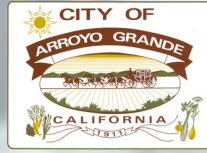


Q4 2009



Arroyo Grande Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2009)

Arroyo Grande In Brief

Receipts for Arroyo Grande's October through December sales were 6.6% higher than the same quarter one year ago. However, receipts from service stations were temporarily inflated by the double-up of a previously late payment. Actual sales activity was flat when this and other reporting aberrations were factored out.

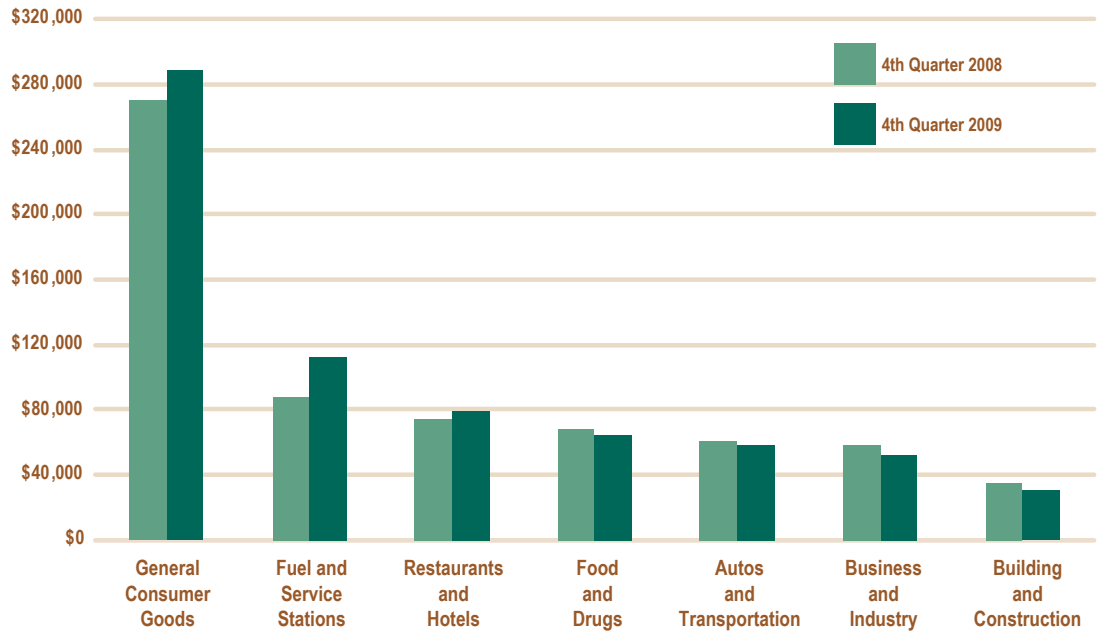
The increase from restaurants with beer/wine was also exaggerated by a onetime accounting adjustment. A recent business addition helped boost revenues from home furnishings. In addition, the city experienced a strong sales quarter from electronics/appliance stores and family apparel.

The gains were partially offset by a decline in sales from lumber/building materials. Previous business closures contributed to the decreases from some categories of the Autos & Transportation and Business & Industry sectors.

The city's voter approved half-cent transactions tax generated an additional \$434,168 in revenue, an increase of 2.2% from one year ago.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County declined 10.6% over the comparable time period, while the Central Coast region as a whole was down 6.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware	Donnas Interiors Furniture
Albertsons	JB Dewar
Aqua Systems	K Mart
Arroyo Grande Shell	Marshalls
Arroyo Grande Valero	Mullahey Ford
Burke & Pace Lumber	Officemax
Chevron	P & J Lee
Chilis Grill & Bar	Pierside
Christianson Chevrolet Oldsmobile	Rite Aid
Cookie Crock Warehouse	San Luis Obispo Country Farm
Dollar Tree	Slo World
	Trader Joes
	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$2,100,752	\$1,949,485
County Pool	219,938	205,135
State Pool	886	1,880
Gross Receipts	\$2,321,576	\$2,156,500
Less Triple Flip*	\$(580,394)	\$(539,125)
Gross Trans. Tax	\$1,348,834	\$1,243,176

*Reimbursed from county compensation fund

NOTES

California Overall

Local allocations for sales occurring October through December were 6.7% lower than last year's holiday quarter after adjusting for accounting aberrations.

All regions experienced declines. The largest reductions were in building and construction materials and business equipment and supplies. Shoppers generally favored discount stores and value-oriented apparel to traditional department stores and specialty shops. However, a few high end chains also posted gains. A rise in new car sales was offset by declining revenues from auto leases and continuing drops in sales of RVs, boats and motorcycles. The quarter's largest statewide increases were from value oriented family apparel and from rising service station prices.

Short Term Recovery Projected

Most economists and trade analysts are cautiously optimistic that there will be recovery over the next two or three quarters. Stabilization of home prices and the recovering stock market have made the still employed more confident about making purchases that were avoided during the bottom of the recession. Lower prices have also stretched the discretionary income available to make those purchases.

They see banks beginning to lend again while the restocking of depleted inventories is stimulating industrial production. Other factors adding to the optimism are increased demands for American exports, renewed spending on technology and software and a recent uptick in California's entertainment industry.

The Budget Conundrum

There is general agreement that the current recovery is fragile and that California will trail the nation. However, there is sharp disagreement on its durability. Most analysts believe that as long as the current demand for exports continues, the other previously cited factors will sustain a slow recovery.

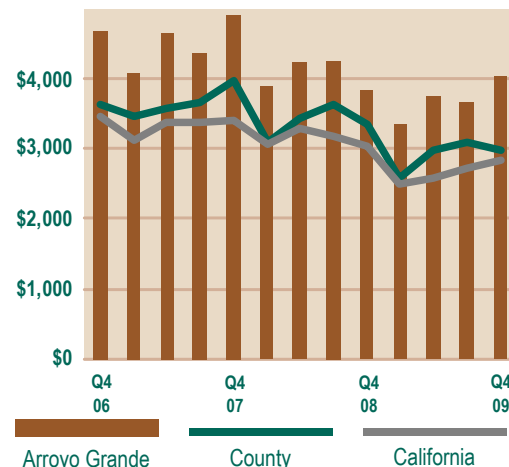
Others argue that a second dip in the recession is likely. They maintain that the current recovery is a "bubble" created by unsustainable tax cuts, federal stimulus spending, low interest loans and modification programs that mask and only delay inevitable foreclosures. Further, the pending resetting of large numbers of adjustable rate home mortgages and need to refinance \$500 billion in commercial loans is being ignored. Until we suffer the consequences from those losses they say, the end of federal bailouts will simply send us back into a recession. Both sides express concerns about the sufficiency of future job opportunities.

Recovery and Sales Tax

It will be slow, spotty and uncertain. Gains from value priced consumer goods, technology, medical focused industries and higher fuel prices are expected. The increase from incentive driven car sales should continue for another quarter or two.

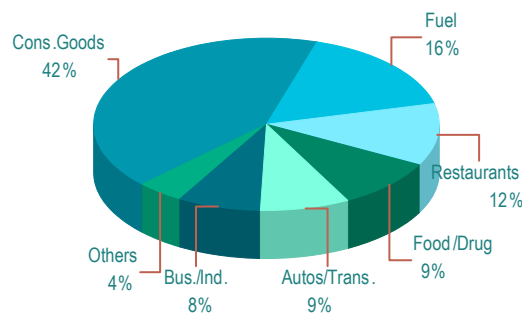
The outlook for a recovery from building and construction materials remains pessimistic while restaurants and other categories are expected to be flat or decline further.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '09	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	1.2%	1.8%
Service Stations	107,360	30.5%	3.8%	7.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	6.9%	1.1%
Grocery Stores Liquor	31,093	-18.1%	-5.7%	2.1%
Restaurants No Alcohol	29,264	-3.3%	1.1%	-2.3%
Home Furnishings	28,217	50.2%	-2.9%	-7.3%
Restaurants Beer And Wine	26,305	36.0%	-3.2%	-9.8%
Family Apparel	25,014	16.6%	18.6%	9.4%
Restaurants Liquor	22,544	-0.9%	-0.5%	-0.2%
Drug Stores	17,974	-3.2%	-5.3%	-0.9%
Lumber/Building Materials	17,292	-8.6%	6.1%	-0.5%
Garden/Agricultural Supplies	16,100	-2.8%	-8.4%	-7.7%
Electronics/Appliance Stores	14,039	17.6%	-4.3%	-2.6%
Specialty Stores	13,921	-13.0%	-2.0%	-5.8%
Grocery Stores Beer/Wine	13,034	30.8%	19.5%	-0.7%
Total All Accounts	\$687,956	5.0%	-10.7%	-5.9%
County & State Pool Allocation	80,037	23.0%		
Gross Receipts	\$767,993	6.6%		