Q2 2009

National City Sales Tax *Update*

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

National City In Brief

The allocation from National City's April through June sales tax was 20.7% less than the same quarter one year ago.

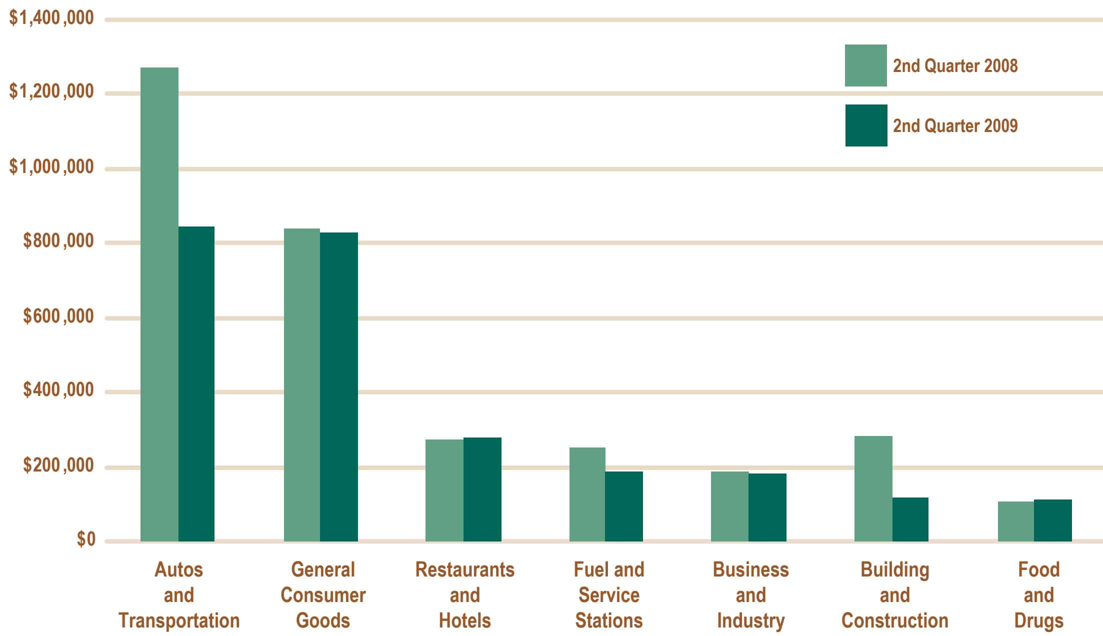
Lower fuel prices and decreased sales from new auto dealerships, restaurants with no alcohol, specialty stores and lumber/building materials were primarily responsible for the decrease. Recent closeouts reduced revenues from department stores and electronics/appliance stores. A onetime payment that temporarily inflated last year's allocation was responsible for the decrease in auto leases.

The losses were offset by increased sales from women's apparel. Recent additions helped boost revenues from discount department stores and heavy industrial. A onetime use tax payment temporarily increased receipts from some categories of Fuel & Service Stations.

National City's voter-approved Measure "D" generated additional $1,945,276 in sales tax revenue which was 7.2% less than the same quarter one year ago.

Adjusted for reporting aberrations, taxable sales for all of San Diego County decreased 18.3% over the comparable time period while Southern California as a whole was down 20.0%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Arco AM PM
- AT&T Mobility
- Ball Honda Acura Mitsubishi & Suzuki
- Dixieline Lumber
- Fairbanks Morse Engine Div
- Frank Motors
- Hanson Aggregates
- Harrison Buick
- JC Penney
- Macys
- McCune Motors
- Mossy Nissan
- Perry Ford
- Ron Baker Chevrolet Isuzu
- Ross
- South Bay Volkswagen Suzuki
- Sweetwater Harley Davidson
- Target
- Three Wives
- Univar
- Venture Petroleum
- Wal Mart
- Wescott Mazda Kia
- Westair Gases & Equipment
- World Fuel Services

Revenue Comparison

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	$3,215,342	$2,551,281
County Pool	359,416	280,704
State Pool	(849)	2,559
Gross Receipts	$3,573,910	$2,834,544
Less Triple Flip*	$(893,477)	$(708,636)
Gross Trans. Tax	$2,096,159	$1,945,276

**Reimbursed from county compensation fund*

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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 ended 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.

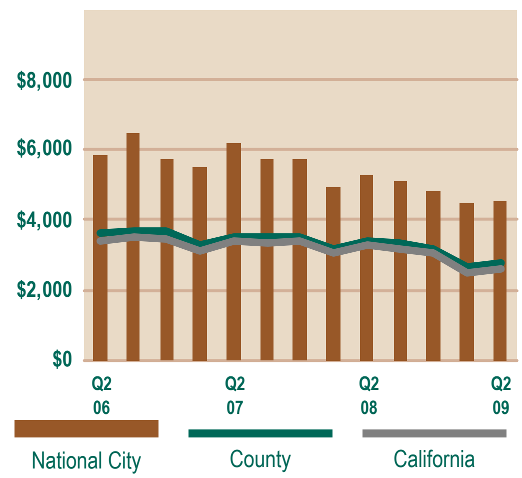
Business & Industry – Sales to health providers and manufacturers of food products, energy, and information technology remain stable. Investment in equipment and supplies as a whole however, generally drops in and out of a recession four to six quarters after consumer goods. Continued declines are expected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



National City Top 15 Business Types

Business Type	National City Q2 '09*	National City Change	County Change	HdL State Change
New Motor Vehicle Dealers	$661.3	-34.7%	-28.9%	-32.7%
Discount Dept Stores	205.5	28.6%	-6.9%	-4.7%
Restaurants No Alcohol	189.3	-2.9%	4.5%	2.9%
Service Stations	147.2	-36.0%	-35.9%	-36.8%
Family Apparel	126.8	2.1%	-8.6%	-5.4%
Department Stores	116.2	-21.8%	-22.3%	-20.5%
Specialty Stores	78.5	-5.1%	-12.6%	-12.2%
Women's Apparel	78.2	1.6%	-11.9%	-12.1%
Heavy Industrial	76.0	67.2%	-22.1%	-30.6%
Lumber/Building Materials	64.5	-68.4%	-21.1%	-21.1%
Electronics/Appliance Stores	58.5	-31.5%	-15.0%	-14.2%
Restaurants Beer And Wine	51.3	7.5%	-11.1%	-12.8%
Shoe Stores	48.8	13.9%	2.2%	-2.7%
Auto Lease	44.3	-36.4%	-23.7%	-24.2%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-42.1%	-47.2%
Total All Accounts	**$2,551.3**	**-20.7%**	**-17.2%**	**-21.2%**
County & State Pool Allocation	**283.3**	**-21.0%**		
Gross Receipts	**$2,834.5**	**-20.7%**		**In thousands*