Q2 2009

Nevada City Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2009)

Nevada City In Brief

Receipts for Nevada City's April through June sales were 41.5% lower than the same quarter one year ago. Actual sales activity was down 41.6% when reporting aberrations were factored out.

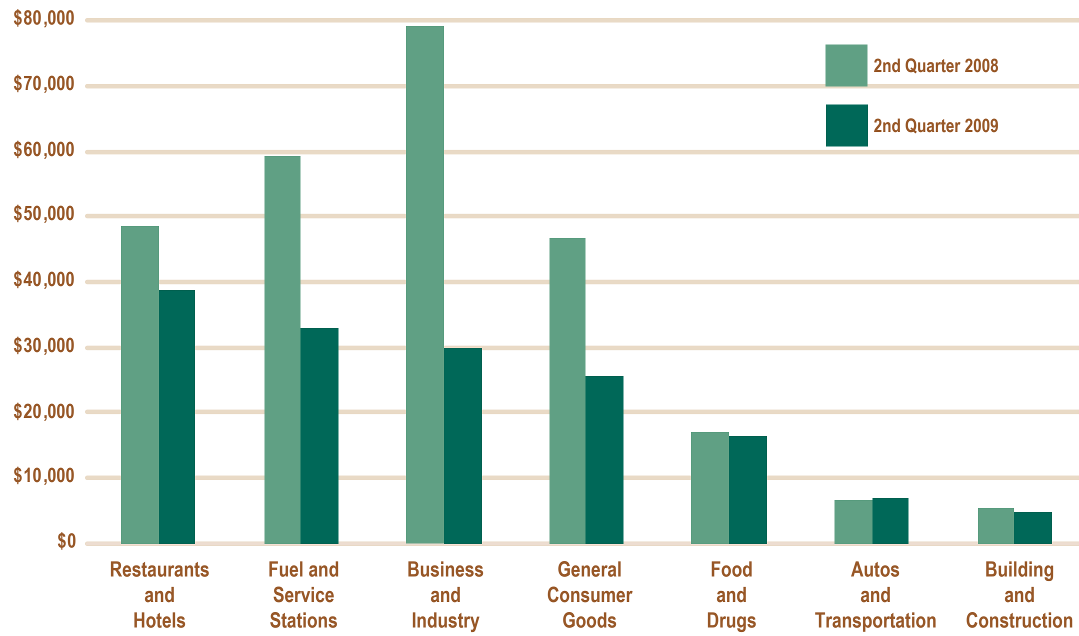
The city experienced a decline in sales from heavy industrial supplies, contractor supplies, and grocery stores with liquor. A onetime accounting adjustment understated the decline from electrical equipment. Double-up payments in the comparison period exaggerated the current declines from women's apparel, restaurants with beer/wine, and restaurants with liquor. A previous business closeout reduced receipts from home furnishings. The drop in fuel prices reduced receipts from the Fuel & Service Stations sector.

The losses were partially offset by recent additions that helped boost revenues for restaurants without alcohol and some categories of the General Consumer Goods sector.

The city's Street Improvements Transaction Tax generated an additional $131,391 in revenue during the quarter.

Adjusted for aberrations, taxable sales for all of Nevada County declined 23.4% over the comparable time period, while the Far North region as a whole was down 20.1%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- 49er Communications
- Bonanza Market
- Cirinos
- D & D Supply
- Earth Song Market & Cafe
- Express Mart
- Friar Tucks Restaurant
- Fur Traders
- Heausers Plaza Tire
- Ikes Quarter Cafe
- JH Petroleum
- Leftys Grill
- New Moon Cafe
- Northridge of Nevada City
- Port of Subs Express Market
- Riebes Auto Parts
- Robinson Enterprises
- Sierra Metal Fabricators
- SPD Market
- SPD Saw Shop
- Telestream
- Thomson Broadcast Media Solution
- Tortilla Grill
- Tour of Nevada City Bicycle Shop
- Trolley Junction Cafe

Revenue Comparison

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	$262,618	$155,822
County Pool	47,589	25,573
State Pool	(74)	164
Gross Receipts	**$310,133**	**$181,559**
Less Triple Flip*	$(77,533)	$(45,390)
Gross Trans. Tax	$158,440	$131,391

**Reimbursed from county compensation fund*

Published by The HdL Companies in Fall 2009
www.hdlcompanies.com | 888.861.0220

NOTES

Statewide Trends

Adjusted for accounting aberrations, the local portion of California's sales and use tax for transactions occurring April through June were 18.4% lower than last year's comparable quarter.

All categories and regions were down with receipts from fuel, automobiles, business supplies, and construction materials exhibiting the largest reductions. This is the eighth consecutive quarter of statewide declines but subsequent reductions should become increasingly moderate as the economy bottoms out and future quarters are compared to previous record lows.

The Climb Back Up

Statistically most economists agree that the national recession bottomed out somewhere around the end of July. Minor recovery is expected in the last half of the year as companies restock depleted inventories, federal stimulus programs filter through the system, and investor confidence returns.

However, restoration of California's previous sales tax levels will lag. Unemployment is projected to increase through the first quarter of 2010 and remain weak for several quarters after. Incomes are flat, household wealth has been exhausted, inflation is in decline, and the drops in property values are not over. Lenders are less risk tolerant and previously excessive borrowers have become disciplined savers.

The California Budget Project recently concluded that it took six years for the average household to fully rebound from the jobless recovery following the recession of 2001. New consumer frugality, tight credit, and moderate job growth may result in an equally slow recovery from this recession.

Prognostications for key segments:

General Consumer Goods – Sales of personal electronics remain solid but consumers are focusing on price and necessities when it comes to apparel and other merchandise. Weak back-to-school sales and limited credit for new stock have retailers planning lean inventories for the holiday season which is projected to be flat with only modest gains through 2010.

Transportation - Cash-for-clunkers stimulated new car sales but largely borrowed from the next two quarters. Significant recovery is not expected until the 2011 models arrive. RV, boat, and motorcycle sales may languish until the return of full employment.

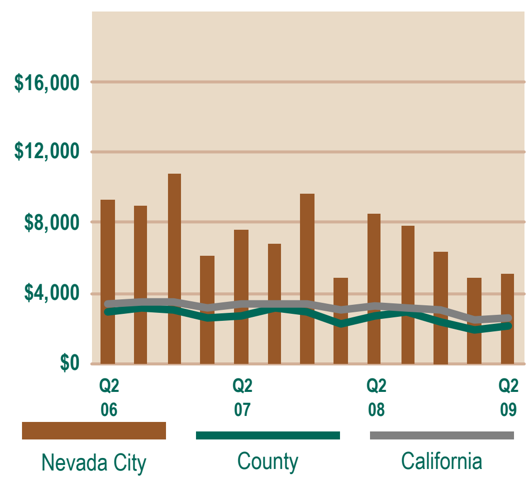
Business & Industry – Sales to health providers and manufacturers of food products, energy, and information technology remain stable. Investment in equipment and supplies as a whole however, generally drops in and out of a recession four to six quarters after consumer goods. Continued declines are expected through 2010.

Building & Construction - Benefits from the stimulus package will be offset by state cutbacks. Projections are for weak office and commercial construction. Modest recovery in overall spending is not expected until after next summer.

Fuel & Service Stations- Lack of competition allows refiners to manipulate costs of the state's environmentally friendly summer blend, but overall receipts are expected to stabilize after next quarter's comparison with the previous year's record price spike.

Grocers & Restaurants – Intense price competition has kept receipts from grocers' taxable goods down while higher-end restaurants continue to experience reduced patronage. Revenues are expected to remain flat for the next five to six quarters.

Sales Per Capita



Nevada City Top 15 Business Types

Business Type	Nevada City Q2 '09	Nevada City Change	County Change	HdL State Change
Restaurants Beer And Wine	$25,040	-19.1%	-4.4%	-12.5%
Electrical Equipment	21,952	-59.2%	-66.2%	-29.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-19.8%	-47.2%
Grocery Stores Liquor	— CONFIDENTIAL —		-3.7%	-2.6%
Service Stations	12,985	-23.5%	-41.0%	-36.8%
Restaurants Liquor	10,113	-28.6%	-1.1%	-5.1%
Specialty Stores	6,776	-13.1%	19.6%	-12.3%
Auto Repair Shops	4,777	5.1%	-14.2%	-13.8%
Women's Apparel	3,697	-21.9%	-17.5%	-12.0%
Electronics/Appliance Stores	— CONFIDENTIAL —		2.8%	-14.2%
Restaurants No Alcohol	2,955	15.8%	-8.9%	2.9%
Contractors	2,855	-15.0%	-34.2%	-31.0%
Heavy Industrial	2,309	-80.2%	-66.1%	-30.6%
Sporting Goods/Bike Stores	2,304	-15.2%	-19.9%	-4.6%
Jewelry Stores	2,270	-21.0%	-6.8%	-14.5%
Total All Accounts	**$155,822**	**-40.7%**	**-22.7%**	**-21.2%**
County & State Pool Allocation	**25,737**	**-45.8%**		
Gross Receipts	**$181,559**	**-41.5%**		