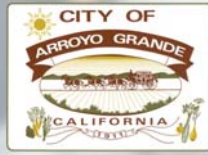


Q3 2007



Arroyo Grande Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2007)

Arroyo Grande In Brief

Receipts for Arroyo Grande's third quarter sales were 9.2% lower than the same quarter one year ago. Actual sales activity was down 4.2% when reporting aberrations are factored out.

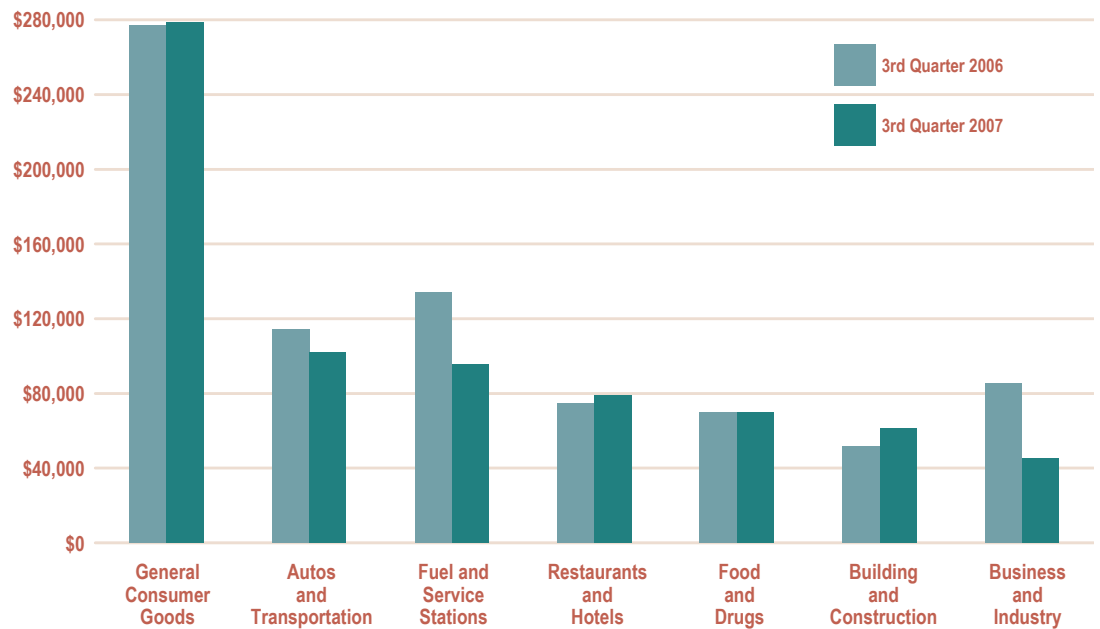
Reporting problems temporarily depressed receipts from service stations. A business closeout reduced receipts from home furnishings.

The losses were partially offset by a recent addition that helped boost revenues from contractor supplies and a onetime payment that increased revenues from electronics/appliance stores. Receipts from repair shop/hand tool rentals were inflated by onetime reporting aberrations.

The city's recently approved district tax generated 61.3% of the one percent Bradley-Burns tax this quarter for an additional \$447,977 in revenue.

Gross receipts for all of San Luis Obispo County decreased 4.3% over the comparable time period while the Central Coast area, as a whole, was down 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	Farm Credit West
Advantage Homes	Grand Estate Sales
Albertsons	JB Dewar
Alliance Ready Mix	K Mart
Aqua Systems	Marshalls
Arroyo Grande Auto Sales	McDonalds
Arroyo Grande Shell	Mullahey Ford
AT&T Mobility	Officemax
Burke & Pace Lumber Sales	Rite Aid
Chevron	San Luis Obispo Country Farm
Christianson Chevrolet Oldsmobile	Stan Robertsons Beacon
Donnas Interiors Furniture	Trader Joes
	Wal Mart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$1,606,752	\$1,513,894
County Pool	179,712	180,216
State Pool	2,091	157
Gross Receipts	\$1,788,555	\$1,694,267
Less Triple Flip*	\$(447,139)	\$(423,567)
Gross Trans. Tax	\$0	\$896,170

*Reimbursed from county compensation fund

NOTES

STATEWIDE SALES DECLINE

Further Decreases Anticipated

After adjusting for accounting aberrations, taxable sales during July through September declined 2.9% from the same quarter of 2006.

The inland regions of the state tended to trail the coastal regions. Only San Francisco and portions of the Silicon Valley posted significant gains.

Autos, lumber/building materials and fuel were the primary losers. New car receipts were down 13.3% from the same quarter one year ago while revenues from building/construction materials dropped 11.3% and fuel 6.1%.

Back to school shopping helped boost family apparel sales for the quarter but the gains were largely offset by a drop in demand for home furnishings and large appliances. Receipts from general consumer goods as a whole ended at only 0.7% higher than the third quarter of 2006.

Restaurants continued to be a source of growth exhibiting a 3.9% statewide gain over third quarter 2006 with even larger increases in the North Bay and Central Coast regions.

Capital purchases by manufacturers/exporters of high tech equipment and supplies also helped offset other declines with gains in business-to-business sales second only to the restaurant group.

The Remaining Fiscal Year ...

Fourth quarter sales results will not be available until the end of March. Preliminary reports indicate that holiday spending on general consumer goods increased only 2.2% over 2006 but that redemption of gift cards could boost January-February sales more than had been anticipated. Further declines are expected in receipts from auto sales. Prognostications for 2008 are blurred by wide differences among economists on how much further the economy will drop and on when a recovery might begin. However, most agree that the

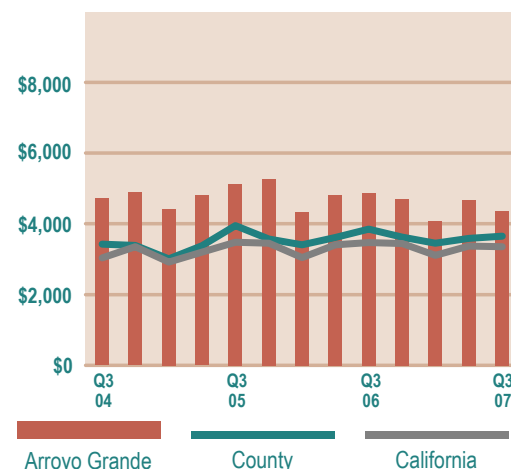
decline will continue through at least the first half of 2008 and possibly longer.

Analysts predict a further decrease of 6.0% to 6.5% in auto sales in 2008 with a recovery in that sector not expected until mid 2009. Sales of general consumer goods are expected to grow only 2.0% to 2.5% overall with solid gains in electronics but weakening performance for apparel, mid-tier department stores and mall shops.

Building and construction material sales could bottom out in mid 2008 with commercial, utility and public construction projects helping offset further losses from housing construction setbacks. However, a recovery in housing construction will be more gradual and is not expected until late 2010 or 2011.

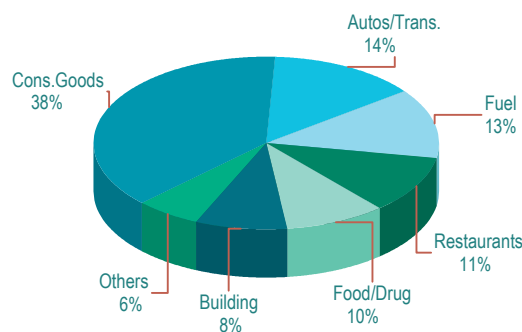
Business-to-business sales may level off in the first half of 2008 but, as long as export demand stays strong, analysts do not expect actual declines. As always, the trends for an individual jurisdiction will vary with the specific make-up of its tax base.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q3 '07	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		-1.0%	3.5%
Service Stations	87,854	-29.7%	-9.2%	-5.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-19.7%	-12.6%
Grocery Stores Liquor	38,952	-3.6%	-1.1%	0.0%
Restaurants No Alcohol	38,492	17.9%	4.6%	3.4%
Home Furnishings	32,230	-19.6%	-8.9%	-1.8%
Lumber/Building Materials	27,093	-19.8%	-33.9%	-27.4%
Restaurants Beer And Wine	26,609	7.7%	-1.7%	-0.8%
Garden/Agricultural Supplies	21,133	-13.6%	13.0%	-5.7%
Contractors	19,895	467.8%	-20.0%	-11.1%
Family Apparel	19,371	-2.5%	10.1%	7.6%
Drug Stores	17,655	-1.8%	-0.3%	3.7%
Electronics/Appliance Stores	17,490	180.7%	21.2%	-0.4%
Repair Shop/Hand Tool Rentals	15,654	88.5%	38.0%	44.9%
Specialty Stores	15,495	-14.9%	-2.2%	6.3%
Total All Accounts	\$731,225	-9.4%	-4.5%	-2.2%
County & State Pool Allocation	85,867	-7.4%		
Gross Receipts	\$817,092	-9.2%		