparison period that exaggerated grocery store results.

The city's half cent transaction tax generated an additional \$370,689 for a decrease of 12.3% compared to a year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County declined 15.6% over the comparable time period while the Central Coast area, as a whole, was down 15.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Donnas Interiors Furniture
Ace Hardware	Hollywood Video
Albertsons	K Mart
Applebees	Marshalls
Aqua Systems	McDonalds
Arroyo Grande Shell	Mullahey Ford
Arroyo Grande Valero	Officemax
Burke & Pace Lumber Sales	P & J Lee Partnership
Chevron	Rite Aid
Chilis Grill & Bar	San Luis Obispo Country Farm
Christianson Chevrolet Oldsmobile	Trader Joes
CVS	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$3,004,381	\$2,671,098
County Pool	342,660	284,429
State Pool	1,686	1,302
Gross Receipts	\$3,348,726	\$2,956,829
Less Triple Flip*	\$(837,182)	\$(739,207)
Gross Trans. Tax	\$1,796,028	\$1,719,523

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Options

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

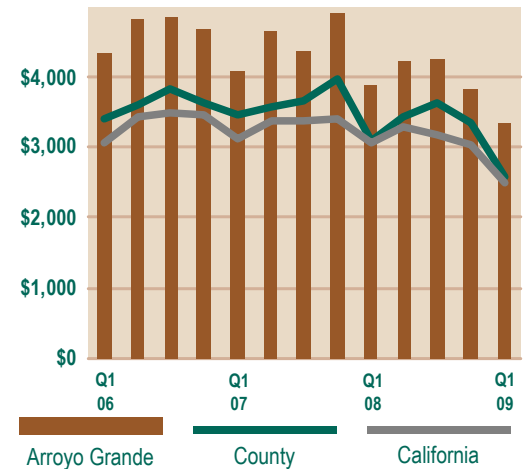
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

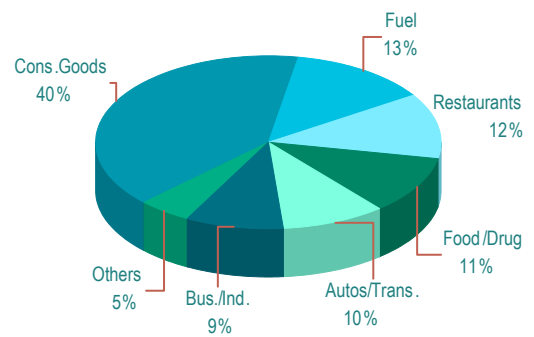
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '09	Change	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-2.2%	-3.3%
Service Stations	70,227	-35.3%	-37.3%	-35.3%
Restaurants No Alcohol	32,682	5.9%	1.4%	-2.7%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-27.8%	-27.7%
Grocery Stores Liquor	32,219	31.2%	-1.7%	-1.8%
Restaurants Liquor	22,148	26.1%	-6.2%	-2.1%
Home Furnishings	19,983	-39.6%	-26.9%	-21.1%
Family Apparel	18,900	9.5%	8.0%	-7.6%
Drug Stores	17,397	-3.6%	-4.1%	-4.5%
Lumber/Building Materials	16,113	-27.7%	-24.7%	-22.6%
Restaurants Beer And Wine	16,044	-34.8%	-6.6%	-9.9%
Garden/Agricultural Supplies	15,636	-10.7%	-10.1%	-15.5%
Specialty Stores	14,956	-11.2%	-18.8%	-7.9%
Office Supplies/Furniture	13,402	-4.4%	-8.3%	-20.5%
Hardware Stores	11,752	-6.8%	-10.0%	-15.0%
Total All Accounts	\$570,346	-14.2%	-16.3%	-17.6%
County & State Pool Allocation	64,907	-11.7%		
Gross Receipts	\$635,254	-14.0%		