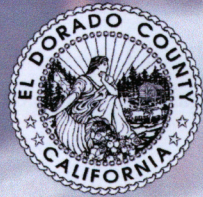


Q2 2012



El Dorado County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

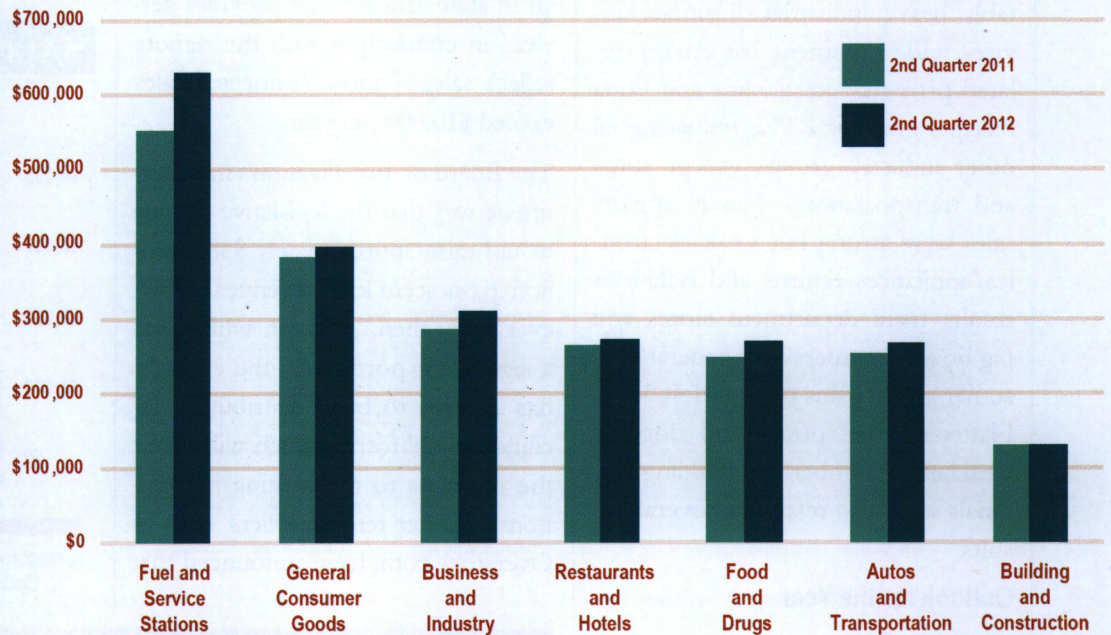
El Dorado County In Brief

The allocation of sales and use tax revenues from the unincorporated area's April through June sales was 8.1% higher than the same quarter one year ago.

Higher fuel prices and a solid quarter for auto sales, grocers and some categories of business-industrial goods and equipment were the primary contributors to the overall increase. A jump in the countywide allocation pool which is composed of use tax on out-of-state purchases, on-site installation sales, private vehicle transactions and equipment leases was also a factor.

Adjusted for aberrations, local sales and use tax revenues for all of El Dorado County including its cities increased 8.9% over the comparable time period while the six county Sacramento region as a whole was up 7.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Cameron Park Circle K 76	McDonalds
Cameron Park Petroleum	Meeks Building Center
Chevron	Mercedes Benz of El Dorado Hills
Circle K 76	Quick Stop Market
Crystal View Station	Raleys
CVS Pharmacy	Safeway
Dawson Oil	Safeway Fuel Center
DST Innovis	Shingle Springs Honda
El Dorado Hills Chevron	Shingle Springs Nissan Subaru
Golden State Flow Measurement	Target
K Mart	TJ Maxx
Lees Feed & Western Store	Tooley Oil
	Walmart

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$2,114,020	\$2,272,352
County Pool	338,267	374,254
State Pool	(1,302)	2,374
Gross Receipts	\$2,450,985	\$2,648,980
Less Triple Flip*	\$(612,746)	\$(662,245)

*Reimbursed from county compensation fund

NOTES

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

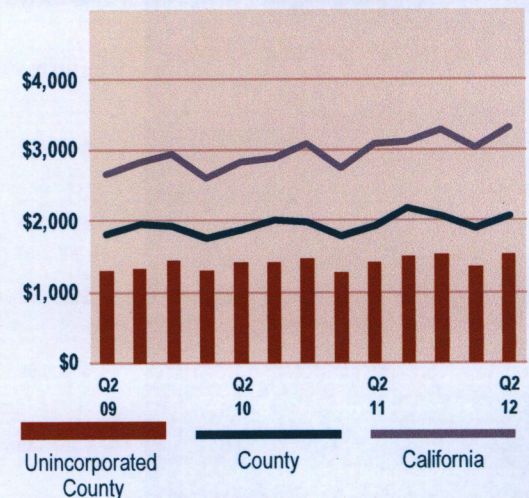
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



EL DORADO COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q2 '12*	Change	Change	Change
Automotive Supply Stores	48.4	26.0%	21.2%	8.0%
Business Services	58.1	9.5%	17.6%	-9.7%
Contractors	48.3	-13.3%	8.2%	12.0%
Discount Dept Stores	— CONFIDENTIAL —		5.4%	3.7%
Drug Stores	47.4	8.8%	7.7%	3.6%
Garden/Agricultural Supplies	47.6	-3.6%	0.4%	5.1%
Grocery Stores Beer/Wine	47.2	-3.4%	-1.4%	6.8%
Grocery Stores Liquor	148.2	12.2%	21.1%	4.2%
Light Industrial/Printers	48.0	26.1%	12.2%	-0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		17.9%	22.2%
Restaurants Beer And Wine	52.6	7.4%	3.4%	-0.1%
Restaurants Liquor	97.8	9.2%	8.5%	11.3%
Restaurants No Alcohol	85.1	2.5%	7.8%	8.1%
Service Stations	595.4	15.2%	14.9%	2.3%
Specialty Stores	43.1	-2.8%	3.0%	2.5%
Total All Accounts	\$2,272.4	7.5%	8.1%	6.7%
County & State Pool Allocation	376.6	11.8%		
Gross Receipts	\$2,649.0	8.1%		<i>*In thousands</i>